Executive

Wednesday 3 September 2014

A meeting of the Executive will be held at the Town Hall, Royal Leamington Spa on Wednesday 3 September 2014 at 6.00pm.

Membership:

Councillor A Mobbs (Chair)

Councillor L Caborn	Councillor J Hammon
Councillor M Coker	Councillor D Shilton
Councillor S Cross	Councillor N Vincett
Councillor Mrs S Gallagher	

Also attending (but not members of the Executive):

Independent Group Observer	Councillor MacKay
Labour Group Observer	Councillor Edwards
Liberal Democrat Group Observer	Councillor Boad
Chair of the Overview & Scrutiny Committee	Councillor Mrs Falp
Chair of the Finance & Audit Scrutiny Committee	Councillor Barrott

Emergency Procedure

At the commencement of the meeting, the Chairman will announce the emergency procedure for the Town Hall.

Agenda

1. **Declarations of Interest**

Members to declare the existence and nature of interests in items on the agenda in accordance with the adopted Code of Conduct.

Declarations should be entered on the form to be circulated with the attendance sheet and declared during this item. However, the existence and nature of any interest that subsequently becomes apparent during the course of the meeting must be disclosed immediately. If the interest is not registered, Members must notify the Monitoring Officer of the interest within 28 days.

Members are also reminded of the need to declare predetermination on any matter.

If Members are unsure about whether or not they have an interest, or about its nature, they are strongly advised to seek advice from officers prior to the meeting.

2. **Minutes**

To confirm the minutes of the meetings held on 30 July and 13 August 2014 **(Item 2/Page 1)**

Part 1
(Items upon which a decision by Council is required)

3. **Enforcement Policy**

To consider a report from Health and Community Protection **(Item 3/Page 1)**

Part 2
(Items upon which the approval of the Council is not required)

4. **Warwick District Council House Building**

To consider a report from the Chief Executive (AJ) **(Item 4/Page 1)**

5. **Warwick Mop Review**

To consider a report from Organisational Development **(Item 5/Page 1)**

6. **Ranger Service**

To consider a report from Neighbourhood Services **(Item 6/Page 1)**

7. **Self-assessment audit of compliance with Children's Safeguarding duties**

To consider a report from the Deputy Chief Executive (BH) **(Item 7/Page 1)**

8. **Member Children's Champions**

To consider a report from the Deputy Chief Executive (BH) **(Item 8/Page 1)**

9. **Building Control Joint Service**

To consider a report from Development Services **(Item 9/Page 1)**

10. **General Reports**

(A) Rural / Urban Capital Improvement Scheme (RUCIS) Application

To consider a report from Finance **(Item 10A/Page 1)**

(B) Endorsement of the Shrewley Parish Plan

To consider a report from the Community Partnership Team **(Item 10B/Page 1)**

11. **Public and Press**

To consider resolving that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following items by reason of the likely disclosure of exempt information within the paragraphs of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006, as set out below.

Item Nos.	Para Nos.	Reason
13	1	Information relating to an Individual
13	2	Information which is likely to reveal the identity of an individual
12, 14, 15, 16, 17 & 18	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Part 1
(Items upon which a decision by Council is required)

12. **Housing Benefits and Council Tax Reduction - Risk-Based Review**

To consider a report from Finance **(Item 12/Page 1)**
(Not for Publication)

Part 2
(Items upon which the approval of the Council is not required)

13. **Housing and Property Services Staffing Review**

To consider a report from Housing & Property Services **(Item 13/Page 1)**
(Not for Publication)

14. **Oakley Wood Crematorium Proposed Improvements**

To consider a report from Organisational Development **(Item 14/Page 1)**
(Not for Publication)

15. **Fetherston Court Demolition Approval**

To consider a report from Organisational Development **(Item 15/Page 1)**
(Not for Publication)

16. **Settlement of Property Search Claim**

To consider a report from Development Services **(Item 16/Page 1)**
(Not for Publication)

17. **South West Warwick Phase 9 Affordable Housing**

To consider a report from Housing & Property Services **(Item 17/Page 1)**
(Not for Publication)

18. **Minutes**

To confirm the minutes of the meeting held on 2 July 2014

(Item 19/Page 1)
(Not for Publication)

19. **Warwick Mop Review – Appendix 4 to Item 5**
To consider a report from Organisational Development **(Item 19/Page 1)**
(Not for Publication)

Agenda published Friday 22 August 2014

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For enquiries about specific reports, please contact the officers named in the reports You can e-mail the members of the Executive at executive@warwickdc.gov.uk

Details of all the Council's committees, councillors and agenda papers are available via our website www.warwickdc.gov.uk/committees

Please note that the majority of the meetings are held on the first floor at the Town Hall. If you feel that this may restrict you attending this meeting, please call (01926) 353362 prior to this meeting, so that we can assist you and make any necessary arrangements to help you attend the meeting.

The agenda is also available in large print, on request, prior to the meeting by calling 01926 353362.

Executive

Minutes of the meeting held on Wednesday 30 July 2014 at the Town Hall, Royal Leamington Spa at 6.00 pm.

Present: Councillor Mobbs (Chairman); Councillors Coker, Cross, Mrs Gallagher, Hammon, Shilton and Vincett.

Also present: Councillor Mrs Knight (Interim Chair of Finance & Audit Scrutiny Committee), Councillor Mrs Falp (Chair of Overview and Scrutiny Committee), Councillor Boad (Liberal Democrat Group Observer), Councillor MacKay (Independent Group Observer) and Councillor Wilkinson (Labour Group Observer).

An apology for absence was received from Councillor Caborn.

24. **Declarations of interest**

Minute Number 25 – Agenda Item 3 – Budget Review to 30 June 2014

During the course of the item, Councillor Mrs Falp declared a pecuniary interest because she was a Whitnash Town Councillor and left the room whilst the item was discussed.

Part 1

(Items on which a decision by Council is required)

25. **Budget Review to 30 June 2014**

The Executive considered a report from Finance which updated Members on the Council's latest financial position. The Council's Medium Term Financial Strategy had been updated since the 2014/15 Budget was agreed in February of this year in light of later Government announcements and other known changes. Various changes to 2014/15 budgets had been identified and were presented to Members for approval.

The report explained how the budget review process provided a planning tool to ensure that resources were directed to the Council's priorities. In addition, external factors were also taken into consideration for example Central Government Financing, the Business Rates Retention Scheme, changes in legislation and the economy.

Members received quarterly budget reports and this was the first of these reports in the current financial year. The current General Fund service expenditure position was a projected £190,500 surplus compared to the original 2014/15 budget. Paragraph 8.1of the report listed the changes identified and Members' retrospective approval was sought for these budgets which had been actioned under delegated powers. Section 8 of the report discussed the main reasons for the surplus in more depth.

As it was still relatively early in the financial year, Members were reminded that the overall position would continue to be monitored so that there could be more surety before agreeing, later in the year, how the projected surplus might be utilised.

Many factors which affected the medium term financial strategy had changed since it was last presented in February when the Council Tax was set. Full details of the changes and implications were outlined in sections 8 and 9 of the report. In addition, Members were advised of the £1.01 million projected deficit, meaning that further savings and efficiencies of this amount would need to be achieved by 2019/20, in addition to those already identified and included within the projections.

Various projects had been agreed to be worked upon and should generate savings that could help the Council's financial position. These projects were listed in section 9.16 of the report.

One alternative option was to not report to Executive on a regular basis. However, this had been discounted because in the current financial climate, it was imperative that budgets were reviewed, monitored and reported upon on a regularly.

Another alternative option was to not slip capital to the correct year in which it was intended to be spent, however, this made the monitoring of projects difficult. Not monitoring the Business Rates and Council Tax Collection Fund was also an option but it would not be good practice to wait until the end of the Financial Year to see how actual income collected compared to the forecast.

The Finance & Audit Scrutiny Committee supported the recommendations but raised a number of concerns about the level of savings still needed, a total of £1.01 million over the five year period, and notably a £496k in-year deficit arising in 2016/17. Due to the modest surplus in 2015/16, this resulted in an on-going deficit of £433k in 2016/17.

There was a general concern for the finances of local authorities, mainly as a result of the cuts made by central Government. Members agreed that it was the scrutiny committee's role to remain cautious and vigilant and ensure that tight budgeting and robust business plans remained a priority. The Committee also urged managers to plan all projects well ahead and to avoid last minute reports requesting monies that had not been included in the original budgets.

Finance & Audit Committee Members asked for clarification on recommendation 2.8 which referred to the increase in funding for a community hub/local centre for Whitnash. Although Members were satisfied with the explanation from officers, it was agreed that the recommendation could be strengthened and it was, therefore, proposed that recommendation 2.8 be amended to read "the Executive agree <u>up to a maximum of</u> £10,000 Contingency Budget funding….".

The Portfolio Holder for Finance, Councillor Cross, thanked the Finance & Audit Scrutiny Committee for their comments and agreed with their proposal of additional wording to recommendation 2.8. He assured Members that officers were monitoring the issues monthly and substantial measures had been put in place to keep the Council in a strong position.

The Leader, Councillor Mobbs, highlighted that the figure quoted in paragraph 8.7 of the report should read "£6,300" and not "£128,000", in relation to the savings still to be achieved in 2014/15. He also reminded Members that the delay in agreeing a new location for the District Council headquarters had increased the savings to be achieved by 2019/20. Councillor Mobbs supported the range of projects detailed in section 9.16 which would help to bring about financial savings. Finally, he reminded Members of the progress made since the initial savings were calculated at £2.7million, five years ago.

It was therefore

Recommended that

(1) the budget position for the current year for the General Fund, currently £190,500 surplus, be acknowledged;

(2) the Budget Changes in paragraphs 8.1(General Fund) and 8.9 (Housing Revenue Account), the most significant of which are discussed in this report, be retrospectively approved;

(3) the updated Financial Strategy and the forecast required recurrent savings of £1.01 million to be achieved by 2019/20, as shown in Appendix C, be noted;

(4) work should be progressed on all the projects listed in paragraph 9.16 of the report;

(5) the capital slippage of £433,000 discussed in paragraph 3.5 of the report is approved and the latest General Fund Capital Budget for 2014/15 of £3,597,900, is noted. Members also approve a net increase in HRA-related Housing Investment Programme Capital budgets of £54,000 as per paragraph 10.4 of the report. *Details of both Capital programmes are shown in Appendices A1 and A2.*

(6) the use of the Chief Executive's emergency powers using £13,000 Contingency Budget to assist funding cycle route improvement works at Radford Road, Leamington Spa, be noted;

(7) the use of the Chief Executive's emergency powers to provide 1/3rd match funding (£15,000) towards a grant from the Department of Energy & Climate Change (DECC), be noted;

(8) up to a maximum of £10,000 Contingency Budget funding is agreed to undertake feasibility work on a community hub/local centre for Whitnash;

(9) the Council's membership of the Coventry and Warwickshire Pool for Business Rates be confirmed;

(10) any variance from the assumed Business Rate Retained income in 2014/15 for the Council should be credited or debited to the Business Rate Volatility Reserve;

(11) the use of the Local Plan Delivery Reserve is delegated to the Chief Executive, Head of Finance, Head of Development Services in consultation with the Deputy Leader (responsible for the Local Plan) and all Group Leaders; and

(12) £200,000 is allocated from the Housing Revenue Account to the HRA Early Retirement Reserve.

(The Portfolio Holder for this item was Councillor Cross)
(Forward Plan reference number 567)

Part 2
(Items on which a decision by Council is not required)

26. **Significant Business Risk Register**

The Executive considered a report from Finance which set out the latest version of the Council's Significant Business Risk Register for review and asked Members to consider if any further actions should be taken to manage the risks facing the organisation.

The Significant Business Risk Register (SBRR) recorded all significant risks to the Council's operations, key priorities, and major projects. Individual services also have their own service risk registers.

The SBRR was reviewed quarterly by the Council's Senior Management Team and then, in keeping with members' overall responsibilities for managing risk, by the Executive. The latest version of the SBRR was set out as Appendix 1 to the report.

The report gave a summary of the Significant Business Risks, rating the risks from low to high risks, along with a probability of occurrence. This was attached as appendix 2 to the report. Appendix 3 explained the methodology for assessing the risks and the potential consequences for each score.

There were no alternative options provided.

The Finance & Audit Scrutiny Committee strongly supported the recommendations in the report and felt that all staff should be congratulated for their hard work during difficult financial times.

The risks associated with the Local Plan (Risk 16) were noted and Members were mindful of the Planning Risks, in particular in relation to the Gypsy and Traveller Sites and Developer challenge elements of the Plan. Members were satisfied with the explanation from Officers that the crossing out of the Local Plan wording in the Risk description was an oversight and that this Risk still exists.

Members agreed that this should be treated as a living document which needed to be updated continuously. It was felt that staff had been working under tight budgets and in difficult circumstances and should be congratulated for their efforts.

The Leader, Councillor Mobbs, endorsed the report and

> **Resolved** that the Significant Business Risk Register attached at Appendix 1 to the report be noted and no further actions were required to manage the risks facing the organisation.

(The Portfolio Holder for this item was Councillor Mobbs)
(Forward Plan reference 609)

27. **Response to Overview & Scrutiny Task & Finish Group's review of the Dog Control Order service in the District**

The Executive considered a report from Health and Community Protection which had been produced in response to a Task and Finish Group Report for the Overview and Scrutiny Committee.

The Clean Neighbourhoods and Environment Act 2005 provided a power to local authorities to make dog control orders. These orders replaced the previous system of byelaws for the control of dogs, and also the Dogs (Fouling of Land) Act 1996 which had been repealed.

Orders could be made in respect of any land which was open to the air and to which the public were entitled or permitted to have access (with or without payment). The penalty for committing an offence contained in a dog control order was a maximum fine of level 3 on the standard scale (currently £1000) or the issue of a fixed penalty notice.

The Council introduced four dog control orders in November 2011, namely –
The Fouling of Land by Dogs (Warwick District Council) Order 2011
The Dogs on Leads (Warwick District Council) Order 2011
The Dogs on Leads by Direction (Warwick District Council) Order 2011
The Dogs Exclusion (Warwick District Council) Order 2011

Overview and Scrutiny Committee's work programme for 2012 included establishing a task & finish group to review the impact of the four dog control orders after the first year of their implementation and make recommendations for greater effectiveness.

The summary of their recommendations was attached at Appendix 1 to the report.

The O & S final report was considered by the Executive in October 2013 together with initial comments from the Environmental Services portfolio holder who was of the opinion that it had been a very valuable piece of work. The Executive agreed to accept the proposal from the Portfolio Holder on the way forward and resolved that

(1) recommendations 6, 7, 11, 12, 13, 14, and 18 of the O&S report be approved, and

(2) the other recommendations (1-5, 8-10, 15-17, 19 and 20) be subject to a further report from the three relevant portfolio holders (Finance, Neighbourhood Services, and Health & Community Protection) about the practicalities and financial arrangements for them.

This report therefore addressed the second resolution above and those Task & Finish Group recommendations which asked for more information. It should also be noted that recommendation 7 had a number of parts for consideration and further information was provided within the appendices, with varying recommendations.

The alternative options were outlined individually in the appendices to the report.

The Overview & Scrutiny Committee supported the recommendations in the report.

Resolved that

(1) the existing four dog control orders implemented in November 2011 will remain in force, subject to some amendments detailed below (or in recommendations 7a):

(2) there is insufficient evidence to consider amending The Dogs on Leads (Warwick District Council) Order 2011 but it will remain under review;

(3) the wording on the Fouling of Land by Dogs Order 2011 will not be reviewed because it would go against the Council's general ethos. There is also a concern that potentially harmful dog waste could be left on grazing land, leading to an increased risk of disease/infection for sheep and cattle;

(4) additional bins will not be provided at the current time but the positioning and frequency of emptying bins will be kept under review;

(5) the installation of additional bins alongside the "open basket bins" in cemeteries is not supported at the current time, however, the situation will be kept under review;

(6) stickers are already in place on all waste bins and additional publicity will be secured through key partners, which will include promotion at dog-owner education events throughout the summer;

(7) regarding future areas to be considered for dog control orders;

(a) Acre Close Play Area, Abbey Fields Play Area and The Dell will be designated as Dog Exclusion Zones, in accordance with the Clean Neighbourhoods and Environment Act 2005, The Dog Control Orders (Prescribed Offences and Penalties, etc) Regulations 2006 (SI 2006/1059) be amended to include these;

(b) the Pageant Gardens, Collegiate Church Garden, closed churchyards will be brought forward in a further report as they will require full consultation before inclusion in any order. Officers will discuss with Warwick Town Council how dog control can be best managed in Pageant Gardens;

(c) Canalside and Highcroft Crescent are not clearly demarcated play areas and are not recommended for implementation of a Dog Control Order;

(8) the Play Area Working Party will remain the body which reviews the fencing on play areas, within the policy and budgetary framework of the Green Space Strategy;

(9) enforcement signs will not be amended as it would not assist with enforcement;

(10) the Dog Warden's job title will not be amended because it has to reflect the enforcement element of the role;

(11) there is no evidence to demonstrate the benefit of introducing dog behaviour contracts in line with the "Eastleigh model";

(12) talks are ongoing with Mac Golf regarding their offer to provide staff to educate dog owners regarding keeping dogs on leads on the footpaths. The merits of introducing the Fairway Code will also be considered. Eight posts have already been installed to enable the fixing of signs;

(13) the Council has liaised with local Police to clarify the role of PCSO's working with the Dog Warden and a guidance note has been produced, as detailed in Appendix 5 to the report;

(14) the Council has liaised with Mid Warwickshire Neighbourhood Watch regarding gathering information about persistent fouling in residential

areas. However, they do not believe there is an appetite from members to participate and there are no proposals to progress this further at this time;

(15) a Ranger Service, similar to that provided in Jephson Gardens could be expanded to cover parks and open spaces across the District. A further report will be brought to Executive when specific proposals have been prepared, before the 2014/15 Budget is considered by Members;

(16) the wording of The Dogs on Leads by Direction order, in particular paragraph 4.2(b), is in line with the purpose of the order and sufficient to secure prosecution if necessary. It will therefore, not be amended;

(17) the existing Dogs on Leads Control Order would need to be amended to specify short leads (no more than 2m seems to be usual) in cemeteries. This amendment would require public consultation and would need to be scheduled into the work programme. Therefore, it is not intended to bring this forward at the current time but to plan for it within 2015/16 service plan along with the items listed in recommendation 7(b);

(18) the Council feels it is appropriate that other council officers should have a role in dog control and 10 members of staff are already delegated to enforce dog control duties;

(19) resources have been, and will continue to be, committed to educate users of Warwick Racecourse and St Mary's Lands. In addition, officers will continue to work with Warwick Racecourse to include the participation of racecourse staff in educating the public; and

(20) it was agreed that a broader look at the service provision was needed and officers are reviewing the Ranger service in parks to see how changes to this can provide a comprehensive approach on a more cost effective basis.

(The Portfolio Holders for this item were Councillors Coker, Cross and Shilton)
(Forward Plan reference number 533/1)

28. **Proposed Consultation on Release of land off Stratford Road, Warwick for Employment Purposes**

The Executive considered a report from the Chief Executive which sought approval for the Council to undertake a consultation on the release of land off Stratford Road, Warwick and for that consultation response to be fed back for a decision in the context of the next stage of the Local Plan. The report also asked for officers to report back on the financial and other implications of provision/re-provision of the current depot on part of the site.

The report advised that the Council has been approached both as Local Planning Authority and as an adjoining landowner by Severn Trent Water (STW) to consider the release of land it owns off Stratford Road, Warwick for employment purposes.

STW had proposed that the employment land release should include their land and immediately adjoining owned by other parties. The whole of the land proposed to be released was shown on Plan A attached as an appendix to the report.

The Local Plan had made an employment land allocation off Europa Way of eight hectares (19.2 acres) but this would require significant new infrastructure provision before it was ready for development, so would not available in the short term to meet the evident and increasing demand.

The proposed site was c15 hectares (35 acres), had good access to Junction 15 of the M40 and the A46, was on a bus route, had cycleway access, and was within walking distance of a significant housing area. It had existing service provision which could be upgraded and had few other environmental constraints, making it a potentially viable employment site that could be brought forward relatively speedily.

The report recommended that a public consultation be undertaken in relation to the release of this land for employment purposes, i.e. Use Class B1, B2 and B8. However, STW had suggested that the site could also be considered for C2 and car showroom activities. All of these potential uses could be explored as part of the proposed consultation, the response would then be fed back and the matter decided as part of the deliberations of the next stage of the Local Plan.

The alternative option was that Members could decide not to progress this opportunity with consequent potential adverse impacts on the possibility of resolving a current objection to the Local Plan, enabling the local economy to grow and gaining a capital receipt.

Alternatively, Members could decide not to include its own land. This was possible and the impact would only be on the Council financially, in terms of a possible significant capital receipt foregone. It was felt that since at this stage the proposal was only to go out to consultation, there was little merit in closing down its options at this stage. The Council could consider these options once it had the benefit of a full consultation response.

The Portfolio Holder for Development Services, Councillor Hammon, endorsed the recommendations, stating that in his opinion this was a good site which was strategically well placed.

The Executive therefore

Resolved that

(1) the land shown on Plan A of the report be subject to a public consultation with the community and statutory agencies in relation to its release in the new Local Plan for the purposes outlined in paragraph 3.7 of the report;

(2) the response to the consultation be reported back as part of the next stage of deliberations regarding the Local Plan; and

(3) officers conduct discussions about the provision/re-provision of a depot for two of the Council's contractors and report back separately on the financial and other implications.

(The Portfolio Holders for this item were Councillors Caborn and Hammon)

29. **Public and Press**

Resolved that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following item by reason of the likely disclosure of exempt information within the paragraphs of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006, as set out below.

Minute No.	Para Nos.	Reason
30	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

30. **Minutes**

The confidential minutes of the meetings held on 10 June and 2 July were taken as read and signed by the Chairman as a correct record.

(The meeting ended at 6.23 pm)

Executive

Excerpt of the minutes of the meeting held on Wednesday 13 August 2014 at the Town Hall, Royal Leamington Spa at 7.15 pm.

Present: Councillor Mobbs (Chairman); Councillors Caborn, Coker, Cross, Mrs Gallagher, Hammon and Vincett.

Also present: Councillor Barrott (Chair of Finance & Audit Scrutiny Committee), Councillor Mrs Falp (Chair of Overview and Scrutiny Committee) and Councillor Wilkinson (Labour Group Observer).

Apologies for absence were received from Councillor Shilton.

31. **Declarations of interest**

Minute Number 32 – Draft Development Plan Document (DP) for the Allocation of Sites for Gypsies and Travellers

During the discussions, Councillor Caborn declared an interest in the proposed transit site located at Southam because he was a Warwickshire County Councillor.

Part 1
(Items on which a decision by Council is required)

32. **Draft Development Plan Document (DPD) for the Allocation of Sites for Gypsies and Travellers**

The Executive considered a report from Development Services which informed Members of the outcome of the Preferred Options for Sites for Gypsies and Travellers consultation and the next steps required to enable the submission of the Development Plan Document (DPD) to the Secretary of State.

In addition, approval was required to carry out a public consultation for the Draft Development Plan Document (DPD) for the Allocation of Sites for Gypsies and Travellers.

The report explained that the Allocation of Sites for Gypsies and Travellers Development Plan put forward sites to be allocated through the Local Plan process, for the use of Gypsies and Travellers. This was to satisfy a need identified in the Gypsy and Traveller Accommodation Assessment (GTAA) 2012 and fulfil the Council's responsibility under the National Planning Policy Framework (NPPF) 2012 and the Housing Act 2004 to meet the accommodation needs of the population within its area.

The Town and Country Planning Regulations 2012 required that Development Plan Documents (DPD) proceed through a number of key stages. This report brought to an end the preparation stages as set out in

Regulation 18 of the 2012 Regulations and commenced the 'publication' stage of the DPD as set out in Regulation 19.

The report requested that the consultation on the potential for employment development on land at Stratford Road, Warwick agreed by the Executive at its meeting on 30 July 2014, be amended to refer to the wider area of land as shown in Appendix A of Appendix 2. The report explained that in discussing this possibility with the other two principal landowners, it became clear that the site appraisal for both employment and for a gypsy and traveller site needed to refer to a wider area of land than had been agreed by the Executive.

The remaining recommendations proposed that Council resolve to note the report of the public consultation as attached at Appendix 1 and the updated sites assessments attached as Appendix 3 to the report.

The report also recommended that the Draft Development Plan, the Allocation of Sites for Gypsies and Travellers attached as Appendix 2 and the amendments to the Policies Map, attached as Appendix A of Appendix 2, be approved for publication under Regulation 19 of the Town and Country Planning Regulations 2012.

Members were advised that the Draft Development Plan, amended policies map and sustainability appraisal would be open to representations for a period of six weeks, to coincide with the Local Plan consultation on the potential for development at Stratford Road, Warwick.

Approval of the Statement of Representations Procedure and publication of the sustainability appraisal was proposed to be delegated to the Chief Executive in conjunction with the Deputy Leader of the Council. In addition, delegated authority was proposed to the Chief Executive, following the six week consultation period, acting in consultation with Group Leaders and the Deputy Leader, to submit the Draft Development Plan and amended Policies Map for independent examination, together with a table of any proposed modifications, provided that only minor, non-material modifications were proposed.

Finally, the report recommended that Council resolve to delegate authority to the Executive to approve the submission of the Draft Development Plan Document for independent examination, together with a table of proposed modifications including material modifications, provided that such modifications do not require further statutory consultation. Approval to delegate authority to the Head of Development Services, in consultation with the Deputy Leader of the Council, was also required to make any necessary non-material amendments to the Development Plan before the commencement of the consultation.

An alternative option was to consider alternative sites to meet the requirements set out the 2012 GTAA. The assessment of these sites was attached as Appendix 3 to the report.

As the Council had to meet its obligations under the National Planning Policy Framework and the Housing Act, the number of pitches specified in the GTAA should be met. It had been suggested that the GTAA was flawed. Whilst it was extremely difficult to forecast the requirements for Gypsies and Travellers accurately, the report explained that the GTAA had been checked and provided a reasoned methodology. It was therefore considered that alternatives involving the provision of fewer pitches could not be justified.

The following members of the public addressed the Executive; Mr Butcher, a local resident, Mr Hallworth, Secretary of the Brakes Trust and Mr Scott, Chairman of Leamington Football Club.

The Leader thanked the gentleman for attending the meeting and sought clarity from officers on a number of queries raised by the speakers. These queries included the quality of data supplied by Salford University and the relevant experience they had in producing GTAA's. The officers explained the complexities of interviewing and gathering data from Gypsy and Traveller communities and the problems resulting from such a small sample size.

In response to a query regarding the number of pitches needed to be provided in the first five years, officers explained that the jump from zero to 25 was necessary to reduce the backlog of providing no pitches previously.

Following Mr Hallworth's speech to the Executive, the Leader responded that the Council would not use a Compulsory Purchase Order (CPO) on the site and that they fully supported the football club. He also praised the club for the excellent relationship that had been built with officers from the Council and hoped that this would continue. He assured Mr Hallworth that the worst case scenario would be that the club would remain where it was.

Councillor Barrott, Chairman of the Joint Scrutiny Committee, addressed Members and explained that the Committee had resolved to refer the matter to Council for full debate. In addition, he thanked the representatives from the Brakes Trust and Leamington Football Club for attending and for all the hard work that had been inputted by those present.

The Portfolio Holder for the Local Plan, Councillor Caborn, endorsed the report and explained the current situation regarding the potential future of the Stratford Road site in Warwick. He advised that a three way consortium had been developed with Severn Trent Water, the landowners and the Council to discuss the complexities of the site including flooding and noise issues. Councillor Caborn assured Members that once all parties were satisfied, a map would be produced detailing exactly where the suitable areas of the site where, if any existed.

It was proposed, and duly seconded, that an additional recommendation to Council be added to assure the football club that a CPO would not be used and to ensure that any new location was fit for purpose and made available for use, prior to any relocation. This recommendation was agreed by Members and added in as recommendation 2.2.8.

The Leader, Councillor Mobbs, reiterated the Council's support for the football club and for their excellent contribution to the local community. He stated that the Council wanted to see the club thrive and be in a position to attract larger crowds as they gained promotion.

It was therefore

Resolved that that the consultation on the potential for employment development on land at Stratford Road, Warwick agreed by the Executive at its meeting on 30th July 2014, be amended to refer to the wider area of land as shown in Appendix A of Appendix 2.

Recommended that

(1) the Report of Public Consultation on the Preferred Options for Sites for Gypsies and Travellers, attached at Appendix 1 to the report, and the updated site assessments, attached at Appendix 3 to the report, are noted;

(2) the Draft Development Plan, the Allocation of Sites for Gypsies and Travellers, attached as Appendix 2 to the report, and the amendments to the Policies Map, detailed in Appendix A of Appendix 2 to the report, are approved for publication under Regulation 19 of the Town and Country Planning Regulations 2012;

(3) the Draft Development Plan, amended policies map and sustainability appraisal be open to representations for a period of six weeks, to coincide with the Local Plan consultation on the potential for development at Stratford Road, Warwick. The consultation will be undertaken in accordance with a Statement of Representations Procedure to be made available in accordance with regulation 19 of the Town and Country Planning Regulations 2012;

(4) approval of the Statement of Representations Procedure and publication of the sustainability appraisal is delegated to the Chief Executive in conjunction with the Deputy Leader of the Council;

(5) authority is delegated to the Chief Executive, following the six week consultation period, acting in consultation with Group Leaders and the Deputy Leader, to submit the Draft Development Plan and amended Policies Map for independent examination, together with a table of any proposed modifications, provided that only minor, non-material modifications are to be proposed;

(6) if it is considered desirable to propose material modifications, authority is delegated to the Executive to approve the submission of the Draft Development Plan Document for independent examination, together with a table of proposed modifications including material modifications, provided that such modifications do not require further statutory consultation;

(7) authority is delegated authority to the Head of Development Services, in consultation with the Deputy Leader of the Council, to make any necessary non-material amendments to the Development Plan before the commencement of the consultation; and

(8) the Council will undertake no move to develop the Leamington Football Club site as a Gypsy and Traveller site, until a location is found and made available for use and has been agreed by the Council and Leamington Football Club Ltd. The Council also confirms that no Compulsory Purchase Order will be used in relation to this site.

(The Portfolio Holder for this item was Councillor Caborn)
(Forward Plan reference number 567)

(The meeting ended at 7.45pm)

WARWICK DISTRICT COUNCIL	**Executive – 3rd September 2014**	**Agenda Item No. 3**

Title	Enforcement Policy
For further information about this report please contact	Grahame Helm (01926 – 456714) environment@warwickdc.gov.uk
Wards of the District directly affected	All wards
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	
Background Papers	None

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality and Sustainability Impact Assessment Undertaken	Yes

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	08.08.14	Chris Elliott
Head of Service	04.08.14	Richard Hall, Bill Hunt, Robert Hoof, Tracy Darke
CMT	11.08.14	Andy Jones
Section 151 Officer	18.08.14	Mike Snow
Monitoring Officer	18.08.14	Andy Jones
Finance	18.08.14	Mike Snow
Portfolio Holder(s)	18.08.14	Cllr Michael Coker, Cllr Dave Shilton, Cllr Norman Vincett, Cllr John Hammon
Consultation & Community Engagement		
Coventry & Warwickshire Chamber of Commerce. South Warwickshire Landlords' Steering Group.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

1.1 To seek the Council's adoption of a new enforcement policy covering a range of regulatory services to demonstrate compliance with the Government's Regulators' Code.

2. **RECOMMENDATION**

2.1 That Executive recommends Council to adopt the generic enforcement policy as set out in Annex 1.

2.2 That Service Heads now review and publish their respective service standards to support the generic enforcement policy.

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3. **REASONS FOR THE RECOMMENDATION**

3.1 To ensure that the Council can demonstrate that it has regard to the Regulators' Code in its regulatory activities.

4. **POLICY FRAMEWORK**

4.1 **Policy Framework** – This report does not bring forward any changes to the policy framework.

4.2 **Fit for the Future** – The Council's purpose is to improve the quality of life for everyone who lives in, works in or visits Warwick District. With our partners, we aspire to build sustainable, safer, stronger and healthier communities. As this policy aims to target enforcement activities in a proportionate manner it will contribute to these aims.

4.3 **Sustainable Community Strategy** – The effective targeting of regulatory activities contributes towards the Health & Wellbeing and Prosperity priority themes within the Sustainable Community Strategy. It will help everyone to enjoy a healthy and safe lifestyle and should encourage economic growth by giving commerce the confidence to know that we offer support for compliant businesses whilst targeting our regulatory services on non-compliance to ensure equality in business competition.

5. **BUDGETARY FRAMEWORK**

5.1 There are no budgetary implications associated with this report.

6. RISKS

6.1 Local Authorities have a statutory duty to have regard to the Regulators' Code in developing the principles and policies which guide their regulatory activities. The Local Government Ombudsman will be using the Code as a point of reference when examining complaints about local regulatory services. Adopting this enforcement policy will therefore, mitigate against the risk of successful challenge.

7. ALTERNATIVE OPTION(S) CONSIDERED

7.1 As this is a statutory duty, the Council needs to adopt an effective enforcement policy.

7.2 Alternative content could be considered, but the proposed version reflects the Government’s recommended approach. Also there is no requirement to produce a single Council-wide policy and Members could prefer service-specific policies.

8. BACKGROUND

8.1 The Department for Business, Innovation & Skills introduced a new Regulators’ Code which came into force on 6 April 2014 and covers environmental protection, food safety, health and safety, licensing, private sector housing, public health, and waste. Its aim is to provide a regulatory framework that supports compliance and growth while enabling resources to be focussed where they are most needed. It sets out a framework for proportionate and accountable regulatory delivery and establishes principles of how local authorities should engage with businesses to avoid imposing unnecessary regulatory burdens.

8.2 The Government’s Better Regulation Delivery Office (BRDO) has produced an example template to assist local authorities in drafting enforcement policies and this has been used to create Annex 1. This policy has been designed to apply to all the Council’s regulatory activities. Whilst planning enforcement is still being considered by Ministers on whether it should be brought into BRDO’s scope, it is proposed that this service be included within Warwick District Council’s policy. There is also a requirement for individual services to publish their service standards setting out what those they regulate should expect from them so as to be accountable and transparent. It is anticipated that each service area identified in the enforcement policy will now review and publish these standards in consultation with those they regulate.

Annex 1.

Warwick District Council Enforcement Policy

Contents:

1. Introduction

1.1 This policy was developed following a review of Warwick District Council's ('*the Council'*) existing service-specific enforcement policies with a view to producing a single policy for all services, compliant with the Regulators' Code. It should be read in conjunction with the Council's published service standards. The policy which has been discussed with the Coventry and Warwickshire Chamber of Commerce and the South Warwickshire Landlords Steering Group sets out Warwick District Council's approach to dealing with non-compliance and a commitment to good enforcement practice informed by -

Principles of Good Regulation

The Legislative and Regulatory Reform Act 2006, Part 2, requires the Council to have regard to the Principles of Good Regulation when exercising a specified regulatory function. For local authorities, the specified functions include those carried out by our environmental health, licensing, waste, and private sector housing services.

The Council will exercise its regulatory activities in a way which is:

Proportionate – our activities will reflect the level of risk to the public and enforcement action taken will relate to the seriousness of the offence,

Accountable – our activities will be open to public scrutiny, with clear and accessible policies, and fair and efficient complaints procedures,

Consistent – our advice to those we regulate will be robust and reliable and we will respect advice provided by others. Where circumstances are similar, we will endeavour to act in similar ways to other local authorities,

Transparent – we will ensure that those we regulate are able to understand what is expected of them and what they can anticipate in return, and

Targeted – we will focus our resources on higher risk enterprises and activities, reflecting local need and national priorities.

Regulators' Code

The Regulators' Code came into statutory force in April 2014 and provides a clear framework for transparent, open and accountable regulatory delivery. A copy can be found at www.gov.uk/government/publications/regulators-code

The Council has had regard to the Regulators' Code in the preparation of this policy. In certain instances we may conclude that a provision in the Code is either not relevant or is outweighed by another provision. We will ensure that any decision to depart from the Code will be properly reasoned, based on material evidence and documented.

Human Rights Act 1998

The Council is a public authority for the purposes of the Human Rights Act 1998. We therefore apply the principles of the European Convention for the Protection of Human Rights and Fundamental Freedoms. This Policy and all associated enforcement decisions take account of the provisions of the Human Rights Act 1998. In particular, due regard is had to the right to a fair trial and the right to respect for private and family life, home and correspondence.

Data Protection Act 1998

Where there is a need for the Council to share enforcement information with other agencies, we will follow the provisions of the Data Protection Act 1988.

The Code for Crown Prosecutors

When deciding whether to prosecute the Council has regard to the provisions of The Code for Crown Prosecutors as issued by the Director of Public Prosecutions.

The Code for Crown Prosecutors is a public document that sets out the general principles to follow when decisions are made in respect of prosecuting cases. The Code sets out two tests that must be satisfied, commonly referred to as the 'Evidential Test' and the 'Public Interest Test':

Evidential Test - is there enough evidence against the defendant?

When deciding whether there is enough evidence to prosecute, the Council will consider what evidence can be used in court and is reliable. We must be satisfied there is enough evidence to provide a "realistic prospect of conviction" against each alleged offender.

Public Interest Test - is it in the public interest for the case to be brought to court?

The Council will balance factors for and against prosecution carefully and fairly, considering each case on its merits. The public interest factors that we will take into account are detailed under the enforcement options available to us in Section 6.1.

Regulatory Enforcement and Sanctions Act 2008 ('the RES Act')

The Regulatory Enforcement and Sanctions Act 2008, as amended, established the Primary Authority scheme. We will comply with the requirements of the Act when we are considering taking enforcement action against any business or organisation that has a Primary Authority, and will have regard to guidance issued by the Secretary of State in relation to Primary Authority.

1.2 The Council is committed to avoid imposing unnecessary regulatory burdens, and to assessing whether similar social, environmental and economic outcomes could be achieved by less burdensome means.

1.3 This policy can be downloaded at www.warwickdc.gov.uk or copies can be obtained in person from the Council's main offices – Riverside House, Milverton Hill, Royal Leamington Spa CV32 5HZ.

1.4 The Council's accessibility statement requires us to maintain and update our website as necessary in plain English in terms of the W3C guidelines. We will ensure that our publications and press statements are accessible to all communities and we aim to provide information in accessible formats on request. The Council also has membership of Language Line to provide language support where required.

1.5 This policy was approved by Warwick District Council on xxxxxxxxxxxx

1.6 This policy was issued on xxxxxxxxxxxx

1.7 The Council's published service standards can be downloaded at www.warwickdc.gov.uk

2. What is this policy for?

2.1 This policy explains to anyone affected by the Council's regulatory activities what to expect in respect to its approach to dealing with non-compliance.

2.2 Authorised officers will act in accordance with the policy**.** All services are subject to internal audit to ensure actions are appropriate to the policy and performance data will be published on the Council's website.

3. When does this policy apply?

3.1 This policy applies to the following regulatory services which are the responsibility of Warwick District Council

- Environmental Protection
- Food Safety
- Health and Safety
- Licensing

- Planning Enforcement
- Private Sector Housing
- Public Health
- Waste

Service-specific policies which sit under this generic policy can be found at www.warwickdc.gov.uk.

4. Our approach to dealing with non-compliance

4.1 Explanation of the approach to dealing with non-compliance

The general principle will always hinge around negotiation, education and support to ensure maximum benefit from minimum resource input, aiming to avoid imposing unnecessary regulatory burdens. Enforcement procedures will always follow statutory requirements and guidance but prosecution will generally be a last option unless the situation presents little or no option.

We will clearly explain the non-compliance and any advice being given, actions required or decisions taken, with reasons for these.

We will provide an opportunity for dialogue in relation to advice given, actions required or decisions taken in relation to non-compliance.

Dialogue with the business or regulated person is available through all communication channels (face-to-face, telephone, letter, email) and access to translators is available if required.

The Council's Scheme of Delegation, gives the relevant Head of Service responsibility for managing investigations and making decisions on enforcement action. The Head of Service may delegate in writing other officers to act on his/her behalf.

Where it shares or has a complementary role with other agencies, the Council will consult those agencies, including Primary Authorities, before taking any formal enforcement action.

The Council will manage enforcement in relation to its own establishments and activities to ensure that decisions are free from any conflict of interest. For example, environmental health practitioners are free to investigate noise nuisance arising from a Council activity under the same protocols as any other investigation.

All staff must demonstrate commitment to equality in the performance of their regulatory duties and in their professional relationships with regulated persons to ensure fair and objective enforcement. The Council's Equalities and Diversity Framework can be downloaded at www.warwickdc.gov.uk/info/20623/equality_and_diversity

The Council will always aim to publicise successful convictions to reassure compliant businesses or regulated persons that economic competition is a 'level playingfield'.

4.2 Explanation that the action that the local authority chooses to take depends upon the particular circumstances and the approach of the business or regulated person to dealing with the breach

Enforcement action will always be proportionate and follow statutory guidance with prosecution generally being the last resort. However the Council will deal firmly with those that deliberately or persistently fail to comply.

Those regulated by the Council are able to request advice on non-compliance without directly triggering enforcement action, where they show a willingness to resolve the non-compliance.

4.3 Explanation of the factors that influence the local authority's response to breaches of the rules

The Council fully supports the principles in the Regulators' Compliance Code which sets out obligations in relation to enforcement. It sets out the need to consider a range of matters including economic progress, accountability, and risk assessment.

Where applicable, the Council will take note of the Primary Authority on responses to breaches.

The Council's approach to checking that non-compliances which were dealt with by providing advice or guidance have been rectified will generally be through the next scheduled visit.

Where the Council considers that breaches should be investigated by another enforcement body, the details will be shared with that organisation.

4.4 Explanation of the local authority's approach to complaints of non-compliance

The Council will investigate all complaints (unless anonymous) of non-compliance and take action as appropriate. Any follow-up on anonymous complaints will be dependent on the circumstances of each report.

5. Conduct of investigations

5.1 Explanation of the processes for investigating alleged breaches

All investigations will be carried out under the following legislation and in accordance with any associated guidance or codes of practice, in so far as they relate to the Council:

- the Police and Criminal Evidence Act 1984
- the Criminal Procedure and Investigations Act 1996
- the Regulation of Investigatory Powers Act 2000
- the Criminal Justice and Police Act 2001
- the Human Rights Act 1998

These Acts and associated guidance control how evidence is collected and used and give a range of protections to citizens and potential defendants.

Our authorised officers will also comply with the requirements of the particular legislation under which they are acting, and with any associated guidance or codes of practice. Most of this legislation provides the officers with powers of entry at all reasonable times with the associated offence of obstruction if entry is refused.

Where a business is allegedly in breach of relevant legislation and has a partnership agreement with a Primary Authority, early communication will take place with that authority.

When exercising its statutory power to seize items during an investigation, the Council will follow the relevant legal process. If there is reason to believe access will be denied, the Council will apply to the Magistrates' Court for a warrant to execute this process.

Any person suspected of committing an offence will be invited in writing to an interview under caution in accordance with the Police and Criminal Evidence Act at the Council offices and will be given the opportunity to be legally represented at the interview.

The Council will always endeavour to expedite investigations into non-compliance and in any case ensure that statutory time limits for investigations are achieved.

If the investigating officer prepares a case file for prosecution, the case file and decision will be reviewed by both the team leader and head of service before being referred to the Council's solicitor.

5.2 A commitment to keep all parties informed on progress

The Council will aim to keep alleged offenders and witnesses informed on the progress of investigations every month or such other timeframe as might be agreed between all the parties.

6. Decisions on enforcement action

6.1 The range of actions that are available to the local authority are set out in legislation and include

Compliance Advice, Guidance and Support

The Council uses compliance advice, guidance and support as a first response in the case of many breaches of legislation that are identified. Advice is provided, sometimes in the form of a warning letter, to assist individuals and businesses in rectifying breaches as quickly and efficiently as possible, avoiding the need for further enforcement action. A warning letter (sometimes called an 'informal caution') will set out what should be done to rectify the breach and to prevent re-occurrence. If a similar breach is identified in the future, this letter will be persuasive in considering the most appropriate enforcement action to take on that occasion. Such a letter cannot be cited in court as a previous conviction but it may be presented in evidence.

The Council recognises that where a business has entered into a partnership with a Primary Authority, the Primary Authority will provide compliance advice and support, and the Council will take such advice into account when considering the most appropriate enforcement action for it to take. It may discuss any need for compliance advice and support with the Primary Authority.

Where more formal enforcement action, such as a simple caution or prosecution, is taken, the Council recognises that there is likely to be an ongoing need for compliance advice and support, to prevent further breaches.

Voluntary Undertakings

The Council may accept voluntary undertakings that breaches will be rectified and/or recurrences prevented. The Council will take any failure to honour voluntary undertakings very seriously and enforcement action is likely to result.

Statutory (Legal) Notices

In respect of many breaches the Council has powers to issue statutory notices. These include: 'Abatement Notices', 'Prohibition Notices', 'Emergency Prohibition Notices', and 'Improvement Notices'. Such notices are legally binding. Failure to comply with a statutory notice can be a criminal offence and may lead to prosecution and/or, where appropriate, the carrying out of work in default.

A statutory notice will clearly set out actions which must be taken and the timescale within which they must be taken. It is likely to require that any breach is rectified and/or prevented from recurring. It may also prohibit specified activities until the breach has been rectified and/or safeguards have been put in place to prevent future breaches. Where a statutory notice is issued, an explanation of the appeals process will be provided to the recipient.

Some notices issued in respect of premises may be affixed to the premises and/or registered as local land charges.

Works in Default

Where statutory provision exists, the Council will consider carrying out works in default to remedy non-compliance. In such cases, the Council's reasonable costs are recoverable from the offender.

Financial Penalties

The Council has powers to issue fixed penalty notices in respect of some breaches. A fixed penalty notice is not a criminal fine, and does not appear on an individual's criminal record. If a fixed penalty is not paid, the Council may commence criminal proceedings or take other enforcement action in respect of the breach.

If a fixed penalty is paid in respect of a breach the Council will not take any further enforcement action in respect of that breach. Payment of a fixed penalty does not provide immunity from prosecution in respect of similar or recurrent breaches.

The Council is only able to issue fixed penalty notices where it has specific powers to do so. If fixed penalty notices are available, their issue is at Warwick District Council's discretion. In some circumstances, in particular where breaches are serious or recurrent, it may be that prosecution is more appropriate than the issue of a fixed penalty notice.

Injunctive Actions, Enforcement Orders etc.

In some circumstances the Council may seek a direction from the court (in the form of an order or an injunction) that a breach is rectified and/or prevented from recurring. The court may also direct that specified activities be suspended until the breach has been rectified and/or safeguards have been put in place to prevent future breaches.

Failure to comply with a court order constitutes contempt of court, a serious offence which may lead to imprisonment.

The Council is required to seek enforcement orders after issuing some enforcement notices, providing the court with an opportunity to confirm the restrictions imposed by the notice. Otherwise, the Council will usually only seek a court order if it has serious concerns about compliance with voluntary undertakings or a notice.

Simple Caution

The Council has the power to issue simple cautions (previously known as 'formal cautions') as an alternative to prosecution for some less serious offences, where a person admits an offence and consents to the simple caution. Where a simple caution is offered and declined, the Council is likely to consider prosecution.

A simple caution will appear on the offender's criminal record. It is likely to influence how the Council and others deal with any similar breaches in the future, and may be cited in court if the offender is subsequently prosecuted for a similar offence. If a simple caution is issued to an individual (rather than a corporation) it may have consequences if that individual seeks certain types of employment.

Simple cautions will be used in accordance with Home Office Circular 016/2008 and other relevant guidance.

Prosecution

The Council may prosecute in respect of serious or recurrent breaches, or where other enforcement actions, such as voluntary undertakings or statutory notices have failed to secure compliance. When deciding whether to prosecute the Council has regard to the provisions of The Code for Crown Prosecutors as issued by the Director of Public Prosecutions.

Prosecution will only be considered where the Council is satisfied that it has sufficient evidence to provide a realistic prospect of conviction against the defendant(s).

Before deciding that prosecution is appropriate, the Council will consider all relevant circumstances carefully and will have regard to the following public interest criteria:

a) how serious is the offence committed?

b) what are the circumstances of and the harm caused to the victim?

c) is prosecution a proportionate response?

A successful prosecution will result in a criminal record. The court may impose a fine and in respect of particularly serious breaches a prison sentence. The court may order the forfeiture and disposal of non-compliant goods and/or the confiscation of any profits which have resulted from the breach. Prosecution may also lead, in some circumstances, to the disqualification of individuals from acting as company directors.

Refusal/Suspension/Revocation of Licences

The Council issues a number of licences and permits. The Council also has a role to play in ensuring that appropriate standards are met in relation to licences issued by other agencies. Most licences include conditions which require the licence holder to take steps to ensure that, for example, a business is properly run. Breach of these conditions may lead to a review of the licence which may result in its revocation or amendment.

When considering future licence applications, the Council may take previous breaches and enforcement action into account. A person convicted of a relevant offence may be judged to be no longer a 'fit and proper person' and their application refused.

6.2 Explanation of how decisions are made on enforcement action

The Council follows the principles set out in the Macrory Review, which expect policies to:

a) aim to change the behaviour of the offender;
b) aim to eliminate any financial gain or benefit from non-compliance;
c) be responsive and consider what is appropriate for the particular offender and regulatory issue, which can include punishment and the public stigma that should be associated with a criminal conviction;
d) be proportionate to the nature of the offence and the harm caused;
e) aim to restore the harm caused by regulatory non-compliance, where appropriate; and,
f) aim to deter future non-compliance.

The Council will consider risk at every stage of their decision-making progress, choosing the most appropriate type of enforcement action including taking note of the compliance record of those being regulated.

The Council recognises the statutory requirement under Primary Authority to notify proposed enforcement action.

The Council will keep under review the effectiveness of their chosen regulatory activities in delivering the desired outcomes and make any necessary adjustments accordingly.

6.3 Explanation of how decisions are communicated to those affected

Where a right of appeal exists to any regulatory action, the Council will include full details of the appeal process at the time of taking the action. Regulated persons will be advised of their rights to representation at the time of being invited to any formal interview or hearing.

7. Review of this policy

7.1 Details of when and how the policy will be reviewed

This policy will be reviewed following any new Government guidance or as a result of feedback received from local businesses or regulated persons as appropriate. It will also be refreshed every two years.

8. Comments and Complaints

8.1 Details of processes for complaints and appeals

An appeal against a regulatory decision can in the first instance be directed to the relevant Head of Service. If the action is subject to a formal appeal process (eg through the Magistrates' Court), the appellant should be aware of the statutory deadlines and may wish to proceed immediately with this approach.

Complaints about the conduct of local authority staff can be made through our website at www.warwickdc.gov.uk, by email to complaints@warwickdc.gov.uk or by post to Committee Services, Warwick District Council, Riverside House, Milverton Hill, Royal Leamington Spa CV32 5HZ.

8.2 Contact details for comments or complaints about the policy

Any comments or complaints about this policy should be sent to Richard Hall, Head of Health & Community Protection, Warwick District Council, Riverside House, Milverton Hill, Royal Leamington Spa CV32 5HZ.

WARWICK DISTRICT COUNCIL	**EXECUTIVE** **3rd September 2014**	**Agenda Item No. 4**

Title	Warwick District Council house building
For further information about this report please contact	Andrew Jones Andrew.jones@warwickdc.gov.uk (01926) 456830
Wards of the District directly affected	All
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	Executive Meeting 2nd July 2014 Executive Meeting 11th December 2013
Background Papers	PwC report

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes
Equality & Sustainability Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive	11th August 2014	Chris Elliott
CMT	11th August 2014	Chris Elliott, Bill Hunt, Author
Section 151 Officer	14th August 2014	Mike Snow
Deputy Chief Executive/Monitoring Officer	11th August 2014	Author
Portfolio Holder(s)	18th August 2014	Cllr Vincett
Consultation & Community Engagement		
Housing Strategy & Development Officer		
Final Decision?	Yes	

1 SUMMARY

1.1 This paper recommends that the Council endeavours to embark on a programme of house building, sets out the benefits of this and seeks permission to undertake further work on a delivery model that can maximise the build rate.

2 RECOMMENDATIONS

2.1 That Executive notes the position in Warwick District with regard to the need for affordable (social rent, affordable rent, shared ownership and low-cost among others) housing.

2.2 That Executive notes the headline outcomes as set out in this report of the PricewaterhouseCoopers (PwC) work (Appendix A).

2.3 That Executive agrees to officers identifying Council owned land for the delivery of council housing and bring forward proposals for scheme development to the Interim Housing & Property Board as soon as practicable.

2.4 That Executive agrees to officers identifying third party land for the delivery of council housing and bring forward proposals for scheme development to the Interim Housing & Property Board as soon as practicable.

2.5 That Executive agrees to officers, in consultation with the Portfolio Holder for Housing & Property Services and the Interim Housing & Property Board, bringing forward proposals to the February 2015 Executive for the creation of a Council Housing Company to help facilitate the accelerated delivery of a council house building programme and that a sum of up to £50,000 is made available to the Head of Housing & Property Services from the Service Transformation Reserve to commission any necessary expert advice.

2.6 That Executive agrees that officers examine the case for a "Buy to Flip" (buying to enable renting) policy and bring forward any proposals to the Interim Housing & Property Board for subsequent consideration by Executive.

2.7 That Executive agrees that the composition of the Interim Housing & Property Board is expanded to include the Shadow Portfolio Holders for Finance.

3 REASONS FOR THE RECOMMENDATIONS

3.1 <u>Context</u>

3.11 The Council has adopted a Housing Strategy (2014-2017) with three priorities. Objective 2, "Meeting the need for housing across the district" has been developed as it is recognised that the District has a dire need for affordable housing. This objective is supported by a Delivery Plan and this report seeks to ensure that identified actions in that Plan are taken forward.

3.12 It is acknowledged by most commentators that the UK requires 200,000 new homes to be built each year. During 2013, 109,000 new homes were completed of which 25,000 were affordable (source DCLG). Warwick District Council has 3,302 (August 2014) individuals on its housing waiting list broken down by band as:

Table 1

Band 1	40
Band 2	376
Band 3	1238
Band 4	1648

Over the last two years 100 affordable houses have been built in Warwick district although the Council's joint venture with Waterloo Housing Group (WHG) has a programme of work which should see an increase in delivery. However, this is against a backcloth of 855 affordable homes (WDC and Registered Providers) having been let over the period March 2012-March 2014 against 3,300 on the list indicating that we could only accommodate c13% annually unless we make a step change in delivery.

3.13 The Coventry and Warwickshire Joint Strategic Housing Market Assessment 2013 (Joint SHMA 2013) included an assessment of affordable housing need for this District. The need was assessed to be 268 new affordable homes each year between 2013 and 2031. This is equivalent to a total of 4,288 affordable homes to be provided over the period.

3.14 The seriousness of the affordability problem in the District is demonstrated in the Joint SHMA 2013 which shows that purchase prices for entry-level homes of all sizes (except 3-bed homes) were highest or equal highest when compared with all the other local authorities in the Housing Market Area (HMA). For example the entry-level price for a two bedroom house in Warwick district is £140,000. The study also shows that entry-level private rents were highest for all sizes of homes and that income required to purchase or privately rent an entry-level home, without subsidy, was also the highest of all local authorities in the HMA. The study estimated that 46.1% of households were unable to afford market housing without subsidy.

3.15 The Local Plan - Draft Publication proposes policies that will go some way to addressing the shortage, however, the need for affordable housing is a problem that exists here and now and policy alone will not provide for the needs of the District's communities. Recognising this very real problem, the Executive has requested that officers explore proactive initiatives to make things happen.

3.2 Warwick District Council's response

3.21 As well as attempting to create a policy environment that brings forward affordable housing whilst not hindering the delivery of market housing, Warwick District Council (WDC) has established a joint venture (W2) with Waterloo Housing Group (WHG) to provide affordable housing and Members will recall receiving a 30 month review of progress at the 2nd July Executive. However, Executive was also keen to explore whether the Housing Revenue Account (HRA) could be used to address the affordable housing issue and so asked officers to investigate.

3.22 Following the Government's reform to the HRA subsidy system in April 2012, officers commissioned PricewaterhouseCoopers (PwC) to identify and appraise options available to undertake two distinct objectives for the Council:

- Assess the current landlord service and identify delivery options that may improve the value for money of the service; and
- Optimise the use of HRA resources in addressing a programme of new build housing that will accelerate and maximise the number of affordable homes.

3.23 As part of the commission, officers were keen to consider the relationship between the two objectives and assess whether any one commercial option is capable of achieving both objectives: Improving value for money on the existing landlord service may release more resources in the HRA which in turn could be used to develop more affordable homes.

3.24 The PwC work established a comprehensive set of criteria against which to assess various options. For the first objective (to improve value for money) the report considered the following options:

- Retain landlord service in-house
- Outsource – management and maintenance
- Service commission
- Arms-length management
- Transfer of stock

3.25 In respect of the second objective (to accelerate new affordable housing) the report considered the following options:

- Direct institutional investment
- Build now, pay later scheme (Joint Venture)
- Build now, pay later scheme (Wholly Owned Company)
- Concession
- Council Housing Company (ALMO)

3.26 Having undertaken a quantitative and qualitative analysis of each of the options, PwC's report recommends (a copy of which can be seen at Appendix A) that the Council should explore the use of a Council Housing Company which could offer the Council a conduit by which an enhanced efficiency programme could be delivered whilst offering an opportunity to utilise the HRA surpluses and borrow through the Company (thereby avoiding the constraint of the debt ceiling) to accelerate a new build programme. The latter point is particularly important as although the abolition of the national HRA subsidy system provided greater freedoms for Councils, the new arrangements did introduce a ceiling on the level of borrowing that each individual Council could maintain (Warwick District Council's ceiling is c£14m). This ceiling would be an inhibitor on the number of new houses that could be built, regardless of the level of surpluses that a Council was able to generate on its HRA although there is a temporary opportunity to bring Local Enterprise Partnership sponsored schemes forward which breach the cap.

3.27 In summary, and as set out in section 6 of the PwC report, the advantages of establishing a Council Housing Company are:

- It provides the Council with a conduit in which to deliver efficiency savings against the current operating costs. The Council Housing Company will serve as a useful change agent tool in which to affect the efficiency programme and becomes the Council's brand for delivering a more cost efficient and effective service. (Objective 1).

- As the Council Housing Company is 100% owned by the Council, there is no requirement for procurement for any partners to establish the company and deliver operating services. (Objective 1 & 2).
- If the Council Housing Company achieves the efficiency savings identified in the business plan against the current cost base (which forms the management fee), the Council Housing Company will have created free cash-flow which it could either borrow against or lease properties to deliver an accelerated housing programme. (Objective 2).
- As the company is delivering services on behalf of the HRA, but is not tied to the HRA, any borrowing or credit arrangements entered into by the vehicle should not be caught by the HCFR and therefore will not be breaching any caps imposed, subject to the Council's prudential code.
- Properties would be exempt from Right to Buy.

3.28 Members will be aware that the latest HRA Business Plan (2013-2062), presented to 11th December 2013 Executive, projected £729m of cash surpluses over the 50 year life of the plan which equates to c3,800 homes. PwC's work suggests that there is scope to further improve the Plan's efficiency and it will be a key task of the new Head of Housing & Property Service to consider the report's observations particularly in relation to bad debts, garage costs, management costs, repairs costs, capital works and service charges although it should be noted that the team managers have already been progressing work in most of these areas. Of particular importance is an up-to-date stock condition survey and work has commenced on this to conclude by the end of the financial year.

3.29 However, a decision regarding alternative housing management delivery models should not be taken until Council is comfortable that the Plan has been forensically examined. This is borne out by benchmarking work undertaken by PwC which show that WDC's management and repair costs were higher than 11 of the 16 authorities in the sample and expected management and maintenance costs are higher in the plan than calculated by Government at the time the new arrangements came into being.

3.210 Members will recall that the Housing Strategy included an action (ref 2.2.1) to consider buying existing private homes that are for sale on the open market for subsequent letting as affordable housing ("Buy To Flip"). This is another, albeit limited, mechanism for increasing the supply of council housing and should be taken forward in tandem with the other proposals in this report.

3.3 <u>Access to land</u>

3.31 There is therefore a clear message from PwC's work that the Business Plan could generate even greater revenues and that creating a new delivery entity could address the constraint caused by the £14m debt ceiling. However, there is a further constraint that the Council needs to tackle and that is access to developable land.

3.32 Through the work of the W2 Partnership, an investigation had taken place to consider what Council-owned land could be utilised for the delivery of affordable housing. This investigation considered garage sites and some potential infill sites. Unfortunately despite initially promising evidence, only a limited number of schemes have been able to be progressed.

3.33 Officers believe that a further review of such sites along with exploration of selective demolitions and an analysis of land that is not being efficiently used may provide further opportunities for house building. Such an investigation would not be at odds with the aspirations of our W2 partner (WHG) as they are less interested in the smaller sites where land values can make site development unviable.

3.34 That said the reality is that within the HRA there is limited land available and certainly not the amount required that would fulfil the potential of the HRA business plan. Consequently attention would need to be turned to third-party owned land and to a lesser extent land assets of the Council's General Fund if the Council wanted to deliver a large programme of new council housing.

3.35 The Local Plan - Publication Draft proposes 12,860 new homes for Warwick District over an 18 year period to address the objectively assessed future housing needs of the HMA. Within that number, there are identified sites where a significant quantum of council housing could in theory be delivered:

Table 2

Allocations with no Permissions

Site and proposed gross number of dwellings	**Opportunities for delivery of council housing (based on 40% but would be site dependent)**
Kenilworth School site, 250	100
Kenilworth VI Form College, 130	52
Former Sewage works, 215	86
Land at Montague Road, 140	56
Riverside House/Court Street, 175	70
Leamington Fire Station, 60	24
Land West of Europa Way, 1190	476
Land south of Harbury Lane/Grove Farm (not the part granted) , 1505	602
East of Whitnash/South of Sydenham, 300	120
Red House Farm, 250	100
East of Kenilworth, 760	304
Crackley Triangle, 90	36
Total	**2026**

Table 3

Permissions, Windfalls and Small Urban Sites

Category and agreed/anticipated gross number of dwellings	Opportunities for delivery of council housing (based on 40% but would be site dependent)
Sites with outstanding planning permissions, c3200 - *See highlights below*	1280
Woodside Farm	
Land north of Harbury Lane	
Fieldgate Lane	
East of Radford Semele	
Harbury Gardens	
Windfalls, 2485	994
Small urban sites, 393	157
Total	**2431**

Table 4

Growth Village Larger Allocations

Site and proposed gross number of dwellings	Opportunities for delivery of council housing (based on 40% but would be site dependent)
Baginton - north of Rosswood Farm, 35	14
Barford - Sherbourne nursery, 60	24
Barford - off Bembridge Close, 12	5
Bishops Tachbrook - south of school, 150	60
Burton Green - Burrow Hill Nursery, 60	24
Cubbington - Allotment land, 35	14
Cubbington - Opposite Willow Sheet Meadow, 65	26
Hampton Magna - South of Arras Boulevard, 100	40
Hatton Park, 80	32
Kingswood - R/O Brome Hall Lane,12	5
Leek Wooton - The Paddock, 30	12
Radford Semele, 50	20
Hockley Heath, 20	8
Total	**284**

3.36 Tables 2-4 demonstrate that in theory it would be possible to deliver the council housing numbers calculated in the PwC report but it would require Council to decide that it wishes to bid against Registered Providers (RP) for the S106/Condition sites and/ or enter into early negotiations (**i.e. now**) with the developers.

3.37 In the alternative, given that RP's are being encouraged by government and the HCA to build for Affordable Rent rather than Social Rent, it may be possible for the Council to contract with Registered Providers on the S106/Condition sites so that the RP that bids successfully for the 40% affordable element acquires the affordable rented and shared ownership housing stock but sells the social rented housing to the council upon completion (subject to Homes & Communities Agency grant rules).

3.38 If the Council wants to go along a house building/purchasing route then it must be clear why it wants to do it. Warwick district is an attractive place to live and it is most probable that at the minimum, all the S106/Condition sites mentioned above will see competition among the established Registered Providers to deliver the affordable housing element (subject to the overall scheme development proving viable). Also, given the Council's Housing Policy, 60% of that affordable housing would be at social rent levels as opposed to affordable rents. Therefore there is an argument that the Council need not do anything in respect of these large sites: the market and the planning process will deliver affordable housing.

3.39 Furthermore, the Council has entered into W2 to help deliver the District's affordable housing needs; however, the 30-month review has revealed the problem the Council has in not having land available and the reliance on WHG purchasing third party land with, on occasion, WDC subsidy.

3.4 <u>The case for intervention</u>

3.41 Officers do consider there is a convincing argument to be made for the Council to take an interventionist approach (house building and/ or house purchase) including but not limited to:

- Ensuring that more new homes are delivered at social rent in accordance with the Business Plan. The difference between social rent and affordable rent varies from £14 per week for a one-bedroomed property to £28 per week for three bedrooms;
- Influencing the speed at which affordable housing is delivered. Whilst it is arguable that the market will deliver the affordable housing, we know from the experience of the last five years that should a downturn return, it is likely that sites will get stalled;
- Providing a greater likelihood of meeting the affordable housing deficit as detailed in the SHMA. It is unlikely that this deficit can be addressed by the Local Plan policies alone;
- Maintaining the Council management function as a sustainable business. A decreasing housing stock with commensurate reduction in staffing resource will see further pressure on service standards;
- Ensuring that tenants have securer tenancies than RP's are able to offer;

- Mitigating the risk of central government allowing developers to deliver sites with less than 40% affordable housing;
- Taking a key role in shaping new communities. The Council currently has a housing stake in most parts of the District. There is the potential for this place shaping presence to be lost in the growing parts of the District if council housing is no longer a factor.

3.42 Therefore, officers recommend that the Council takes an interventionist approach. The latest position on the Business Plan (December 2013) is that with changes to reflect latest service performance and key assumptions, and based on a new build programme of social rather than affordable rents there has been a significant shift in the potential new homes that could be delivered; even after taking into account the latest Right to Buy initiatives and revised national Rent Policy (abolition of convergence). Potentially 3,831 social rent homes could be built within the 50-year life of the business plan as opposed to the 1,459 affordable rent homes predicted in the original plan.

3.43 The Plan is being reviewed to ensure that its assumptions are sound: The letting of the major contracts was assumed to have achieved large savings and there is also an assumption around management efficiency savings which needs to be further validated. Work has also commenced on bringing the stock condition data up to date which may reveal a programme of work not currently accounted for and once this is complete a new asset management strategy will be developed as per Housing Strategy action point 3.9. Notwithstanding this, there will be in all probability a significant surplus on the plan which could be utilised for a large programme of council housing if Council wishes to proactively source land. If it decides not to then the Business Plan will need to consider its stock improvement and debt repayment strategies.

3.44 The asset management strategy could include considering the sale of high value assets where this would generate capital to re-invest into additional provision. Clearly this would need to be subject to careful appraisal to ensure firstly that there were genuine opportunities to use the money generated within a reasonable time frame and secondly that sales would result in net additions to the council's housing stock.

3.5 Next steps

3.51 There are clearly two issues that the Council needs to address if it wishes to embark on a significant programme of Council house building: Sourcing the land for development and accessing the necessary finance for land purchase and property construction. This report advises Members that there are opportunities for the Council to access land and that there is also a way for the Council to address the debt ceiling issue. It is therefore recommended that officers enter into discussions with developers and RP's to try and gain access to land for development and that in tandem with this a detailed examination of the benefits of a Council Housing Company are investigated, using the Interim Housing & Property Board as a "sounding-board". Furthermore, it is recommended that the composition of the Board is broadened to include the Shadow Portfolio Holders for Finance; this will enable greater Member involvement in this important issue whilst not prejudging the outcome of the investigation into a Housing Committee which is reporting to November's Council meeting.

3.52 As an initial piece of work it is recommended that there is a concentration on the role the Company could play in delivering an affordable housing programme with the aim of providing a report for the February 2015 Executive. The outcomes from this investigation may encourage an examination of whether a Council Housing Company could deliver a more economic, efficient and effective housing management service for the District's Council tenants but it is recommended that no work takes place in respect of this at present.

4 POLICY FRAMEWORK

4.1 The Council's Sustainable Community Strategy has 5 key thematic areas of which Housing is one. The proposals in this report help to deliver the actions agreed in that Strategy as detailed in the Housing Strategy Delivery Plan.

4.2 The Council's Housing Strategy has as one of its key aims "Meeting the need for housing across the district". The report seeks to build on the work of the W2 partnership by bringing forward opportunities for an accelerated affordable homes building programme.

5 BUDGETARY FRAMEWORK

5.1 There are no budgetary consequences as a result of this report although it is noted that further work will be required on the Council's HRA Business Plan.

5.2 It is understood that a new housing company will be separate to the Housing Revenue Account. Accordingly, the costs of investigating and setting up the new company will not be able to be a charge on the HRA. At this stage it is proposed that a budget of £50,000 is created to commission any necessary expert advice. This can be financed from the Service Transformation Reserve which currently has an unallocated balance of £1.8m.

6 ALTERNATIVE OPTIONS CONSIDERED

6.1 The option not to attempt to embark on a house building programme was considered but for the reasons laid out at paragraph 3.41 this was rejected.

7 RISKS

7.1 The report recommends an approach that has oversight by the Portfolio Holder and Interim Housing & Property Board with an ultimate decision to be made by the Executive. Therefore there are no risks in undertaking the investigations recommended in this report.

7.2 Should a proposal come forward or a specific project be developed then that will have its own individual risk register although it should be made clear at this point there is a risk Central Government could act to make it difficult, if not impossible, for Councils to borrow more than the cap through an arms length company. This is because the debt would still be classified as Government debt on the nation's balance sheet.

Warwick District Council

Strategic commercial options review for the Housing Revenue Account

Draft for Discussion

Version Control 6.0

25 January 2013

Contents

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1. Introduction

Introduction

Warwick District Council ("The Council") commissioned PwC to identify and appraise options available to undertake two distinct objectives for the Council;

- Assess the current landlord service and identify delivery options that may improve the value for money of the service ('"Objective one"); and

- Optimise the use of HRA resources in addressing a programme of new build housing that will accelerate and maximise the number of affordable homes ("Objective two").

As part of the commission, the Council is keen to consider the relationship between the two objectives and assess whether any one commercial option is capable of achieving both objectives. Improving value for money on the existing landlord service may release more resources in the HRA which in turn could be used to develop more affordable homes.

The report is structured in the following way:

- ***Development of evaluation criteria in which to consider the available options;***

- ***Review of the Council's existing HRA baseline and suggested efficiencies to release further resources;***

- ***Consideration of objective one; and***

- ***Consideration of objective two.***

The work has been completed in accordance with the terms and conditions of the services agreement dated 16th January.2013.

We have not audited or otherwise verified the data and information provided to us that forms the basis of the base assumptions contained in the HRA business plan and we have relied on the data provided by the Council as being accurate.

We understand that the options appraisal undertaken will be used to drive forward an existing efficiency and service improvement plan over the next two years and to take forward any preferred options in accelerating new affordable homes.

At the commencement of our commission with the Council, we were made aware of a repairs procurement process which had commenced prior to our engagement. Whilst we have not undertaken a full review of the scope and process of the procurement and therefore not commented specifically in this report, we have been mindful of the potential limitations it may place on the wider options available to the Council in delivering the landlord service.

The purpose of this report is to draw out the Council's desired outcomes for the service, to review and comment upon the baseline HRA business plan, advise upon revisions to key assumptions, highlight options that meet objective one, meet objective two or an option which meets both criteria.

HRA reform - background

From 1 April 2012, the national redistributive HRA subsidy system ceased and councils with housing stock now retain their surplus rental income locally, in exchange for a one-off settlement of debt from Government. HRA self-financing represents a significant transfer of resources from central to local government and are a major change for councils in the operation of their housing business. The ring-fence between the HRA and General Fund remains, but each council has more resources than they would have had under the subsidy system. Rather than being dependent on an annual settlement from Government, councils are in a position to develop long term integrated asset and debt management strategies for the HRA. Whilst this brings additional risks, it presents many new freedoms and opportunities, including the ability to deliver new affordable homes.

Under the previous HRA subsidy system, there were relatively limited options for the Council to draw value from the asset base or to look at alternative investment delivery options. Local Authorities were effectively provided an annual budget with which to manage the expenditure of the existing housing stock and to service HRA debt. Each year through the annual subsidy determination, the Council would be notified of the anticipated spend on management, maintenance and major repairs against the expected rent set per property. After taking into account the subsidy provided to service the inherent debt allocated to the HRA, any surplus accrued between rent and expenditure was payable to Government and conversely any deficit calculated was met by Government subsidy. As the subsidy determination was made on an annual basis, councils did not have any control over long term budgeting for the HRA. In addition there was no incentive to build new housing as the subsidy system meant that the only resources available were operating costs, with no resources to service any debt.

Figure one – changes to HRA framework

HRA changes

HRA subsidy system

Mechanics

- Council collected rental income but paid over to Government
- Government paid annual management, maintenance and major repairs allowances
- Government meets the cost of the Council's agreed HRA debt

Impact

- No real scope for strategic planning as reliant on annual subsidy
- Annual settlement provides natural controls on spending and borrowing
- Asset management strategy reliant on resources provided by central Government

HRA self financing

Mechanics

1. Council collects rental income and keeps it
2. No additional subsidy paid by Government – Council meets its costs from local rents
3. Council responsible for meeting interest costs on its HRA debt from rent

Impact

4. Increase in HRA resources compared to subsidy system
5. HRA becomes a "housing business" like a registered provider
6. Significant surplus resources build up long term
7. Council absorbs risk – responsible for long term asset and debt management

Largely as a result of the annual nature of the HRA subsidy system and reliance on Government subsidy for funding capital works to housing, many councils have found it difficult to operate any meaningful form of medium to long term strategic financial planning for their HRA. With the HRA reforms, councils will have substantial new freedoms and opportunities to run their "housing business", akin to that of a Registered Provider.

The result of the HRA reforms therefore is to promote an opportunity for councils to identify new approaches to delivering new levels of housing investment.

Traditional approach

- Housing association partner needed for private finance and grant
- Limited opportunities for councils to control, fund or own new housing
- Limited incentives to increase value of HRA asset base
- Risk of value leakage through HRA subsidy system

New opportunities

- Councils own and control their HRA asset base – low gearing
- Significant financial surpluses embedded in HRA through reforms
- Opportunity to increase values and leverage asset base to meet investment priorities (high and low value assets)

However as part of the HRA reforms, the Government has imposed a ceiling on the levels of borrowing that each individual council can maintain. This is measured by the Housing Capital Finance Requirement ('HCFR'), meaning that regardless of the levels of surplus income that a business plan could accrue over time, councils are not permitted to borrow against this income if it were to exceed the HCFR.

For the Council therefore, this presents a potential obstacle. As per the Council's HRA business plan the Council's forecasted year end HCFR and the HCFR ceiling is circa £14m, meaning that the level of additional borrowing that the Council is permitted to directly borrow will enable a degree of development, but is insufficient to meet the Council's full aspirations.

In addition to the new financial framework for local authority housing, the broader affordable housing landscape in England is also undergoing a period of fundamental change:

- The change in Government, the subsequent Comprehensive Spending Review and the new policies introduced by the Coalition Government signalled a significant reduction in public subsidy for housing and funding for local authorities in general;
- With the reduction in funding, new options for sustaining and delivering affordable housing are being pursued, including the introduction of new tenures, rent levels and a reinvigoration of the Right To Buy option; and
- Current market conditions continue to be uncertain, exacerbating funding and delivery problems.

The Council has already developed a baseline 50 year HRA self financing business plan, which incorporates a modest number of new build properties over the long term (c. 1,500 averaging 30 per year), whilst maintaining a small surplus. However, given the pressures on local authorities to achieve efficiencies and uncertainty over future income streams, the Council wishes to consider how it can reduce its cost base and improve the value for money of its landlord service and release more resources for housing based investment.

Furthermore, the demand for affordable housing in the district is significant. The 2012 Strategic Housing Market Assessment (SHMA) found that approximately 24% of all households cannot afford private housing within Warwick District without subsidy, with access to savings a key constraint for young households/first time buyers. The SHMA also found that a total of 698 new affordable dwellings would need to be provided each year to meet the identified unmet housing need. Therefore, the reasoning behind the desire to free up further resources and support the delivery of a more significant, and accelerated, affordable homes programme is apparent.

The Council wishes to examine both objectives in parallel, and to consider the relationships and dependencies between the objectives. A single option that could deliver improved value for money as well as facilitating the delivery of additional housing is preferable and makes sound commercial sense.

2. Options Appraisal Process

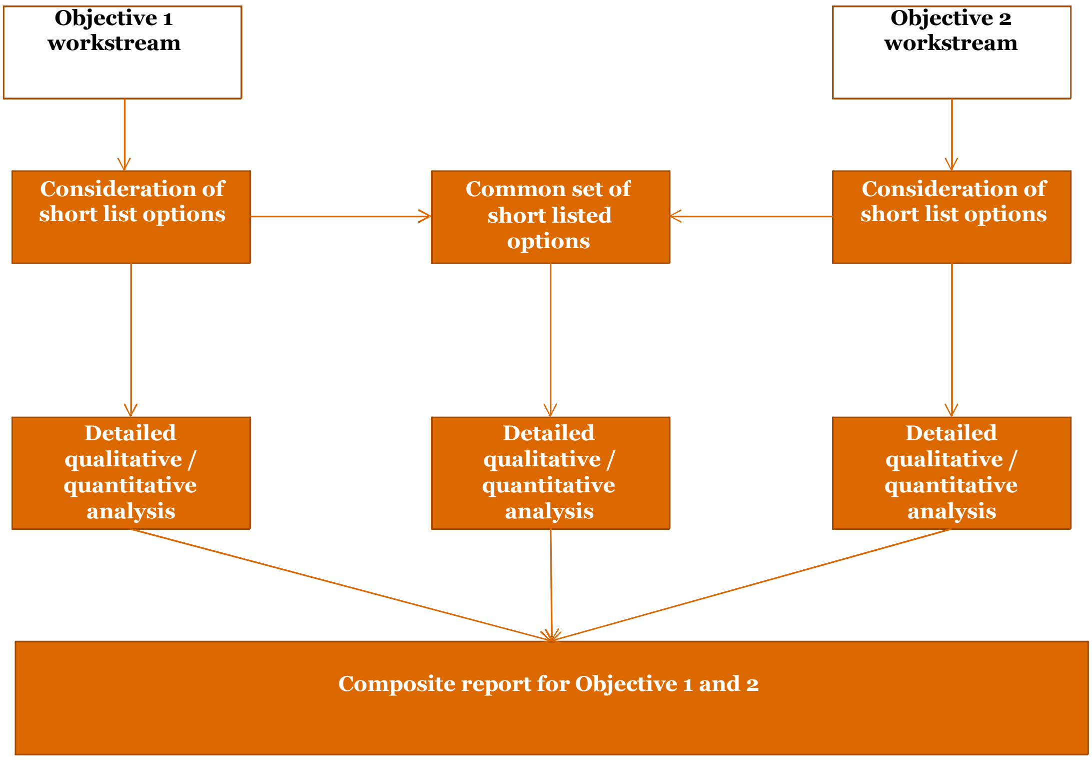
Introduction

At the outset of our review, we worked alongside the Council's key officers, to establish the key criteria that would be used to objectively assess the various options under consideration. These criteria encompass both financial and qualitative considerations and by referring to them throughout the options appraisal, this helped to ensure the process was robust, transparent and aligned to the Council's overall objectives. The criteria for objective one and two were considered as part of the same discussion, in order to ensure they were complementary and non-contradictory.

Approach

A holistic approach was applied to the development of the evaluation criteria and the selection of the options available to the Council. This allowed us to consider, the ability of each to deliver one or more of the objectives in isolation; the interrelationship and dependencies between the options being considered; and a detailed qualitative and quantitative analysis of the preferred options (which may involve a separate or combined delivery approach). We held a workshop with the key officers involved in this project in order to explore the potential opportunities and risks of each option.

In considering and developing the criteria, we also utilised the knowledge and expertise of Trowers & Hamlins ("Trowers"), our partners on this engagement. Trowers provided legal insight and support to pwc and the Council in terms of examining commercial and qualitative issues related to the criteria and the options available.



Criteria for objective one

The criteria for objective one are set out in the table below, along with some further context around the key themes that were discussed.

Table one – Criteria for objective one: improving value for money

Themes	Context
Empower staff	• Achieve culture change – historically low staff turnover/need for fresh insights • Recognise end to end processes and impact on customer • Increase capacity and capability - professional development opportunities • Role/responsibilities of client function
Systems and process transformation	• Improve efficiency and integrate IT systems e.g. different modules from same provider that are not currently integrated • Improved view of customer – creating a single view of customer • Improve value for money and be more cost effective (linked to asset strategy) e.g. being more cost effective with repairs/estate management, improving ratio between responsive and planned maintenance • Sharing knowledge between IT and Housing Service departments – understanding business requirements /developing clear business cases/business partner role in Housing Service department/intelligent customer
Commercialise HRA business	• Generate more revenue e.g. un-pool service charges • Reduce arrears/improve rent collection • Explore different rent strategies e.g. affordable rent • More effective strategic asset management • Minimise impact on General Fund
Improve customer satisfaction	• Improvement management of external customer expectations - reduce level of complaints (particularly around repairs) and reduce customers having to chase through over-promising or not being kept up to date • Improvement management of internal customer expectations e.g. corporate property • Clear linkages between internal and external customers paying for a service and delivering a good service in return • Train and develop tenants involved in customer engagement

	• Deliver service plan performance indicator improvement (reflective of customer satisfaction and impact on customer)

Criteria for objective two

The criteria for objective two are set out in the table below, along with some further context around the key themes that were discussed.

Table two – Criteria for objective two: accelerating delivery of more new homes

Themes	**Context**
Value for money of development programme	• Cost of funding • Maximise quality housing rather than focusing solely on low cost • Minimise commercial risk
Deliverability	• Avoid impact on HRA borrowing cap • Avoid Vires issue • Ability to accelerate delivery of new homes • Attractiveness to private sector (including investors and lenders) • Political acceptance, acknowledging the preference for Council ownership, where this is deliverable
Quality	• Ensure that the end product addresses a broad range of tenures to meet demand (social rent, affordable rent, affordable housing, private rent) • Focus on creating quality housing as opposed to solely volume

Options considered

During the workshop, the following options were discussed and considered.

Objective one: Improve value for money of service

- Retain landlord service in-house
- Outsource – management & maintenance
- Service concession
- Arms length management
- Transfer

Objective two: Options for new build housing

- Purchase assets
- Contract to build
- Lease
- Concession
- Management agreement
- Arms length management

The evaluation of these options is considered in the later sections of this report.

3. Baseline Housing Revenue Account

Introduction

The Council has already developed a 50 year HRA business plan in preparation for self financing, which was approved by Full Council in March 2012, and was set in the context of three overarching objectives:

- Improving Services for Customers;
- Leading Change Positively; and
- Financial Viability.

The HRA business plan identifies the financial resources that are likely to be available to the Council, having taken into account the forecast revenue and capital expenditure on existing properties, as well factoring in a modest programme of 1,500 new build homes over the course of the business plan.

As part of this options appraisal, and before considering the suitability of the various delivery vehicles for the future housing service and for the delivery of new affordable housing, we reviewed and commented upon the key assumptions in this business plan, using our knowledge and experience of similar business plans for the local authority and housing sector.

Original baseline summary

The Council's baseline business plan, including new build,forecasts that relatively small HRA surplus reserves will build up over 50 years. The cumulative surplus over the course of this plan is set out in the table below.

Table three – Cumulative HRA surplus in baseline business plan

Cumulative surplus by year:	Surplus before new build (£'000)	Surplus after new build (£'000)
Year 10	62,674	1,605
Year 30	95,679	2,756
Year 50	164,514	*21,472*

The second column in the above table shows the surpluses after taking account of total investment needs (including inflation) of £470 million over 30 years and £1,050 million over 50 years for the existing stock. The last column shows the impact of factoring in £224 million over 30 years and £686 million over 50 years for the development of new build housing.

Figure two – Baseline cumulative surplus reserves

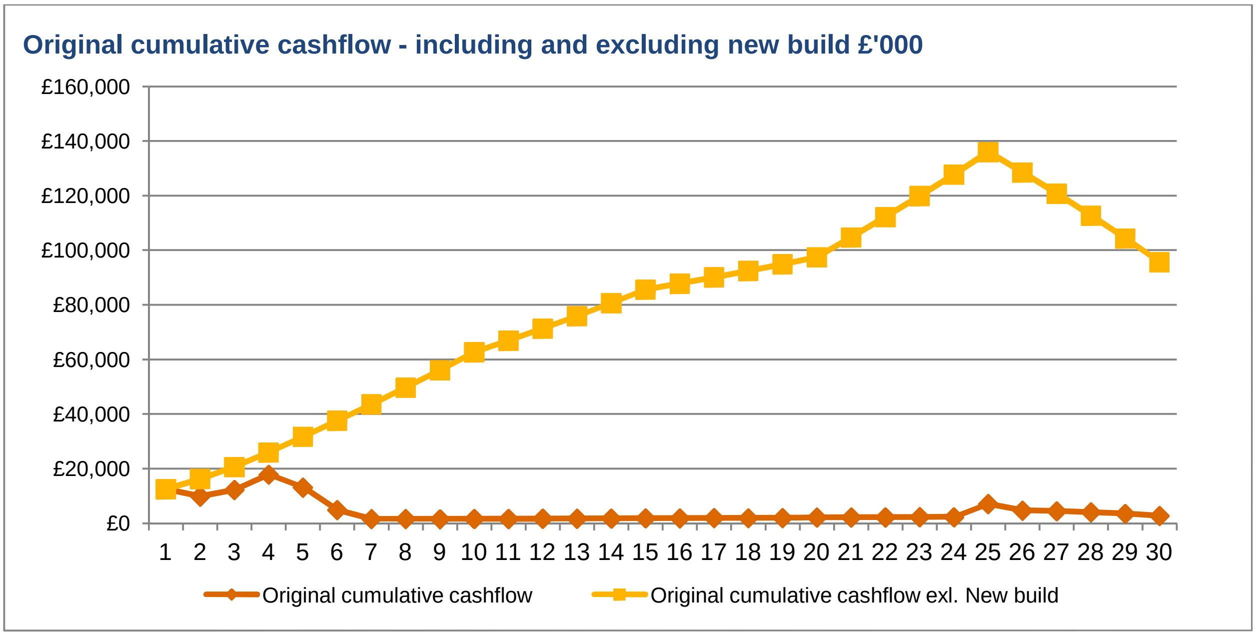


Figure three – Original baseline comparison of available resources & capital investment including new build

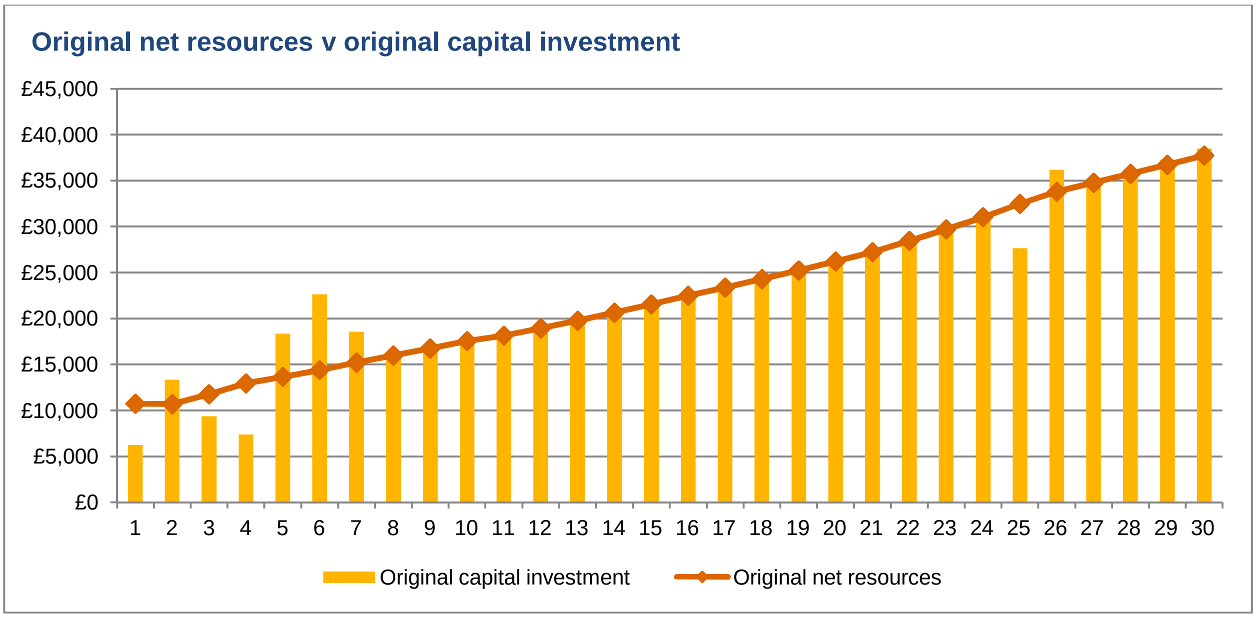


Figure 3 shows that net resources broadly increase in line with capital expenditure.

In discussion with the Council, we agreed there were a number of assumptions in the plan that could be refined. Furthermore, we suggested that the business plan cycle should be reduced from 50 to 30 years. This is in line with normal business planning timeframes (including the national self financing model) and in line with the usual investment cycle for housing stock. The particular assumptions we commented on included the following:

- **Bad debts** – in anticipation of Welfare Reform the Council has increased its forecast bad debt rate from year two onwards from 0.84% to 2.87%. Whilst we agree it is prudent to increase the rate of bad debts in the short to medium term, in the longer term there should be scope to reduce this level once the impact of the reforms has settled down and is being proactively managed by the Council's landlord service.

- **Garage costs** – garage costs (both revenue and capital) seem particularly high when compared with garage income. Over the course of 30 years the garages contribute a net loss of £12 million to the business plan, which would suggest they are unsustainable.
- **Management costs** – management costs start at £911 per dwelling and are then forecast to increase above inflation (at 3%) for the life of the business plan. The year one management cost is already high (see later benchmarking analysis) and there is scope for efficiencies, by removing real increases and making further savings.
- **Repairs costs –** repair costs start at £813 per dwelling and are then forecast to increase above inflation (at 3%) for the life of the business plan. Again, the year one repair costs is already on the high side and there is scope for efficiencies. Furthermore, the repair costs are treated as only 50% variable, meaning that there is a further relative increase in costs as the stock base reduces.
- **Capital works** – overall capital costs are £57,685 per dwelling over 30 years. This level of investment is high and is comparable with a large metropolitan authority with a significant number of high rise properties and a high proportion of non-decent stock. Furthermore, almost 100% of the costs are treated as fixed (despite stock loss of around 1/6th over the course of the plan). As for management and repair costs, the capital costs also increase above inflation for the life of the business plan. This is the most significant area of the business plan where there is scope for efficiencies.

The Council's HRA business plan also assumes repayment of £136 million of HRA debt between year 41 and 50. On the income side, service charges are also assumed to be fixed and are forecast to increase above inflation each year. Conversely, this assumption could be considered to be overly optimistic.

We understand that the Council's baseline original plan was intended to reflect prudent forecasts, in order to demonstrate that the HRA could maintain small surpluses (and still deliver new build) and repay the debt towards the end of the plan, even under pessimistic circumstances.

However, in discussion with officers, we recommended that the Council reassess its baseline before going on to consider the alternative service delivery options, in order to gain a clearer understanding of the resources available for objective two.

Comparison with other authorities

As part of our analysis of the Council's baseline HRA and assessment of current value for money of the landlord service, we compared Warwick District Council's total management and repair costs with a peer group of 16 district non-metropolitan authorities in the East and West Midlands region, with housing stock between 3,000 and 7,500.

The data set used for this comparison was the statement of accounts for each authority for the years 2011/12 and 2010/11. This represents the most reliable source of comparative data, as the HRA is a statutory account (and therefore is prepared on a consistent basis) and the data within it is audited.

The table below shows how Warwick compares with other authorities. The most useful comparison is the combined management and repair cost per dwelling, as this avoids inconsistencies in the treatment of costs such as repairs administration.

Table four – Statement of accounts comparison

Cumulative surplus by year:	Warwick DC cost (2011/12)	Number with lower cost	Number with higher cost
Management costs per dwelling	£891	9	5
Repairs cost per dwelling	£791	8	6
Management & repairs cost per dwelling	£1,683	11	4
Major works cost per property	£1,516	15	0

The comparison above shows that Warwick's management & repair costs are higher than 11 of the 16 authorities. Furthermore, Warwick has the highest major works cost of all the authorities in the peer group. However, looking at one year's major works cost in isolation may not represent a consistent comparison, as the various authorities will be at different stages in their investment cycle.

Self financing comparison

Another useful benchmark for the Council is the management and maintenance allowance used in the calculation of the HRA self financing settlement. These allowances took into account the archetypes within a Council's housing stock (for example, the proportion of medium and high rise dwellings which are traditionally more expensive to manage), as well as geographical factors and socio-economic factors such as crime. Therefore the allowances reflect the individual circumstances of a Council, whereas more crude comparisons with authorities (for example, on the basis of stock size) will not take into account these specific characteristics. The table below shows how the Council's actual (and forecast) costs compare with the self financing allowances.

Table five – Self financing comparison

Management & maintenance costs per dwelling	Warwick DC	Self financing allowance
Year 1	£1,659	£1,691
Year 5	£2,011	£1,940
Year 10	£2,357	£2,304
Year 30	£4,485	£4,585

Warwick's management & maintenance costs in the table above exclude garage repairs (equivalent to approximately £30 per dwelling extra by year 10). The comparison shows that Warwick's forecast costs are generally higher than the allowances built into the self financing calculation, between year two (when repair costs increase) and year 20. The self financing allowances are higher beyond year 20, due to above inflation increases of 3.5% being built into the national model.

Revised baseline summary

Following our review of the original HRA baseline business plan, it was agreed with the Council that some of the assumptions contained within it should be revised, in order to reflect a target business plan and one that reflects the savings anticipated through the forthcoming restructure of the housing service.

The changes agreed with the Council are set out in the table below.

Table six – Changes agreed to original HRA baseline

Change
Timeframe reduced from 50 to 30 years
Remove real increase on new build rents
Void rate reduced from 1.08% to 0.64%
Bad debt rate reduced from 2.87% to 2% from year five
Service charges increased by RPI only (as opposed to 3%)
Changes to expenditure
Inflation only increases in all costs
Removed £268k costs from mgt in year four to reflect housing service restructure
Reduced repair costs by 10% from year four
Made repair costs 100% variable
Capital garage costs reduced by 50%
Reduced all other capital costs (other than garages) by 10% from year 4
Made capital costs 100% variable

The Council's revised baseline business plan forecasts much more significant HRA surplus reserves building up over 30 years. The cumulative surplus over the course of this plan is set out in the table below.

Table seven – Cumulative HRA surplus in revised baseline business plan

Cumulative surplus by year:	Surplus before new build (£'000)	Surplus after new build (£'000)
Year 10	£91,096	£25,871
Year 30	£390,090	£242,690

The above surpluses reflect the position after taking account of revised total investment needs (including inflation) of £358 million over 30 years. In addition to this, the business plan factors in £212 million for new build housing, based on the original profile of 838 new dwellings over 30 years.

The most significant reason for the increase in the cumulative surplus between the original and revised HRA business plan is the changes made to the capital investment assumptions: removal of real increases; reduction of 10% in costs from year 4; and the reduction in costs in line with stock loss.

Given the significant surpluses that could be generated if the planned savings are delivered, the Council couldexpand its new build programme beyond 838 homes. For example, if the HRA were able to achieve the revised base case position, the Council would be able to sustain 1,860 new build properties over the next 30 years, (based on assumptions contained within the original base case position).

Figure four – Revised baseline cumulative surplus reserves

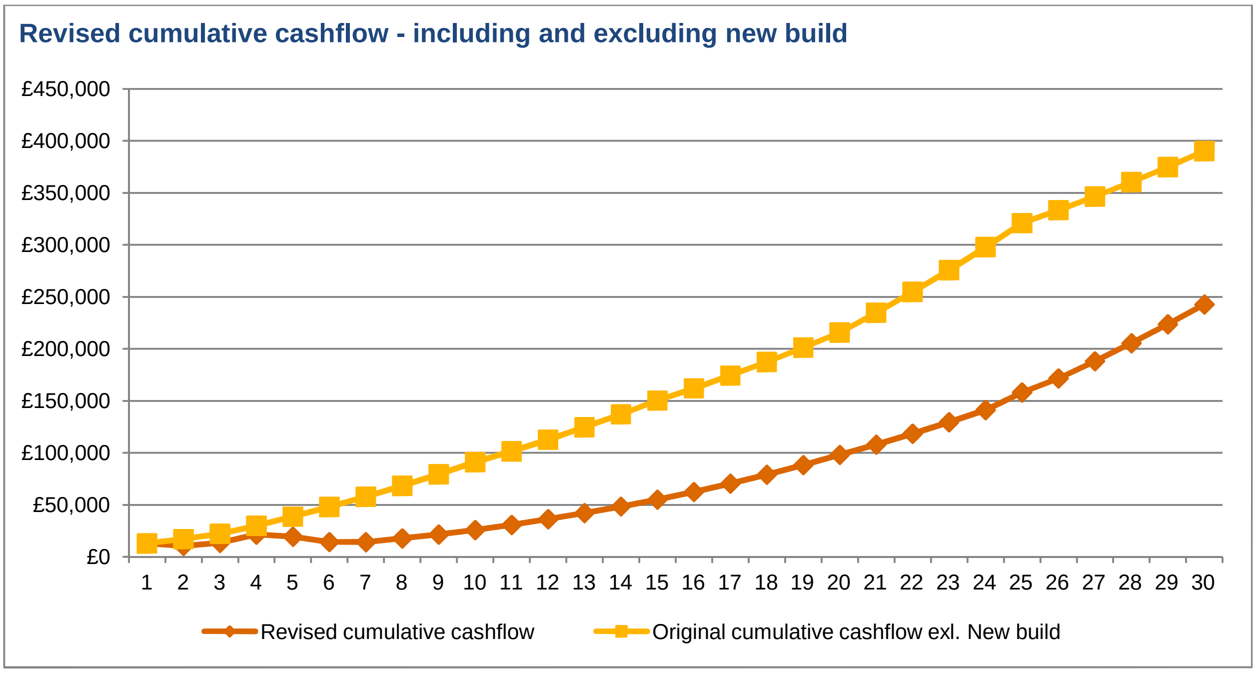
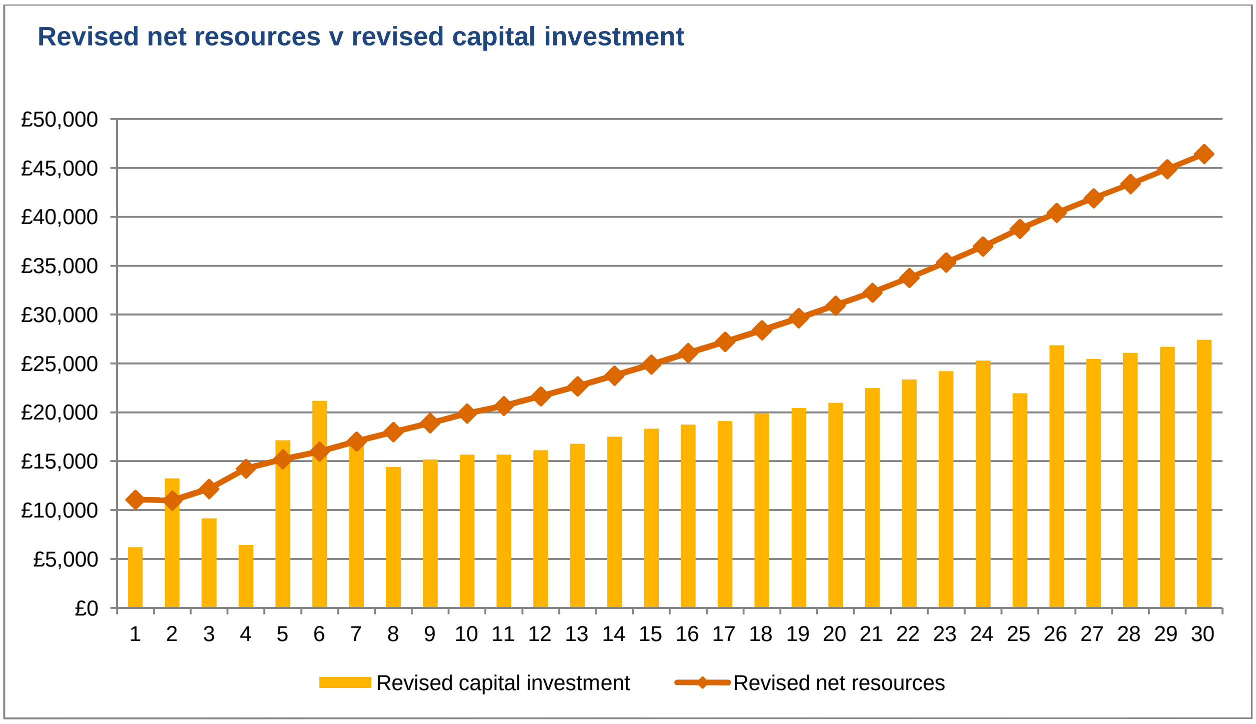


Figure five – Revised baseline comparison of available resources & capital investment including new build



Over time the surpluses increase as net resources exceed the investment required due to:

- The Council keeping the benefit of above inflation rent increases on existing stock (but not on new build or service charges)
- All costs increasing by inflation only, with 10% real savings built in from year four.
- The real value of HRA debt/interest is naturally eroded by inflation

Income sensitivity

The above inflation increases on the rent for existing dwellings is an important factor in the significant build up of surpluses in the revised baseline plan. We have therefore carried out a sensitivity to show the impact of rents increasing by the general rate of inflation (RPI) only from 2016/17 (after the next comprehensive spending review and at the end of rent restructuring).

Table eight – Impact of inflation only increases on rent

Cumulative surplus by year:	Revised baseline surplus incl. new build	Impact of rent sensitivity
Year 10	£25,871	£22,622
Year 30	£242,690	£157,452

The impact of inflation only rent increases from 2016/17 is to reduce the cumulative surplus in year 30 by £85 million to **£157 million**.

Investment needs

The investment needs of the stock are such a significant factor in the business plan that any changes to the cost profile would have a significant impact on the business plan. We would recommend therefore that the Council commissions an up to date stock condition survey to ensure the plan reflects the life cycle investment requirements of the existing dwellings.

Summary

The Council's original HRA business plan shows a surplus of £96 million by year 30. After allowing for a new build programme of 838 units spread over the life of the plan, this surplus reduces to £3 million.

Following discussion with Council officers, the original HRA business plan was updated with a series of refined assumption which included planned savings targets. The revised business plan indicates a much higher surplus of £390 million by year 30. After allowing for the Council's original new build programme of 838 units, this surplus reduces to £243 million.

Assuming the planned savings are achievable, the revised base case indicates that the Council could actually increase its new build programme to 1,860 units over 30 years (including 785 by year 15) and still be left with a surplus by year 30 of £16 million.

Overall, the revised HRA base case demonstrates that the Council does have capacity to increase its new build programme if it can deliver the planned efficiencies, however, the delivery would be spread out over the course of the plan rather than being able to accelerate the growth of housing. Whilst this option provides flexibility for the Council to determine the level of housing build it could deliver in any one year based on changes to resources it would have, it also means that the ability for the Council to match current demand is restricted and any future increases in construction price inflation may reduce the purchasing power of future free cashflow. This is reviwed in Section five of this report.

An analysis of the cashflows from the original and revised base case cashflows is included in appendix 3.

4. Objective one: Options to improve value for money

Options considered

The options considered under objective one – options to improve value for money of the housing service are as follows:

- Retain landlord service in-house
- Outsource – management & maintenance
- Service concession
- Arms length management
- Transfer

Current service and national comparisons

The Council's housing and property service has already embarked upon a service improvement journey and has taken a significant number of steps already, over the last 12 to 15 months. These have included:

- Improvements in customer participation structures – the Tenants' Panel has been cited as an example of good practice by the National Tenants' Organisation and there has been recognition at the Association of Retained Council Housing (ARCH) Excellence in Participation Awards. However, the service will continue to improve its customer relationships and put tenants at the heart of the service and further improve their satisfaction levels.

- Improvements to the repairs service – the Council is in the process of reprocuring repairs contracts to deliver better value for money, the Warwick response team has been nationally accredited with platinum status and resources from the customer service centre have been allocated to handle repairs calls as a result of feedback from customers. The percentage of repairs completed right first time is consistently high at around 96%, although there are further improvements to be made to ensure all properties have ane electrical test and asbestos survey.

- Improvements to the housing stock – compliance with Decent Homes is being maintained, there has been a significant installation programme of energy efficient boliers, and other "green" improvements in the form of the installation of photo voltaic panels. There has also been significant investment to improve the standard of sheltered housing schemes.

- Well managed HRA – based on the development of a prudent HRA 50 year business plan and good levels of performance when compared with Housemark comparators on cost performance indicators and improving relet times, void performance and rent collection.

Despite the obvious improvements in the Council's housing and property service, some of which are outlined above, evidence from Audit Commission inspection results has shown that there appears to be differences in the quality of service between different types of housing provider. The tables below illustrate the difference.

Table nine – Local authority performance ratings

	A good service						
Prospects for improvement		Poor	Fair (1 star)	Good (2 star)	Excellent (3 star)	**Total number**	**Percentage**
	Excellent	1	8	6	1	**16**	**8%**
	Promising	10	81	26		**117**	**57%**
	Uncertain	23	32	5		**60**	**29%**
	Poor	11	2			**13**	**6%**
	Total number	**45**	**123**	**37**	**1**	**206**	
	Percentage	**22%**	**60%**	**18%**	**0%**		**100%**

Table ten – ALMO performance ratings

	A good service						
Prospects for improvement		Poor	Fair (1 star)	Good (2 star)	Excellent (3 star)	**Total number**	**Percentage**
	Excellent		1	10	16	**27**	**29%**
	Promising		14	37	6	**57**	**61%**
	Uncertain	1	3	5		**9**	**10%**
	Poor		1			**1**	**1%**
	Total number	**1**	**19**	**52**	**22**	**94**	
	Percentage	**1%**	**20%**	**55%**	**23%**		**100%**

Table ten –Housing association performance ratings

	A good service						
Prospects for improvement		Poor	Fair (1 star)	Good (2 star)	Excellent (3 star)	**Total number**	**Percentage**
	Excellent		14	5	4	**23**	**10%**
	Promising	8	91	58		**157**	**69%**
	Uncertain	12	25	4		**41**	**18%**
	Poor	5	2			**7**	**3%**
	Total number	**25**	**132**	**67**	**4**	**228**	
	Percentage	**11%**	**58%**	**29%**	**2%**		**100%**

The tables above demonstrate that quality of service is highest for ALMOs (which is perhaps unsurprising given the link to the incentive of additional Government funding that previously existed), with retained services on the whole, being lower performing. As a result of this empirical evidence, the options to assess an ALMO and Housing Association delivering the landlord service have been reviewed.

Qualitative analysis

One of the Council's key objectives is to improve delivery of housing services to its customers, both internal corporate customers within the Council, and external customers including tenants and leaseholders, and the importance of this is reflected in the evaluation criteria that have been developed to assess the available options for objective one.

The options available for addressing objective one were considered and discussed in a workshop with key officers of the Council. The key advantages and disadvantages (or risks) of each option are outlined below, set against the evaluation criteria agreed at the outset of the project. Each option has then been scored by PwC according to the following method:

✗ Does not meet criteria

✔ Partially meets criteria

✔✔ Fully meets criteria

Retain service in-house

Table 11 – analysis of retention against evaluation criteria

Evaluation criteria	Analysis of this option	Score
Empower staff	• May be more difficult to achieve culture change in-house, especially with a low turnover of staff • May be capacity & capability constraints with limited opportunities for professional development • The housing fieldwork staff may benefit from a wider sense of belonging to the Council • Client function can be smaller as it is limited to managing external contracts • Challenge may only come from outside to keep thinking fresh and up to date	✔
Systems and process transformation	• IT service may be more orientated towards core business of the Council – housing management services may need to compete for IT resource • Dependent upon quality and	✔

	responsiveness of IT service provided corporately by the Council • However, core systems of the Council may also benefit housing (e.g. Invoicing, payments, Housing Benefit) - Wider networking back into these Council's systems is likely to be more straightforward • May be easier to achieve single view of customer (assuming systems are integrated)	
Commercialise HRA business	• Potential to unpool service charges • No performance penalties if arrears collection is poor/level of bad debts is high • Strategic asset management more closely linked to the service itself • Experience of different rent/tenure models may be limited • HRA continues to incur charges from the General Fund and probably has little say over these • Council's current repairs procurement does not impede this option	✔
Improve customer satisfaction	• No performance penalties for poor customer satisfaction or service plan performance indicators • External customers may experience a more joined up Council service and may like to "feel part of the Council" • Internal provider/customer relationship is more blurred • A culture shift may be required to change the way tenants are currently involved in shaping the service	✗

Outsource service

Table 12 - analysis of outsourcing against evaluation criteria

Evaluation criteria	Analysis of this option	Score
Empower staff	• Existing staff would be protected by TUPE • Potentially more opportunity for professional development , particularly for those staff wishing to pursue careers in housing • Opportunity for staff to experience a different culture and see an excellent specialist service provider in action and to benefit from their wider experience • Culture change may be enabled more quickly	✔
Systems and process transformation	• A large specialist housing provider would be in a position to invest in specifically tailored new systems and processes (e.g. to follow leading practice objectives set out by housing industry bodies) • It may be more difficult to join up with Council systems • Housing service may suffer from being less joined up with Housing Strategy	✔
Commercialise HRA business	• Market testing and a well defined tendering process could drive down costs • Council would still be responsible for delivering a balanced HRA budget, determining rent setting policy & the asset management strategy • The pricing of risk, a bigger client function with increased responsibilities and start up costs may balance out efficiencies in direct services • A properly structured contract would have penalties for poor income collection and could set clear VFM benchmarking standards • In the short to medium term, the	✔✔

	Council's current repairs procurement could impede this option if repairs contracts cannot be novated to the new provider and could restrict the level of savings that could be delivered within the first five years (the minimum period during which the new contracts would be in place)	
Improve customer satisfaction	• Ability to contract for outcomes to deliver improving service standards • Potential to start afresh with regard to participation structures by bringing in the thinking of a specialist provider • Tenant engagement and participation can be fostered and be proactive rather than passive • Tenants and residents may find it more complicated to access the Council's wider channels for consultation and involvement in services	✔✔

Service concession

Table 13 - analysis of service concession against evaluation criteria

Evaluation criteria	**Analysis of this option**	
Empower staff	• Similar to outsourced model	✔
Systems and process transformation	• Similar to outsourced model • Complications around collection of Housing Benefit means that IT systems need to be well integrated with clear data sharing protocols in place	✔
Commercialise HRA business	• Clear transfer of risk in terms of rent collection – "don't collect, don't get paid" model. • Difficult to separate income management from income policy decisions (e.g. Rent setting control remains with the Council, but provider is dependent upon income at a certain level) • Potential for wider VAT benefits as compared to outsourcing	✔

	• May be easier to secure wider partner offering in terms of new build • Greater risk transfer could mean the contract becomes more expensive – however, the act of agreeing the contract will force the Council (as client) and the provider to consider key delivery risks and find ways to address or mitigate them • Opportunity for service concession vehicle to secure more funding than the Council can • In the short to medium term, the Council's current repairs procurement could impede this option if repairs contracts cannot be novated or assigned to the new provider and could restrict the level of savings that could be delivered within the first five years	
Improve customer satisfaction	• Service may feel too far away from the Council with a lack of control over tenant engagement • Customers may feel disengaged from the Council and its wider participation structures	✗

Arms length management organisation

Table 14 - analysis of ALMO against evaluation criteria

Evaluation criteria	Analysis of this option	Score
Empower staff	• Introduction of "new blood" via the ALMO management team may help to create culture change quicker than the in-house model	✔
Systems and process transformation	• Housing management could be seen as less of a 'core' business for the Council (being separated but still wholly owned by the Council) – therefore the ALMO may find it harder to compete on the Council's wider agenda • ALMO can still be linked into the Council's main systems for invoicing. Payments and Housing Benefit	✔

Commercialise HRA business	• Potential for higher management costs as a new Executive team is created as well as potentially a bigger client function, however, the management costs could be managed down through the management fee • No longer a particular advantage with regards to securing additional funding under this model • Revenue fee will be paid to ALMO to manage services – if the ALMO makes a surplus, it can prudentially borrow against this income stream (which is Council borrowing but doesn't count against HRA borrowing cap) = potential for better fit with Objective 1 • The Council's current repairs procurement could mean that the level of savings deliverable within the first five years is restricted. However, it should be fairly straight forward to novate these new contracts to an ALMO.	✔✔
Improve customer satisfaction	• No longer have the incentive of securing additional funding by meeting a particular standard of service • Clearer separation between client/provider role may help to generate service improvements • The ALMO could be more focused as its whole purpose is to provide housing management • Tenants and residents would still have access to the Council's wider channels for consultation and involvement in services • Benchmark/peer group higher performing (than retained housing service peer group)	✔✔

Transfer

Table 15 - analysis of transfer against evaluation criteria

Evaluation criteria	**Analysis of this option**	**Score**
Empower staff	• Existing staff would be protected by TUPE • If transfer was to a large existing provider, culture change could be achieved more quickly and there would be more opportunities for professional development	✔
Systems and process transformation	• A large specialist housing provider would be in a position to invest in specifically tailored new systems and processes (e.g. to follow leading practice objectives set out by housing industry bodies) • It may be more difficult to join up with Council systems • Housing service may suffer from being less joined up with Housing Strategy, although an existing RP could be selected on the basis of their contribution to the Strategic Housing Partnership	✔
Commercialise HRA business	• Previous benefits of transfer (via gap funding and overhanging debt grant) are no longer on the table and self financing was intended to create a level playing field between retention and transfer. • The tenanted market value of the stock is unlikely to be sufficient to cover the revised HRA debt (unless significant savings could be made) so the potential benefit of a capital receipt to the General Fund is unlikely. • In the short term, the Council could continue to provide services to the new landlord (through SLAs), but longer term the Council (General Fund) may lose this income • A Registered Provider can secure funding outside of the HRA borrowing gap • The new repairs contracts would need to	✔

	be assigned to the new landlord	
Improve customer satisfaction	• If transfer were to a high performing existing landlord, service levels and customer satisfaction could be expected to increase • An existing landlord would have its own engagement & participation structures, and the potential selected providers could be evaluated on the basis of how good their existing arrangements are.	✔

The analysis and scoring in the tables above indicate that outsourcing and ALMO are the most favourable options from a qualitative perspective, followed by transfer. Retention and service concession appear to be the least favourable options. However, in the case of retention, this is more subjective and the score could be higher depending on the ability of the Council to continue with the transformation of the service, particularly with regards to the linked objectives of empowering staff and improving customer satisfaction. Further analysis of the objective one options and their fit with objective two, including legal and risk implications is included at appendix one.

Quantitative analysis

As part of the options appraisal we have undertaken some high-level financial analysis of the potential impact of the alternative options to retention, using the Council's revised HRA business plan as a baseline with which to make comparisons.

Outsourcing service

The option of outsourcing the service would be based on a contract of at least five years in length, that would normally involve either a fixed total fee or a fixed per dwelling fee for the delivery of landlord management service, repairs and management of the capital programme. Maximising the scale of the contract by including all services in this way, would help to maximise value for money and attract more potential bidders in the market place.

Given that the Council's repairs procurement process is already underway and there are plans in place to enter new repairs contracts from April 2013, the ability to deliver this option would be delayed until the new contracts come to an end or the new contracts would need to be novated to a new provider. As such, the savings the new provider could deliver would be limited by the existing contracts.

We have assumed that under this option, a new provider delivering management, repairs and capital programme management may deliver the following savings:

- 10% saving on all management costs (as opposed to 10% saving on staff only)
- 15% saving in repairs costs from year 6 (in other words, a further 5% saving compared to the Council's revised baseline). We have also assumed contingency would reduce from 5% to 3% and that repairs administration would be variable with stock, and a 10% could be delivered from year six.
- 15% saving in capital costs for existing dwellings from year 6 (in other words, a further 5% saving compared to the Council's revised baseline). A reduction in new build capital costs to the level for existing dwellings.
- In order to ensure the Council has the skills and capacity to manage the outsourced contract, we have also allowed for new small, but high-graded client team, to be added into the housing services structure.

This level of savings is considered possible based on previous similar transactions that have taken place in the sector.

Table 16 – Impact of outsourcing on surplus HRA resources

Cumulative surplus by year:	Revised baseline surplus (including new build)	Impact of outsourcing on surplus
Year 10	£25,871	£28,452
Year 30	£242,690	£287,622

In addition to the financial benefits identified in the table above, the outsourced contract could be structured and managed in such a way to ensure improved service delivery benefits as well.

Service concession

The option of a service concession would be based on a long term contract which involves a management fee payment to the chosen provider, likely to be equivalent to 100% of the rent. This would reflect the full transfer of responsibility and risk on rent collection (and indeed the transfer of reward, if the percentage of rent collection increased beyond the rate forecast in the business plan). This would effectively leave no control for the Council over its HRA resources and no buffer to deal with risks that arise, or to meet residual HRA costs that could not be delivered by the provider (for example, rent setting policy and the responsibility for and delivery of a balanced HRA budget). Following discussion with the Council, this option has been dismissed on the basis of it being complex to implement, and the inflexibility of the arrangement in terms of its ability to deliver and control resources for new build.

Arms length management organisation

The option of creating an arms length management organisation (ALMO) would seem somewhat contradictory given that some other authorities are bringing their ALMOs back in-house now that they have reached the end of their Decent Homes programmes. However, the ALMO option has been considered for its potential to deliver improved services and to allow more innovative solutions to be implemented with regards to using free resources in the HRA for new affordable housing, rather than the ability to deliver financial savings.

We have assumed that under this option, an ALMO could deliver the following savings and would involve the following additional costs:

- 10% saving on all management costs (as opposed to 10% saving on staff only)
- No additional savings on repairs and capital compared to the revised baseline
- In order to ensure the Council has the skills and capacity to manage the ALMO contract, we have also allowed for new small, but high-graded client team, to be added into the housing services structure and also built in an allowance for a new Executive management team (£250,000 per annum).

The table below illustrates the impact of the above changes.

Table 17 – Impact of ALMO on surplus HRA resources

Cumulative surplus by year £'000	Revised baseline surplus	Impact of outsourcing on surplus
Year 10	£25,871	£22,497
Year 30	£242,654	£230,589

The table above shows that overall the ALMO would potentially deliver slightly less savings than retention, due to the addition of a new client team and an allowance for a new Executive management team. However, it could be argued that these new costs would be in exchange for savings elsewhere in the housing services structure. The advantages of this option are centred more around improved service delivery and compatibility with and facilitation of objective two.

Transfer

We have prepared an indicative tenanted market valuation (TMV) of the Council's housing stock to show the potential receipt to the Council should it wish to transfer ownership of its housing stock to a new Registered Provider (RP) landlord. As the transfer would involve the assets already in ownership, this is based upon the Council's existing stock only.

The assumptions used for the TMV are similar to those in the revised baseline apart from the following changes:

- No stock changes (including no new build built into the model) – it is usual to based the TMV on the number of dwellings at transfer, and then any stock loss through Right To Buy is taken into account separately through a net income foregone calculation

- No inflation as the discount rate of 6.5% used to discount the cashflows back to a net present value is a real rate

- Management costs are uplifted by 10% to account for additional VAT on a proportion of costs

- Contingency on repairs is reduced from 5% to 3% (as a standard rate)

- 20% rate of VAT on repairs

- Capital works are uplifted by fees of 6% (as a standard rate)

- 20% VAT on capital costs, but then the VAT shelter is assumed to be in operation (which is a structure that is customary to set up in housing transfers, and allows the Council and the new landlord to save VAT on the initial phase of investment works).

Based on the above assumptions, the Council's existing housing stock has a positive valuation of **£109 million**. Given that the Council's new HRA debt under self financing is £136 million, the receipt would not be sufficient to repay the debt and provide resources for further capital investment to that envisaged in the current housing plan.

Currently, the TMV assumes a 50/50 share of the VAT shelter benefit between the Council and the new landlord, which helps to inflate the price of the stock. The remaining 50% would potentially provide the Council with a further **£10 million** of capital receipts over 15 years.

In order to increase the TMV further, the Council would need to negotiate with a prospective new landlord to agree to deliver further savings (beyond those built into the revised HRA baseline business plan) or to invest its own resources in order to close the gap and enable full debt repayment.

Alternatively, the Council could approach Communities and Local Government to explore whether financial support may be available to bridge the gap between the TMV and the HRA debt.

Table 18 – Impact of transfer

£'000	Receipt
TMV – receipt to Council	£109,208
Increase share of VAT shelter to new landlord to 100%	£115,750
And: Reduce management costs by 10%, and repairs and capital works by 15% from year 4	£126,059

As the table above shows, there is potential that the TMV could be improved to allow the Council to pay off almost all of its HRA debt.

The potential disadvantage of a transfer, even if it was possible to bridge the gap between the TMV and the HRA debt, is that it would be difficult for the Council to maintain any control over the future surplus resources associated with the housing stock, as the assets would be under new ownership. However, as part of transfer negotiations it may be possible to build in commitments from the new landlord to deliver new affordable housing and this is demonstrated below.

The base TMV above has been converted into an indicative RP business plan to demonstrate what surpluses this would produce and how these could be used to support further borrowing. In order to convert the TMV into a business plan, the following changes have been made:

- An initial payment for the existing stock of £109 million has been built into year 1.
- It is assumed the RP would need to take out a loan to support this payment (rather than utilising reserves)
- Interest rates of 6.5% have been assumed on the loan (to allow for margins on lending)

The indicative business plan shows a surplus of £167 million by year 30.

As part of the transfer negotiations, the Council could seek to ensure that this future surplus is utilised to deliver new build housing. As an example, the business plan shows that an RP could take out a further loan of £41.5 million in year 1, that could deliver c. 250 new build properties. The future cashflows from the existing and new build stock would allow the RP to fully pay off its initial loan by year 29, leaving it with a surplus of £10 million in year 30.

Summary

Working with Council officers we developed a set of evalution criteria for objective one, against which to compare the various options. From a qualitative perspective, the option of setting up an ALMO (or Council Housing Company) has the most potential to fulfil the combined objectives of empowering staff, transforming processes and improving customer satisfaction. This option would not be impeded by the repairs reprocurement process as it would be straightforward to novate the contracts to the ALMO.

From a quantitative perspective, the contract between the Council and the newly created ALMO could also be structured to build in the planned efficiency targets (and indeed these targets could be extended beyond the level in the revised base case). The delivery of these savings, as well as improvements in service and customer satisfaction, would be managed by a strong, but focused client-side team. The option of an ALMO would also not be detrimental to the General Fund, as support services could still be delivered to the housing service by the corporate centre. The ALMO option, therefore, also fulfils the objective of commercialising the HRA.

Furthermore, the option of setting up a Council Housing Company would allow the Council to utilise the HRA surpluses (outside of the HRA borrowing cap) to accelerate the delivery of new build, thereby also delivering on objective two. This is explored further under the next section.

The option of transferring the stock to a registered provider is also a possibility. Whilst the initial indicative tenanted market valuation of the existing stock of £109 million would not be sufficient to cover all of the Council's HRA debt, and provide a net receipt, there are number of options to increase this valuation.

A competition between existing registered providers could help to extract more value for the stock, a greater share of the VAT shelter could be built into the transfer valuation (although this would leave less capital receipts for the Council to meet the costs of transfer), and finally, the option of overhanging debt grant may be available from the Government, which could leave the Council with no housing debt.

The potential disadvantage of the transfer option is that it would be more difficult to ensure that the surplus resources within the transfer business plan are used to deliver new build, although this could be a key part of the transfer negotiations with a new landlord.

The service concession option has been discounted on the basis of its low qualitative score, and that it would effectively leave no control for the Council over its HRA resources, no buffer to deal with risks that arise, or to meet residual HRA costs, or indeed to deliver new build. It would also be a complex option to implement.

We understand that the Council's first priority is to continue with its restructure of the housing service, complete the reprocurement of repairs contracts and explore whether the planned savings can be delivered in house. However, if the expected savings or service improvements do not materialise over the course of the Council's improvement programme, or if the acceleration of the new build programme is determined to be the an immediate priority, the alternative option of the ALMO/Council Housing Company is something which should be considered as it has the most potential to fulfil both of the Council's key objectives, and indeed, could be a vehicle to help drive forward the transformation of the service.

5. Objective two: Options to accelerate new affordable housing

Options considered

The options considered under objective two are as follows:

- Direct institutional investment
- Build now, pay later scheme (Joint Venture)
- Build now, pay later scheme (Wholly Owned Company)
- Concession
- Council Housing Company (ALMO)

A full description of each option is included in Appendix 1, and a legal commentary of the applicability of each option is included in Appendix 3.

The purpose of objective 2 of the engagement is to assess whether the Council has the ability to accelerate its level of housing investment using HRA resources, compared to the annual rate of affordable houses delivered in the Council's HRA business plan.

In analysing the potential for using the Council's HRA resources to contribute towards the Council's target for affordable housing, the two key constraints that we have identified are the HRA's ability to directly borrow and enter into credit arrangements and the ability of the Council to access land. The HCFR acts as the key constraint, and is an absolute cap, regardless of the long term capacity of the HRA to accrue surplus resources.

One of the key reasons for gaining access to the potential accrued surpluses arising within the HRA is that such surpluses can act as the subsidy required to maintain rental income on properties at affordable or social levels.

One of the areas that we have explored therefore is how the HRA may interface with different delivery vehicles in order to use HRA resources as revenue payments for capital programmes. There are number of contractual interfaces that we have identified between the HRA and a delivery vehicle.

Institutional investment overview

The Council may enter into a direct contractual relationship with an institutional investor. Investors are seeking areas of stable returns which are backed with counterparties with significant covenant strength. Housing developments backed with resources from the HRA are therefore likely to be attractive to institutional investors.

The most likely route for acquiring housing through direct institutional investment is through a leasing structure. Under this option, the institutional investor either provides funding for the development of housing or acquires an interest in housing already completed.

The Council may choose to play the role of developer to construct the new properties. Under this option, the Council would prudentially borrow to draw down sufficient development finance to fund the development activity. The Council then sells the completed properties to the institutional investor, effectively entering into a "sale and leaseback" arrangement with the investor.

Alternatively, the Council may act as the managing agent on behalf of the institutional investor, where the institutional investor acquires the land and provides a licence for the Council to build properties on the land. The investor then leases the completed properties to the Council.

The lease will need to be carefully structured to ensure that it is classified as an operating lease. Under an operating lease, the lease term will be smaller than the useful life of the properties and the Council will have the option rather than obligation, to purchase the properties from the institutional investor at the end of the lease period for an agreed valuation, reflecting the tenure of the properties. In the event that the Council does not exercise this option, institutional investors will have the option to either continue to derive value from the properties or sell on the open market.

Upon leasing the new properties back to the Council, the institutional investors are offered an annual index linked return in the form of an annual lease payment which grows in line with a mark up on inflation. This index linked return is of critical importance to the institutional investor as it seeks to satisfy its own asset-liability matching requirements.

The future of accounting for leases is moving towards classifying all operating leases as finance leases. Careful thought therefore needs to be given as to the impact of any retrospective change of any lease entered into by the HRA.

Table 19 – Institutional investment analysis

Themes	**Context**	**Score**
Value for money of development programme	• Cost of funding is likely to be in the region of 4-4.5% real returns over the lease period, excluding the residual value of the assets. • Opportunity to develop higher quantities of housing at scale in the early years of the HRA business plan. • Little precedent for sale and leaseback provision in the HRA due to previous subsidy system. • For the return made on the lease, the investor will anticipate little construction or operating risk. For example, the lease will be a fixed payment regardless of the usage of the asset by the Council.	✔✔
Deliverability	• Where structured as an operating lease, any lease payment is a revenue cost to the HRA with no resulting impact on the HCFR. • Investor may purchase land direct on	✔?

	market, purchase land from Council or potentially purchase a programme of properties on the open market and section 106 contributions if leased to the HRA. • The manual of HRA accounts sets out the permissibility of lease payments as per debit item 3 (rents, rates, taxes and other charges) • As the payments are made over a 30 year lease period with residual value returning to the investor, there is a strong opportunity to accelerate housing investment in the early years of the HRA business plan. • Very attractive to institutional investors. Returns are indexed linked and matched with local authority covenant strength. • Whilst properties are leased to Council, the properties are treated as Council homes and tenancies would be secured. • HRA resources top up net rental income from properties to pay annual lease payments. • Deliverability a potential issue in the medium term due to the likely accounting changes for leases. All leases are likely to become finance leases, which will impinge upon the HCFR. The operating lease can accelerate housing, but any retrospective changes in accounting provisions in future years may cause the investment to breach the debt cap. • Right to Buy may impact on the commercial negotiation of the lease.	
Quality	• The leaseback arrangements are more tailored towards volume of properties being used for rent rather than sale. • Can promote a quality product, but likely to be at a minimum of £20m as single or aggregate developments.	✔

Joint Venture overview

Under this option the Council would enter into a partnership with a private sector partner ("PSP") and form a Joint Venture company ("JVCo").

The JVCo would be responsible for undertaking the development of properties, using the expertise of the private sector partner to undertake masterplanning and development.

In order to participate in the JVCo, the Council would either provide cash or land as an equity contribution to the JVCo; the private sector partner may match this with either cash or land contributions to define the share of the LLP between the Council and the PSP. It is possible that other local authority parties that are able to contribute land for equity may also be able to join the vehicle at inception or in subsequent stages.

The JVCo will procure financing either from an institutional investment, senior lending or prudential borrowing.

Once properties are developed or acquired the JVCo will undertake to sell or retain properties, depending on the desired tenure mix of the development. The JVCo may elect to establish a management agreement for properties to be managed on its behalf.

The Council may receive an annual coupon rate for the share of equity in the vehicle plus any returns from the residual value of the properties once sold on the open market.

The principal purpose of the vehicle is to act as a build now, pay later scheme. Properties which are developed by the JVCo are purchased overtime using the accrued surplus within the HRA. The benefit of this approach is to ensure that properties are constructed early to lock in favourable construction prices inflation indices and retaining the value of the surplus cashflows of the HRA.

Developments are delivered to the required mixed tenure requirements. Properties that are earmarked to be purchased as affordable housing overtime are retained by the JVCo and rented either at affordable rent or private rent. The HRA may manage the properties on behalf of the JVCo until such time that the properties are purchased by the HRA. During this period, the HRA will act as a managing agent on behalf of the JVCo and pay a net rental income back to the JVCo taking into account tenant landlord services. The net rental income is used to service the investment and debt contained in the JV until such properties are purchased.

Table 20- – JVCo analysis

Themes	Context	Score
Value for money of development programme	• The JVCo cost of financing depends on the form of debt procured. It is possible that the JVCo may be able to obtain institutional investment or longer term debt. • Development, construction and sales risk is shared with a Private Sector Partner. • The construction of properties in earlier years that are then purchased overtime by the HRA may provide significant value for money to the	✔

	HRA. Where the HRA directly constructed properties with surplus cashflow overtime, construction price inflation may mean that the amount of properties built in real terms would reduce.	
Deliverability	• Joint Venture schemes are a common form of housing development between local authorities and developers, typically where the Council has land to develop. • The key difference is that there is an additional agreement in the JV for the HRA to purchase properties overtime for an agreed sum, allowing properties to be built today and providing cost certainty to the HRA. • As properties are purchased at an agreed value by the HRA with available resources, there is no deemed impact on the HCFR. • SDLT and taxation issues, including VAT on irrecoverable tenancy costs may impact on the level of housing achievable. • The net rental income needs to be sufficient to service the costs of the JVCo • The Council would be required to undertake a procurement exercise in order to procure the PSP.	✔
Quality	• The Council has an element of control over the vehicle through its equity stake in the vehicle. It can therefore have some influence over the quality and standards of housing delivered.	✔

Wholly owned company overview

Under this option, the Council takes on the development activity itself through a wholly owned company ("WOC") it establishes for the purpose of delivering housing. The WOC is 100% owned by the Council and any developer profit it makes is therefore completely retained by the Council.

As the sole owner of the WOC, the Council will have complete control over the development activity and therefore the specification of the housing outputs delivered. The concept of the WOC is to develop mixed tenure housing, with the proceeds from sales of properties for owner occupation being used to cross subsidise affordable housing.

The purpose of the WOC is exactly the same as the previous JVCo model. The WOC will build out developments in order to lock in favourable construction prices in the current economic environment and to minimise the impact of any increases in future construction price inflation. This will enable the Council to use its HRA resources to purchase properties from the WOC overtime to assume properties into the HRA at agreed prices.

The WOC would retain an interest in properties and levy rent on these properties (to service debt) until they are purchased with resources available in the HRA.

Whilst the Council derives maximum land value through minimum leakage of developer profit, it also retains development and demand risk in its entirety. The role of the private sector may be limited to building properties or funding the activities of the WOC at market rates, although the WOC has the option to pursue prudential borrowing instead.

Table 21 - – Criteria for objective two: accelerating delivery of more new homes

Themes	Context	Score
Value for money of development programme	• The wholly owned company retains all risks, which means that the Council would need to be satisfied that the WOC had the right skill sets to deliver the required developments. • The cost of funding would be in the region of 3-4% using prudential borrowing rates.	✔
Deliverability	• A WOC could be set up without any requirement for a procurement exercise. • The activities of the WOC should be eminently deliverable, if the company has the right skills, expertise and resources to conduct the developments. However any significant cost impacts as a result of retained risks will need to be absorbed by the Council. • As properties are purchased at an agreed value by the HRA with available resources, there is no deemed impact on the HCFR. However it would require the Council to undertake full borrowing through the General Fund and take full risk on development and operations. • The requirement to sell properties is mitigated by an offtake agreement with the HRA to purchase properties overtime.	✔

Quality	• The Council has 100% control over the vehicle, enabling the Council to develop properties at standards it sets.	✔✔

Concession overview

Typically a Special Purpose Company ('SPC') is created to develop new build affordable housing. The SPC will be responsible for the management, maintenance and the major repairs of the housing stock for a concession period of circa 25 years.

At the end of the 25 years, the contractor will purchase the properties at an agreed residual value sum, which is used to act as a bullet repayment of any debt outstanding at the end of the concession period. In order to be deemed to be off the Council's balance sheet for the purposes of International Financial Reporting Standards and, in turn, not count towards the HCFR, the Council cannot be in control of, nor have influence over the use of the properties at the end of the concession.

In order to ensure that a concession structure can be deemed off balance sheet therefore, a third party will pay a residual value payment at the end of the concession to the SPC at the end of the concession which will be used to make a bullet payment for any residual debt outstanding.

Whilst the Council cannot control the assets at the end of the concession, to ensure that the payment to the contractor is off balance sheet, the contractor may still elect to sell them to the Council.

The SPC is financed through the payment of an operating charge by the Council, after taking into account the rent collected from properties. In return for the provision of any land and unitary operating charge payments, the Council receives nomination rights over the properties during the concession period. After the concession period is completed, the rights to the properties revert to the contractor.

This option is akin to the Housing PFI programme established by the Government until the abolishment of new projects by the Coalition Government. It is possible following the recent announcement of PF2, the new form of PFI projects that a programme for housing maybe developed by CLG through the Homes and Communities Agency. However there has been no announcement yet for a pipeline of PF2 projects and whether the Government will extend the programme to include housing.

Table 22 - – Concession analysis

Themes	Context	Score
Value for money of development programme	• Concessions for new build housing typically use senior lending, which has become more illiquid and therefore more expensive, since the credit crunch. Deals using bank debt are looking at early refinance periods and margins of LIBOR + 4-5%. Funding such projects with bank debt will be difficult to achieve in the short to medium term. • Concessions may be of interest to	✗

	institutional investors. However given the attitude towards risk and certainty over the expected income flows, it is unlikely that an investor would be prepared to accept the construction and operating risks under a concession agreement.	
Deliverability	• A concession arrangement provides a number of accounting issues that may count towards the HCFR, hence would require careful structuring. • Appetite for banks to lend to the market is uncertain. • The structure is known to the market through previous HRA and non-HRA PFI projects. • Project requires competitive dialogue and may take 18-24 months to procure a bidder for the project. • As per the accounting considerations, the Council cannot be control of the assets at the end of the concession. This means that the residual value of the properties may be vested with a third party. This may cause issues with respect to secure tenancies. • One procured, the Special Purpose Company is responsible for the design, build, finance and operation of the properties. However, as per experience of previous PFI projects, there are a number of risks which a SPC may seek the Council to retain i.e. changes in law, rent collection, demand for properties etc. Retention of these risks alongside the price of the unitary charge may make this option difficult to achieve value for money.	✗
Quality	• The Council provides an output specification as part of the competitive dialogue process in order to ensure that the quality of provision is based on the Council's requirements. • Deductions are made to the unitary charge for any properties not meeting the required standards or for any poor performance on services.	✔✔

Due to the concerns around the lending market, the key commercial issues and the likely cost of any unitary charge, it was not considered suitable and was discounted from any qualitative analysis. The Council may wish to revisit this model, if the Government seeks to create a pipeline of PF2 projects for housing.

Council Housing Company (ALMO light)

The Council maybe able to accelerate housing through the use of a council housing company, which bears similar characteristics to the establishment of Arms Length Management Organisations.

In principle a Council Housing Company ("CHC") is set up to deliver the landlord services of the whole HRA stock, and delivers the landlord service in accordance with a service agreement set out by the strategic function of the HRA. The company is not required to be a fully arms length that has its own executive management structure, but a company operated by the existing management of the HRA with a direct remit to deliver a landlord function.

In return for delivering the service, the Council Housing Company is paid a fixed annual management fee.

As part of the service level agreement, the CHC agrees to deliver efficiency savings against the management fee and to convert any efficiency savings into the development of new affordable housing, which is retained by the CHC.

As the CHC is outside of the remit of the HRA, any surplus cashflows projected from the CHC's business plan could be used to borrow against and therefore deliver new housing developments. In this respect the borrowing or credit arrangements entered into by the CHC would not count towards the HCFR as the company's borrowings are not HRA related and the HRA has no legal interest in the properties.

In this respect the CHC could either prudentially borrow to develop properties or enter into lease arrangements with institutional investors. As the company is outside of the remit of the HRA, the CHC could enter into finance leases which mean that properties are leased for over longer periods, which revert back to the CHC at nil value at lease expiry.

Table 23 - – Council Housing Company analysis

Themes	Context	Score
Value for money of development programme	• The CHC has the ability to offer the Council good value for money on developments. It will have the opportunity to extract surpluses from the management fee in which to deliver new build housing. • The CHC should be in a position to lock in favourable funding rates through accessing prudential borrowing or accessing institutional investment. • As the CHC is 100% owned company of the Council, there is no precedent or undertaking housing developments and the risk of	✔

	development may impact on the cost of delivering developments. Development expertise in the vehicle is therefore important to consider.	
Deliverability	• A CHC is relatively simple to set up with no requirement for any procurement activity. • As the CHC is seeking to deliver the landlord service influenced through the management of the HRA. With a different brand and focus the Council can use the company to deliver on its efficiency savings target. • The deliverability of any housing development will rest on the expertise and capability of the company to deliver. It will therefore be critical to ensure that the company has the right capacity to deliver. For example the company would need to understand the impact on the business plan for any adverse movements in costs on a development or the inability to sell properties as part of a mixed tenure development.	✔✔
Quality	• As the CHC is fully under the control of the Council, the Council will be in a position to set the standards required for housing.	✔✔

Qualitative analysis – summary

Other than the concession model, each option appears to offer the Council the ability to accelerate housing with the use of HRA resources.

The operating lease is the most direct and requires no separate vehicle to undertake the transaction. In return for a long term lease payment the Council can acquire significant upfront funding to deliver housing of which the lease is part paid for by the rental income of the new properties. However there are some issues which would need to be resolved i.e. The requirement to structure the project as an operating lease, how to deal with RTBs and secure tenancies on expiry of the lease and whether there is any risk of accounting rules changing in the future meaning a reterospective breach of the debt cap.

The build now pay later premise either via a Joint Venture or a Wholly Owned Company allows the council to accelerate housing building, operate the properties through the vehicle until such time the Council can purchase the properties. The key differences between the two vehicles is that the JV will provide more expertise through a private sector partner and could be structured so that all debt is off balance to the Council with no concerns as to the issues with the respect to use of HRA resources and the HCFR. Alternatively the Council may wish to establish a WOC which would be cheaper to fund through the use of prudential borrowing, but would be on balance sheet and full risk of development and operations would be assumed by the Council.

The Council Housing Company (ALMO light) option uses the free cash flow following any efficiencies against the management fee payable to the company. The company could use prudential borrowing to accelerate the build programme, as long as the forecast of free cashflow is robust.

A list of potential risk issues with respect to each commercial options, together with some resultant mitigating strategies has been included in Appendix 6.

Quantitative analysis of commercial options

Each option (other than the concession model) has been financially appraised to assess whether a new build programme could be accelerated.

The basecase position for the Council is to build units with annual free cashflow arising from the Housing Revenue Account.

Based on the original base case, the Council's business plan indicatesthat it is possible to build 838 units by year 30 leaving a small surplus of £3 million by year 30. The revised base case builds in significant savings on costs, which the Council believes it is able to deliver, and forecasts a surplus (excluding new build) of £390m by year 30. The revised business plan therefore indicates that the Council would be able to deliver the following number of properties;

Year	Number of properties that could be built (revised basecase)
5	205
10	485
15	785
30	1,860

However as the units are built over a 30 year period, there is uncertainty over the level of construction price inflation over this period and the level at which rental income will increase, which may impair the Council's ability to build the intended level of units.

On this basis we have performed sensitivities against the original and revised base case cashflows to assess what level of housing could be delivered, based on scenario of construction price inflation at RPI+2% and a separate scenario of rent increasing by RPI only.

Scenario	Surplus by year 30 before new build	Number of units delivered by year 30	Surplus by year 30 after new build
Original base case	£96m	838	£3m
Original base case - Rent increase at RPI (existing & new)	£27m	470	£7m
- Construction price inflation at RPI + 2%	£96m	665	£9m
Revised base case	£390m	1,860	£16m
Revised base case - Rent increase at RPI (existing stock)	£305m	1,475	£17m
- Construction price inflation at RPI + 2%	£390m	1,275	£10m

The financial appraisal undertaken for the commercial options identified is predicated on using the resources from the original and revised baseline HRA as per above. For the institutional investment, JV and Wholly Owned Company options, we have used the following assumptions.

Variable	Number	Build Cost
4 bedroom house	20%	£192,000
3 bedroom house	40%	£173,000
2 bedroom house	40%	£145,000
Average management cost per annum	£500	
Average repairs per annum	£750 (For WOC and JV assumed that irrecoverable 20% VAT has been absorbed)	
Average major repairs (from year 11)	£1,000 (For WOC and JV assumed that irrecoverable 20% VAT has been absorbed)	
Average rental income per week (as at 01.04.2013)	£132	
Average voids & bad debt	4%	

The assumptions for build cost, management, repairs and major works costs per dwelling and average rent per dwelling are broadly based upon the Council's HRA business plan. In respect of build costs, it is assumed that the figures from the HRA business plan contain professional fees, and land costs.

Institutional investment

An operating lease would flow through the HRA as an annual payment to the institutional investor indexed at RPI. All rental income and operating costs would continue to flow through the HRA as if the properties were owned by the HRA and therefore the Council would in effect incur a net cost of the rental income less management, maintenance and major repair costs, less lease payment.

At lease expiry, the Council would have the option to purchase the properties at Open Market Value. The Open Market Value may be determined by the existing and future use of the assets which would likely to be social/affordable housing. The value and methodology for agreeing the value would need to be agreed upfront, and the Council would need to ensure that it had sufficient funds to pay for the properties.

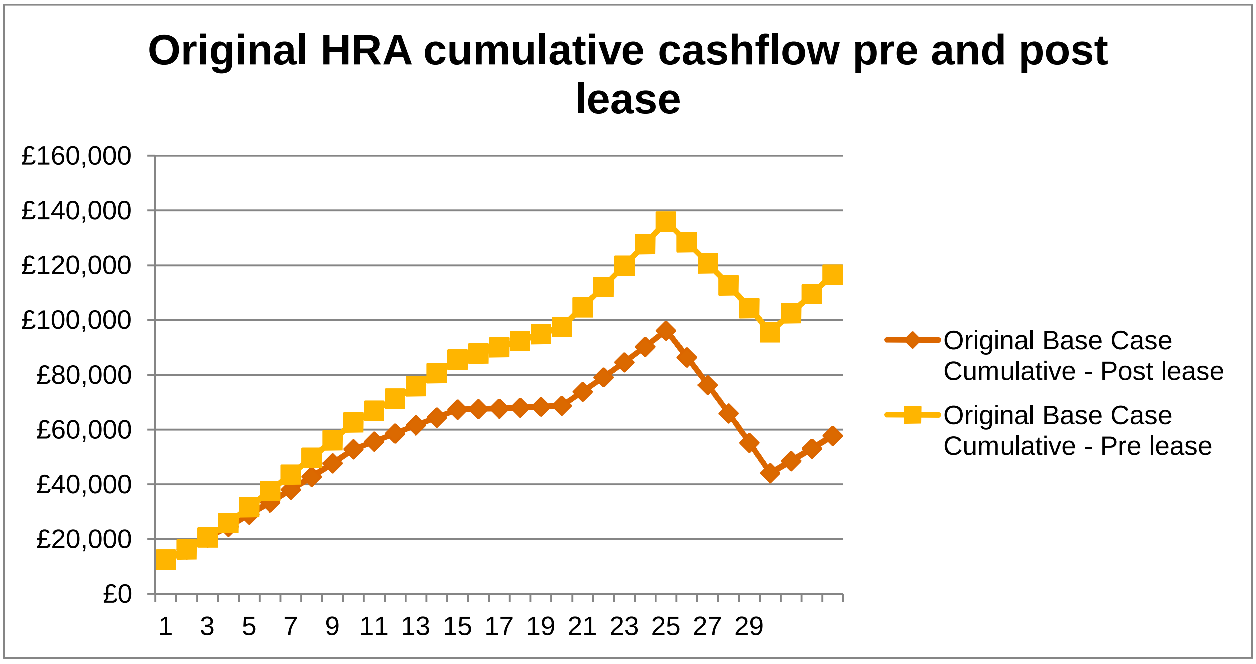
The key variables for the operating lease structure are shown below.

	Operating Lease
Lease period	30 years
Required initial income yield (real)	5%

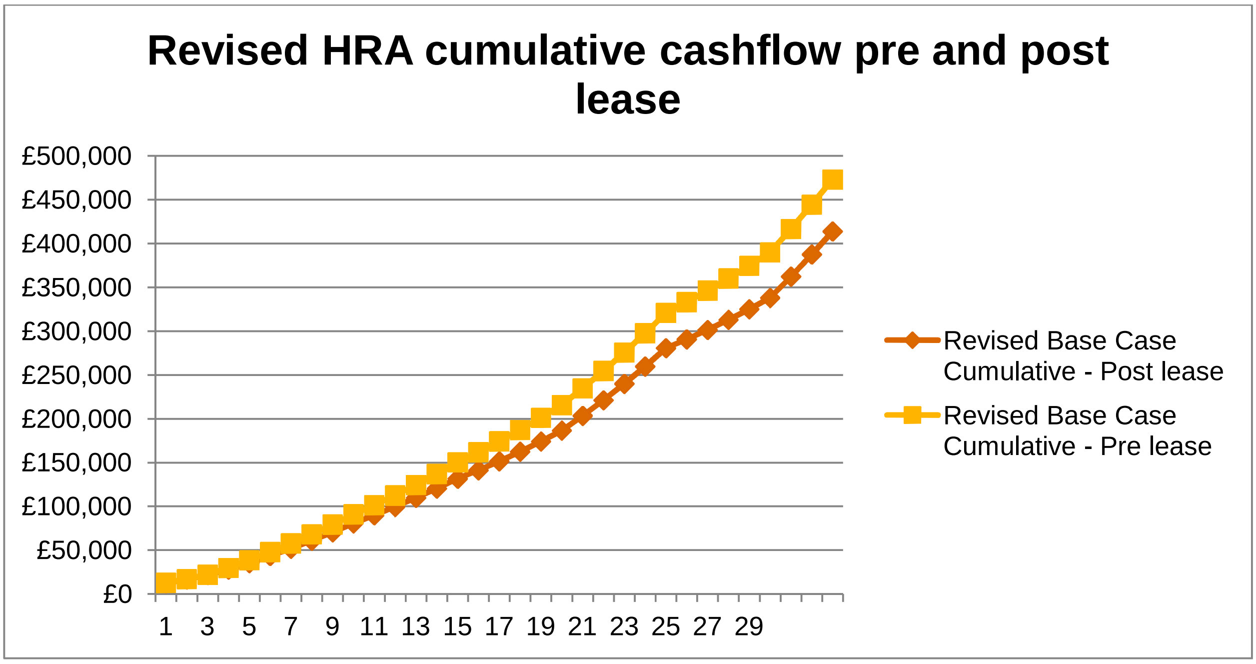
A calculation of the annual operating lease payment for 500 homes constructed over two years at a real running yield of 5.0% would be in the order of £4.0m per annum.

After taking account of the rental income less management, maintenance and major repair costs levied on the properties, the total net impact on the HRA would be in the order of £1.35m in real terms per annum.

As per the original business plan, the acquisition and leasing of 500 properties constructed over two years is considered achievable. The following graph shows the cumulative accrued balances of the HRA before and after the delivery of an operating lease. The cumulative balances of the HRA are based on the Council undertaking no new build housing other than a lease. The balance at the end of year 30 is £57m which suggests that there would be sufficient cash in the HRA to purchase properties at the end of lease expiry, depending on the future value of the properties.



Based on the revised base case, the position is far enhanced. A 500 property lease would very achievable. By the end of year 32 (2 year construction plus 30 year lease) the HRA balance would accrue to £414m. This would enable the Council to purchase the properties outright.



Such amounts would suggest that if the Council has were able to realise the revised base case and find land that was sufficiently affordable, a lease of 1,000 units would be potentially achievable.

Joint Venture & Wholly Owned Company

Using the same variable inputs as per the leasing structure, a financial appraisal can be constructed for a build now pay later scheme in both a Joint Venture Company and a Wholly Owned Company.

	Joint Venture	**Wholly Owned Company**
Units	500	500
Construction Period	2 years	2 years
Loan to Value	75%	100%
Project Loan	5% (Bank)	4% (Prudential Borrowing)
Build Cost – 4 bedroom	£192,000	£192,000
Build Cost – 3 bedroom	£173,000	£173,000
Build cost – 2 bedroom	£145,000	£145,000
Average management and maintenance costs per annum	£1,250	£1,250
Average major repair costs per annum from year 11	£1,000	£1,000
Project IRR	-	5%
Equity IRR threshold	12%	-
Rental Income per week	£132	£132

The purpose of the company structures is to develop upfront affordable housing, which flows into the Housing Revenue Account once the cashflow is available to purchase units. In the intervening period the properties are vested in the vehicle and managed on their behalf by either the HRA or a Registered Provider. The operating income from the properties is used to service the debt contained in the vehicle.

Joint Venture

In order for the JVCo to be economically feasible and for the private sector partner make a projected return of 12%, the Council would need to purchase affordable housing units at build cost +11.5% or alternatively, the JVCo would need to develop an additional 100 homes for sale in order for the HRA to purchase housing units at build cost +5.00% and maintain a return of 12.00%.

Under the scenario of 100% affordable housing using the original base case HRA accrued cashflows; the Council would be in a position to purchase 20 homes per annum, meaning that all homes would be purchased over 24 years (31 March 2037).

Under the scenario of 100% affordable housing using the revised base case HRA accrued cashflows; the Council would be in a position to purchase 42 homes per annum, meaning that all homes would be purchased over 12 years (31 March 2025).

In order to service the debt in the period (prior to any purchase of assets by the HRA), the annual operating income (i.e. net rent) is considered sufficient to service the debt.

Wholly Owned Company

In order for the Wholly Owned Company to be economically feasible, the Council could purchase affordable housing units at build cost + 2.5%

Under this scenario, using the original base case HRA cashflows the Council would be in a position to purchase an average of 22 homes per annum, meaning that all homes would be purchased over 23 years (31 March 2036).

Where the revised base case HRA cashflows are used the Council would be in a position to purchase 45 homes per annum, meaning that all homes would be purchased over 11 years.

In order to service the prudential borrowing (prior to purchase of assets by the HRA), the annual operating income (i.e. net rent) is considered sufficient to service the debt.

Clearly the Wholly Owned Company is more financially beneficial to the Council. The company is at liberty to obtain 100% borrowing and the cost of financing the debt will be cheaper than conventional debt. There is also no requirement to meet commercial thresholds of equity IRR, due to the removal of any private sector partner in the vehicle.

However consideration would need to be given to the lack of commercial or development expertise with the participation of the private sector partner and the high level of prudential borrowing undertaken.

Council Housing Company

We have analysed the use of a Council Housing Company under the revised base case where the management fee payable the Council Housing Company refects the rental income less debt service costs and costs of a strategic housing function and client team.

The projected surpluses available to the CHC after delivering efficiency savings against its cost base (c. 1% of the total fee), create capacity to allow it to take on new debt (outside of the HCFR borrowing cap), which can be used to accelerate the delivery of new build.

This is illustrated in the table below. Interest rates are assumed to be 4% and the total loan is drawn down by year 6.

	Revised Base Case	CHC debt capacity	CHC repaid
Scenario one			
CHC projected surplus year 30 £'000	3,829	125,000	Year 31
New build by year 5	700		
New build by year 10	920		
New build by year 15	1,045		

New build by year 30	1,530

By comparison to the base case of the HRA building when cash is available the CHC is able to build 500 more units by year 5 at 700 units. This is due to the CHC having the ability to borrow against its surpluses, and allowing for the acceleration of the new build programme.

The total number of housing is however lower that direct HRA build over the 30 years. This is due to the debt costs included in the overall CHC numbers ensuring that all debt is retired by year 31 and that irrecoverable VAT has been applied to the operating costs (repairs and lifecycle cost) of the new units. A balance therefore needs to be struck against acceleration of a build programme through the CHC against the potential level of units that could be built over a 30 year period through direct HRA build (subject to any changes in rent inflation and construction price inflation).

Summary

Each option financially appraised above demonstrates that the Council has the ability to significantly accelerate its housing programme in the early years of the HRA business plan, should the assumptions contained in the revised plan be delivered.

The options above seek to be compatible with the HCFR whilst enabling the Council to use HRA resources to develop new build housing.

The most direct route towards developing housing is the operating lease. The lease structure is a simple structure which provides the Council access to funding to develop housing, with payment through a fixed annual indexed linked lease payment. The surpluses contained in the HRA denote a lease payment to be affordable and could deliver a significant level of housing upfront.

However there are a number of issues that would need to be resolved. The accounting treatment between an operating and finance is delicately balanced and needs careful structuring, the security of tenancies against the option to purchase properties at the end of the lease is an issue and the future accounting for leases, may mean that any lease entered into today would become a finance lease and cause a retrospective breach of the HCFR. There is also the risk that once locked, the lease must be paid and any advsere performance on the HRA in the future could be seriously detrimental to the ability to provide services, if the lease is the first item to pay.

We believe there is merit in exploring this option further but only if the Council is satisfied as to the potential consequences of any breach of the HCFR following any potential accounting changes on leases.

The Joint Venture and Wholly Owned Company structures allows the Council to develop homes today whilst transferring them to the HRA once the cashflows are available. This is favourable to the base case position as it enables the Council to lock in the construction and land prices in today's values. Where the Council was to use cashflows to build properties in 10-15 years time, the construction price maybe significantly more expensive, reducing the purchasing power of the cashflows available. The risk to the Council is purchasing assets that are in excess of open market value or having the cash available to purchase the assets. This means that the Council has been able to accelerate its new build programme and will trickle properties into the HRA overtime.

As the HRA is purchasing assets overtime, the value can be fixed maintaining the purchasing power of the HRA cashflow. As the HRA can purchase assets, there is a natural amortisation profile on the debt making it attractive to senior lenders and the Council acting in a prudential manner.

Whilst both options are considered feasible, the Wholly Owned Company will offer better financial metrics to the Council due to the relative cost of borrowing. However this also needs to be considered against the lack of development expertise that would be available through with a private sector partner. In addition we believe that the Joint Venture vehicle may enable other stakeholders that own land to contribute their land as equity into the vehicle e.g. Coventry City Council.

We believe there is strong merit in assessing whether land on the periphery of the Council's boundaries with Coventry City Council could be contributed as equity into a vehicle in order to develop affordable housing across the Coventry City region.

The last option explored, the Council Housing Company, appears to offer the opportunity to meet both Objective 1 and Objective 2 and has been set out separately in the following section.

6. Achieving both objectives

The Council Housing Company

From the identification and appraisal of options for meeting both objectives 1 and 2, one particular stands out as having the capability of delivering both objectives under one option.

The establishment of a Council Housing Company appears to deliver on a number of different fronts.

1. It provides the Council with a conduit in which to deliver efficiency savings against the current operating costs. The Council Housing Company will serve as a useful change agent tool in which to affect the efficiency programme and becomes the Council's brand for delivering a more cost efficient and effective service. (Objective 1).

2. As the Council Housing Company is 100% owned by the Council, there is no requirement for procurement for any partners to establish the company and deliver operating services. (Objective 1 & 2).

3. If the Council Housing Company achieves the efficiency savings identified in the business plan against the current cost base (which forms the management fee), the Council Housing Company will have created free cashflow which it could either borrow against or lease properties to deliver an accelerated housing programme. (Objective 2).

4. As the company is delivering services on behalf of the HRA, but is not tied to the HRA, any borrowing or credit arrangements entered into by the vehicle should not be caught by the HCFR and therefore will not be breaching any caps imposed, subject to the Council's prudential code.

There are some drawbacks however. The level of housing over a thirty year period built does not appear to be as high as the direct HRA build at first glance. The prudential position of repaying back debt procured and incurring VAT on operating costs associated with the new build means that there is less cashflow to build housing over the 30 years. This should be considered in the round though, as the total number of properties that the HRA could build would reduce if construction price inflation were to increase significantly overtime.

Legal commentary on how the Council could implement such an option is included in Appendix 4.

7. Next Steps

Recommendations

This report has sought to introduce the Council to a range of different commercial models that it could use to deliver the landlord service and accelerate a new build housing programme. The range of options demonstrates that there are a number of ways to achieve this acceleration new build housing, but each comes with different commercial obligations, risks and issues for the Council.

The onset of HRA reform has opened up new opportunities for the Council which were not available previously, but which are not straightforward. Any option needs to be carefully planned and structured correctly and the Council needs to be satisfied that the option will not impact on the Council's HCFR.

In progressing any options set out in this report, the Council should consider the following recommendations and observations.

1 Ensure that the assumptions used to produce the revised base case are deliverable and realistic

This report has highlighted the opportunity for the Council to accrue levels of surplus income in the HRA, which has been used to assess the potential levels of housing investment the Council could deliver. The Council therefore needs to satisfy itself that such the assumptions used are realistic and deliverable before basing any new investment programme on the figures contained in this report.

2 Monitor the target efficiency programme

This report acknowledges that the Council has embarked upon a target efficiency programme within the HRA. Whilst we have undertaken an analysis of alternative options which suggest varying levels of efficiency savings, the Council's current programme suggests no immediate requirement to change course. If however, the monitoring of the programme, suggests that the targets are not being achieved, the Council may wish to use this report as a basis for alternate options.

3 Explore the use of the Council Housing Company further

As discussed in the report, the Council Housing Company appears to offer the Council a conduit in which the target efficiency programme could be delivered whilst offering an opportunity to borrow through the company to accelerate a new build programme. The Council should consider how best to implement such an option and assess what level of management fee provided to the Council Housing Company would be acceptable to stakeholders.

Depending on the level of management fee, the Council may choose to retain an element of rental income to create a direct HRA capital programme. In this instance all other commercial options would be applicable. The Council may therefore wish to create a portfolio of investments depending on the characteristics of the relevant transaction required.

4 Re-perform the HRA business plan with a robust early years development programme

Once the Council has an agreed development programme with sites identified, the Council should consider re-performing the impact on the HRA business plan against an agreed set of properties, depending on what preferred commercial option it has chosen to consider.

5 Seek further detailed advice and develop a business case

The Council will wish to satisfy itself that any option being entered into will not breach the HCFR. The Council should consider detailed accounting advice on the accounting treatment of the transaction, further legal advice on the impact on the HRA and Council and detailed taxation advice to ensure it understands the key VAT, SDLT and corporation tax positions of the delivery vehicle.

We recommend that with any option, the Council develops a business case to explore all issues prior to implementation.

6 Seek early external audit advice

The Council should seek an early review of their interpretation of accounting advice and vires for any strcuture from their external auditor.

7 Consult with CLG

The Council may consider it prudent to consult with CLG prior to adopting any parotuclar measure to ensure that the Council has support from Government for its proposals.

AP1. Commercial Structures – Detailed descriptions

Leases

To use the revenue resources in the HRA the Council may enter into an operating lease with an institutional investor. An operating lease structure enables the Council to treat the lease payment as revenue in nature. In contrast a finance lease means that the capital value associated with the lease is on the balance sheet of the Council and any payments relate to an amortising of the capital overtime. The determination of whether a lease is operating or finance in nature is based on different characteristics.

A potential operating lease model, with the Council engaging with the institutional investor to undertake land development for the delivery of housing is set out in figure 1. A delivery structure for a finance lease model would appear identical as the mechanics of the model, save for:

- **Lease period** - for a finance lease, the period can be of the same order as the useful economic life of the home (c. 60 years) but for an Operating Lease it would be sufficiently smaller than this (c. 30 years);
- **Residual value** - under a finance lease, the properties may revert back to the Council at nil value at the expiration of the lease agreement but under an operating lease, the Council has an option to acquire the properties at their existing use value measured at lease expiry; and

In the structure outlined in figure 1, the Council either transfers its land (at a pre-determined value) to an institutional investor under a long term lease or freehold. Where land needs to be sourced, the institutional investor may purchase land on the open market.

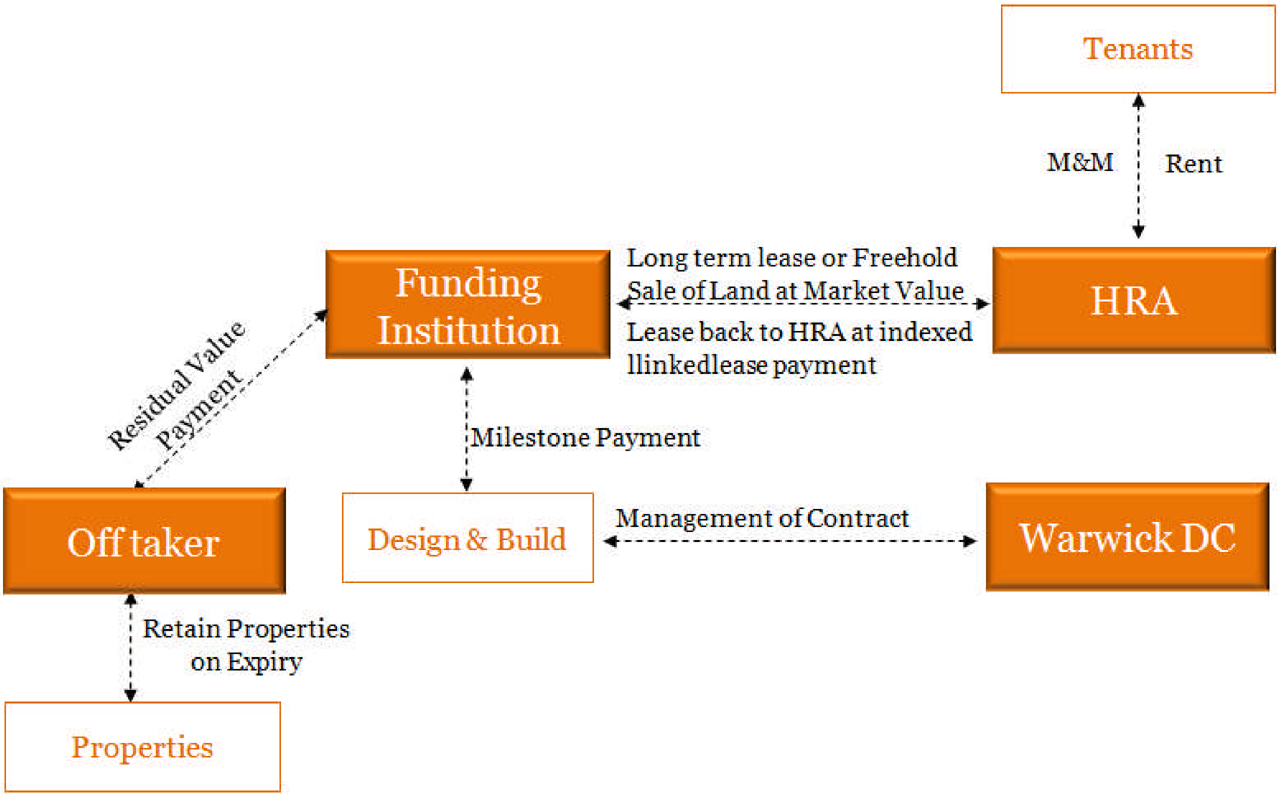
Under this scenario, the Council carries out the development activity on behalf of the investor, acting as the managing agent. The Council draws down the relevant construction finance from the investor to fund the corresponding milestone construction cost payments. The level of construction finance sought is appropriately reduced by any capital receipt flowing to the investor from any sales of plots to any developers in the construction period.

Upon construction completion, the Council leases the properties from the institutional investor under a conventional Fire, Repair and Insure lease agreement. This creates an obligation upon the Council to maintain properties to a lettable standard during the lease period.

During the lease the Council is responsible for rent collection, and the payment of ongoing operational costs associated with the properties. The net rental income collected contributes towards the annual lease payment made to the investor. To the extent that there is a shortfall between the annual net rental income and the annual lease payment, revenue support would be required from the Council. As an operating lease, it is anticipated that any additional financial support over and above the net rental income, made by the Council, would be revenue based, through resources contained within the HRA.

Under an operating lease, at the end of the lease period, the Council has an option (but not an obligation) to acquire the properties from the institutional investor. Under an operating lease structure, the residual value is akin to the open market value of the properties. However, given the nature and future use of the properties, this would be predicated on existing use value – social housing and therefore, the open market value would be based on a discounted cash flow of future net rent, as the market value of the properties.

Should the Council choose not to acquire the properties at the end of the lease period, it is the responsibility of the institutional investor to sell the properties on the open market or seek an alternative use to derive additional value from them, i.e. continue to rent properties or sell on the open market.



Key Commercial Characteristics

There are a number of key commercial characteristics underpinning the operating and finance lease models:

Operating lease requirements

An operating lease procurement route may be attractive to the Council as it potentially offers an off balance sheet approach to development and allow the Council to potentially count any lease payments as revenue costs, and thereby use any free resources within the HRA to help subsidise any difference in lease payments to net rent receivable.

The ability to make lease payments from the HRA appears to be permissible as per the HRA Manual of Accounts. Item 3 of HRA expenditure, 'rent, rates, taxes and other charges' sets out that rents are payable by a council on different categories of leased property except for:

- HRA leases which are 10 years or less, used for the purpose of homeless households; and
- Leases which are deemed credit arrangements for which credit cover is required for the initial cost of the assets and consequently be counted towards the Council's HCFR.

An operating lease agreement must satisfy a number of pre-requisite accounting conditions, relative to the transfer of the risk and reward of ownership, in order to prevent being considered a finance lease, which would be counted towards the HCFR.

For an agreement between the Council and the institutional investor to be accounted for as an operating lease, it must result in a significant proportion of the leased property's total value being put at risk of not been funded from rentals from the Council. The standards do not specify quantitative criteria to be met; instead the assessment should show on a rounded basis that the institutional investor will accept significant risk that it will need to meet its expected return from allowing parties other than the Council to access or to buy the properties. Examples of features that may meet this criterion are:

- **Lease period** – the minimum committed lease period must be sufficiently shorter than the leased assets' useful economic life.
- **Asset consumption:** The minimum committed rentals' present value must be sufficiently smaller than the assets' market value when the lease starts. This present value is derived from a discount rate equal to the internal rate of return for the investment assuming that the minimum rentals are earned for the properties' expected useful lives; and
- **Residual Value:** Any option for the Council to purchase the home either during or at the end of the lease must be close to the properties' open market value at the time the option is exercised and there should be a material possibility that the Council will exercise that option.

Failure to satisfy any of these criteria may require the lease to be accounted for as a finance lease. The corresponding debt associated with the transaction would then sit on the Council's balance sheet and count towards the HCFR.

Whilst an operating lease may be preferable to develop affordable housing, paid for through the net rent plus additional revenue available in the HRA, there are a number of items that require exploration:

- **Residual Value** – The Council would need to be satisfied that it had sufficient resources to make any residual value payment at the end of the lease (should the Council wish to purchase the assets at lease expiry). It would also need to consider how market value is calculated to assess whether properties could be valued at EUV-SH;
- **Security of tenure** – The ability of the institutional investor to secure a residual value at lease expiry may be difficult to achieve with ongoing secure tenancy arrangements. The Council would need to consider how secure tenancies are dealt with a lease expiry, for example through assessing how fixed term tenancies could apply within leased properties; and
- **Right to Buy** – Consideration needs to be given as to how properties are dealt with under Right to Buy provisions.

Development control and development risk

Where the Council acts as managing agent on behalf of the investor, it retains control over the scheme design and affordable housing outputs.

Flexibility of tenure mix

Under all options, the Council retains control over the tenure mix on the properties they leaseback from the institutional investor. The Council can therefore set the tenure mix to meet their specific housing needs. However, where any housing is to be leased via the HRA, the Council may be required to offer secure tenancy agreements.

Self financing models or subsidy

It may be possible for both leasing models to be self financing under particular tenure mixes. This position is achieved when the net rental income flowing to the Council is sufficient to support the annual lease payment agreed with the institutional investor to meet their desired returns. For the net rental income to create a self financing model, it will likely require a significant portion of the properties to be private rented or at least at affordable rent.

In tenure mixes with a majority of social and intermediate housing tenures, the model is likely to require additional revenue support to subsidise the net rental income earned by the Council on the properties. Lower rental values will ultimately be unable to support the annual lease payment required by the institutional investor and therefore require additional revenue support.

Demand risk

Under all options, demand risk on completed properties resides with the Council as the lease payment made by the Council is fixed regardless of usage. However demand risk may fall back to the institutional investor under the operating lease structure, as the properties may revert back to the institutional investor on lease expiry.

Institutional investor return

It is anticipated that the institutional investor will measure their return on the basis of

(1) *A running yield* - the annual return as a percentage of the upfront investment; and

(2) *A redemption yield* - the overall return to the institutional investor in cashflow terms measured as an IRR, after expiry of the lease and any residual value payment has been made.

The minimum running yield requirement may be in the region of a real rate 4.0-6.0% and this ultimately drives the annual lease payment required from the Council.

Institutional investors are likely to require an index linked running yield for the purpose of their fund's asset-liability matching requirements; although discussions with investors suggest that fixed annuity payments would also be acceptable. Both the operating and finance lease models lend themselves to delivering this – the net rental income collected by the Council is linked to RPI and this ultimately drives the annual lease payment made to the institutional investor.

The redemption yield is also predicated upon the annual lease payment, but additionally factors in the value the properties may derive at the end of the lease period. Under a finance lease, the value of the properties at lease expiry is nil and therefore this does not contribute to the redemption yield. Under the operating lease model, the residual value derived is determined by the end use of the properties. The Council may exercise their option to acquire the properties at tenure value, or alternatively they may derive a revenue stream from open market rent or open market sale.

It should be borne in mind that an increased running yield reduces the volatility imposed on the redemption value by the residual value that may or may not be extracted from the properties. The running yield takes into account early period returns, which have a greater impact on the present value of the investor return than any residual value which is to be discounted back from 25-35 years in the future. It follows that a greater running yield masks the impact of the residual value and investors may be less wary of the latter if they can be satisfied with the former.

In discussion with a number of institutional investors, the lease structure is appealing due to its long term income provision, secured against valued assets and covenant backed entity.

Institutional investor exit strategy

Under an Operating Lease, the uncertainty surrounding the destination of the properties at the expiry of the lease may be considered unappealing to some investors. However as the properties will have an open market value, the location and type of accommodation will be more relevant to the ability to derive a value following lease expiry.

As noted above, institutional investors may gain sufficient comfort in a deminimus running yield to render the residual value equation academic. Alternatively, the investor will seek to assess the alternative options available upon expiry of the lease (from private sale to ongoing private rent) and the revenue and capital streams that may be likely to accrue from these options.

Operational risk

Under all options, the Council retains responsibility for rent collection and for the management and maintenance of the properties. The Council may therefore suffer from any downside scenario on rent collection, voids and operational cost overrun.

Stamp Duty Land Tax

The transfer of land from the Council to the investor and the subsequent leasing of the properties by the Council may create two separate events for Stamp Duty Land Tax (SDLT) purposes. The second transaction (the leasing of the properties) may then qualify for SDLT relief. SDLT will be charged on the acquirer of the land – that is the investor. If the land is transferred at nil or negligible value, SDLT will crystallise on the fair value of the land which may be determined as the present value of the future inflow of economic benefit accruing on the land.

Application to the Housing Revenue Account

The commercial option assumes a direct contractual relationship between the HRA and the investor.

Where the Council can achieve sufficient levels of net rental income (i.e. gross rent less operating costs) to pay for lease payments, there is no requirement for further financial support from the Council and the issue of whether the lease is operating or finance in nature is less of a concern, as the project could be contained in the general fund.

Where the Council elects to use a lease for properties to be contained in the HRA, it is more important to assess the nature of the lease. Conventionally operating leases are revenue costs and therefore are unlikely to be caught by the definition of the HCFR. Any payments made by the HRA therefore, whether the lease payment is more or less than the net rental income derived from the properties, would be deemed to be a revenue cost to the HRA. This option may therefore enable the Council to use resources from the HRA to build housing.

A key issue however with the concept of leasing is future accounting rules. The International Accounting Standards Board and the US Financial Accounting Standards Board have been considering changes to the way in leases should be accounted. Proposals include removing the distinction between operating and finance leases, effectively classifying all leases as finance leases. The current view is that future changes to International Financial Reporting Standards would be applied from 2015 at the earliest.

A key consideration for the Council to consider therefore is how any retrospective review of leases would have on the HCFR and what, if any potential breach of the HCFR through accounting changes occurred would be treated by Government.

Joint Venture

A potential Joint Venture vehicle is included below

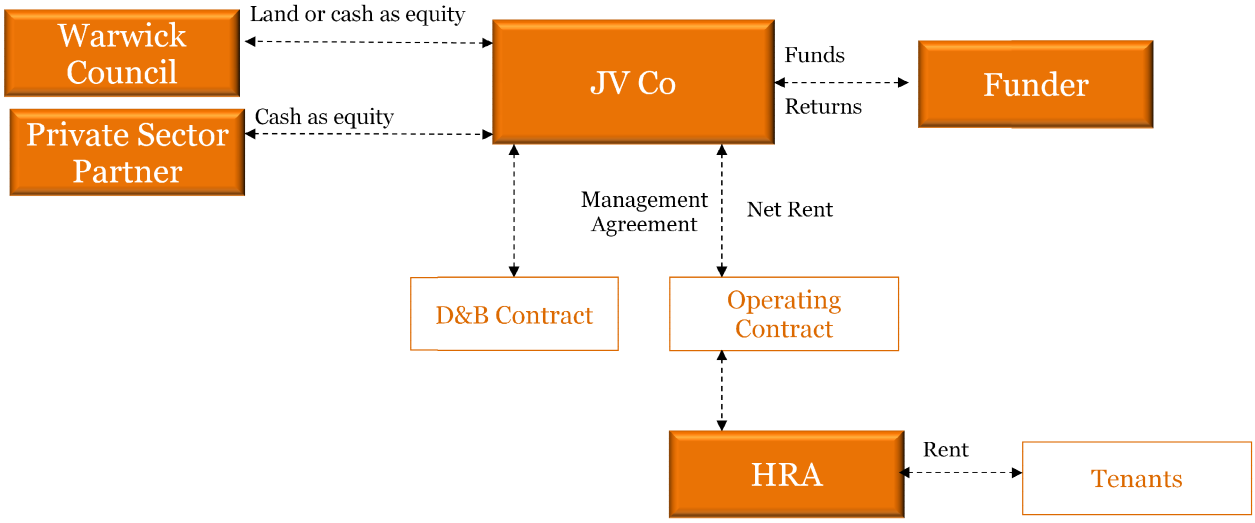


Figure [x]– A Joint Venture company

The Council enters into a joint venture agreement with a private sector partner for the purpose of developing sites either in the Council's ownership or on the open market. Whilst there are different forms that the Joint Venture may take, a Limited Liability Partnership (LLP) may offer tax transparency to the relevant partners. The Council's share of the company is based on its financial contribution towards equity.

The vehicle is responsible for the development of the site. The funding of the development will be sourced from a mix of the private sector partner's funds (its equity share) short term development financing (repayable through longer term institutional funding) or prudential borrowing.

Following any sale of properties, the vehicle will retain an interest in properties to be used for rent.

The vehicle may elect to seek a management agreement for either a Registered Provider or HRA to provide tenancy related services, with the net rental income from the properties being used to service the loans and/or investments. The Registered Provider or HRA would therefore pay over the surplus rental income after deducting relevant tenant related charges. Under the management agreement, the vehicle remains the landlord of the tenants, proving assured shorthold tenancies.

Overtime, the HRA may purchase a number of properties from the vehicle per annum based on the surplus cashflow available in the HRA. The vehicle and HRA will be in a position to agree a fixed price payment schedule upfront, which will provide the HRA will certainty of price, a certain pipeline and a hedge against construction price inflation risk (through building properties now rather than waiting for the HRA surpluses to accrue).

Overtime, the vehicle is at liberty to realise the residual value of any remaining properties in the vehicle. Any surplus residual value (if any final payment is required to redeem loans/ investment) in the properties would be divided between the Council and the private sector partner, according to their share of the vehicle.

Key Commercial Characteristics

There are a number of key commercial characteristics underpinning the JVCo model:

Form of vehicle

The Joint Venture may take different forms, but as a limited liability partnership, the Council has the advantage of the tax position of the LLP, which enables the Council to shield any returns from taxation as a result of the Council non taxpaying status. However this may be impacted by the requirement for the Council to use a limited company structure for trading activities (as per the Localism Act). In such circumstances, the Council interest in the LLP could be via a wholly owned subsidiary.

Development control but retained development risk

During the development phase, it is the vehicle that has joint control over the design and development of the housing scheme to be constructed. This provides the Council therefore, with a degree of control. In particular, the Council contributes towards agreeing the delivery rates and delivery timing of the new properties with the private sector partner. A joint venture vehicle gives the Council access to expertise in development and spatial strategy. It also means that the Council is sharing in the risk and reward of the development.

Cross subsidy principle

It is expected that private for sale properties would contribute significantly to the cashflows of the JVCo, as those properties will have the largest sales margins. Where the capital receipts from these properties occur during the construction period (for example through off plan sales, or with the private properties being constructed before the social and affordable properties), the receipts may be used to reduce the overall debt retained in the vehicle to be serviced from rented properties.

Demand risk

At the inception of construction, the JVCo may have entered dialogue with either Registered Providers or the HRA regarding the purchase of properties. Whilst this may reduce the demand risk the JVCo is exposed to, the JVCo remains vulnerable to prevailing market conditions on the sale of any private for sale properties. This must be borne in mind when considering the level of cross subsidy the private properties are deemed to provide – the receipts, and therefore the cross subsidy is not guaranteed.

If the JVCo retains properties, the issue of long term demand risk becomes more prominent. Where the JVCo retain properties for rent, the LLP needs to ensure that the rental income is secure through payment of rent and sufficient demand for the housing. Clearly where there is a prospect of properties being purchased overtime by the HRA, for example, the demand for the properties is mitigated.

Operational risk

Where the LLP retain stock to provide social and affordable rented properties, the LLP needs to ensure that is has the ability to provide tenant related services. On this premise it will need to sub-contract these services to a suitable housing provider, and a management agreement maybe applicable with the HRA or a Registered Provider. The housing sub-contractor will be paid for the provision of the housing related services. In return the JVCo will receive the net rental income proceeds and a full housing management service.

The net rental income payable for the properties is used to service the debt.

Tenure

The JVCo can develop all forms of tenure and therefore promote a mixed tenure approach to development. Where the JVCo retains properties for affordable and or social rent, the JVCo could offer assured shorthold tenancies rather than secure tenancies to retain flexibility in respect of tenure.

Stamp Duty Land Tax

SDLT may be charged to the JVCo on the transfer of land and purchase of land. If the land is transferred at nil or negligible value, SDLT will crystallise on the fair value of the land which may be determined as the present value of the future inflow of economic benefit accruing on the land.

V.A.T

Careful consideration will need to be given to the nature of the development costs incurred by the JVCo as some of these items may be considered to be irrecoverable for V.A.T purposes. The cost of any housing management service may also be deemed to be irrecoverable and therefore reduce the overall net rent flowing back to the JVCo for properties retained in the vehicle.

Application to the Housing Revenue Account

Whilst the JVCo would be operated via the General Fund, there is a significant interface between the JVCo and the HRA.

The key element is through a 'Build Now Pay Later' mechanism. Whilst the HRA is restricted from borrowing to develop affordable properties against its future free cashflow, the JVCo could develop properties now and manage properties until such time that there is sufficient free cashflow in the HRA to purchase properties. In this regard housing build is accelerated and a pipeline of housing is ready to filter into the HRA once the cash is available to acquire the properties. In the intervening period the properties are managed on behalf of the JVCo by either the HRA or a Registered Provider.

Wholly Owned Company

A potential Wholly Owned Development Company (WOC) model for the delivery of housing is set out in figure [x].

The purpose of the WOC is to undertake the development activity on the Council's available supply of land. It may seek to prudential borrow or procure a development finance facility to fund the construction payments for new build properties.

In order to develop the relevant levels of housing investment, the WOC would enter into a contract with a design and build contractor to undertake relevant masterplanning and construction of assets.

With respect to the developed properties, the WOC may undertake the following;

- Rent properties at a range of tenures (Private, Intermediate, Affordable, Social).
- Sell properties to a Registered Provider or HRA (Affordable, Social).
- Lease or have properties managed by the HRA
- Sell properties to owner occupiers for shared ownership, shared equity or on a restricted covenant basis.

In order for the WOC to demonstrate a viable scheme, the proceeds from the private for sale properties and sale of affordable properties to a Registered Provider would need to be sufficient to cover the overall debt incurred and any land value anticipated by the Council. Alternatively, where the Council retained properties in the WOC, the net rental income after taking account of the management fee would need to be sufficient to at least service debt.

The servicing of debt will be based on the WOC's ability to rent the properties retained in the vehicle. Where the WOC wishes to retain properties for the purposes of rent, the WOC would need to ensure that it has the ability to provide tenancy management services, including the ability to collect rental income and provide a comprehensive maintenance and repair service. Under this scenario, the WOC would need to sub-contract the provision of tenancy related services. This might be provided by the HRA.

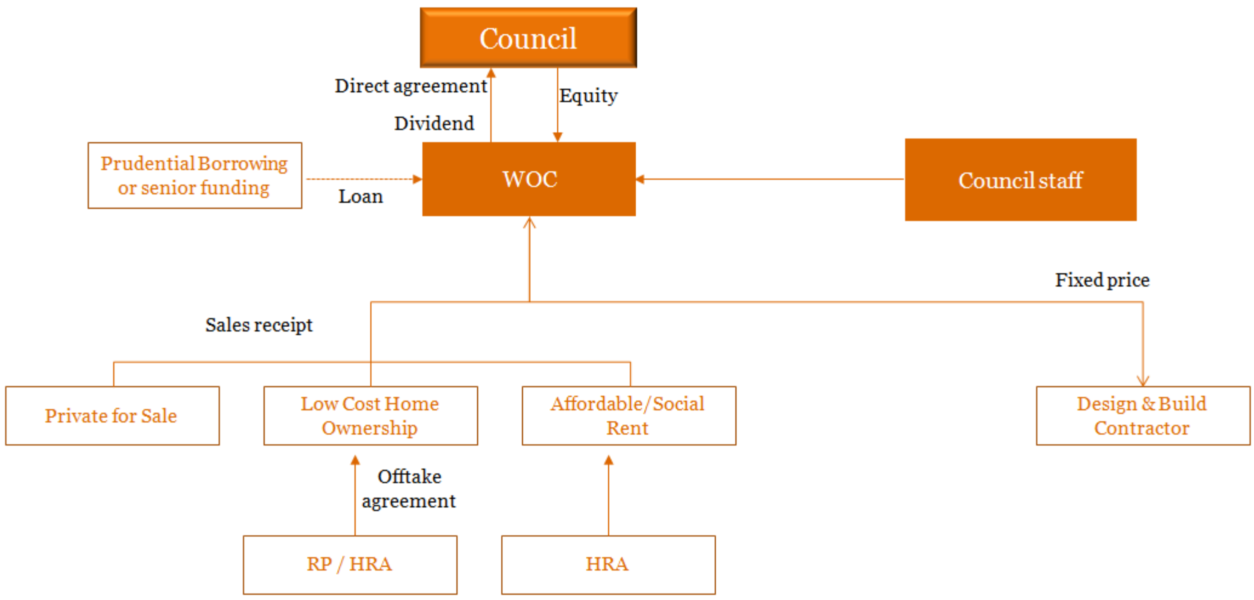


Figure three – A Wholly Owned Company Model

Key Commercial Characteristics

There are a number of key commercial characteristics underpinning the Wholly Owned Company model:

Form of vehicle

The WOC is essentially a wholly owned Council subsidiary which qualifies for the Teckal exemption on the standard procurement rules. The WOC will be run in line with the appropriate governance protocol, and in particular the Council will establish a shareholder and management agreement to conduct the activities of the WOC.

The WOC may be in a position to prudentially borrow from the Council to undertake development activity, rather than seek funding sources elsewhere. The vehicle would perform the same function as per the LLP vehicle as described in the previous section.

Procurement

As it is a Wholly Owned Company, the Council, permitted under Teckal exemptions, there is no requirement for any procurement.

Development control but retained development risk

The WOC structure bears similar characteristics to the LLP vehicle with respect to risk allocation, and how it may interface with the HRA.

The clear difference is based on the level of control that the WOC possess. As it is a 100% Council owned vehicle, the Council assumes the full risk and reward of developments and assumes full control over all development activity. This may mean that the Council has more cashflow in the vehicle (through a reduction in developer profit leakage), but also means that the full risk of any adverse changes remain with the Council. In respect of this vehicle, the Council does not partner with the private sector and therefore does not receive the same level of expertise in the vehicle, although it can clearly contract to obtain such expertise.

Taxation issues

The WOC does not qualify for the usual LA corporation tax exemption and would be potentially liable for corporation tax on any profits earned.

Stamp Duty Land Tax

SDLT may be charged to the WOC on the transfer of land from the LA. If the land is transferred at nil or negligible value, SDLT will crystallise on the fair value of the land which may be determined as the present value of the future inflow of economic benefit accruing on the land.

Stamp duty also arises on the acquirers of the completed properties. In the case of the HRA purchasing properties from the WOC, SDLT may arise from the group purchase of properties, at their average price.

V.A.T

Careful consideration will need to be given to the nature of the development costs incurred by the WOC as some of these items may be considered to be irrecoverable for V.A.T purposes. The cost of any housing management service may also be deemed to be irrecoverable.

Application to the HRA

The finances of the WOC would reside in the General Fund, but the WOC would have a number of potential interfaces with the HRA:

- The WOC may establish a management agreement with the HRA (where permissible) to provide tenant related services to properties vested in the WOC.
- The HRA may purchase assets from the WOC overtime.
- The HRA may enter into an operating lease with the WOC (see institutional investment).

A significant advantage of the WOC to the HRA is the potential for the WOC to undertake an early acceleration of housing development. Such an acceleration of housing development has the potential to lock in the construction price and hence mitigate against further increases in construction related inflation overtime. As the free cashflow of the HRA is likely to increase at RPI overtime, any cashflow available for new build housing in the future may erode in real terms where there is a divergence of RPI and construction price inflation.

Where the WOC can develop properties early and operate the properties until such time the HRA is able to purchase the assets, it may be possible to agree prices that maintain the purchasing parity of the HRA resources.

It is also possible that the WOC leases properties to the HRA in a similar fashion to that of an institutional investor lease. In this circumstance, the lease payments from the HRA are used to service the debt of the WOC and potentially make a return for the WOC's capital employed. At the end of the lease, the HRA may elect to purchase the assets from the WOC or the residual value be retained by the WOC.

Concession

A concession agreement using a Special Purpose Company ('SPC') for housing is set out in figure 4, with a variant included in figure five.

The company usually comprises of a building contractor, housing maintenance, lifecycle provider and investor.

The SPC will enter into a concession agreement with the Council for the provision of a new build supply of housing on land owned by the Council.

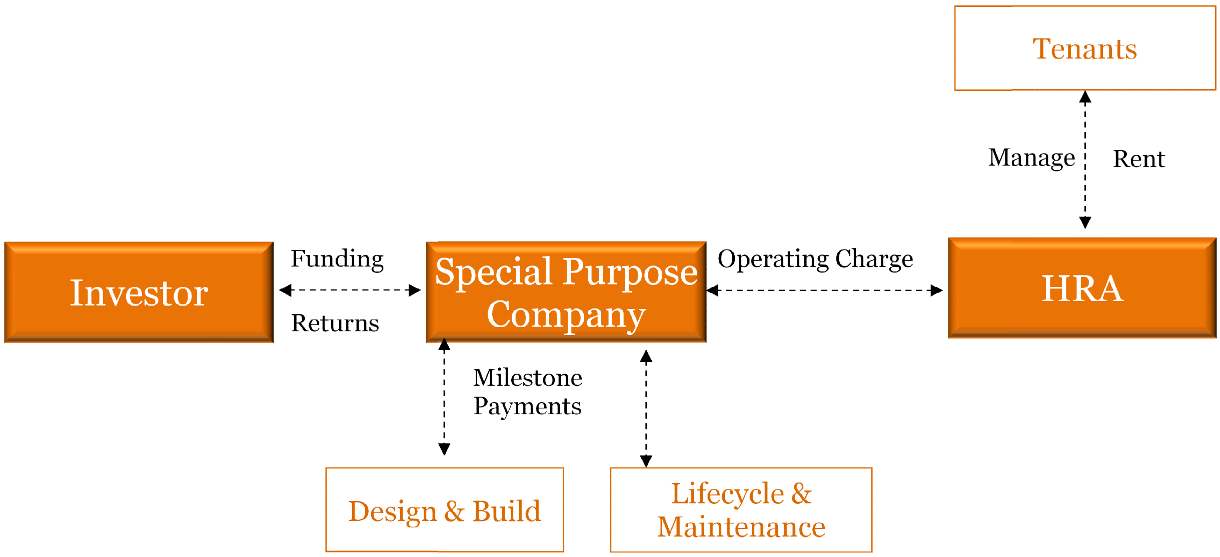


Figure [x] – Concession arrangement

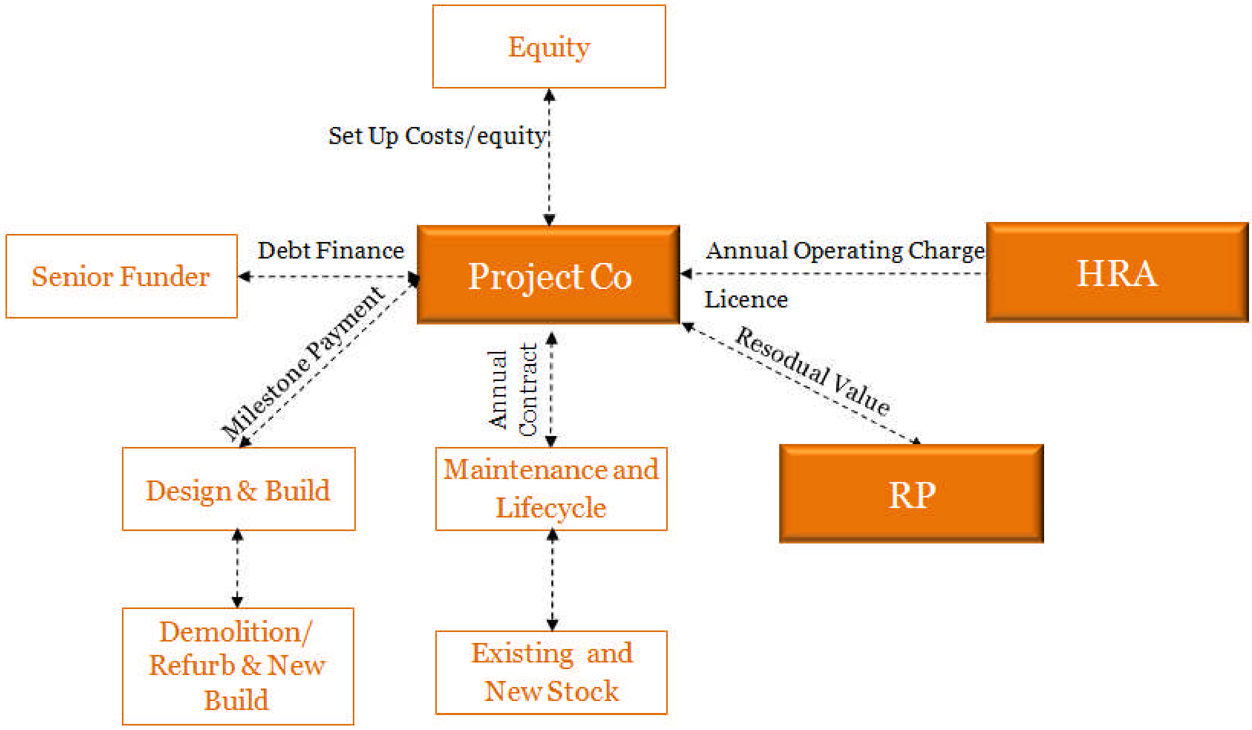


Figure [z] – Concession arrangement variant

The SPC funds the new build housing with a mix of debt and equity or institutional investment, which is used to fund the upfront costs of the SPC, the housing construction milestone payments and operating costs of the SPC during the construction period.

Upon commencement of services, the SPC will assume responsibility for the provision of property related services. The HRA may elect to provide the housing management services and would continue to set and collect rent as per it current stock. Alternatively as per figure five, the SPC uses a Registered Provider who manages the stock and collects the rental income.

As part of the project agreement with the Council, the SPC is fully responsible for the availability of the housing stock for the duration of the concession period. In return for meeting the tests of completion and adherence to the Council's output specification, the SPC will be remunerated through the payment of an operating charge. The operating charge will be subject to deductions arising from unavailability of properties.

The operating charge is the composite charge payable by the Council to fund the works, ongoing operating and major repair costs and returns on investment.

As part of the funding package, there are two tranches of debt. The first tranche of debt is fully repaid over the concession period, whereas the second tranche is an unamortised loan repayable as a bullet repayment at the end of the concession. The bullet repayment is made as a result of the SPC making a payment for the inherent residual value of the properties.

Key Commercial Characteristics

There are a number of key commercial characteristics underpinning the concession arrangement.

Demand

A key area of risk for the project is the future demand for properties. The risk could either be with the Special Purpose Company or with the Council, depending upon which party is assuming tenancy management risk and is collecting the rental income.

Residual Value

The residual value of the properties will form an important element of the concession. It is expected that the value of the assets, the 'residual value', is included as part of the overall project financing and the benefit included in a reduction in the operating charge. The value of the residual value will be determined by the permitted use of the assets at project expiry. Residual value will vary depending on whether the properties are being disposed of at open market value or being retained as social housing, and the nature of the land transfer at project expiry.

A key issue with regard to a concession arrangement is that the final control of the properties at the end of the concession must be with the SPC. This may pose a challenge for the Council where secure tenants reside in the properties. It is possible that whilst the SPC has full control, the SPC may elect to sell the properties to the Council at the SPC's discretion.

Taxation

The commercial structures used for Non HRA PFI projects give rise to various consequences for taxation. In respect of VAT for example, the contractor will make VAT exempt supplies in the form of rent, which means that it is not able to recover the VAT incurred on sub-contracted activities including maintenance, lifecycle costs and construction (where VAT rated).

Application to the HRA

The concession model maybe suitable to the HRA. However it needs to be structured carefully to ensure that it does not get caught within the lease accounting rules, be deemed to be a lease and be subject to the same future accounting rules.

Other key considerations will be the risk transfer and the appetite for institutional investors to assume property related risks. The cost of funding may be more as a result of the risk assumed by the SPC.

In order to be off balance sheet however, the residual value risk must remain in control of the SPC and could therefore mean that the properties do not vest in the HRA at the end of the concession.

There are therefore a number of challenges to the use of this model.

1. An off balance sheet solution requires the Council to have no control over the use of the assets at the end of the concession period. It will need to be carefully structured so as to not come under lease accounting.

2. The availability of bank lending is becoming more difficult. Institutional investors are willing to provide finance to the HRA, but will need to understand the risks associated with a concession arrangement prior to committing funds.

3. Any SPC that the Councils wish to enter into an arrangement with, is likely to be required to be procured. There will therefore be a requirement to undertake a procurement process which would impact on the development timetable.

Council Housing Company

A Council Housing Company ("CHC") is structured as per figure [x].

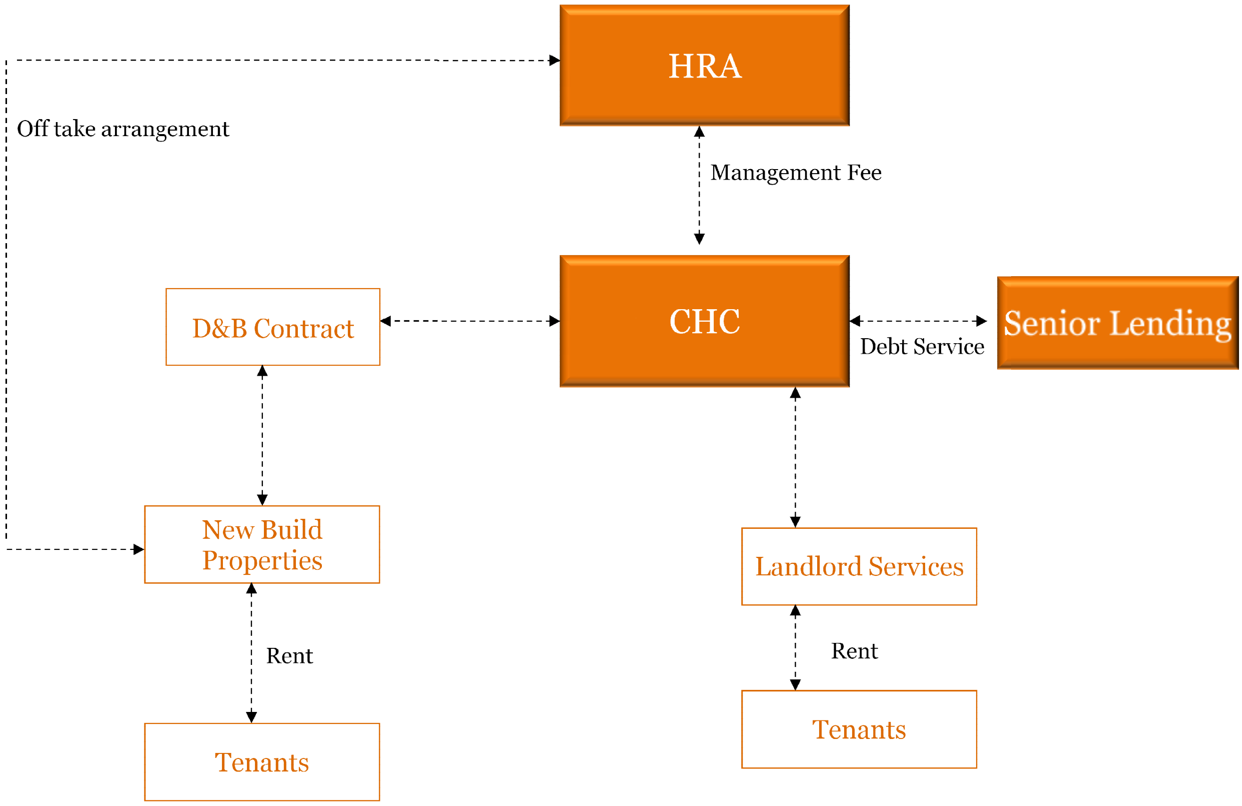


Figure [x] – Council Housing Company

In essence the Council Housing Company acts in a similar fashion to the Arms Length Management Organisations that were established by Councils in order to deliver the decent homes programme.

The Council Housing Company is primarily set up to deliver a landlord service on behalf of the Council and seek to deliver efficiency savings against the management fee agreed between the Council and the HRA. The management fee would reflect the rental income due to the HRA, less the strategic function of the HRA and the servicing of the HRA debt. The Council may also choose to retain a budget for the development of a new build capital programme.

Where the Council Housing Company is able to create a surplus against the management fee payable for services, it could seek to borrow against the projected surpluses of the business plan. Any applicable borrowing or entering into credit arrangements will not count towards the HCFR of the HRA as the company does not form part of the HRA.

The properties will be retained in the company and all rental and operating costs will flow through the company. As the properties are vested in the company, all tenancies will be assured shorthold tenancies and exempt from Right to Buy.

The company may act in a similar fashion to the Wholly Owned Company structure too, in that it may seek to develop properties more properties in the early years of the business plan which are not based on predicted future cashflows of the company, but an offtake agreement of properties from a HRA capital programme.

Key Commercial Characteristics

There are a number of key commercial characteristics underpinning the concession arrangement.

Demand

Any demand risk will be vested with the Council Housing Company. Demand could be offset through renting properties at different tenures and seeking to sell properties.

Residual Value

The Company is not seeking to sell properties, other than through an offtake arrangement with the HRA. There are therefore no concerns over residual value risks.

Taxation

The company is likely to be taxed over any surpluses made in the development of homes.

Application to the HRA

The model is likely to suit the mechanics of the HRA. The company has the ability to deliver services on behalf of the HRA, the ability to build housing to be vested in the company and produce housing to be offtaken by the HRA.

AP2 *Options analysis for objective one, fit with objective 2 and legal & risk considerations*

Objective one option	Pros	Cons	Fit with Objective two	Conclusion
Base case option – retain in house	• Simple/predictable/ possible to implement efficiency drive • Lot of cushion in business plan (high cost indicators) – a lot of resources to go at in the long term • Releasable resources available for housing investment • Can continue with repairs procurement • In control of all the resources available • Enables cross subsidy of General Fund – supports GF	• Not easy to embed change (culture change) • Tied to Council's austerity drive and therefore "the HRA being seen to spend" may not be an option • Tied to HCFR • Enables cross subsidy of General Fund – risk that HRA can be used to pick up more GF costs • Lack of customer focus • Lack of focus on housing service as not a primary/top priority function of the Council • Dependent on GF for support services – GF not necessarily focused on providing bespoke services for housing including IT	• Possible interface with WOC or SPV • If lease doesn't work (due to potential finance lease treatment), HRA will need to purchase assets when resources are available	• Keep on table but show an improved position (with no real increases) as a comparator for outsourcing and ALMO
Outsourcing (between 5-20 years)	• Able to embed change in business activity • TUPE – potential cost saving if new staff on different terms & conditions • Able to specify service requirements for best price – competition sets market price - contract for savings	• Potential for savings limited by R&M contract or a break clause has to be included in current procurement contract and enacted • TUPE – potential costs of bringing staff back in at end of contract • HCFR remains an issue • Contractual controls – additional cost of client team	• Possible interface with WOC or SPV • If lease doesn't work, HRA will need to purchase	• Shortlist option

	as well as performance improvement • More housing-focused – specialist provider focused on housing service • Skills and expertise from contractor e.g. asset management • Potential for more customer focus – can contract for better performance and tenant engagement • Economies of scale • No ballot (but requires consultation with staff and tenants) • Potential to link/commit contractor to be a development partner to help achieve objective 1 aims • Tenants would be on the Board helping to ensure customer focus	• Fixed price for the contract so flexibility in resources is limited to what is left over • Pensions – could be an issue unless the contractor can secure admitted body status • Limited precedent – we only know of 2 authorities that have done this • Potentially reduced income for GF if support services can be better provided by the external contractor • Time – competitive dialogue would take 18 months-2 years • If provider is a company or non-charitable RP – potential for tax costs	assets when resources are available • Potentially more resources if we have contracted for efficiencies	
ALMOs (Council Housing Company)	• Procurement timetable is quicker (easy to set up) • Could novate new R&M contract to ALMO – provided there is break &/or assignment flexibility • Control stays with Council with client/provider split – more flexibility with management fee potentially • TUPE fairly straightforward with no additional pension issues • Access to surplus and ability to deliver accelerated new housing	• TUPE consultation work required • Potential tax issues – company building houses may be subject to corporation tax on trading activities so would need to structure it in such a way to minimise this • Client side team required – although potentially less onerous than for outsourcing • Management team cost • Set up costs – financial &	• Can be delivered direct by the ALMO/Council Housing Company so don't need to create a new entity • Council Housing Company could enter into a	• Shortlist option

	• No HCFR issue • No ballot but consultation required with tenants & staff • Ability to become more customer focused • Can embed some culture change with new/different management team	legal advice	finance lease without affecting HCFR • Potentially more resources than retention if efficiencies are built in, but contractual relationship is softer than outsourcing	
Concession	• Potentially bypasses HCFR • Embedding change through incentivisation • Competition/price to bring about efficiencies • More risk transfer (in theory) e.g. income risk • Potential to lock into contract the requirement to deliver new build • Potential to lock into contract to cover HRA interest costs (otherwise there are no leftover resources to cover this)	• Council restricted to monitoring service – lack of control • Complexity and procurement • No income to pay for any issues or risks that come back to the Council • Market appetite may be lacking? • Termination payment could breach HCFR • TUPE • Potential for customer focus could be lost due to lack of control and influence	• Interface with WOC or SPV	• Too complex/ inflexible / significant risk around rent due to Welfare Reform. • Council has no buffer to deal with risks • Market risks
Transfer	• HCFR cap bypassed through transfer – RP is able to borrow • Precedent for this option – tried & tested • Business drivers/focus for the RP • Tenants would be on the Board (as well as independent) so customer focus through governance	• Receipt not sufficient to cover all the HRA debt – so Council (GF) would retain some debt and interest costs (although some authorities in the transfer pipeline are having some debt write off) • Costs are higher due to VAT (although VAT on capital	• Loss of control of surpluses to fulfil Objective two	• Shortlist but qualified by need to close gap • Could be discounted on basis of financial analysis

	• Community ownership is an option (but would be a leap for tenants in terms of level of involvement to date) • Potential for culture change if this is transfer to an existing RP, and potentially under a new RP as new management team • Focused specialist housing service with ability to invest in bespoke systems	saved through VAT shelter) • Council influence is reduced • Funding availability for the new RP (short term finance)? • Need for ballot – and what is on offer compared to retention? • Loss of control of resources and surpluses – only aspirations for new build can be captured but not firm commitments • Government policy changes? • No net receipt for General Fund • Set up costs • In effect, swapping relatively cheap debt for more expensive debt		• But keep options open in case financial assistance becomes available

AP3 *Original and revised HRA cashflows – including and excluding new build*

Original HRA baseline	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Income:	***2012.13***	***2013.14***	***2014.15***	***2015.16***	***2016.17***	***2017.18***	***2018.19***	***2019.2***	***2020.21***	***2021.22***	***2022.23***	***2023.24***	***2024.25***	***2025.26***	***2026.27***	***2027.28***
Rents gross - existing	£23,931	£25,042	£26,176	£27,407	£28,378	£29,273	£30,114	£30,946	£31,792	£32,659	£33,544	£34,450	£35,377	£36,328	£37,303	£38,312
Void loss - existing	-£258	-£270	-£283	-£296	-£306	-£316	-£325	-£334	-£343	-£353	-£362	-£372	-£382	-£392	-£403	-£414
Bad debts - existing	-£200	-£719	-£751	-£787	-£814	-£840	-£864	-£888	-£912	-£937	-£963	-£989	-£1,015	-£1,043	-£1,071	-£1,100
Net rent - existing	**£23,473**	**£24,053**	**£25,142**	**£26,324**	**£27,257**	**£28,117**	**£28,924**	**£29,724**	**£30,537**	**£31,369**	**£32,219**	**£33,089**	**£33,980**	**£34,893**	**£35,829**	**£36,798**
Rents gross - new build	£0	£0	£259	£355	£366	£812	£1,434	£1,901	£2,267	£2,670	£3,101	£3,467	£3,856	£4,277	£4,727	£5,211
Void loss - new build	£0	£0	-£3	-£4	-£4	-£9	-£15	-£21	-£24	-£29	-£33	-£37	-£42	-£46	-£51	-£56
Bad debts - new build	£0	£0	-£7	-£9	-£9	-£20	-£34	-£44	-£51	-£58	-£65	-£71	-£76	-£82	-£88	-£94
Net rent - new build	**£0**	**£0**	**£249**	**£342**	**£353**	**£783**	**£1,385**	**£1,837**	**£2,191**	**£2,583**	**£3,003**	**£3,358**	**£3,738**	**£4,148**	**£4,588**	**£5,060**
Service charges	£370	£380	£391	£402	£414	£426	£438	£450	£463	£477	£490	£504	£519	£533	£549	£564
Non-dwelling income	£792	£803	£818	£833	£849	£864	£880	£896	£912	£929	£949	£972	£996	£1,021	£1,046	£1,072
Grants and other income	£479	£453	£428	£405	£384	£364	£345	£328	£312	£297	£60	£55	£56	£58	£59	£61
Total original income	**£25,113**	**£25,689**	**£27,029**	**£28,307**	**£29,256**	**£30,554**	**£31,972**	**£33,235**	**£34,415**	**£35,654**	**£36,720**	**£37,979**	**£39,289**	**£40,653**	**£42,071**	**£43,555**
General management - existing	£2,857	£3,055	£3,145	£3,148	£3,242	£3,338	£3,438	£3,540	£3,646	£3,754	£3,866	£3,982	£4,100	£4,223	£4,349	£4,478
General management - new build	£0	£0	£5	£27	£28	£37	£84	£129	£160	£188	£221	£253	£281	£312	£346	£382
Special management	£2,215	£2,281	£2,349	£2,420	£2,492	£2,567	£2,643	£2,723	£2,804	£2,888	£2,974	£3,063	£3,155	£3,250	£3,347	£3,447
Other management	£32	£33	£34	£35	£35	£36	£37	£38	£39	£40	£41	£42	£43	£44	£45	£46
Total management costs	**£5,104**	**£5,369**	**£5,534**	**£5,629**	**£5,797**	**£5,979**	**£6,202**	**£6,430**	**£6,649**	**£6,871**	**£7,103**	**£7,341**	**£7,579**	**£7,829**	**£8,087**	**£8,354**
Responsive & cyclical repairs	£3,805	£4,279	£4,396	£4,522	£4,651	£4,784	£4,921	£5,061	£5,206	£5,354	£5,507	£5,663	£5,824	£5,990	£6,160	£6,335
Garage repairs	£130	£133	£136	£139	£143	£146	£150	£153	£157	£161	£165	£170	£175	£181	£186	£191
Contingency	£0	£221	£227	£233	£240	£247	£254	£261	£268	£276	£284	£292	£300	£309	£318	£327
Repairs admin	£388	£400	£412	£424	£437	£450	£464	£477	£492	£507	£522	£537	£553	£570	£587	£605
New build repairs	£0	£0	£24	£25	£26	£67	£111	£159	£184	£214	£279	£339	£391	£441	£497	£556
Total repairs	**£4,323**	**£5,032**	**£5,195**	**£5,344**	**£5,497**	**£5,694**	**£5,899**	**£6,112**	**£6,307**	**£6,512**	**£6,756**	**£7,002**	**£7,244**	**£7,490**	**£7,748**	**£8,014**
Total revenue expenditure	**£9,427**	**£10,401**	**£10,729**	**£10,973**	**£11,293**	**£11,673**	**£12,101**	**£12,543**	**£12,956**	**£13,383**	**£13,859**	**£14,342**	**£14,823**	**£15,319**	**£15,834**	**£16,368**
Capital spend - existing dwellings	£6,160	£6,877	£7,083	£7,295	£7,513	£7,738	£7,969	£8,208	£8,453	£8,706	£10,526	£10,841	£11,165	£11,500	£11,844	£15,145
Capital spend - garages	£74	£75	£77	£79	£81	£83	£85	£87	£89	£91	£893	£920	£947	£975	£1,004	£1,034
Capital spend - new build	£0	£6,404	£2,199	£0	£10,777	£14,800	£10,493	£7,647	£8,296	£8,707	£6,740	£7,057	£7,670	£8,083	£8,576	£6,363
Total capital	**£6,234**	**£13,356**	**£9,358**	**£7,373**	**£18,370**	**£22,620**	**£18,547**	**£15,941**	**£16,838**	**£17,505**	**£18,159**	**£18,818**	**£19,782**	**£20,558**	**£21,424**	**£22,542**
Debt repayment																
FRS 17 adj	-£11	-£11	-£12	-£12	-£12	-£13	-£13	-£13	-£14	-£14	-£14	-£15	-£15	-£15	-£16	-£16
Financing:																
Interest paid	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766
Interest received	-£107	-£167	-£219	-£372	-£458	-£267	-£96	-£47	-£47	-£47	-£47	-£49	-£51	-£51	-£54	-£55
Finance administration	£297	£11	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Net cashflow	£4,509	-£2,667	£2,407	£5,579	-£4,703	-£8,225	-£3,332	£46	-£85	£61	-£2	£117	-£17	£78	£117	-£48
Opening balance	£8,015	£12,524	£9,857	£12,264	£17,843	£13,140	£4,915	£1,583	£1,629	£1,544	£1,605	£1,603	£1,720	£1,703	£1,781	£1,899
Original cumulative cashflow	**£12,524**	**£9,857**	**£12,264**	**£17,843**	**£13,140**	**£4,915**	**£1,583**	**£1,629**	**£1,544**	**£1,605**	**£1,603**	**£1,720**	**£1,703**	**£1,781**	**£1,899**	**£1,850**
30 year balance	**£2,756**															

Original HRA baseline	17	18	19	20	21	22	23	24	25	26	27	28	29	30	40	50	*Total 50 years*	*Total 30 years*
Income:	***2028.29***	***2029.3***	***2030.31***	***2031.32***	***2032.33***	***2033.34***	***2034.35***	***2035.36***	***2036.37***	***2037.38***	***2038.39***	***2039.4***	***2040.41***	***2041.42***	***2051.52***	***2061.62***		
Rents gross - existing	£39,332	£40,378	£41,452	£42,554	£43,681	£44,834	£46,017	£47,230	£48,475	£49,747	£51,047	£52,380	£53,748	£55,151	£71,484	£92,838	**£2,622,446**	**£1,157,059**
Void loss - existing	-£425	-£436	-£448	-£460	-£472	-£484	-£497	-£510	-£524	-£537	-£551	-£566	-£580	-£596	-£772	-£1,003	**-£28,322**	**-£12,496**
Bad debts - existing	-£1,129	-£1,159	-£1,190	-£1,221	-£1,254	-£1,287	-£1,321	-£1,356	-£1,391	-£1,428	-£1,465	-£1,503	-£1,543	-£1,583	-£2,052	-£2,664	**-£74,777**	**-£32,721**
Net rent - existing	**£37,778**	**£38,783**	**£39,815**	**£40,873**	**£41,956**	**£43,063**	**£44,199**	**£45,364**	**£46,560**	**£47,782**	**£49,031**	**£50,311**	**£51,625**	**£52,972**	**£68,661**	**£89,171**	**£2,519,346**	**£1,111,842**
Rents gross - new build	£5,612	£6,028	£6,474	£6,942	£7,432	£8,145	£8,906	£9,715	£10,585	£11,317	£11,748	£12,101	£12,464	£12,837	£24,679	£42,353	**£685,909**	**£165,006**
Void loss - new build	-£61	-£65	-£70	-£75	-£80	-£88	-£96	-£105	-£114	-£122	-£127	-£131	-£135	-£139	-£267	-£457	**-£7,408**	**-£1,782**
Bad debts - new build	-£99	-£103	-£107	-£111	-£116	-£123	-£131	-£138	-£146	-£152	-£153	-£153	-£152	-£152	-£216	-£272	**-£6,836**	**-£2,545**
Net rent - new build	**£5,453**	**£5,860**	**£6,297**	**£6,755**	**£7,236**	**£7,934**	**£8,679**	**£9,472**	**£10,324**	**£11,044**	**£11,468**	**£11,817**	**£12,176**	**£12,546**	**£24,197**	**£41,623**	**£671,665**	**£160,680**
																		£0
Service charges	£581	£597	£614	£632	£650	£669	£688	£707	£728	£749	£770	£792	£815	£838	£1,112	£1,477	**£40,069**	**£17,199**
Non-dwelling income	£1,098	£1,125	£1,153	£1,182	£1,211	£1,241	£1,271	£1,303	£1,335	£1,368	£1,401	£1,436	£1,471	£1,508	£1,924	£2,455	**£72,070**	**£32,734**
Grants and other income	£62	£64	£66	£67	£69	£71	£72	£74	£76	£78	£80	£82	£84	£86	£110	£141	**£7,424**	**£5,174**
Total original income	**£44,972**	**£46,429**	**£47,945**	**£49,509**	**£51,121**	**£52,977**	**£54,909**	**£56,920**	**£59,022**	**£61,019**	**£62,750**	**£64,439**	**£66,172**	**£67,950**	**£96,004**	**£134,866**	**£3,310,575**	**£1,327,629**
General management - existing	£4,612	£4,749	£4,891	£5,037	£5,187	£5,342	£5,501	£5,665	£5,834	£6,008	£6,188	£6,372	£6,562	£6,758	£9,068	£12,168	**£323,569**	**£136,868**
General management - new build	£418	£448	£481	£516	£553	£596	£656	£716	£781	£846	£893	£920	£948	£976	£1,838	£3,173	**£51,190**	**£12,204**
Special management	£3,550	£3,656	£3,766	£3,878	£3,995	£4,114	£4,237	£4,364	£4,495	£4,629	£4,768	£4,911	£5,058	£5,209	£6,996	£9,397	**£249,311**	**£105,247**
Other management	£48	£49	£50	£51	£53	£54	£55	£57	£58	£60	£61	£63	£64	£66	£84	£108	**£3,129**	**£1,409**
Total management costs	**£8,628**	**£8,902**	**£9,188**	**£9,483**	**£9,788**	**£10,106**	**£10,450**	**£10,802**	**£11,168**	**£11,543**	**£11,910**	**£12,265**	**£12,632**	**£13,009**	**£17,986**	**£24,845**	**£627,199**	**£255,729**
Responsive & cyclical repairs	£6,515	£6,699	£6,889	£7,085	£7,285	£7,491	£7,703	£7,920	£8,144	£8,373	£8,609	£8,851	£9,101	£9,357	£12,362	£16,353	**£446,524**	**£192,482**
Garage repairs	£197	£203	£209	£215	£222	£228	£235	£242	£249	£257	£264	£272	£280	£289	£387	£518	**£13,844**	**£5,881**
Contingency	£336	£345	£355	£365	£376	£386	£397	£408	£420	£432	£444	£456	£469	£482	£637	£843	**£22,827**	**£9,728**
Repairs admin	£623	£642	£661	£681	£701	£722	£744	£766	£789	£813	£837	£862	£888	£915	£1,229	£1,652	**£43,788**	**£18,469**
New build repairs	£601	£655	£711	£770	£833	£909	£986	£1,070	£1,159	£1,234	£1,304	£1,372	£1,445	£1,523	£2,775	£4,868	**£77,515**	**£17,883**
Total repairs	**£8,272**	**£8,544**	**£8,825**	**£9,116**	**£9,417**	**£9,737**	**£10,065**	**£10,407**	**£10,761**	**£11,109**	**£11,459**	**£11,814**	**£12,184**	**£12,565**	**£17,391**	**£24,235**	**£604,497**	**£244,443**
Total revenue expenditure	**£16,900**	**£17,447**	**£18,013**	**£18,599**	**£19,204**	**£19,843**	**£20,515**	**£21,208**	**£21,928**	**£22,652**	**£23,368**	**£24,080**	**£24,815**	**£25,574**	**£35,377**	**£49,080**	**£1,231,697**	**£500,172**
Capital spend - existing dwellings	£15,599	£16,066	£16,547	£17,043	£12,934	£13,321	£13,720	£14,130	£14,553	£30,917	£31,843	£32,798	£33,781	£34,793	£27,418	£36,830	**£1,009,663**	**£445,064**
Capital spend - garages	£1,065	£1,097	£1,129	£1,163	£1,198	£1,233	£1,270	£1,308	£1,346	£1,386	£1,428	£1,470	£1,514	£1,559	£780	£1,048	**£40,826**	**£24,760**
Capital spend - new build	£6,603	£7,185	£7,489	£7,820	£13,102	£13,878	£14,623	£15,646	£11,749	£3,875	£1,731	£1,862	£1,999	£2,142	£27,552	£14,845	**£686,002**	**£223,515**
Total capital	**£23,267**	**£24,348**	**£25,165**	**£26,026**	**£27,233**	**£28,432**	**£29,613**	**£31,084**	**£27,649**	**£36,178**	**£35,002**	**£36,129**	**£37,293**	**£38,494**	**£55,750**	**£52,724**	**£1,736,490**	**£693,339**
Debt repayment																**£19,157**	**£136,157**	**£0**
FRS 17 adj	-£16	-£17	-£17	-£18	-£18	-£19	-£19	-£20	-£20	-£21	-£21	-£22	-£22	-£23	-£29	-£37	-£1,082	**-£487**
Financing:																		
Interest paid	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	-£2,546	**£199,334**	**£142,967**
Interest received	-£56	-£57	-£57	-£61	-£64	-£65	-£67	-£67	-£138	-£174	-£136	-£127	-£113	-£93	-£102	-£385	**-£5,786**	**-£3,410**
Finance administration	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	**£308**	**£308**
Net cashflow	£112	-£57	£75	£198	£1	£20	£102	-£51	£4,838	-£2,381	-£228	-£388	-£568	-£768	£243	£16,873		
Opening balance	£1,850	£1,962	£1,906	£1,981	£2,179	£2,180	£2,200	£2,301	£2,251	£7,089	£4,707	£4,479	£4,091	£3,524	£3,342	£4,599		
Original cumulative cashflow	**£1,962**	**£1,906**	**£1,981**	**£2,179**	**£2,180**	**£2,200**	**£2,301**	**£2,251**	**£7,089**	**£4,707**	**£4,479**	**£4,091**	**£3,524**	**£2,756**	**£3,586**	**£21,472**		
30 year balance																		

Original HRA baseline - excluding new build	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Income:	***2012.13***	***2013.14***	***2014.15***	***2015.16***	***2016.17***	***2017.18***	***2018.19***	***2019.2***	***2020.21***	***2021.22***	***2022.23***	***2023.24***	***2024.25***	***2025.26***	***2026.27***	***2027.28***
Rents gross - existing	£23,931	£25,042	£26,176	£27,407	£28,378	£29,273	£30,114	£30,946	£31,792	£32,659	£33,544	£34,450	£35,377	£36,328	£37,303	£38,312
Void loss - existing	-£258	-£270	-£283	-£296	-£306	-£316	-£325	-£334	-£343	-£353	-£362	-£372	-£382	-£392	-£403	-£414
Bad debts - existing	-£200	-£719	-£751	-£787	-£814	-£840	-£864	-£888	-£912	-£937	-£963	-£989	-£1,015	-£1,043	-£1,071	-£1,100
Net rent - existing	**£23,473**	**£24,053**	**£25,142**	**£26,324**	**£27,257**	**£28,117**	**£28,924**	**£29,724**	**£30,537**	**£31,369**	**£32,219**	**£33,089**	**£33,980**	**£34,893**	**£35,829**	**£36,798**
Rents gross - new build																
Void loss - new build																
Bad debts - new build																
Net rent - new build	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**
Service charges	£370	£380	£391	£402	£414	£426	£438	£450	£463	£477	£490	£504	£519	£533	£549	£564
Non-dwelling income	£792	£803	£818	£833	£849	£864	£880	£896	£912	£929	£949	£972	£996	£1,021	£1,046	£1,072
Grants and other income	£479	£453	£428	£405	£384	£364	£345	£328	£312	£297	£60	£55	£56	£58	£59	£61
Total original income	**£25,113**	**£25,689**	**£26,780**	**£27,965**	**£28,903**	**£29,771**	**£30,587**	**£31,398**	**£32,224**	**£33,071**	**£33,718**	**£34,621**	**£35,551**	**£36,505**	**£37,483**	**£38,495**
General management - existing	£2,857	£3,055	£3,145	£3,148	£3,242	£3,338	£3,438	£3,540	£3,646	£3,754	£3,866	£3,982	£4,100	£4,223	£4,349	£4,478
General management - new build																
Special management	£2,215	£2,281	£2,349	£2,420	£2,492	£2,567	£2,643	£2,723	£2,804	£2,888	£2,974	£3,063	£3,155	£3,250	£3,347	£3,447
Other management	£32	£33	£34	£35	£35	£36	£37	£38	£39	£40	£41	£42	£43	£44	£45	£46
Total management costs	**£5,104**	**£5,369**	**£5,529**	**£5,602**	**£5,769**	**£5,941**	**£6,118**	**£6,301**	**£6,489**	**£6,682**	**£6,882**	**£7,087**	**£7,299**	**£7,516**	**£7,741**	**£7,972**
Responsive & cyclical repairs	£3,805	£4,279	£4,396	£4,522	£4,651	£4,784	£4,921	£5,061	£5,206	£5,354	£5,507	£5,663	£5,824	£5,990	£6,160	£6,335
Garage repairs	£130	£133	£136	£139	£143	£146	£150	£153	£157	£161	£165	£170	£175	£181	£186	£191
Contingency	£0	£221	£227	£233	£240	£247	£254	£261	£268	£276	£284	£292	£300	£309	£318	£327
Repairs admin	£388	£400	£412	£424	£437	£450	£464	£477	£492	£507	£522	£537	£553	£570	£587	£605
New build repairs																
Total repairs	**£4,323**	**£5,032**	**£5,171**	**£5,319**	**£5,471**	**£5,627**	**£5,788**	**£5,953**	**£6,123**	**£6,298**	**£6,478**	**£6,663**	**£6,853**	**£7,049**	**£7,251**	**£7,458**
Total revenue expenditure	**£9,427**	**£10,401**	**£10,699**	**£10,921**	**£11,240**	**£11,568**	**£11,906**	**£12,254**	**£12,612**	**£12,980**	**£13,359**	**£13,750**	**£14,152**	**£14,566**	**£14,992**	**£15,430**
Capital spend - existing dwellings	£6,160	£6,877	£7,083	£7,295	£7,513	£7,738	£7,969	£8,208	£8,453	£8,706	£10,526	£10,841	£11,165	£11,500	£11,844	£15,145
Capital spend - garages	£74	£75	£77	£79	£81	£83	£85	£87	£89	£91	£893	£920	£947	£975	£1,004	£1,034
Capital spend - new build																
Total capital	**£6,234**	**£6,952**	**£7,159**	**£7,373**	**£7,594**	**£7,820**	**£8,054**	**£8,294**	**£8,542**	**£8,797**	**£11,419**	**£11,761**	**£12,113**	**£12,475**	**£12,848**	**£16,179**
Debt repayment																
FRS 17 adj	-£11	-£11	-£12	-£12	-£12	-£13	-£13	-£13	-£14	-£14	-£14	-£15	-£15	-£15	-£16	-£16
Financing:																
Interest paid	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766
Interest received	-£107	-£167	-£219	-£372	-£458	-£267	-£96	-£47	-£47	-£47	-£47	-£49	-£51	-£51	-£54	-£55
Finance administration	£297	£11	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Net cashflow	£4,509	£3,737	£4,386	£5,289	£5,774	£5,896	£5,970	£6,145	£6,364	£6,588	£4,236	£4,408	£4,587	£4,765	£4,948	£2,192
Opening balance	£8,015	£12,524	£16,261	£20,647	£25,936	£31,711	£37,606	£43,577	£49,721	£56,086	£62,674	£66,909	£71,318	£75,904	£80,670	£85,618
Original cumulative cashflow exl. New build	**£12,524**	**£16,261**	**£20,647**	**£25,936**	**£31,711**	**£37,606**	**£43,577**	**£49,721**	**£56,086**	**£62,674**	**£66,909**	**£71,318**	**£75,904**	**£80,670**	**£85,618**	**£87,810**
30 year balance	**£95,679**															

Original HRA baseline - excluding new build	17	18	19	20	21	22	23	24	25	26	27	28	29	30	40	50	*Total 50 years*	*Total 30 years*
Income:	***2028.29***	***2029.3***	***2030.31***	***2031.32***	***2032.33***	***2033.34***	***2034.35***	***2035.36***	***2036.37***	***2037.38***	***2038.39***	***2039.4***	***2040.41***	***2041.42***	***2051.52***	***2061.62***		
Rents gross - existing	£39,332	£40,378	£41,452	£42,554	£43,681	£44,834	£46,017	£47,230	£48,475	£49,747	£51,047	£52,380	£53,748	£55,151	£71,484	£92,838	**£2,622,446**	**£1,157,059**
Void loss - existing	-£425	-£436	-£448	-£460	-£472	-£484	-£497	-£510	-£524	-£537	-£551	-£566	-£580	-£596	-£772	-£1,003	**-£28,322**	**-£12,496**
Bad debts - existing	-£1,129	-£1,159	-£1,190	-£1,221	-£1,254	-£1,287	-£1,321	-£1,356	-£1,391	-£1,428	-£1,465	-£1,503	-£1,543	-£1,583	-£2,052	-£2,664	**-£74,777**	**-£32,721**
Net rent - existing	**£37,778**	**£38,783**	**£39,815**	**£40,873**	**£41,956**	**£43,063**	**£44,199**	**£45,364**	**£46,560**	**£47,782**	**£49,031**	**£50,311**	**£51,625**	**£52,972**	**£68,661**	**£89,171**	**£2,519,346**	**£1,111,842**
Rents gross - new build																	**£0**	**£0**
Void loss - new build																	**£0**	**£0**
Bad debts - new build																	**£0**	**£0**
Net rent - new build	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**
																		£0
Service charges	£581	£597	£614	£632	£650	£669	£688	£707	£728	£749	£770	£792	£815	£838	£1,112	£1,477	**£40,069**	**£17,199**
Non-dwelling income	£1,098	£1,125	£1,153	£1,182	£1,211	£1,241	£1,271	£1,303	£1,335	£1,368	£1,401	£1,436	£1,471	£1,508	£1,924	£2,455	**£72,070**	**£32,734**
Grants and other income	£62	£64	£66	£67	£69	£71	£72	£74	£76	£78	£80	£82	£84	£86	£110	£141	**£7,424**	**£5,174**
Total original income	**£39,519**	**£40,570**	**£41,648**	**£42,754**	**£43,886**	**£45,043**	**£46,230**	**£47,449**	**£48,698**	**£49,976**	**£51,282**	**£52,621**	**£53,995**	**£55,404**	**£71,807**	**£93,243**	**£2,638,910**	**£1,166,949**
General management - existing	£4,612	£4,749	£4,891	£5,037	£5,187	£5,342	£5,501	£5,665	£5,834	£6,008	£6,188	£6,372	£6,562	£6,758	£9,068	£12,168	**£323,569**	**£136,868**
General management - new build																	**£0**	**£0**
Special management	£3,550	£3,656	£3,766	£3,878	£3,995	£4,114	£4,237	£4,364	£4,495	£4,629	£4,768	£4,911	£5,058	£5,209	£6,996	£9,397	**£249,311**	**£105,247**
Other management	£48	£49	£50	£51	£53	£54	£55	£57	£58	£60	£61	£63	£64	£66	£84	£108	**£3,129**	**£1,409**
Total management costs	**£8,210**	**£8,455**	**£8,707**	**£8,967**	**£9,234**	**£9,510**	**£9,794**	**£10,086**	**£10,387**	**£10,697**	**£11,016**	**£11,345**	**£11,684**	**£12,033**	**£16,148**	**£21,672**	**£576,009**	**£243,525**
Responsive & cyclical repairs	£6,515	£6,699	£6,889	£7,085	£7,285	£7,491	£7,703	£7,920	£8,144	£8,373	£8,609	£8,851	£9,101	£9,357	£12,362	£16,353	**£446,524**	**£192,482**
Garage repairs	£197	£203	£209	£215	£222	£228	£235	£242	£249	£257	£264	£272	£280	£289	£387	£518	**£13,844**	**£5,881**
Contingency	£336	£345	£355	£365	£376	£386	£397	£408	£420	£432	£444	£456	£469	£482	£637	£843	**£22,827**	**£9,728**
Repairs admin	£623	£642	£661	£681	£701	£722	£744	£766	£789	£813	£837	£862	£888	£915	£1,229	£1,652	**£43,788**	**£18,469**
New build repairs																	**£0**	**£0**
Total repairs	**£7,671**	**£7,890**	**£8,114**	**£8,346**	**£8,584**	**£8,828**	**£9,079**	**£9,337**	**£9,602**	**£9,875**	**£10,155**	**£10,442**	**£10,738**	**£11,043**	**£14,616**	**£19,367**	**£526,982**	**£226,560**
Total revenue expenditure	**£15,880**	**£16,344**	**£16,821**	**£17,313**	**£17,818**	**£18,338**	**£18,872**	**£19,423**	**£19,989**	**£20,572**	**£21,171**	**£21,788**	**£22,422**	**£23,075**	**£30,764**	**£41,039**	**£1,102,991**	**£470,084**
Capital spend - existing dwellings	£15,599	£16,066	£16,547	£17,043	£12,934	£13,321	£13,720	£14,130	£14,553	£30,917	£31,843	£32,798	£33,781	£34,793	£27,418	£36,830	**£1,009,663**	**£445,064**
Capital spend - garages	£1,065	£1,097	£1,129	£1,163	£1,198	£1,233	£1,270	£1,308	£1,346	£1,386	£1,428	£1,470	£1,514	£1,559	£780	£1,048	**£40,826**	**£24,760**
Capital spend - new build																	**£0**	**£0**
Total capital	**£16,664**	**£17,163**	**£17,676**	**£18,206**	**£14,131**	**£14,554**	**£14,989**	**£15,438**	**£15,900**	**£32,303**	**£33,271**	**£34,268**	**£35,294**	**£36,352**	**£28,198**	**£37,879**	**£1,050,489**	**£469,824**
Debt repayment																**£19,157**	**£136,157**	**£0**
FRS 17 adj	-£16	-£17	-£17	-£18	-£18	-£19	-£19	-£20	-£20	-£21	-£21	-£22	-£22	-£23	-£29	-£37	**-£1,082**	**-£487**
Financing:																		
Interest paid	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	£4,766	-£2,546	**£199,334**	**£142,967**
Interest received	-£56	-£57	-£57	-£61	-£64	-£65	-£67	-£67	-£138	-£174	-£136	-£127	-£113	-£93	-£102	-£385	**-£5,786**	**-£3,410**
Finance administration	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	**£308**	**£308**
Net cashflow	£2,282	£2,371	£2,459	£2,549	£7,254	£7,469	£7,689	£7,909	£8,202	-£7,470	-£7,769	-£8,051	-£8,352	-£8,673	£8,212	-£1,863		
Opening balance	£87,810	£90,092	£92,463	£94,922	£97,472	£104,725	£112,194	£119,883	£127,792	£135,994	£128,524	£120,755	£112,704	£104,352	£162,663	£166,377		
Original cumulative cashflow exl. New build	**£90,092**	**£92,463**	**£94,922**	**£97,472**	**£104,725**	**£112,194**	**£119,883**	**£127,792**	**£135,994**	**£128,524**	**£120,755**	**£112,704**	**£104,352**	**£95,679**	**£170,875**	**£164,514**		
30 year balance																		

Revised HRA baseline agreed with WDC	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Income:	***2012.13***	***2013.14***	***2014.15***	***2015.16***	***2016.17***	***2017.18***	***2018.19***	***2019.2***	***2020.21***	***2021.22***	***2022.23***	***2023.24***	***2024.25***	***2025.26***	***2026.27***	***2027.28***
Rents gross - existing	£23,931	£25,136	£26,336	£27,628	£28,633	£29,409	£30,206	£31,022	£31,860	£32,719	£33,599	£34,500	£35,426	£36,376	£37,351	£38,349
Void loss - existing	-£153	-£161	-£169	-£177	-£183	-£188	-£193	-£199	-£204	-£209	-£215	-£221	-£227	-£233	-£239	-£245
Bad debts - existing	-£200	-£721	-£756	-£793	-£573	-£588	-£604	-£620	-£637	-£654	-£672	-£690	-£709	-£728	-£747	-£767
Net rent - existing	**£23,578**	**£24,254**	**£25,411**	**£26,658**	**£27,877**	**£28,633**	**£29,408**	**£30,203**	**£31,019**	**£31,855**	**£32,712**	**£33,590**	**£34,491**	**£35,416**	**£36,365**	**£37,336**
Rents gross - new build	£0	£0	£256	£350	£359	£793	£1,394	£1,839	£2,182	£2,558	£2,957	£3,289	£3,640	£4,019	£4,420	£4,849
Void loss - new build	£0	£0	-£2	-£2	-£2	-£5	-£9	-£12	-£14	-£16	-£19	-£21	-£23	-£26	-£28	-£31
Bad debts - new build	£0	£0	-£7	-£10	-£7	-£16	-£28	-£37	-£44	-£51	-£59	-£66	-£73	-£80	-£88	-£97
Net rent - new build	**£0**	**£0**	**£247**	**£338**	**£350**	**£772**	**£1,357**	**£1,790**	**£2,125**	**£2,490**	**£2,879**	**£3,202**	**£3,544**	**£3,912**	**£4,303**	**£4,721**
Service charges	£370	£379	£389	£399	£409	£419	£429	£440	£451	£462	£474	£486	£498	£510	£523	£536
Non-dwelling income	£792	£804	£819	£834	£849	£865	£881	£897	£913	£930	£950	£973	£997	£1,022	£1,047	£1,073
Grants and other income	£479	£453	£428	£405	£384	£364	£345	£328	£312	£297	£60	£55	£57	£58	£59	£61
Total revised income	**£25,218**	**£25,890**	**£27,295**	**£28,635**	**£29,869**	**£31,053**	**£32,421**	**£33,658**	**£34,819**	**£36,034**	**£37,074**	**£38,306**	**£39,587**	**£40,918**	**£42,298**	**£43,727**
Expenditure:																
General management - existing	£5,104	£5,349	£5,483	£5,254	£5,385	£5,519	£5,657	£5,799	£5,944	£6,092	£6,245	£6,401	£6,561	£6,725	£6,893	£7,065
General management - new build	£0	£0	£5	£27	£27	£37	£82	£125	£154	£181	£211	£240	£265	£294	£323	£355
Total management costs	**£5,104**	**£5,349**	**£5,488**	**£5,280**	**£5,412**	**£5,556**	**£5,739**	**£5,924**	**£6,098**	**£6,273**	**£6,456**	**£6,641**	**£6,826**	**£7,019**	**£7,217**	**£7,421**
Repairs & maintenance - existing & garages	£4,520	£4,999	£5,099	£4,734	£4,839	£4,947	£5,057	£5,169	£5,283	£5,400	£5,520	£5,643	£5,769	£5,897	£6,029	£6,163
Repairs & maintenance - new build	£0	£0	£24	£24	£25	£65	£108	£154	£177	£205	£266	£321	£369	£414	£464	£517
Total repairs & maintenance	**£4,520**	**£4,999**	**£5,123**	**£4,758**	**£4,864**	**£5,012**	**£5,164**	**£5,323**	**£5,461**	**£5,605**	**£5,786**	**£5,965**	**£6,138**	**£6,311**	**£6,493**	**£6,680**
Total revenue expenditure	**£9,624**	**£10,348**	**£10,611**	**£10,039**	**£10,277**	**£10,568**	**£10,904**	**£11,247**	**£11,559**	**£11,878**	**£12,241**	**£12,606**	**£12,964**	**£13,330**	**£13,710**	**£14,101**
Capital works - existing & garages	£6,197	£6,855	£6,991	£6,435	£6,578	£6,723	£6,871	£7,022	£7,176	£7,334	£9,150	£9,351	£9,557	£9,766	£9,981	£12,550
Capital works - new build	£0	£6,379	£2,180	£0	£10,579	£14,458	£10,201	£7,398	£7,987	£8,342	£6,521	£6,793	£7,242	£7,752	£8,341	£6,182
Total capital	**£6,197**	**£13,235**	**£9,170**	**£6,435**	**£17,157**	**£21,181**	**£17,072**	**£14,420**	**£15,164**	**£15,676**	**£15,672**	**£16,144**	**£16,799**	**£17,518**	**£18,322**	**£18,732**
Financing:																
Debt repayment	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Interest paid	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765
Interest receivable	-£253	-£209	-£268	-£421	-£383	-£281	-£281	-£351	-£424	-£507	-£605	-£713	-£829	-£951	-£1,080	-£1,225
Total expenditure	**£20,333**	**£28,139**	**£24,279**	**£20,818**	**£31,816**	**£36,233**	**£32,460**	**£30,082**	**£31,063**	**£31,813**	**£32,073**	**£32,803**	**£33,699**	**£34,662**	**£35,716**	**£36,374**
Annual net cashflow	**£4,885**	**-£2,249**	**£3,015**	**£7,816**	**-£1,947**	**-£5,181**	**-£39**	**£3,577**	**£3,756**	**£4,222**	**£5,001**	**£5,503**	**£5,887**	**£6,256**	**£6,581**	**£7,353**
Brought forward	**£8,015**															
Revised cumulative cashflow	**£12,900**	**£10,651**	**£13,667**	**£21,483**	**£19,536**	**£14,355**	**£14,316**	**£17,893**	**£21,649**	**£25,871**	**£30,872**	**£36,375**	**£42,263**	**£48,519**	**£55,100**	**£62,453**
30 year balance	**£242,690**															

Revised HRA baseline agreed with WDC	17	18	19	20	21	22	23	24	25	26	27	28	29	30	40	50	*Total 50 years*	*Total 30 years*
Income:	***2028.29***	***2029.3***	***2030.31***	***2031.32***	***2032.33***	***2033.34***	***2034.35***	***2035.36***	***2036.37***	***2037.38***	***2038.39***	***2039.4***	***2040.41***	***2041.42***	***2051.52***	***2061.62***		
Rents gross - existing	£39,370	£40,417	£41,492	£42,596	£43,724	£44,878	£46,061	£47,276	£48,522	£49,795	£51,097	£52,431	£53,800	£55,204	£68,155	£84,310	**£2,547,592**	**£1,159,145**
Void loss - existing	-£252	-£259	-£266	-£273	-£280	-£287	-£295	-£303	-£311	-£319	-£327	-£336	-£344	-£353	-£436	-£540	**-£16,305**	**-£7,419**
Bad debts - existing	-£787	-£808	-£830	-£852	-£874	-£898	-£921	-£946	-£970	-£996	-£1,022	-£1,049	-£1,076	-£1,104	-£1,363	-£1,686	**-£51,361**	**-£23,593**
Net rent - existing	**£38,330**	**£39,350**	**£40,397**	**£41,471**	**£42,570**	**£43,693**	**£44,845**	**£46,028**	**£47,241**	**£48,480**	**£49,748**	**£51,047**	**£52,380**	**£53,747**	**£66,356**	**£82,084**	**£2,479,926**	**£1,128,134**
Rents gross - new build	£5,197	£5,555	£5,937	£6,335	£6,749	£7,361	£8,010	£8,695	£9,427	£10,031	£10,362	£10,621	£10,887	£11,159	£15,962	£20,383	**£467,071**	**£149,230**
Void loss - new build	-£33	-£36	-£38	-£41	-£43	-£47	-£51	-£56	-£60	-£64	-£66	-£68	-£70	-£71	-£102	-£130	**-£2,989**	**-£955**
Bad debts - new build	-£104	-£111	-£119	-£127	-£135	-£147	-£160	-£174	-£189	-£201	-£207	-£212	-£218	-£223	-£319	-£408	**-£9,347**	**-£2,990**
Net rent - new build	**£5,060**	**£5,408**	**£5,780**	**£6,168**	**£6,571**	**£7,166**	**£7,798**	**£8,465**	**£9,178**	**£9,766**	**£10,088**	**£10,341**	**£10,599**	**£10,864**	**£15,541**	**£19,845**	**£454,735**	**£145,285**
																		£0
Service charges	£550	£563	£577	£592	£607	£622	£637	£653	£670	£686	£703	£721	£739	£757	£970	£1,241	**£36,085**	**£16,251**
Non-dwelling income	£1,099	£1,126	£1,154	£1,183	£1,212	£1,242	£1,272	£1,304	£1,336	£1,369	£1,403	£1,437	£1,473	£1,509	£1,926	£2,457	**£72,140**	**£32,765**
Grants and other income	£62	£64	£66	£67	£69	£71	£72	£74	£76	£78	£80	£82	£84	£86	£110	£141	**£7,428**	**£5,175**
Total revised income	**£45,101**	**£46,512**	**£47,974**	**£49,481**	**£51,028**	**£52,793**	**£54,626**	**£56,524**	**£58,501**	**£60,380**	**£62,022**	**£63,628**	**£65,275**	**£66,964**	**£84,903**	**£105,769**	**£3,050,314**	**£1,327,610**
Expenditure:																		
General management - existing	£7,242	£7,423	£7,609	£7,799	£7,994	£8,194	£8,399	£8,609	£8,824	£9,044	£9,270	£9,502	£9,740	£9,983	£12,779	£16,359	**£476,501**	**£215,107**
General management - new build	£387	£412	£441	£471	£503	£539	£590	£641	£695	£750	£788	£808	£828	£849	£1,189	£1,527	**£34,806**	**£11,028**
Total management costs	**£7,629**	**£7,836**	**£8,050**	**£8,270**	**£8,496**	**£8,732**	**£8,989**	**£9,249**	**£9,519**	**£9,794**	**£10,058**	**£10,310**	**£10,568**	**£10,832**	**£13,968**	**£17,886**	**£511,307**	**£226,135**
Repairs & maintenance - existing & garages	£6,299	£6,438	£6,580	£6,726	£6,874	£7,024	£7,178	£7,336	£7,496	£7,660	£7,826	£7,996	£8,169	£8,346	£10,360	£12,885	**£398,205**	**£187,017**
Repairs & maintenance - new build	£557	£603	£652	£703	£757	£822	£887	£958	£1,032	£1,094	£1,150	£1,204	£1,263	£1,324	£2,298	£3,839	**£64,947**	**£16,139**
Total repairs & maintenance	**£6,856**	**£7,042**	**£7,232**	**£7,429**	**£7,630**	**£7,846**	**£8,065**	**£8,293**	**£8,528**	**£8,754**	**£8,976**	**£9,200**	**£9,432**	**£9,670**	**£12,658**	**£16,724**	**£463,152**	**£203,155**
Total revenue expenditure	**£14,485**	**£14,877**	**£15,282**	**£15,699**	**£16,127**	**£16,578**	**£17,054**	**£17,542**	**£18,047**	**£18,548**	**£19,034**	**£19,510**	**£19,999**	**£20,502**	**£26,626**	**£34,609**	**£974,459**	**£429,290**
Capital works - existing & garages	£12,823	£13,102	£13,386	£13,677	£10,434	£10,659	£10,889	£11,123	£11,362	£23,303	£23,798	£24,303	£24,818	£25,344	£18,416	£22,802	**£732,763**	**£357,557**
Capital works - new build	£6,290	£6,792	£7,054	£7,295	£12,042	£12,701	£13,317	£14,178	£10,609	£3,555	£1,662	£1,772	£1,887	£2,074	£23,001	£12,010	**£597,426**	**£211,584**
Total capital	**£19,113**	**£19,894**	**£20,441**	**£20,971**	**£22,476**	**£23,360**	**£24,205**	**£25,301**	**£21,971**	**£26,858**	**£25,459**	**£26,075**	**£26,706**	**£27,418**	**£41,417**	**£34,811**	**£1,330,188**	**£569,140**
Financing:																		
Debt repayment	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£19,157	**£136,157**	**£0**
Interest paid	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£335	**£215,417**	**£142,965**
Interest receivable	-£1,384	-£1,551	-£1,732	-£1,927	-£2,119	-£2,323	-£2,542	-£2,771	-£3,101	-£3,367	-£3,689	-£4,029	-£4,385	-£4,759	-£8,497	-£12,209	**-£220,551**	**-£48,460**
Total expenditure	**£36,980**	**£37,986**	**£38,757**	**£39,508**	**£41,249**	**£42,381**	**£43,484**	**£44,838**	**£41,683**	**£46,804**	**£45,570**	**£46,322**	**£47,085**	**£47,926**	**£64,312**	**£76,704**	**£2,435,670**	**£1,092,935**
Annual net cashflow	**£8,121**	**£8,526**	**£9,218**	**£9,972**	**£9,779**	**£10,413**	**£11,142**	**£11,687**	**£16,818**	**£13,575**	**£16,453**	**£17,307**	**£18,190**	**£19,037**	**£20,591**	**£29,065**		
Revised cumulative cashflow	**£70,574**	**£79,101**	**£88,318**	**£98,290**	**£108,069**	**£118,482**	**£129,624**	**£141,311**	**£158,129**	**£171,704**	**£188,157**	**£205,463**	**£223,653**	**£242,690**	**£433,360**	**£622,659**		

Revised HRA baseline agreed with WDC	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Income:	*2012.13*	*2013.14*	*2014.15*	*2015.16*	*2016.17*	*2017.18*	*2018.19*	*2019.2*	*2020.21*	*2021.22*	*2022.23*	*2023.24*	*2024.25*	*2025.26*	*2026.27*	*2027.28*
Rents gross - existing	£23,931	£25,136	£26,336	£27,628	£28,633	£29,409	£30,206	£31,022	£31,860	£32,719	£33,599	£34,500	£35,426	£36,376	£37,351	£38,349
Void loss - existing	-£153	-£161	-£169	-£177	-£183	-£188	-£193	-£199	-£204	-£209	-£215	-£221	-£227	-£233	-£239	-£245
Bad debts - existing	-£200	-£721	-£756	-£793	-£573	-£588	-£604	-£620	-£637	-£654	-£672	-£690	-£709	-£728	-£747	-£767
Net rent - existing	**£23,578**	**£24,254**	**£25,411**	**£26,658**	**£27,877**	**£28,633**	**£29,408**	**£30,203**	**£31,019**	**£31,855**	**£32,712**	**£33,590**	**£34,491**	**£35,416**	**£36,365**	**£37,336**
Rents gross - new build																
Void loss - new build																
Bad debts - new build																
Net rent - new build	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**
Service charges	£370	£379	£389	£399	£409	£419	£429	£440	£451	£462	£474	£486	£498	£510	£523	£536
Non-dwelling income	£792	£804	£819	£834	£849	£865	£881	£897	£913	£930	£950	£973	£997	£1,022	£1,047	£1,073
Grants and other income	£479	£453	£428	£405	£384	£364	£345	£328	£312	£297	£60	£55	£57	£58	£59	£61
Total revised income	**£25,218**	**£25,890**	**£27,047**	**£28,296**	**£29,519**	**£30,281**	**£31,064**	**£31,868**	**£32,695**	**£33,544**	**£34,195**	**£35,104**	**£36,042**	**£37,006**	**£37,994**	**£39,006**
Expenditure:																
General management - existing	£5,104	£5,349	£5,483	£5,254	£5,385	£5,519	£5,657	£5,799	£5,944	£6,092	£6,245	£6,401	£6,561	£6,725	£6,893	£7,065
General management - new build																
Total management costs	**£5,104**	**£5,349**	**£5,483**	**£5,254**	**£5,385**	**£5,519**	**£5,657**	**£5,799**	**£5,944**	**£6,092**	**£6,245**	**£6,401**	**£6,561**	**£6,725**	**£6,893**	**£7,065**
Repairs & maintenance - existing & garages	£4,520	£4,999	£5,099	£4,734	£4,839	£4,947	£5,057	£5,169	£5,283	£5,400	£5,520	£5,643	£5,769	£5,897	£6,029	£6,163
Repairs & maintenance - new build																
Total repairs & maintenance	**£4,520**	**£4,999**	**£5,099**	**£4,734**	**£4,839**	**£4,947**	**£5,057**	**£5,169**	**£5,283**	**£5,400**	**£5,520**	**£5,643**	**£5,769**	**£5,897**	**£6,029**	**£6,163**
Total revenue expenditure	**£9,624**	**£10,348**	**£10,582**	**£9,987**	**£10,224**	**£10,466**	**£10,714**	**£10,968**	**£11,227**	**£11,493**	**£11,765**	**£12,044**	**£12,330**	**£12,622**	**£12,922**	**£13,228**
Capital works - existing & garages	£6,197	£6,855	£6,991	£6,435	£6,578	£6,723	£6,871	£7,022	£7,176	£7,334	£9,150	£9,351	£9,557	£9,766	£9,981	£12,550
Capital works - new build																
Total capital	**£6,197**	**£6,855**	**£6,991**	**£6,435**	**£6,578**	**£6,723**	**£6,871**	**£7,022**	**£7,176**	**£7,334**	**£9,150**	**£9,351**	**£9,557**	**£9,766**	**£9,981**	**£12,550**
Financing:																
Debt repayment	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Interest paid	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765
Interest receivable (-ve)	-£253	-£336	-£437	-£588	-£759	-£941	-£1,134	-£1,339	-£1,556	-£1,786	-£1,992	-£2,211	-£2,443	-£2,689	-£2,949	-£3,177
Total expenditure	**£20,333**	**£21,632**	**£21,901**	**£20,600**	**£20,808**	**£21,014**	**£21,217**	**£21,417**	**£21,613**	**£21,806**	**£23,689**	**£23,950**	**£24,209**	**£24,466**	**£24,719**	**£27,366**
Annual net cashflow	**£4,885**	**£4,258**	**£5,146**	**£7,697**	**£8,711**	**£9,267**	**£9,847**	**£10,451**	**£11,082**	**£11,738**	**£10,507**	**£11,154**	**£11,833**	**£12,540**	**£13,275**	**£11,640**
Brought forward	**£8,015**															
Original cumulative cashflow exl. New build	**£12,900**	**£17,158**	**£22,304**	**£30,001**	**£38,711**	**£47,978**	**£57,825**	**£68,276**	**£79,358**	**£91,096**	**£101,603**	**£112,757**	**£124,590**	**£137,130**	**£150,405**	**£162,045**
30 year balance	**£390,090**															

Revised HRA baseline agreed with WDC	17	18	19	20	21	22	23	24	25	26	27	28	29	30	40	50	*Total 50 years*	*Total 30 years*
Income:	*2028.29*	*2029.3*	*2030.31*	*2031.32*	*2032.33*	*2033.34*	*2034.35*	*2035.36*	*2036.37*	*2037.38*	*2038.39*	*2039.4*	*2040.41*	*2041.42*	*2051.52*	*2061.62*		
Rents gross - existing	£39,370	£40,417	£41,492	£42,596	£43,724	£44,878	£46,061	£47,276	£48,522	£49,795	£51,097	£52,431	£53,800	£55,204	£68,155	£84,310	**£2,547,592**	**£1,159,145**
Void loss - existing	-£252	-£259	-£266	-£273	-£280	-£287	-£295	-£303	-£311	-£319	-£327	-£336	-£344	-£353	-£436	-£540	**-£16,305**	**-£7,419**
Bad debts - existing	-£787	-£808	-£830	-£852	-£874	-£898	-£921	-£946	-£970	-£996	-£1,022	-£1,049	-£1,076	-£1,104	-£1,363	-£1,686	**-£51,361**	**-£23,593**
Net rent - existing	**£38,330**	**£39,350**	**£40,397**	**£41,471**	**£42,570**	**£43,693**	**£44,845**	**£46,028**	**£47,241**	**£48,480**	**£49,748**	**£51,047**	**£52,380**	**£53,747**	**£66,356**	**£82,084**	**£2,479,926**	**£1,128,134**
Rents gross - new build																	**£0**	**£0**
Void loss - new build																	**£0**	**£0**
Bad debts - new build																	**£0**	**£0**
Net rent - new build	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**
																		£0
Service charges	£550	£563	£577	£592	£607	£622	£637	£653	£670	£686	£703	£721	£739	£757	£970	£1,241	**£36,085**	**£16,251**
Non-dwelling income	£1,099	£1,126	£1,154	£1,183	£1,212	£1,242	£1,272	£1,304	£1,336	£1,369	£1,403	£1,437	£1,473	£1,509	£1,926	£2,457	**£72,140**	**£32,765**
Grants and other income	£62	£64	£66	£67	£69	£71	£72	£74	£76	£78	£80	£82	£84	£86	£110	£141	**£7,428**	**£5,175**
Total revised income	**£40,042**	**£41,104**	**£42,194**	**£43,313**	**£44,457**	**£45,627**	**£46,828**	**£48,059**	**£49,322**	**£50,614**	**£51,934**	**£53,287**	**£54,676**	**£56,099**	**£69,362**	**£85,924**	**£2,595,579**	**£1,182,325**
Expenditure:																		
General management - existing	£7,242	£7,423	£7,609	£7,799	£7,994	£8,194	£8,399	£8,609	£8,824	£9,044	£9,270	£9,502	£9,740	£9,983	£12,779	£16,359	**£476,501**	**£215,107**
General management - new build																	**£0**	**£0**
Total management costs	**£7,242**	**£7,423**	**£7,609**	**£7,799**	**£7,994**	**£8,194**	**£8,399**	**£8,609**	**£8,824**	**£9,044**	**£9,270**	**£9,502**	**£9,740**	**£9,983**	**£12,779**	**£16,359**	**£476,501**	**£215,107**
Repairs & maintenance - existing & garages	£6,299	£6,438	£6,580	£6,726	£6,874	£7,024	£7,178	£7,336	£7,496	£7,660	£7,826	£7,996	£8,169	£8,346	£10,360	£12,885	**£398,205**	**£187,017**
Repairs & maintenance - new build																	**£0**	**£0**
Total repairs & maintenance	**£6,299**	**£6,438**	**£6,580**	**£6,726**	**£6,874**	**£7,024**	**£7,178**	**£7,336**	**£7,496**	**£7,660**	**£7,826**	**£7,996**	**£8,169**	**£8,346**	**£10,360**	**£12,885**	**£398,205**	**£187,017**
Total revenue expenditure	**£13,541**	**£13,861**	**£14,189**	**£14,525**	**£14,868**	**£15,218**	**£15,577**	**£15,944**	**£16,320**	**£16,704**	**£17,096**	**£17,498**	**£17,909**	**£18,329**	**£23,139**	**£29,243**	**£874,706**	**£402,124**
Capital works - existing & garages	£12,823	£13,102	£13,386	£13,677	£10,434	£10,659	£10,889	£11,123	£11,362	£23,303	£23,798	£24,303	£24,818	£25,344	£18,416	£22,802	**£732,763**	**£357,557**
Capital works - new build																	**£0**	**£0**
Total capital	**£12,823**	**£13,102**	**£13,386**	**£13,677**	**£10,434**	**£10,659**	**£10,889**	**£11,123**	**£11,362**	**£23,303**	**£23,798**	**£24,303**	**£24,818**	**£25,344**	**£18,416**	**£22,802**	**£732,763**	**£357,557**
Financing:																		
Debt repayment	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£19,157	**£136,157**	**£0**
Interest paid	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£4,765	£335	**£215,417**	**£142,965**
Interest receivable (-ve)	-£3,419	-£3,675	-£3,946	-£4,231	-£4,604	-£4,996	-£5,407	-£5,840	-£6,294	-£6,537	-£6,793	-£7,064	-£7,349	-£7,649	-£13,847	-£20,127	**-£381,912**	**-£102,395**
Total expenditure	**£27,710**	**£28,053**	**£28,395**	**£28,735**	**£25,463**	**£25,647**	**£25,823**	**£25,992**	**£26,153**	**£38,235**	**£38,866**	**£39,502**	**£40,144**	**£40,790**	**£32,474**	**£51,410**	**£1,577,131**	**£800,250**
Annual net cashflow	**£12,331**	**£13,051**	**£13,799**	**£14,577**	**£18,994**	**£19,980**	**£21,004**	**£22,067**	**£23,169**	**£12,379**	**£13,068**	**£13,785**	**£14,532**	**£15,309**	**£36,887**	**£34,513**		
Brought forward																		
Original cumulative cashflow exl. New build	**£174,376**	**£187,427**	**£201,226**	**£215,803**	**£234,797**	**£254,777**	**£275,781**	**£297,848**	**£321,017**	**£333,396**	**£346,464**	**£360,249**	**£374,781**	**£390,090**	**£706,191**	**£1,026,463**		
30 year balance																		

AP4 *Legal consideration in respect of the various options*

1 **Leasing arrangement with Institutional Investor**

1.1 **Vires**

The principal Council power to participate in a leasing arrangement where the Council leases land to an Institutional Investor and takes a leaseback of that land is the general power of competence under Section 1 of the Localism Act 2011 (the **2011 Act**).

Section 1(1) of the 2011 Act provides that "A local authority has power to do anything that individuals generally may do". It therefore allows the Council to undertake a range of activities including, but not limited to, incurring expenditure, providing financial assistance to any person, entering into arrangements or agreements with any person and providing staff, goods and services. However, it should be noted that Sections 2(1) and 2(2) of the 2011 Act restrict the exercise of this power by providing that if there are any statutory limitations or restrictions or there is another local authority power that is subject to restrictions, which were either in force before Section 1 of the 2011 Act or they are contained in an Act passed before the parliamentary session in which the 2011 Act was passed, then those limitations and restrictions will also apply to the general power.

Additional (secondary) power is available under section 111 of the Local Government Act 1972 (the **1972 Act**) which provides, amongst other things that a local authority shall power to do anything (whether or not involving the expenditure borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

A final point to note in connection with the use of powers is the requirement for the Council to act reasonably in the exercise of its powers and to exercise its powers for proper purposes. In that regard, whilst powers exist (as identified), to authorise the various elements of the proposed leasing arrangement the totality of the transaction needs to be considered to ensure that overall the Council considers it is a reasonable use of powers, having regard to its fiduciary duty to Council tax and other rate payers in its area and that the powers are being used for a proper purpose. For example, it would be an improper purpose to enter into the transaction purely to avoid the right to buy or to avoid Government imposed expenditure controls. Having said that, the exclusion of the right to buy, for example, does not of itself make a transaction improper provided there are other reasonable justifications for the Council's participation.

As the leasing arrangements may involve the disposal of land by the Council the statutory provisions relating to the disposal of local authority land need to be complied with.

1.2 **Disposal of HRA land - Section 32 of the Housing Act 1985**

If the Council is to transfer Housing Revenue Account (**HRA**) land to the Institutional Investor on either a leasehold or a freehold basis, its power to do so is contained in Section 32 of the Housing Act 1985 (the **1985 Act**). The use of the Section 32 power is conditional upon obtaining the prior consent of the Secretary of State. There are some general consents, which are currently contained in "The General Housing Consents 2012".

One of these general consents (A3.2) provides that "A local authority may dispose of vacant land". If this general consent applies then the specific consent of the Secretary of State under Section 32 would not need to be sought.

1.3 **Disposal of General Fund land - Section 123 of the Local Government Act 1972**

The Council's power to transfer General Fund land to the Institutional Investor (either on a leasehold or freehold basis) is contained in Section 123 of the 1972 Act. The use of this power is also conditional upon obtaining the prior consent of the Secretary of State in certain circumstances. If the land is to be disposed of for consideration that is the best that can reasonably be obtained then no consent is required for the disposal. If the land is to be disposed of for consideration that is less than the best that can reasonably be obtained the Secretary of State's consent is required but a general consent "the Local Government Act 1972: General Disposal Consent 2003" will apply if the purpose of the disposal is likely to contribute to the promotion or improvement of economic, social or environmental wellbeing in respect of the whole or part of the Council's area or of any people in the area and the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2 million.

1.4 **Acquiring a leaseback from the Institutional Investor**

The Council power to enter into a leaseback of the land from the Institutional Investor will depend on which Council account the land is to be held. If the land is to be held in the HRA then Section 17 of the Housing Act 1985 provides that "(1) A local housing authority may for the purposes of this part… acquire land as a site for the erection of houses…" If the land is to be held within the Council's General Fund then the General Power of Competence under Section 1 of the 2011 Act provides the Council with sufficient powers of acquisition. [It is anticipated in the report that the land would be held in the Council's HRA. We assume this is on the basis that the dwelling-houses to be provided on the land would be to meet general housing need and would be let at social rent levels. We believe this is correct as it would be difficult in our view to justify accounting for such dwelling-houses in the Council's General Fund as the obvious source of power to acquire the lease of the dwelling-houses is in Part II of the 1985 Act.]

The Secretary of State has made a determination under Section 171 of the 2011 Act providing the Council with a limit of indebtedness in respect of housing debt (the **Limit of Indebtedness Determination**). The Council needs therefore to be mindful of this Limit of Indebtedness Determination. It is our understanding that the leasing arrangement would be structured in such a way as to be categorised as an operating rather than a financing lease thus ensuring that the total value of the proposed transaction is not accounted for by the contract. However it is also our understanding that there is a risk that the International Finance Board will in future decide that all leases are to be regarded as finance leases and if this is subsequently supported by Government the Council would breach its Limit of Indebtedness Determination if the land leased back from the Institutional Investor is accounted for in the HRA. Although there is no certainty of this happening it is nonetheless a matter which the Council needs to be alert to.

1.5 **Procurement**

The key question for consideration is whether the leasehold/freehold disposal from the Council to the Institutional Investor constitutes a public works contract. There are a number of matters which will be relevant in deciding whether the transaction constitutes of a public works contract including:

- is a work or works required or specified by a contracting authority;
- is there an enforceable obligation (in writing) or a contract to carry out that work or works; and
- is there some pecuniary interest for carrying out the work (not necessarily a cash payment)?

All of the above matters need to be answered in the affirmative and on our understanding of the proposal there would be no enforceable obligation on the part of the Institutional Investor to carry out work or works and therefore the leasehold/freehold disposal would not in our view constitute a public works contract.

In addition to the above conclusion, the Council may seek to rely on the general exclusion from the scope of the Public Contracts Regulations 2006 (as amended) provided for by Regulation 6(2)(e), which provides an exclusion for a proposed public contract for "the acquisition of land, including existing buildings and other structures…", known colloquially as the "land exemption".

1.6 **Other legal implications relevant to the proposed leasing arrangement**

1.6.1 **Right to Buy implications**

Section 118 of the 1985 Act provides that a secure tenant has the right to buy subject to various conditions and exceptions set out in Schedule 5. Paragraph 4 of Schedule 5 excludes the right to buy arising in circumstances where the interest of the Council does not exceed 21 years if the right to buy application is in respect of a house or 50 years if it is in respect of a flat. Therefore the unexpired term of the leaseback from the Institutional Investor will determine whether or not a right to buy application is able to be pursued. Please note that it is irrelevant whether the Council's leasehold interest is held in the HRA or the General Fund as the right to buy would apply in the event that the tenancies are let by the Council as secure tenancies, which is unaffected by the account in which the Council holds the dwelling houses.

1.6.2 **Tenure issues**

(a) It is anticipated in the leasing arrangement that at the end of the leaseback term the Council will have an option to purchase the properties for their residual value. [As identified in the report] the reason for having an option to purchase rather than an obligation to purchase is to assist in the categorisation of the lease as an operating rather than a financing lease but please note the comments in paragraph 1.4 above. Unless one of the exemptions in Schedule 1 to the 1985 Act applies then provided the landlord (Section 80) and tenant (Section 81) conditions are met the tenancies granted by the Council of dwellings constructed on the land leased back from the Institutional Investor will be secure tenancies.

(b) Under Section 107A of the 1985 Act (which was introduced by Section 154 of the 2011 Act) councils now have the power to grant flexible tenancies (which will be secure tenancies) for a minimum period of not less than two years. The Council could therefore avail itself of flexible tenancies to manage the lettings of dwelling houses. For example, in circumstances where there are four years remaining of the leaseback term, the Council could in theory choose to let a new tenancy on a four year flexible tenancy (subject of course to any Council policy that may have been developed in relation to the grant of flexible tenancies). It is worth noting at this point however that the Homes and Communities Agency has issued a Tenancy Standard which is binding on both private and public registered providers (including local authorities) which provides that, amongst other things, flexible tenancies should be for a minimum period of five years except in exceptional circumstances where the term may be for a minimum period of two years.

2 Joint Venture

2.1 Vires

The principal source of Council power to enter into a Joint Venture arrangement is the general power of competence contained in section of the 2011 Act (see paragraph 1.1 of this Appendix for details of the breadth of this power and restrictions on its use). While the general power of competence in section 1 of the 2011 Act is a sufficient power of first resort for the Council to participate in a Joint Venture. Additional (secondary) power is available under section 111 of the 1972 Act which provides, as already rehearsed in paragraph 1.1.

The rationale for the Council entering into a Joint Venture needs to be fully understood so as to ensure that the restriction on doing things for a commercial purpose are complied with. Section 4 of the 2011 Act provides that the general power confers power on a local authority to do things for a commercial purpose only if they are things which the authority may, in exercise of the general power, do otherwise than for a commercial purpose. This is not be problematic as provision of housing is something that the Council does have power to do, other than for commercial purposes. However section 4(2) provides that where, in exercise of the general power, a local authority does things for a commercial purpose, the authority must do them though a company. The term "commercial purpose" is not defined nor, in our knowledge, has it been subject to judicial interpretation. However, it is our view that it should be given a wide interpretation and not be limited merely to profit making. All this means is that if the Council's rationale for entering into a Joint Venture is for commercial purposes then its participation in the Joint Venture must be through a company (i.e. there is a restriction on the Council participating in a Joint Venture Limited Liability Partnership). We can explore further the issues around commercial purpose and the Council's justification for entering into a Joint Venture in the event of this option is pursued.

2.2 Disposals

The same considerations as set out in paragraph 1.2 and 1.3 above apply in respect of any land to be disposed of by the Council to the proposed Joint Venture vehicle.

In addition, in the event that the Council is not the ultimate landlord of the dwelling-houses to be let the Council needs to consider the provisions of sections 24 and 25 of the Local Government Act 1988 (the **1988 Act**). Where the Council provides financial assistance to the Joint Venture by (a) granting or loaning it money, (b) acquiring shares or loan capital in the Joint Venture, (c) guaranteeing the performance of any obligations owed to or by the Joint Venture or (d) indemnifying the Joint Venture in respect of any liabilities, loss or damages, and the financial assistance is in connection with the provision of housing accommodation to be privately let (either by the Joint Venture or some other body such as a registered provider), the Council must use its power under section 24 of the 1988 Act to do so. The exercise of this power is subject to Secretary of State consent. The Secretary of State has issued some general consents in respect of sections 24 and 25 of the 1988 Act – "the General Consents under Section 25 of the Local Government Act 1988 (Local Authority Assistance for Privately Let Housing) 2010". In particular, General Consent C ("the General Consent under Section 25 of the Local Government Act 1988 for financial assistance to any person 2010") gives the Secretary of State's consent generally as follows:

> "a local authority may provide any person with any financial assistance (other than the disposal of an interest in land or property):
>
> (a) for the purpose of or in connection with the matters mentioned in section 24(1) of the 1988 Act;
>
> (b) … or
>
> (c) …"
>
> (Limbs (b) and (c) are not relevant for these purposes).

This General Consent could apply where the Council grants or loans money to the Joint Venture where this financial assistance is to be provided in connection with the acquisition and construction of the property which intended to be privately let as housing accommodation by the Joint Venture Vehicle or some party other than the Council, in which case no specific consent of the Secretary of State would be required.

Depending on the Council's rationale for entering into the Joint Venture the Council may be able to use its powers of investment under section 12 of the Local Government Act 2003 (the **2003 Act**) to justify the investment of equity in the Joint Venture. Section 12 provides as follows:

> "a local authority may invest –
>
> (a) for any purpose relevant to its functions under any enactment, or
>
> (b) for the purposes of the prudent management of its financial affairs".

2.3 Procurement

The Council is a contracting authority for the purpose of the EU Procurement Regulations (the Consolidated Directive 2004/18 as implemented by the Public Contracts Regulations 2006) and is therefore obliged to follow an EU compliant procurement procedure when procuring any works contracts exceeding £4,348,350. The question in the context of the proposed Joint Venture is whether or not the establishment of the Joint Venture as presently envisaged can amount to a works contract. On the basis that both the Council and a private sector partner will come together to form a Joint Venture and each provide land or equity (or both) then that arrangement in itself would not amount to a works contract. If on the other hand the intention is for the private sector partner to be awarded the building contract then the procurement rules would apply to the appointment by the Council of the private sector partner to the Joint Venture. We can advise further on the procurement rules to follow if necessary.

2.4 **Use of HRA resources**

In the event that the Joint Venture is the landlord and owns the dwelling-houses it will be able to let the dwelling-houses on assured tenancies. One significant implication of the dwelling-houses being owned and let by the Joint Venture is that the Council would be constrained in its use of HRA resources. The dwelling-houses owned by the Joint Venture will not form part of the Council's HRA and it would therefore not be possible for the Council to use HRA resources to invest in the Joint Venture. However if the Joint Venture leased the properties to the Council for the Council then to hold in its HRA there would be no obvious constraint on the use of HRA resources to invest in the Joint Venture. The constraints on the use of HRA resources are contained in Schedule 4 to the Local Government and Housing Act 1989.

2.5 **Purchase of the dwelling-houses**

In the event that the Joint Venture is not to be the landlord of the dwelling-houses [as identified in the report], the Council may wish to have the option to the purchase dwelling-houses from the Joint Venture. Purchase by the Council of the dwellings could be either through HRA resources or General Fund resources. The ring-fencing of the HRA as provided for in section 74 of the 1989 Act restricts the use of HRA resources to properties held for the purposes of the HRA. HRA resources therefore would only be able to be used to purchase the dwelling-houses if they are to be held by the Council in the HRA. The ring-fence does not apply to the General Fund and the Council is free to determine how it wishes to use its General Fund resources (e.g. by General Fund prudential borrowing) and could use General Fund prudential borrowing to purchase the units from the Joint Venture for them to be held in the Council's HRA. General Fund borrowing to purchase units to be held in the HRA will be regarded as housing debt for the purposes of the Limit of Indebtedness Determination as such General Fund borrowing would be borrowing incurred on an interest in housing land. The Council therefore needs to be mindful of the Limit of Indebtedness Determination which for Council has been set at £149,998,000.

2.6 **Management by the Council**

In the event that the Council wishes to manage the properties held by the Joint Venture prior to any arrangement for the Council to purchase the dwelling-houses we believe that the general power of competence contained in section 1 of the 2011 Act and the ancillary powers in section 111 of the 1972 Act provide sufficient power for the Council to enter into a management arrangement with the JV. The Council could not rely upon the general housing management powers contained in section 21 of the 1985 Act as that power is only exercisable in connection with the Local Authorities own housing. [However the income derived from the provision of management services should not be credited to the HRA as such sums do not fall in the list of items to be credited in accordance with part I of

Schedule 4 to the 1989 Act. If HRA resources are being utilised for the management services then recharging the appropriate amount from the Council's General Fund is likely to be appropriate.]

2.7 **Council as operator**

If under the Joint Venture arrangement the Council were to act as operator (rather than taking on a management services role as identified in paragraph 2.6) the Joint Venture would enter into a lease with the Council. The issues rasied in paragraphs 1.4 and 1.6 would apply equally here.

3 **Wholly-owned company (WOC)**

3.1 **Vires**

The principal Council powers to establish a wholly-owned company (**WOC**) are the general power of competence under section 1 of the 2011 Act and the subsidiary power of local authorities under section 111 of the 1972 Act. The provisions are set out in paragraphs 1.1 above apply equally here.

3.2 **Disposal of land**

The issues raised in paragraphs 1.2 and 1.3 in relation to the disposal of HRA land and General Fund land apply equally here.

3.3 **Consent for the provision of financial assistance for privately let housing accommodation**

As the dwellings would be owned by the WOC they would be regarded as privately let housing accommodation. Paragraph 2.2 above in relation to the provision of financial assistance applies equally to the WOC. However the General Consent C referred to in paragraph 2.2 above would not apply to any disposal of land from the Council to the WOC at an undervalue. The only general consent which could potentially apply would be General Consent A but this would require the WOC to register as a registered provider (**RP**).

General Consent A applies to disposal of land to an RP for development as housing accommodation where (i) any accommodation on that land is vacant, (ii) where the disposal is freehold or a lease of at least 99 years, (iii) the development is completed with three years of disposal, (iv) the completed units are let by the RP on a periodic tenancy or on certain other permitted bases specified in the consent, (v) the Council is not entitled under any arrangement on or before disposal to manage or maintain the completed units, and (vi) the amount of the financial assistance given to the RP by the Council under the general consent does not exceed £10,000,000 in the same financial year.

If none of the section 25 general consents applies then the Council would need to obtain specific section 25 consent for the transfer of land to the WOC at an undervalue.

3.4 **Consent under section 133 of the Housing Act 1988**

It should be noted that if the Council were to transfer land pursuant to a section 32 consent (see paragraph 1.2 above) (rather than a section 25 consent) then it may be that the WOC would need either Secretary of State or Homes and Communities Agency consent to any onward disposal under section 133 of the Housing Act 1988 and this may be necessary in respect of any private sale units sold by the WOC.

3.5 **Funding**

Any Prudential borrowing by the Council which is on-lent to the WOC would be General Fund borrowing provided that the freehold or a lease for at least 21 years (with no break clause in the lease before that point) of the land is transferred to the WOC. This is because, for HRA property to be taken out of the HRA, the Council must dispose of it and if the disposal is a leasehold one it has to be a long lease (see section 74(5)(b) of the 1989 Act and section 115 of the 1985 Act).

We would also mention here that the Council could not forward its retained right to buy receipts to the WOC under its retention agreement with CLG (pursuant to section 11(6) of the Local Government Act 2003) as the agreement prohibits the retained amounts being provided to a body in which the Council holds a controlling interest.

4 **Procurement**

4.1 **Transfer of land by the Council to the WOC**

A pure disposal of land by the Council to the WOC would not be subject to advertisement under EU procurement rules by virtue of the "land exemption" (see paragraph 1.5 above). The case of C-220/05 *Jean Auroux and Others v Commune de Roanne* (**Roanne**) provides practical guidance on the way in which the European Court is likely to approach the analysis of any development scheme in determining whether an arrangement let by a local authority falls under land exemption or whether it constitutes a "public works contract" and is therefore caught by the EU procurement regime.

It is clear from Roanne that, in the event that an envisaged agreement between the Council and the WOC sets out requirements that need to be delivered by the WOC and these amount to specific requirements of the Council, then it is likely to be viewed as a public works contract. Whether any contractual arrangement is a "public works contract" for the purpose of EU procurement rules depends on the requirements and obligations set out in the agreement. It is highly likely that the Council would impose requirement on the WOC in connection with the development of units on the land to be transferred and thus a Public Works Contract would likely exist.

However, should the agreement amount to a public works contract, the "Teckal" exemption is likely also to apply. The Teckal exemption allows public contracts in relation to works, services or supplies let by a local authority and a third party (here, the WOC) to be let without the following the EU procurement regulations where two tests are fulfilled:

4.1.1 The control test: the Council must exercise over the WOC a level of control similar to that which it exercises over its internal departments; and

4.1.2 The "essential part of its activities" test: the WOC must carry out the "essential part" of its activities for the Council. Although not definitive, this test is likely to be fulfilled in the event that the WOC carries out over 90% of its activities (in terms of turnover) for the Council.

As a wholly owned vehicle it is likely that the Council will be able to satisfy the terms of Teckal and thus ensure that it is able to establish the WOC and transfer land to it without the need to submit the arrangement to competition.

4.2 **Procurement of services by the WOC**

A wholly-owned subsidiary of the Council, such as the WOC, is a contracting authority and as such is itself subject to the EU procurement rules. This means that the WOC will need to procure any construction and refurbishment works and housing management contract which it wishes to outsource in accordance with EU procurement rules.

It may be that the WOC would let a management contract to the Council in respect of the unit for the dwelling-houses constructed. As noted above, the Teckal exemption envisages that one of the requirements is that the procuring authority exercises over the performing entity "a level of control similar to that which it exercises over its internal departments". It is clear however that the WOC is not going to exercise over the council a requisite amount of control in order to comply with the Teckal test. The question therefore is whether a "reverse" Teckal exemption might apply.

In October 2011 the European Commission published a "Commission Staff Working Paper concerning the application of EU public procurement law to relations between contracting authorities" where it seems to suggest that as long as there is institutional/vertical/in-house corporation with no private capital involved then the Teckal exemption is likely to apply, regardless of whether the controlled entity (i.e. the WOC) is procuring from the parent entity (i.e. the Council) or vice versa.

The Staff Working Paper evidently relies heavily on EU competition law principles and is plainly at odds with recent/previous European Court procurement case law, which tends to concentrate on the first limb of "control". Given the absence of any control by the WOC over the Council, and given the non-binding nature of the Staff Working Paper we would be cautious of advising the Council that the reverse Teckal exemption is available at this time, even though it is likely that this will be codified in the new EU procurement regulations.

Nevertheless, given the nature of the proposed arrangements, it seems to us that the risk of any housing management provider challenging the WOC for letting a housing management contract to the Council without advertising it is likely to be very low. Furthermore, the risk of any successful challenge being made could be mitigated through the use of a voluntary transparency notice and/or collapse provision in the management agreement itself.

4.3 **State aid**

If the Council disposes of land for less than best consideration or provides loans below market rates it would need to comply with the state aid rules set out down by the EC Commission.

Under section 107(1) of the Treaty on the Functioning of the European Union (the **TFEU**) a number of measures are identified which all need to be satisfied if state aid is present. These are in shorthand: (1) state award, (2) conferral of an advantage, (3) selectivity, (4) distortion of competition (or threat to distort) and (5) affects trade between Member States.

These are two obvious potential sources of state aid in connection with the WOC proposal, namely providing a loan and transferring land at an undervalue.

In providing a loan to the WOC, this is an advantage conferred from state resources on the WOC only. However, if the loan is made on standard market terms there is unlikely to be any distortion of competition and, accordingly, no state aid. However, if the loan is provided at better rates than the WOC would be able to obtain commercially, the loan is likely to meet the criteria for potentially distorting competition and affecting trade between Member States and therefore would be state aid.

In transferring land to the WOC at an undervalue, the Council also confers a benefit on the WOC from state resources. By receiving land at an undervalue, the WOC is placed in a better position that other housing providers and therefore competition is distorted and trade between Member States may be affected.

An exemption from the need to notify the Commission under the TFEU is provided by the "Commission Decision of 20 December 2011 (2012/21/EU)" (the **2012 Decision**). If the provisions of this Decision are complied with, there will still be state aid but there will be not requirement for notification of the state aid to the EC Commission. The Decision applies to any undertaking that provides social housing and receives state aid to do so.

It should be noted that the UK Government confirmed through discussions with the Commission that the intention was that the "Commission Decision, of 28 November 2005" (which was replaced by the 2012 Decision) facilitated providing those in need with any form of housing at below market cost, whether for rent or for owner occupation and therefore covers sub-market housing. Since the 2012 Decision contains many equivalent provisions, we assume that this is also the intention of the 2012 Decision.

In seeking to rely upon the 2012 Decision the Council would have to demonstrate that the value of any aid represented by the provision of any loan to the WOC at less than market rates or disposal of land at an undervalue is necessary to make sub-market housing viable. If it is anticipated that there may be some private sale element under the WOC proposal there can be no state aid provided in connection with the private sale units as these are not categorised as below market cost housing.

4.4 Power for HRA to purchase units

Paragraph 2.5 above applies equally here and would confer power on the Council to enter into an agreement to purchase properties developed by the WOC.

5 Council Housing Company (CoHoCo)

5.1 Vires

Paragraph 3.1 above applies equally to the Council Housing Company model (CoHoCo) as to the wholly-owned company (**WOC**) proposal.

5.2 Borrowing and its impact on the Limit of Indebtedness Determination

The CoHoCo would be established as a separate company and, subject to any restrictions in its constitution, would have the power to borrow against any surpluses generated from its business. As rehearsed at paragraphs 2.2, Section 1 of the 2003 Act provides that

"A local authority may borrow money –

(a) for any purpose relevant to its functions under any enactment, or

(b) for the purposes of the prudent management of its financial affairs.

Section 2 of the 2003 Act requires that the Council keep under review how much it can afford to borrow.

The Council could therefore borrow and on-lend to the CoHoCo against the surpluses to build new affordable housing to be owned by the CoHoCo provided the Council considers it prudent to do so. Since the CoHoCo's fee and any new build housing developed by the CoHoCo would be held outside the HRA, any borrowing directly by the CoHoCo or any prudential borrowing on-lent to the CoHoCo in respect of new build development would be general fund borrowing and would therefore not account towards the Council's Limit of Indebtedness (see paragraphs 1.4 and 2.5 above).

5.3 **Purchase of CoHoCo dwellings by the Council's HRA**

As a separate legal entity, subject to any constitutional restriction, the CoHoCo will have power to develop and acquire dwelling-houses. .

Subject to any security arrangements which the CoHoCo may have entered into with private lenders in the event that the CoHoCo borrowed directly to fund new build dwelling-houses, there is no reason why the Council could not purchase the units developed by the CoHoCo, either using HRA resources or General Fund resources, and the issues raised in paragraph 2.5 would apply equally here.

6 **Concession arrangement**

6.1 **Vires**

Subject to the consent of the Homes and Communities Agency (being the "Appropriate Authority" under section 27 of the 1985 Act) the Council has power to enter into a concession agreement for the management of its houses and/or land under section 27 of the 1985 Act. In addition, the general power of competence under section 1 of the 2011 Act would also be available to the Council, subject to compliance with the provisions of section 27 of the 1985 Act.

In exercising its powers to enter into a concession agreement the Council must be mindful of its fiduciary duty to Council Tax and other rate payers. In the light of the fact that concession agreements can be considered to be an expensive option it would be necessary for the Council to have objective and reasonably justifiable grounds for pursuing the concession agreement as opposed to other options that might be available.

The Secretary of State's consent under section 25 of the Local Government Act 1988 will be required in order to enter into the concession agreement as the provision of the operating charge will constitute gratuitous benefit as defined in section 25(5) of the 1988 Act. No general consent issued under section 25 would apply so a specific consent from the Secretary of State would be required.

The provisions of paragraph 1.4 above apply equally to the concession arrangement in that the arrangement needs to be treated as operating rather than a financing lease.

6.2 **Procurement**

The Council will be required to comply with the EU procurement rules in selecting the project company as the contract will inevitably breach the works and services thresholds.

Trowers & Hamlins

[Draft: 10/1/13]

AP5 Warwick District Council – Note of the likely implementation steps

1 **Introduction**

Warwick District Council (the **Council**) is considering options for the delivery of the housing management functions and a new build housing programme.

We have been asked to outline the likely implementation steps if the Council proceeds with the option of the Council Housing Company (**CoHoCo**).

2 The implementation steps can be categorised by reference to the following key stages:

- preliminary decisions;
- setting up the CoHoCo;
- documentation;
- consents and approvals.

Each of these stages are dealt with in separate sections below which summarise the key steps that are likely to be required but are subject to change as the project develops. In addition to the headline issues described below there would be a number of practical issues that would need to be addressed to ensure that the CoHoCo was able to commence operations, such as, opening bank accounts, appointing auditors etc. Those detailed practical steps would need to be identified in a project plan and are not covered in this high level note.

3 **Preliminary decisions**

The following initial decisions/actions are required to be taken:

- choosing the corporate form for the CoHoCo (e.g. a company or IPS);
- financial planning/modelling (i.e. preparing the business plan for the CoHoCo);
- formally consulting secure tenants on the proposed changes to housing management (consultation with other residents and stakeholders could also take place at the same time);
- considering charitable status for the CoHoCo;
- deciding on the CoHoCo's size and composition of the board (i.e. how many board members should it have and what constituencies should be represented); and
- considering and deciding on the recruitment/selection/election process for the board members (e.g. Council direct nomination, tenants' election etc.).

4 **Setting up the CoHoCo**

The following key steps are likely to be required in order to set up the CoHoCo:

- establishing the shadow board of the CoHoCo (i.e. recruiting/selecting/electing the first board members);
- preparing and approving the form of constitution for the CoHoCo;
- deciding on the first officers (e.g. the secretary)and the registered office location;
- incorporating the CoHoCo (e.g. with the Companies House in case of a company and with the Financial Services Authority in case of an industrial and provident society);
- if relevant, converting the shadow board to a "real" board;
- preparing and adopting the relevant governance policies and procedures (e.g. code of conduct);
- board member training;
- appointment of accountants/auditors; and
- agreeing the CoHoCo staffing structure (including the managerial roles) and dealing with any recruitment if relevant.

Please note that we have not addressed any issues regarding the implementation of a TUPE transfer as that is outside the scope of this note.

5 **Dealing with documentation**

The following key steps are likely to be required in order to prepare and finalise the documentation:

- agreeing the scope of the service and delegations (including the service specification, standards and other targets etc.);
- agreeing the heads of terms for the management agreement (e.g. duration, termination rights, mechanism for calculation of fees, payment of fees, additional services or services back and in particular the arrangements for identifying surpluses and ensuring their use for a new build programme etc.);
- preparing the draft agreement and negotiating its terms;
- dealing with pensions and TUPE issues as required;
- considering continuing contracts (e.g. to be assigned/novated or for the CoHoCo to manage); and
- finalising any contractual documentation.

6 Consents and approvals

It would be necessary to obtain the following consents and approvals (as a minimum):

- Council's/Cabinet approval;
- The CoHoCo's board approval; and
- HCA consent under section 27.

7 Conclusion

A detailed project plan would be needed to cover all steps required to ensure an effective implementation of the project and the establishment of the CoHoCo.

Trowers & Hamlins LLP

22 January 2013

AP6 *Objective 2 – Analysis of options – Key risks assessment*

Option	Risk issue	Mitigating strategies
Institutional Investment – Operating Lease	1. Future Lease Accounting rules may mean that any operating lease would retrospectively impact on the existing debt cap imposed.	Council could discuss issue with CLG prior to implementation. There is no certainty as to how the future accounting lease rules may change or whether it would impact upon the Council.
	2. Secure tenancy issues on expiry of lease, where Council chooses not to purchase assets on lease expiry.	Council would need to consider the use of flexible tenure as a means of voiding properties prior to non purchase of assets on lease expiry. Council purchasing the assets would remove the issue.
	3. Right to Buy impacting upon lease.	Discussion with institutional investor to ensure that any RTB occurring could be swapped with another void property of the HRA to maintain integrity of the lease. Length of lease will also impact on tenant's ability to invoke right to buy.
	4. Inability to pay lease, insufficient cashflow	Council would be required to pay lease or a termination of the lease may occur, causing accelerated lease repayment. Costs would need to be saved from existing HRA budgets or Council enters into a lease with sufficient headroom to ensure payment can be made.
	5. Institutional investor not willing to assume construction risk.	Council could seek to prudentially borrow to deliver construction that is then refinanced through the institutional investor making a payment for the properties.

	6. Availability of land, or land prohibitive cost	Council would need to consider the affordability of the lease price prior to entering into an agreement, to ensure that the price payable for the lease was value for money. Council needs to ensure that it is aware of the availability of land prior to commencing a lease.
	7. Collection of rent, due to welfare reform	Council would need to consider the capability of the Council's systems to recover any accrued rent arrears following welfare reform.
	8. Increases in rent reduces below RPI+0.5%	Council needs to assess different sensitivities on the level of potential accrued surpluses in the HRA to ensure that any potential lease is affordable.
	9. Appetite of institutional investors	Soft market testing can be performed prior to any commencing of a leaseback structure.
Joint Venture – Build now pay later scheme	1. Procurement of private sector partner required. Competitive dialogue timetable slips.	Council would need to ensure that a robust mechanism is in place to ensure that competitive dialogue is kept to timetable.
	2. Lack of long term debt or equity.	Council may have the option to on lend to Joint Venture to act as senior lender, which will have its own potential risks and accounting considerations. Where land is contributed by other parties, this may act as an equity contribution to the project. Council would need to consider all forms of finance including institutional investment.

3. Prohibitive debt terms.	Council may have the option to on lend to Joint Venture.
4. Lack of demand for any properties due to sell.	·
5. Net rental income insufficient to service debt interest. Collection of rent impacted by welfare reform.	Joint Venture could introduce private rented sector units to increase level of revenue to service debt.
6. No appetite to assume rental income risk to manage properties from third parties.	Council may seek to act as managing agent using HRA staff. However Council would be required to guarantee rent to vehicle, which may have balance sheet issues for either the General Fund or the HRA.
7. Lack of land availability or at prohibitive cost.	Council need to consider the affordability of the overall scheme once land cost has been built into the model.
8. Lack of land availability or at prohibitive cost.	Council need to consider the affordability of the overall scheme once land cost has been built into the model.
9. Taxation issues – lack of awareness of potential leakage in value from Corporation Tax, VAT and Stamp Duty Land Tax. Changes in taxation rates overtime.	Council would need to ensure that is had conducted a thorough analysis of the taxation issues prior to completion, through any business case and procurement stage. Council would need to perform sensitivities on the potential changes to taxation rates.
10. Land transfer – legal considerations	Council would need to consider the legal issues with respect to any land transfer made from the Council to the vehicle.
11. HRA has insufficient cashflow to purchase properties as per commercial structure.	Council would need to ensure through business planning that there is sufficient headroom to undertake purchases.

		Otherwise need to be sensitivity analysis undertaken to assess whether the JV can retain properties or sell on open market.
	12. Accounting issues with respect to any offtake agreement.	Council would need to ensure that is has undertaken a full accounting analysis of the vehicle to ensure that there are no hidden liabilities to the HRA in any offtake arrangement.
Wholly Owned Company – Build now pay later scheme	1. Construction cost risk	The Council would need to ensure that any construction contracts entered into pass pricing risk to contractor.
	2. Net rent insufficient to service debt. Collection of rental income – welfare reform impact on ability to collect income.	Council may attempt to mitigate risk through using a third party to manage properties on behalf of Council.
	3. Operating cost budget insufficient.	Council may attempt to mitigate risk through using a third party to manage properties on behalf of Council.
	4. Sales risk – lack of demand for any properties due to sell.	Properties could be rented for a short period of time at market rent prior to agreeing any sales. This income would be used to service debt expected to be repaid.
	5. State Aid – Any challenge made by private sector	Block exemption from EU for affordable housing. Council
	6. HRA has insufficient cashflow to purchase properties as per commercial structure.	Council would need to ensure through business planning that there is sufficient headroom to undertake purchases. Otherwise need to be sensitivity analysis undertaken to assess whether the JV can retain properties or sell on open market.
	7. Accounting issues with respect to any	Council would need to ensure that is has

	offtake agreement.	undertaken a full accounting analysis of the vehicle to ensure that there are no hidden liabilities to the HRA in any offtake arrangement.
	8. Impact of prudential borrowing on General Fund. Insufficient planning of revenue impact.	Council would need to consider the treasury management carefully to ensure there in no revenue impact on the General Fund during the works period.
	9. Lack of land availability or at prohibitive cost.	Council need to consider the affordability of the overall scheme once land cost has been built into the model.
	10. Lack of land availability or at prohibitive cost.	Council need to consider the affordability of the overall scheme once land cost has been built into the model.
	11. Taxation issues – lack of awareness of potential leakage in value from Corporation Tax, VAT and Stamp Duty Land Tax. Changes in taxation rates overtime.	Council would need to ensure that is had conducted a thorough analysis of the taxation issues prior to completion, through any business case and procurement stage. Council would need to perform sensitivities on the potential changes to taxation rates.
	12. Land transfer – legal considerations	Council would need to consider the legal issues with respect to any land transfer made from the Council to the vehicle.
Council Housing Company (ALMO light)	1. Inability to deliver efficiency savings to service any additional borrowing in the Council Housing Company.	Council would need to undertake robust business planning to ensure that any efficiency targets are deliverable.
	2. Management Fee cannot grow as expected due to changes in rental income growth at less than RPI+0.5%	Council would need to consider the sensitivities of a reduced management fee, and the ability of the Council Housing Company to service and repay any debt incurred.

	3. Prudential borrowing rates increase overtime.	For any further debt drawn down, the Council would need to ensure that future debt interest and repayments are affordable to the Council Housing Company.
	4. Accounting and taxation implications of the Council Housing Company.	Council will need to ensure that all relevant taxation and accounting issues have been fully explored with respect to new housing built and retained by the Council Housing Company. The Council should consider any relevant sensitivities to assess impact of any taxation rate changes.
	5. Construction cost overrun.	Council Housing Company to ensure that there is sufficient risk passed to construction contractor.
	6. Land costs prohibitive	Council to consider availability of land and whether prices for land are affordable as part of any development.
	7. Collection of rental income – welfare reform impact on ability to collect income.	Council Housing Company need to consider methods in which income can be recovered.

	Executive 3rd September 2014	Agenda Item No. 5

Title	Warwick Mop Review
For further information about this report, please contact:	Cllr Stephen Cross Richard Jones
Wards of the District directly affected:	Warwick West
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No Appendix 4 *is* confidential, due to the legal advice contained within and therefore this is included separately in the confidential section of the Executive agenda as item 20.
Date and meeting when issue was last considered and relevant minute number:	
Background Papers:	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes 625
Equality & Sustainability Impact Assessment Undertaken:	No

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	11/08/14	Andy Jones
Head of Service	03/08/14	Tracy Darke
CMT	18/08/14	CMT
Section 151 Officer	06/08/14	Mike Snow
Monitoring Officer	11/08/14	Andy Jones
Portfolio Holder(s)	18/08/14	Stephen Cross, Susan Gallagher, John Hammon
Consultation & Community Engagement		
Consultation was carried out with local residents, business and key stakeholders		
Final Decision		Yes
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

1.1. This report seeks approval to make changes to the Warwick Mop Fair licence following a public consultation exercise. It brings forward the recommendations given by the Members' Panel formed to review the licence. These recommendations take into account the results of the public consultation exercises, the legal elements of the fair and the opinions of key stakeholders.

2. RECOMMENDATIONS

2.1. That the Executive approve the list of changes to be made to the Warwick Mop licence (as detailed in Appendix 1). These are to be incorporated into the new licence in time for it to be re-let in the spring of 2015.

2.2. That the Executive delegate to the relevant Head of Service, in consultation with their Portfolio Holder, the authority to implement the changes detailed in Appendix 1 and any others as necessary, so long as they do not prejudice the approved principles of the re-letting of the licence.

2.3. That the Executive note the results of the soft market testing exercise (to be given as an addendum), and that they accept the advice of the Procurement Manager and Portfolio Holder in relation to the tendering of the Mop licence.

3. REASONS FOR THE RECOMMENDATION

3.1. The Warwick Mop Fair is an historic part of Warwick town. It has played a part in the culture and heritage of the town and the wider area since the 14th century and forms part of the cultural heritage of Warwick.

3.2. This list of recommendations has been assembled based upon the feedback received from the consultation exercises and upon legal advice received. It is considered that they represent the best way forward for the Mop at this time and that they best serve the public good. These recommendations have been agreed upon by the cross-party panel of Members.

3.3. Delegated Authority is sought as there are potential changes that may need to be made to the recommendations in Appendix 1. For example, the naming of the most appropriate health and safety legislation. The working group and legal teams need to be able to make small adjustments to the licence terms as required without returning to the

Executive for minor amendments. None of these changes will prejudice the options offered in this report.

3.4. A soft market testing exercise has been initiated upon the advice of the Procurement Manager and County Legal Services. The intent of this testing is to gauge the appetite of the market for running such a specialist event. The testing period is due to end just before the 3rd September Executive; at this point the Procurement Manager will be able to provide a recommendation on whether to run a full tendering exercise or to waive the process if there is no relevant interest beyond that expressed by the current licence holder.

This recommendation will be available on the afternoon of Tuesday the 2nd September and copies will be sent to all Warwick District Councillors at that time.

4. POLICY FRAMEWORK

4.1. **Fit for the Future**: The Mop Fair has formed a part of the culture of Warwick for the past few centuries. Allowing such an historic fair to continue helps to contribute toward the Council's vision of making the district a great place to live work and visit.

The recommendations outlined in this report seek to serve the public good over the good of individuals or groups.

5. BUGETARY FRAMEWORK

5.1. The review of the Mop licence has no impact upon existing budgets or arrangements. No income is generated for the Council, and any costs incurred in the running of the event are reimbursed in full by the licence holder.

5.2. The licence holder is required to provide an upfront bond of £25,000 to the Council to cover any and all costs associated with the event. In the interest of efficiency, any street cleaning, repairs, etc. are initially resolved by WDC and are then recharged to the licence holder.

5.3. After reimbursements are accounted for, the bond is returned to the licence holder.

6. RISKS

6.1. Should the recommendations be approved by the Executive, the following risks should be noted:

6.1.1. There is a small but very active group of Warwick businesses who are strongly against the Mop being run in the town centre. The recommendations in this report do nothing to move the location of the fair. It should be noted that most of these businesses support the Mop in principle but take umbrage with the traditional location.

In an attempt to mitigate this element, the recommendations do include a requirement for the licence holder to work with local residents and business *within reason* to reduce any disruption resulting from the Mop. It is important to note, however, that this is not an invite to review the Mop each and every year.

6.1.2. As above, a significant group of town centre residents have expressed their concern with the central location of the Mop and the disruption it causes for two weekends of the year.

6.2. Should the recommendations of the Panel be rejected, the following additional risks are also presented:

6.2.1. As much as some local residents and business dislike the current format of the Mop, there are a greater number of locals who support the current format. Should alternative recommendations be brought forward by the Executive, there is a risk of causing ire with these groups who actively support the Mop.

6.2.2. Linked to the above, there were many responses in the public consultation expressing clear disappointment at the notion that the licence may be altered to the detriment of the fair. Some of the rejected alternative recommendations may be seen to lead to the 'homogenisation' and 'gentrification' of Warwick at the expense of its unique traditions and culture.

6.2.3. It is currently assumed that, regardless of to whom the licence is re-let, some members of the Showmen's Guild will, in some form, continue be involved in the running of the Mop. As such, regardless of who actually holds the licence, it is likely that the same families will continue to be a part of the Mop fair tradition. There is a risk that any counter-recommendations that significantly alter the format of the Mop will cause problems within the guild.

Below are a set of risks linked to the potential impact upon the

Showmen, should they be successful in the licence re-tender;

6.2.4. Legal advice indicates that the Showmen may have legal grounds on which to object to changes via a judicial review.

6.2.5. Some of the rejected recommendations may have a negative effect upon the livelihoods and way of life of the Showmen families.

6.2.6. There is a risk that any changes that marginalise the Mop and the Showmen set a precedent for other parts of the country when councils find themselves under pressure from local groups. Such a situation will further exacerbate any negative impact upon the Showmen's way of life.

7. ALTERNATIVE OPTION(S) CONSIDERED

7.1. Alternative options can be found in Appendix 2. This includes a summary of the pros and cons of each choice, along with commentary on the legal implications and the reasons for the Panel rejecting the option.

8. BACKGROUND

8.1. The Warwick Mop Fair has been held in the town since the 14th century. Warwick District Council holds the rights to run or to licence the Mop Fair.

8.2. The current Mop licence is held by the Showmen's Guild of Great Britain and has been in place for the past decade. The current licence expires following the 2014 Runaway Mop.

8.3. In October to December 2012, feedback was received on the Mop as part of the Warwick Town Centre Plan consultation. This, combined with the current licence drawing to a close, led the formation of a cross-party panel of Members whose task it was to review the current Mop licence and arrangements. The Panel Members are as follows (with the Council they are representing):
- Cllr Stephen Cross (Warwick District Council)
- Cllr Gerry Guest (Warwick Town Council)
- Cllr John Holland (Warwick Town Council)
- Cllr Anne Mellor (Warwick District Council)
- Cllr Nick Pittarello (Warwick District Council)
- Cllr Jerry Weber (Warwick District Council)

8.4. A series of consultation exercises were carried out in the winter of 2013, the headline results of which can be found in Appendix 3. These consultations sought opinions from residents, local businesses, Fairgoers, and a series of key stake holders (including the Showmen's Guild, the Police, Warwick Racecourse, Warwick Chamber of Trade, Warwick Town Council, Fire and Rescue, County Highways and WDC staff involved in facilitating the Mop).

8.5. Legal advice has also been sought on the implications of making changes to the Mop and the rights of the Showmen whose families have run the Mop Fairs for generations. As well as current advice, the Panel also drew upon advice taken from Counsel in 2005 when the licence was last reviewed. A short summary of the extensive legal advice can be found in Appendix 4.

8.6. Key to any decisions on the Mop is the notion that any changes to the Mop arrangements must be shown to be for the 'benefit of the public', i.e. the benefit of the public as a whole.

8.7. The consultation exercises showed general support for the Mop, but with a number of suggestions for improvements that could be made to help mitigate its impact on the town. All of these options were considered by the Panel, but some were deemed unfeasible due to other constraints. Others were considered to be management issues and so not appropriate for inclusion within a legal document. These have been passed to the Events Team and Development Services and will form part of the ongoing management of the Mop.

8.8. Should the soft market testing exercise reveal a lack of a market and/or interest in running the Mop, an exception to the Procurement Code of Practice will also be recommended to the Executive. The results of the soft market testing exercise will be provided as an addendum as noted in 3.4.

9. APPENDICES

9.1. Appendix 1: Recommendations for Changes to the Licence
9.2. Appendix 2: Alternative Options Considered
9.3. Appendix 3: Consultation Summaries. Please see online at http://www.warwickdc.gov.uk/info/20246/arts_and_entertainment/509/fairgrounds
9.4. Appendix 4: Legal Summary

Appendix 1 – Recommended Changes to the Warwick Mop Fair Licence

Please note that many of these options were drawn directly from suggestions put forward by members of the public as part of the consultation exercises. Views of the current licence holder were also sought in regards to suggestions.

Option	Include in the new licence?
1. Require that space is made for a careers fair at the Mop. This may start small (and easy to manage) with an armed forces stand, but may change dependent upon success	**Yes**. A number of locals suggested this idea to bring the Mop closer to its roots as a hiring fair. The current licence holder, should they have the opportunity to continue running the Mop, is also keen to include this element, and it is felt that it would be of benefit to the public.
2. Allow flexibility in the opening time of the Mop to allow the licence holder to make concessions to the community such as opening early for local school children, etc.	**Yes**. A number of locals suggested this option in the consultation. The current licence holder is also very keen on this sort of community involvement.
3. Work to help build relations with local businesses. I.e. anything from some sort of annual meeting to the licence holder judging shop window displays	**Yes**. Require the licence holder to take part in liaison meetings with the licensor and local business representatives as and when required. This is with the expressed condition that it is *not* an invitation to review the operation of the Mop each year, but is instead there to help facilitate relationships and resolve specific issues in terms of 'best management'. This process will be facilitated by the Town Development Officer and the Events Team (or equivalents). The licence will refer to a dispute resolution process whereby final decision will be made by the relevant Head of Service in consultation with the Portfolio Holder.
4. That the licence holder must submit to the Events Team an accurate plan of the intended Mop setup at least two weeks before the event	**Yes**. Currently there is no such condition and it can cause some problems for the Events Team.

5. The new licence should run for only 5 years instead of 10	**No (but see notes)**. The licence will run for a further 10 years, but will also contain a break clause after the 5th year to provide flexibility in the management of the Mop. It is not intended that the break clause would be an invitation to review the Mop or licence again in 5 years' time.
6. Introduce measuring and control of noise and fumes. Members should note that, in recent years, there have been no noise complaints to Environmental Health	**Yes**. This already appears in the current licence and should be modified to meet the latest standards. In terms of WDC management of the Mop, this needs to be fully enforced and needs to have an established assessment and reporting method. This will be done by Health and Community Protection and the Events Team Note: Generators are a necessary element to the Mop, and there is currently no practical way for us to provide the Showmen with access to an electrical supply instead.
7. Require that the licence holder provides designated staff to act as marshals and points of contact	**Yes**. The current licence holder states that they are largely self-policing (a view supported by the Events Team), and that they already have people keeping an eye on things during the event. The licence will require that Mop marshals are made more visible (perhaps with something as simple as high-visibility vests) and that the licence holder is to appoint people as being responsible for certain streets. It should be noted that the latest police figures show no recent rise in crime or ASB associated with Mop. Regardless, these measures will help address the (incorrect) perception that crime increases with the Mop. The Events Team are to be made the WDC point of contact as this has operational implications.

8. That the Mop should close no later than 10pm each day	**Yes**. Responses from the police and some local residents support this 10pm close. It should also be noted that the current licence holder has been closing the Mop around this time in recent years and is supportive of this condition. Whilst the police crime statistics show no increase in crime or ASB during the Mop, the earlier close may help to address the *perception* of such an increase.
9. To ban the giving or selling of live animals as part of the Mop	**Yes**. The practice is not widespread at the current Mop (only two or three stalls do so with goldfish). Decision to ban the giving of animals outright as suggested by residents in the consultation.
Options taken from other Councils' licences or put forward by Councillors/Officers	
10. That the licence holder presents all relevant insurance/safety/etc. documents to WDC at least 1 month before the event	**Yes**. This is currently done via the current licence, but it was felt that the clause needed rewording slightly. It is suggested that a Safety Advisory Group meeting (or similar) leading up to the Mop would be the ideal time to receive these details.
11. Licence holder and all ride operators shall conform with the latest legislation relating to the safe erecting, dismantling and operating of fairs in a public area.	**Yes**.
12. Requirement that the licence holder cannot move or modify any permanently installed street furniture without prior permission	**Yes**.
13. Require the licence holder to consult with the emergency services and highways, etc. before each Mop	Done so anyway via the SAG meetings.
14. Removal of all non-essential vehicles from the fair area after setup	**Yes**. In practice, this is what currently happens anyway.

Appendix 2 – Summary of Alternative Options Considered

IMPORTANT OVERRIDING LEGAL CONSIDERATION: The Human Rights Act entitles people to the peaceful enjoyment of their possessions and that no one should be deprived of them except in the public interest. The legal advice received by the Council is that this "particularly make[s] reference to the livelihood of the members of the Guild… who may well have a legitimate expectation that the Mop Fairs or Runaway Fairs will continue to operate and undertaken by these organisations".

Option	Pros	Cons	Legal Aspect	Reasons for Rejection
No changes to the Mop	• Maintains tradition • Supports the established arrangement with the Showman's Guild • Is a 'known quantity' • Legally an 'easy' option • Supports the wider, established circuit of Showmen fairs • The larger portion of the public seem to support the maintaining of the Mop • Does not venture into the realms of 'public benefit'	• Large numbers of town centre residents oppose the Mop in this format • A small yet active group of business oppose the Mop and have done for many years. This is supported by the Chamber of Trade • Perception of ASB • May be perceived as not listening to the vocal groups • Potential continued inconvenience to town centre residents and business owners • Continued perception of ASB, etc.	• Easiest option as the Mop operates in the format it always has • Will not be open to legal challenge	• There are legitimate concerns from those responding to the consultation and work needs to be done to address things where possible

Option	Pros	Cons	Legal Aspect	Reasons for Rejection
Alter the location of the Mop for some or all of its duration (mainly focusing on the Racecourse)	• Moves it from the town centre, satisfying some locals but still maintaining the Mop	• Moves it from town centre, aggrieving some locals • Many will no longer view it as the Mop • For many, the town centre location a defining element of a Mop fair and Warwick's heritage • Risk of legal challenge • Must be for the public benefit • Ground conditions are not ideal • Unlit area • Current licence holder has trialled fairs on the Racecourse and is likely to have reasons as to why they do not work • Damage to the Racecourse and potential of cancelling races • Changes would require an establishment of policy and procedure which should include a consultation with the public	• Any changes have to be for the public good... with such a divide in public opinion, this may be hard to justify • The Mop does not have a specified place of holding within Warwick, but it must be held within the 'area of the franchise right'. It is assumed that this means that the fair must be *somewhere* within Warwick. It should also be noted that, in 1999, the Guild refused attempts to relocate the Mop whilst Market Place was being refurbished. • Changing the location will **not** require an application to the Secretary of State, though it may require approval from Highways • Will have a negative impact on those living near to the Racecourse and may be open to challenge from them	• Any changes must be for the benefit of the public. It was felt that moving the Mop to the Racecourse would simply shift the problem from one set of locals (who are fully aware of when and where the Mop operates) to those who selected their houses in the knowledge that there was no Mop operating next to them. • The Showmen, should they be successful in attracting the new licence, could have grounds for legal challenge via judicial review • Consultation comments regarding damage to the fabric of the town centre buildings and streets are unsupported by any evidence (as also pointed out by other locals). All the rides are transported by lorry and so fully supported by the roads & streets • Moving the Mop to the racecourse would likely cause legal issues with the racecourse licence • Residents expressed safety concerns for a racecourse based Mop – they felt an out of town location would be less safe. Whilst there are similar comments about the town centre Mop being unsafe, the police crime figures do not support this perception

Option	Pros	Cons	Legal Aspect	Reasons for Rejection
Alter the timings of the Mop	• Potentially halves the impact on the town centre in terms of setup and takedown • Many of the businesses who are against the Mop state that it affects their trade for a full two weeks as people stay away during the period. This will remove that elongated impact • Seeks to find a balance between the needs of two opposing views • Potential to change the Thursday set-up to mitigate some of the impact on the town, but may also bring additional health and safety issues	• Changing days (timings or number) requires applying to the Secretary of State (1873 Act) • Changing the days requires WDC to devise a policy and procedure and to consult on the proposed changes (carries a risk for the review as it may not be complete in time for the 2015 licence to be in place) • May be legally challenged with a judicial review • Showmen's Guild operates the Mop and Runaway Mop as part of a national cycle of events. Should they successfully attract the new licence, altering the timings of the Warwick Mop could adversely affect them in ways that may not be obvious • Some residents and businesses may find this change unacceptable	• Changing the days (whether timings or number) requires applying to the Secretary of State (1873 Act) • Changes must also be "for the convenience and advantage of the public" • The hours for which the fair is held during the specified days are **not** subject to the above controls. According to ancient law, the proper hours for holding fairs are from sunrise to sunset. In practice, however, this has not always been followed.	• Quickly discounted due to the legal ramifications of such an act, not to mention the impact it would have on the way of life of the Showmen and their cycle of events across the country.

Option	Pros	Cons	Legal Aspect	Reasons for Rejection
Cancel the Mop	• Satisfies those businesses and residents who feel the Mop has an adverse effect upon their lives • Market Place could be developed further more easily	• Removes centuries of tradition and part of the culture of Warwick • Serious opposition from the Showmen • Removal of the livelihood of the Showmen • Opposition from local residents and businesses who support and/or benefit from the Mop • Highly likely to be challenged legally – an almost guaranteed case of Judicial Review • No public good to be served • Removal of one of the few events aimed at younger people in Warwick	• Could be challenged in the Courts – legal advice is that "the courts would be loath to overturn the tradition of the mops" • Would almost certainly be challenged – an almost guaranteed case of Judicial Review • Must be for the public good • Requires a procedure laid out in the 1871 act to be put into effect • The Showmen & public could have 'locus standi', and could have a legitimate expectation that the Mop will continue	• End of centuries of tradition and heritage • Will satisfy some locals but anger others • Serious detrimental effect on the Showmen • No public benefit gained • Huge legal implications and a decision that would likely be overturned in the courts • The establishment of rights and expectations from the Showmen's Guild, means that they may reasonably expect the Mop to continue. • Almost guaranteed legal challenge from the Showmen. Time could be better spent working with the Showmen to resolve any issues instead of working against them

Alternative Options Considered for Inclusion in a New Licence – All Rejected

Please note that many of these options were drawn directly from suggestions put forward by members of the public as part of the consultation exercises.

Option	Include in the new licence?
1. Require that an area of the Mop be given over to traditional rides and stalls (may rely on option 3 being permitted)	**No**. This will not be possible with the existing size of the Mop; one or two traditional rides will be 'lost' amongst the Mop and would usurp the normal rides and stalls. It should be noted that the current licence holder was very keen to provide a traditional *element* to the Mop, but not to alter the whole theme. Though this element would rely on additional space being used (see option 5); • There would not be enough rides available at this time of the year for a wholesale change (due to Showmen's Guild event cycles) • Removal of large 'anchor' rides would cause loss of business for many Showmen. It needs to be reiterated that the Mop is not a single business entity, but a collection of many individual businesses. As such, they are each relying on the large anchor rides to draw people to their own attractions… the whole being greater than the sum of its parts • Showmen who run the much-supported Victorian Fair would take umbrage. Their business is supported by the fact that they provide a contrast to the Mop on the following month. Their business and capacity to run the Victorian Fair would likely suffer as a result of a wholesale Mop change
2. Whether to mandate a selection of free space within the town upon which the Mop may not stray. Again, Members should be aware that this may cause displacement and so require more space elsewhere	**No**. Such areas would only serve to compress the Mop further and reduce accessibility (something which many consultation respondents were very clear that they did not want). In summary, this option would cause more problems than it would solve.
3. Insisting on a fully themed traditional fair	**No**. See above
4. The licence holder works with the local	**No**. Whilst this is to be encouraged, it should not form part of a legal

community & WDC to put on an exhibition around the history of the Warwick and the Mop	agreement. The current licence holder is very keen to be involved in such heritage activities – the Mop Fairs are as much a part of the history of the Showmen's Guild families as they are the towns in which they're held.
5. Whether to give over the M&S car park or part of the bus station to the Mop to allow for greater flexibility and spacing of the rides, and/or the creation of a 'traditional area'	**No**. For the last few years, Parking Services have not allowed the Mop to use the M&S car park. Whilst a number of locals would like to see this in use again, it is believed that no public good can be served by doing so. This is a high turnover car park and removing it from public use would not be advisable. Similarly, the bus station is now under the jurisdiction of WCC. As with above, the disruption caused by allowing the Mop on here would be significant.
6. Require a greater variety of food stalls at the Mop.	**No**. It is felt that Warwick offers plenty of food outlets already, and these businesses benefit from the presence of the Mop. To enforce a licence condition that would take business away from these outlets is not considered to be an option.
7. To place restrictions on the use of Market Square so that, in the future, more can be done with the space	**No**. It is felt that this would be too difficult to write into the licence in any meaningful way since there are no current proposals for Market Place.
8. To consider a more flexible placing of generators	**No**. They were moved to their current locations to reduce the impact on locals. This suggestion was brought forward in an attempt to reduce the number of trailing cables (see next option).
9. To require that all cables are suspended above head height	**No**. While this would be excellent, the practicalities make it unfeasible. 3 phase power cables are very thick and heavy. The Mop currently suspends overhead any cables that they can, but they use existing fittings to do so. Other cables would need temporary poles to safely support them; due to the weight of the cables, these supports would need to be quite large. In the confines of the Mop these would not be feasible and would likely cause more access problems than the cables themselves. Instead, the licence will require that cables are suspended overhead wherever possible, and that those that cannot be lifted are instead dealt with in line

	with the health and safety legislation referred to in Appendix 1, option 11.
10. Whether to require the Mop to set up on Friday morning instead of Thursday afternoon.	**No**. Too disruptive on both the town and the surrounding roads. A Friday setup would need to start at around 5:30am and it is felt that this would prove more disruptive than the current arrangements in terms of early morning noise, congestion with people travelling to work, and removing parked cars. There are long standing issues with cars being parked where they shouldn't be when the Mop is being set up on Thursday. If the Mop is set up on Friday morning, there will be less time and flexibility in getting them removed. This would necessitate a firmer approach to those who fail to move their cars when requested; towing them away quickly to give the Mop enough time to set up and safety test the rides. This is likely to be greeted with initial hostility. Additionally, the rush of a Friday morning setup would bring potential health & safety issues and would likely be more chaotic. The risk of health & safety issues that could occur is too great a risk to consider such a change.
11. The splitting the Mop over two locations	**No**. • Splitting the Mop would create additional problems for residents. Whilst some in the town centre may potentially receive slightly less disruption, it would simply create a disturbance for those who back onto the racecourse. • Splitting the Mop would cause individual Showmen to suffer as they would need to complete against each other in differing locations. • It would remove the effectiveness of the 'anchor' rides and so damage the overall business model of the Mop. • A number of residents expressed concern that there would be safety issues should the Mop move to the racecourse. It would also be harder for the police to cover two locations.
12. The removal or replacement of large rides	**No**. See above.

Options taken from other Councils' licences	
13. That no ride, stall or 'dressing' shall be allowed to obstruct access to buildings or other public areas unless agreed	**No**. Much of this clause is covered as part of the setup processes involving the emergency services and so this additional clause is not required.
14. Whether to introduce into the licence maximum chargeable amounts for rides and stalls	**No**. It is not appropriate for WDC to tell business owners how to charge for their products/services.
15. Clause regarding treating customers & Council employees with respect and dignity, and to uphold the values of the Council	**No**. Such things are not demanded of other licence holders or event organisers and the Mop should not be the exception.
16. Make the charity donation a licence requirement	**No**. This should be a personal choice for the organiser and, again, it is not required of others.
17. Introduce vehicle weight limits	**No**. Roads & Market Place are already engineered to cope with the weight.
18. Minimum clearance between rides/stalls and buildings, with a 'where practical' clearance that is larger	**No**. The issue of clearance and minimum distances between rides is dealt with as part of the work with the emergency services. Any issues arising from proximity to buildings can be addressed as part of the liaison meetings mentioned in Appendix 1, option no. 3.
19. Require that all stalls selling food be registered with the local authority	**No**. This would be impossible to enforce and food sellers are already required to be registered with *their* local authority. The licence should ask for a list of food sellers for each Mop instead. This will then be given to Health & Community Protection and they will be asked to make a risk based assessment. The licence will also need to allow for H&CP to impose sanctions for repeat offenders and the like.

	Executive Meeting – 3 September 2014	Agenda Item No. 6
WARWICK DISTRICT COUNCIL		

Title	Ranger Service
For further information about this report please contact	Paul Garrison – Project Officer, Contract Services Ex 6754. Email – paul.garrison@warwickdc.gov.uk
Wards of the District directly affected	All
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	N/A
Background Papers	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes. Reference 630
Equality and Sustainability Impact Assessment Undertaken	No
Assessment not applicable to the project	

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	02/08/2014	Bill Hunt
Head of Service	01/08/2014	Robert Hoof
CMT	11/08/2014	N/A
Section 151 Officer		
Monitoring Officer		N/A
Finance	6/08/2014	Mike Snow
Portfolio Holder(s)	01/08/2014	Cllr Dave Shilton
Consultation & Community Engagement		
Parks and Open Spaces Household Audit Warwick District Council Local Plan Consultation Consultation to follow on Public Space Protection Orders and the list of behaviours that will be enforced		
Final Decision?		No
Subject to agreement by Employment Committee on 17th September 2014.		

1. **SUMMARY**

1.1 The decision by the Council to retain the off-street car parking service has created an opportunity to create a generic "Ranger" role, to provide a range of functions, including car park management, reassurance for service users, sign posting, resolving operational issues and various enforcement activities.

1.2 It is proposed that this service will operate across the district focusing on car parks, destination parks, local parks, and areas of informal open space, using a combination of foot patrols and mobile teams.

1.3 The proposed service changes will be subject to approval by Employment Committee.

1.4 It is proposed that recruitment for the Ranger Service will commence in October 2014 to ensure sufficient staff are in place to deliver the new off-street parking service from the 1st November 2014. The full complement of staff will be in place for the 1st April 2015 in order to deliver the full Ranger Service.

2. **RECOMMENDATION**

2.1 That a Warwick District Council Ranger Service is established as set out in section 8 of the report.

3. **REASONS FOR THE RECOMMENDATION**

3.1 The Parks and Open Spaces Audit Household Survey that is referenced in the Green Space Strategy identifies a barrier to wider use of the District's parks and open spaces was a concern over safety. According to the Green Space Strategy this was a reoccurring theme amongst adults, young people and children.

3.2 The Warwick District Council Local Plan Consultation in 2011 asked respondents to identify what the most important considerations were when identifying a good place to live in the District. Of twenty items to choose from, level of crime and parks and open spaces were chosen within the top six considerations. It is hoped that the Ranger Service would contribute positively to reducing levels of crime (or public perceptions of crime) in the District's parks and open spaces.

3.3 The Districts parks and open spaces are used every day of the week and especially popular in evenings, weekends and Bank Holidays. At present the only Council representation in these areas on a regular basis are contractors, who fulfil a predominantly operational role. A Ranger service would be able to fill this gap and offer an opportunity to provide a range of functions more efficiently and effectively.

3.4 There is the opportunity to combine the off-street car parking service, operational contract resources, and the Jephson Gardens Ranger to create a new service with a number of benefits that currently cannot be delivered.

3.5 A new generic Ranger Service will improve service delivery and provide an annual saving of £45k. This saving will contribute to the shortfall of £200,000 faced by WDC as a result of Warwickshire County Council externalising on-street parking enforcement.

3.7 Warwickshire Police support the proposed approach as a means to further engage with and support our local communities. Superintendent Tedds provides the following statement of support:

"This is an exciting initiative and one that Warwickshire Police will be keen to support. I can see significant value, not only in terms of financial savings, but in creating further opportunity to engage with local communities and visitors to the District providing reassurance and confidence within the many parks and open spaces. Any initiative that continues to build on the strong working relationships between the Partnerships providing increased visibility within Communities has our full support."

4. POLICY FRAMEWORK

4.1 The provision of high quality parks and open spaces makes a significant contribution to making Warwick District a great place to live, work and visit.

4.2 Work in tackling anti-social behavior is a significant part of the Council's vision for Safer Communities.

4.3 The provision of off-street car parking is key to supporting the economic viability of the local towns.

4.4 The principles of Fit for the Future have been considered when reviewing and designing the new Ranger Service. This proposal will improve service delivery to our customers; create a generic multi skilled role to maximise the flexibility and resilience of the service, and to deliver a financial saving.

5. BUDGETARY FRAMEWORK

5.1 The funding of the Ranger Service can be funded by drawing together several areas of spend. The details of how the service can be funded and the cost of the new service are set out below.

Cost of Current Services Per Annum

Multi-storey car park cleansing	£70k
Parks teams	£200k
Jephson Park Ranger	£25k
Additional locking costs	£14k
Off-street car parks staff costs	£186K
Total	**£495k**

Cost of Proposed Ranger Service Per Annum

Staff costs	£417k
Vehicles	£30k
Equipment	£3k
Total Cost	**£450K**

5.3 The new service would deliver an annual saving of **£45k.**

5.4 There are a number of other functions that could be accommodated within this service, in order to make them more resilient/efficient and possibly deliver further savings, although at this stage they have not been fully investigated.

5.5 There may be potential funding opportunities for the role through the Police and Crime Commissioner Office.

6. RISKS

6.1 Due to the generic role of a Ranger, staff will require a range of skills, in particular the ability to interact with customers effectively and to work under their own initiative. Attracting the right people to these roles is essential to making the new service work effectively. By basing the new Ranger role around the requirements for parking Civil Enforcement Officers, the Council has a pool of current employees that it can select from who have the necessary skills.

6.2 The proposed Ranger Service supports the principles of Fit for the Future, as it introduces a highly visible, accountable and approachable presence into the District's key parks and gardens. If the Ranger Service is not established these improvements will not be realised.

6.3 It is believed that there are no risks associated with the employment changes.

7. ALTERNATIVE OPTION(S) CONSIDERED

7.1 To continue with the proposal to recruit Civil Enforcement Officers just for the off-street service parking service, however this has been discounted as there is the opportunity to create a more resilient and effective generic role.

7.2 Not to include the Jephson Gardens Park Ranger in the new broader Ranger Service, however this has been discounted as the current agreement with Action 21 who employs the current Jephson Gardens Park Ranger comes to an end in March 2015.

7.3 To continue with the two parks teams provided through the Street Cleansing Contract, however this has been discounted as it has only been effective in delivering better cleansing standards, rather than the range of benefits it was intended to deliver.

7.4 To provide a Ranger Service through one of the Council's major contracts, however this has been discounted as it would not be possible to include the off-street car parking staff, and there are concerns over the calibre of staff a maintenance contractor could attract for this role.

8. BACKGROUND

8.1 How the service currently operates

8.1.1 Neighbourhood Services is responsible for both the management of off-street car parking and parks and open spaces.

8.1.2 Parking enforcement duties are undertaken by Civil Enforcement Officers employed by Warwick District Council.

8.1.3. Basic maintenance (litter picking, sweeping, emptying of litter bins) of the District's parks and grounds maintenance is delivered through the Council's street cleansing contract by staff employed by Veolia.

8.1.4 The Jephson Park Ranger is provided through an agreement with Action 21 which is due to end in March 2015.The Council will need to continue to provide a Ranger as this was part of the Heritage Lottery fund grant conditions for the refurbishment of Jephson Gardens.

8.2 How will the Ranger Service operate?

8.2.1 Implementation of the Ranger Service would see the responsibility for some elements of park maintenance to be taken in-house and delivered as part of a Ranger job role.

8.2.2 The Ranger Service would have responsibility for enforcement in the Council's off-street car parks.

8.2.3 Surface car parks will continue to be cleansed as part of the street cleansing contract. Covent Garden, Linen Street and St. Peters multi-storey car parks will be cleansed by the staff that are based in those locations. Cleansing of the parks will be one of the duties of the Rangers.

8.2.4 It is proposed that a total of 18 Rangers will be employed on a rota basis to be deployed on foot or as part of a mobile units as required.

8.2.5 The foot patrols will be organised into small geographical locations that will enable them to spend a significant time within destination parks, where one of their main roles will be to provide support and assurance to park users.

8.2.6 Mobile teams will visit local parks and informal open spaces on a regular basis, giving greater flexibility in responding to local issues, and supporting the work of the foot patrols.

8.2.7 The Service Area Plan for Neighbourhood Services will be amended to reflect the changes to the team's operational structure and organisation.

8.2.8 The existing Civil Enforcement Officers receive training in lone working and conflict management and it is envisaged the any newly recruited Rangers will be similarly trained. Rangers will carry two-way radios which can be tracked by GPS as a further safety measure.

8.3 Benefits of the Ranger Service

8.3.1 Greater control of resources

Bringing the responsibility for some elements of parks maintenance in-house will ensure the Council has a greater control over how its investment is used and how available resources are organised and allocated.

8.3.2 Improved quality control

By bringing the Ranger Service 'in-house' the Council will have direct control of the employment and management of the staff. This will ensure sufficiently qualified and experienced staff members are employed for these roles.

8.3.3 **Greater resilience**

The proposed structure ensures there is a pool of skilled staff available that can be organised and allocated to meet changing service requirements throughout the year.

8.3.4 **Supporting Other Council Services**

A greater presence of uniformed officers in parks and open spaces, that are able to issue fixed penalty notices, will drastically increase the Council's ability to tackle issues such as dog fouling, littering, graffiti etc.

8.3.5 **Supporting/Support From Partner Organisations**

The Ranger service would be flexible to the demands of the local community. Contract Officer's routinely attend local community forums and there will be sufficient flexibility within the Ranger role to be able to direct the resource to resolve any relevant issues arising from forums.

Rangers' will also gather intelligence as part of their role to support the work of local Police, PCSO's and Street Wardens. Rangers' will monitor and respond to incidents of anti-social behaviour within parks and open spaces and will work closely with local Police teams to resolve issues. Any relevant information gathered during the undertaking of their duties will be shared at routine meetings between Warwick District Council and Warwickshire Police.

As a result of this joint working arrangement it is anticipated that Warwickshire Police will support the Ranger Service with a further uniformed presence where circumstances require it.

8.3.6 **Cost Savings**

The annual cost for operating the proposed Ranger service will be £450K (including staff costs, vehicles and equipment). The annual cost of delivering the existing parks maintenance and parking enforcement services is £495K

8.3.7 **Visibility and Reassurance**

Rangers will be a uniformed presence working in the District's key parks and open spaces and off-street car parks. Within the structure of the service there will be a number of foot patrols covering small geographical areas. Their presence will provide park users with an increased level of reassurance and a point of contact for a range of issues. It is also anticipated that a uniformed presence will provide a level of deterrent against inappropriate and anti-social behaviour in parks, open spaces and car parks.

8.3.8 **Enforcement**

The Rangers will replace Civil Enforcement Officers and as such enforcement will form part of their role. Enforcement as always will be considered a last resort however it will be a useful tool for the Rangers to be able to issue penalties for non-compliance as it will affirm their credibility as a capable guardian within the park. As well as parking enforcement it is envisaged that the Rangers will be authorised officers and trained to issue penalties for minor crime and anti-social behaviour as part of the new Public Space Protection Orders which come into force on October 20th 2014. Further details on the scope and implementation of Public Space Protection Orders will be formally submitted at a later date by Pete Cutts in a report titled ‘Changes to ASB Legislation’.

Executive – 3rd September 2014	Agenda Item No. **7**

Title	Self-assessment audit of compliance with Children's Safeguarding duties
For further information about this report please contact	Bill Hunt Deputy Chief Executive bill.hunt@warwickdc.gov.uk 01926 456014
Wards of the District directly affected	All
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	Executive 14th September 2011 Minute number 59
Background Papers	s11 self-assessment audit tool – guidance from Warwickshire Safeguarding Childrens Board and working papers

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	Yes
Equality & Sustainability Impact Assessment Undertaken	No
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Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Deputy Chief Executive		Author
Head of Service		n/a
CMT	11/8/14	
Section 151 Officer	11/8/14	Mike Snow
Monitoring Officer	11/8/14	Andrew Jones
Finance	11/8/14	Mike Snow
Portfolio Holder(s)	18/8/14	Cllr. Mobbs, Cllr. Gallagher (Member Children's Champion)
Consultation & Community Engagement		
N/A		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

1.1 The purpose of this report is to inform members of the outcome of the recent self-assessment audit of the robustness of the Council's approach to, and compliance with, its statutory duties in relation to Children's Safeguarding and to seek approval for an Improvement Action Plan.

2. **RECOMMENDATIONS**

2.1 That Executive notes the findings of the self-assessment audit as set out at Appendix One.

2.2 That Executive approves the Improvement Action Plan as set out at Appendix Two.

2.3 That Executive delegates responsibility for monitoring the delivery of the Improvement Action Plan to the Overview and Scrutiny Committee, with a further report being brought to Executive on an exception basis if full implementation has not been completed by 31 March 2015

3. **REASONS FOR THE RECOMMENDATIONS**

3.1 The Children's Act 2004 created statutory responsibilities for district councils in respect of Children's Safeguarding. Section 10 of the Act placed a reciprocal duty on the Children's Services Authority for an area (in our case the County Council) and local district councils within that area to co-operate in inter-agency work to improve children's well-being. Section 11 placed a duty on named agencies, including district councils, to safeguard and promote the welfare of children.

3.2 The Act also required Children's Services Authorities to establish and maintain local Safeguarding Children Boards and for those agencies with Section 10 responsibilities to support the operation of those Boards. Consequently this Council has been a member of the Warwickshire Safeguarding Children Board (WSCB) since its inception in October 2005. The WSCB's purpose is to coordinate the activities of its members in relation to all safeguarding and child welfare issues within the county and to ensure the effectiveness of the work being undertaken by each individual organisation. Further information on the WSCB and its work is available at: http://www.warwickshire.gov.uk/WSCB

3.3 The WSCB recently instigated an audit of all its member organisations, using a standard self-assessment tool, designed to allow them to self-assess their compliance with all aspects of their Section 11 duties against the national minimum standard. The completed self-assessment audit report is attached at **Appendix One.**

3.4 The WSCB will assess the outcomes of these self-assessment reviews and use this information to assess its own robustness and to determine its future development and workplan. The WSCB will also, if appropriate, offer support and guidance to member organisations and amend its own training programme and the work of its sub-committees where necessary.

3.5 However, regardless of any feedback received from the WSCB it is important that members assess the outcome of the self-assessment audit and consider its response to areas where further development or improvement has been identified. An Improvement Action Plan is therefore presented, as set out at **Appendix Two**.

3.6 The tasks identified within the Improvement Action Plan are all scheduled for completion by 31 March 2015. A separate report, elsewhere on the agenda for this meeting, recommends that the role of Member Children Champions is formalised and that these Champions work with officers, in the role of 'critical friend' to ensure full implementation.

3.7 Subject to approval of the recommendations in the separate report the Council will have 2 Member Children Champions, one a member of Executive, the other a member of Overview and Scrutiny Committee. As Executive will be aware of the progress towards full delivery of the Improvement Action Plan through the Champion within its ranks it is proposed that formal responsibility for monitoring delivery is delegated to the Overview and Scrutiny Committee who can also undertake additional scrutiny as required. In the event that full implementation is delayed beyond 31 March 2015 it is recommended that an exception report, detailing the reasons and the remedial action required, is brought to the Executive.

4. POLICY FRAMEWORK

4.1 The self-assessment refers to safeguarding responsibilities that are statutory duties placed on the Council. However, for the Council to deliver its Vision, to ensure that Warwick district is a great place to live, work and visit, it is incumbent upon the organisation to ensure it has robust safeguarding arrangements and processes in place.

4.2 Such safeguarding arrangements are not the responsibility of a designated service area but underpin the activities of the whole Council. Responsibility for their effective delivery therefore rests with the Corporate Management Team and consideration of these issues is implicit within the entire Fit for the Future programme.

5. BUDGETARY FRAMEWORK

5.1 There are no new budgetary implications arising from this report. As a member of the WSCB the Council contributes £3,000 per annum towards the costs of its operation but, in return, has free access to the comprehensive training programme it delivers.

5.2 The work required as a result of the proposed Improvement Action Plan can be accommodated within existing resources.

6. RISKS

6.1 The self-assessment audit identifies a number of areas for improvement and development. If the Council chose not to implement an Improvement Action Plan, or subsequently failed to ensure its delivery, there would be reputational risks and potentially a risk that the Council may not be effectively delivering its statutory responsibilities.

7. ALTERNATIVE OPTIONS CONSIDERED

7.1 No alternative options have been considered as the audit relates to the delivery of the Council's statutory responsibilities.

Appendix One

Warwickshire Safeguarding Children Board

Arrangements for Safeguarding and Promoting the Welfare of Children

Strategic and Organisational Self Assessment Tool

Introduction

Improving the way key people and bodies safeguard and promote the welfare of children is crucial to improving outcomes for children. Section 11 of the Children Act places a duty on key persons and bodies listed below to make arrangements to ensure that in discharging their functions they have regard to the need to safeguard and promote the welfare of children. Statutory guidance[1] sets out the key arrangements and in Warwickshire this includes:

- Warwickshire County Council
- Clinical Commissioning Groups
- Health Trusts
- Police
- Probation
- Youth Justice Team
- Cafcass
- Any person providing services under s114 of the Learning and Skills Act 2000
- UKBA which has similar responsibilities under s55 of the Borders, Citizenship and Immigration Act 2009
- Schools which have safeguarding responsibilities set out in s175 and s 157 of the Education Act 2002
- Early Years settings, as set out in s.40 of the Childcare Act 2006
- Organisations which are commissioned to provide services on behalf of these organisations.

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[1] Statutory guidance on making arrangements to safeguard and promote the welfare of children under section 11 of the Children Act 2004

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

Name of organisation: Warwick District Council

Name of person co-ordinating the assessment: Bill Hunt, Deputy Chief Executive

Date of completion: tbc

Signed off by: Chris Elliott (Chief Executive)

Self assessment rating

The RAG traffic light system relates to how an organisation assesses itself against achieving the minimum standard. If you're your organisation assesses its self, as red or amber, areas for development need to be recorded along with a timescale for completion.

Green	Means everything is in place, up to date, and meets the required minimum standard
Amber	Means that something requires review or improvement
Red	Means something needs to be developed as a matter of urgency

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

A	Senior Management commitment to the importance of a) safeguarding and promoting children and young people's welfare b) safeguarding vulnerable children					
	Minimum standard	**Evidence of standard fulfilled**	**RAG status**	**Action required to ensure compliance**	**By whom**	**Progress**
A1	What position at senior level has responsibility for safeguarding children in your organisation? State specifically how this role is fulfilled?	**One of the Council's Deputy Chief Executive's has been designated as the Council's Children's Champion. The postholder, a member of the Corporate Management Team (comprising of the Council's Chief Executive and the 2 Deputy Chief Executive's) oversees the work of the various service areas within the Council to ensure an effective approach to safeguarding issues is maintained.** **The Deputy Chief Executive represented the Council on the WSCB until late 2012 when they went on secondment to the Coventry & Warwickshire Local Enterprise Partnership to work on the Coventry &**	Amber	**Report to Executive to 'sign off' role of member Children's Champions in September following scrutiny and discussion at Overview and Scrutiny Committee**	**BH**	

		Warwickshire City Deal, with that responsibility transferring to the Council's Head of Housing & Property Services. This arrangement did not work effectively and the responsibility has now been resumed by the Deputy Chief Executive who also now attends the WSCB District Council Sub-Group. **The Council previously had a specific Children's Safeguarding Member Champion but the role was ill-defined and lapsed. 2 Member Champions have now been appointed, Cllr. Mrs. Gallagher (Portfolio Holder for Culture) and Cllr. Mrs. Falp (Chair of Overview and Scrutiny Committee). The Overview and Scrutiny Committee will be receiving a report on the role of these member champions at its meeting of 29 July 2014:**				

		https://estates4.warwickdc.gov.uk/cmis/MeetingDates/tabid/149/ctl/ViewMeetingPublic/mid/637/Meeting/2007/Committee/48/Default.aspx				
A2	How are staff made aware of who are the leads for safeguarding within the organisation.	**The Council has previously disseminated information through its intranet for staff and members (Warwick Staff Portal) but this is not up to date.** **However, information on the Council's safeguarding lead is available on the external website:** **http://www.warwickdc.gov.uk/info/20131/child_protection/465/warwickshire_safeguarding_children_board** **http://www.warwickdc.gov.uk/info/20131/child_protection/464/other_useful_contacts_child_protection**	Amber	**Updating and re-positioning of Safeguarding Children information on the intranet. Further development of the information on the Council's website.**	**BH/MB**	

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

	Minimum standard	Evidence of standard fulfilled	RAG status	Action required to ensure compliance	By whom	Progress
A3	Do safeguarding leads have job descriptions which clearly define their role and responsibility in relation to safeguarding and promoting the welfare of children, young people? Do they receive training and supervision in relation to this role?	**Relevant posts that have direct contact with young people have safeguarding responsibilities written into their job descriptions. , e.g. For example the Active Communities Officer's job description specifies a responsibility to 'maintain and update the Cultural Services Coach Guidelines and lead on periodic updates to the Council's Vulnerable Adults and Child Protection Policies (for Cultural Services) which will be approved by the Head of Service' [see B1 for more info on the Coach Guidelines] Other staff with direct**	**Amber**	**Review relevant job descriptions to determine if the inclusion of specific safeguarding responsibilities is required.**	**BH/TD**	

		contact with the public and specifically young people have other references as applicable e.g. to be familiar with the WDC Coach Guidelines and Child Protection issues. **Other positions e.g. Sports Facilities Area Manager have job descriptions that include a responsibility to ensure all staff are trained to an appropriate level, which would include some child protection training.** **In addition all staff in roles that have direct contact with the public and in particular with children, predominantly within the Council's Cultural Services department (e.g. those at leisure centres) receive regular training on children's safeguarding and will, in future, routinely attend the WSCB Level 1 Child Protection Awareness**				

		training. (See D1)				
A4	How are other Senior Managers kept informed of all issues relevant to safeguarding and promoting welfare of children? State specific documents/ meetings forums / training undertaken.	**Any specific safeguarding information received via the WSCB is disseminated direct to the relevant member of Senior Management Team (comprising of the Council's Service Area Heads and 3 members of the Corporate Management Team) by the Council's Children's Champion. Information is passed the other way for the Children's Champion to raise at the WSCB or District Council Sub-Group as appropriate.**	Amber	**Refresher training needs of senior managers needs to be identified and relevant learning matched to needs**	**BH/TD/ Service heads**	

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

	Minimum standard	Evidence of standard fulfilled	RAG status	Action required to ensure compliance	By whom	Progress
A5	State specifically how the views of children are taken in to account concerning individual decisions	**The only areas where the views of children need to be taken into account in respect of individual decisions are in respect of the Council's discharge of its duties as the Local Housing Authority for the district. The Council is a signatory to and follows the protocol for 16/17 year olds, which has recently been updated by the Heads of Housing Group, in relation to homelessness and housing services. The Council also works closely with the Binswood Lodge project, Salvation Army and local churches to strengthen communication with children who may require housing advice or services from the Council.** **However, the views of children under 16 are not**	Green	**Conclude discussions at WSCB District Council Sub-Group**	**BH**	

		sought as standard in respect of other decisions, for example, where an eviction of a council housing tenant is under consideration and their household contains a child. This issue was discussed at the June WSCB District Council Sub-Group and further guidance is being sought.				
A6	State specifically how the views of children and are taken into account concerning the development of services	**The views of children are sought as part of both formal, e.g. review of sports programmes delivered within sports facilities, and informal consultations, e.g. commissioned provider Sky Blues in the Community seeking the views of young people when reviewing sports service delivery on the Forbes estate, Warwick.** **We include the representatives of the youth homeless service and Children's Services on our**	Amber	**Review whether there is a mechanism for specifically seeking the views of young people in all relevant consultations or whether current arrangements are suitable.**	**BH/RW/ JO/AH**	

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

		Housing Sounding Boards which consider policy development and service improvement. **See also references to ASB responsibilities within D9**				
A7	When commissioning children's service from another organisation state what clear mechanisms in place to ensure they are compliant with s11.	**Safeguarding requirements were specified in the tender for the 'provision of sports & arts activities to the communities in and around the Forbes Estate and St. Mary's Lands, Warwick' but elsewhere the requirement may be implicit rather than explicit within current commissioning arrangements.**	**Amber**	**Review commissioning arrangements in Cultural Services**	**BH/RW/ SS**	

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

	Minimum standard	Evidence of standard fulfilled	RAG status	Action required to ensure compliance	By whom	Progress
A	Overall Judgement in respect of requirement (✓ tick as appropriate)		Met in full	Partially met ✔		Not met at all

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

B	**A clear statement of the agency's responsibilities towards children and young people which is available for all staff**					
B	**Minimum standard**	**Evidence of standard fulfilled**	**RAG status**	**Action required to ensure compliance**	**By whom**	**Progress**
B1 i **B1 ii**	How are all staff and volunteers made aware of the safeguarding policies and procedures How do they access these with ease from all worksites?	**Those service areas that deliver services specifically aimed at children or which come into direct contact with children have specific procedures.** **In Cultural Services 'Coach Guidelines' are issued to all staff via line managers containing information on safeguarding policies and procedures including:** • **session planning guidelines** • **staffing ratios for activities involving children** • **risk assessments** • **accident/injury procedures** • **children and vulnerable adult safeguarding procedures**	Green			

B1 iii	When were these last updated?	• **code of behaviour** • **procedures for dealing with suspected truancy** • **consent forms** • **photography including the use of digital cameras & mobile phones** • **referrals** • **coping with behavioural problem** • **restraint policy** **All staff has been issued with the guidelines and managers have hard copies available at all leisure sites.** **These guidelines are reviewed regularly (last update January 2014, next scheduled update January 2016) and 'sign-off' is obtained from the WSCB Development Manager prior to approval and issue.** **The Housing Advice Team has recently revised and updated the safeguarding**				

		procedures for their activities, linked to the County Council's Inter-Agency Safeguarding Procedure. This procedure will continue to be reviewed on an annual basis, or earlier if required. **The Council's Volunteering Policy makes specific reference to the need for volunteer supervisors to ensure that all volunteers are aware of, and have access to, the Council's Safeguarding Policy and specifies that DBS disclosures will be carried out, by the Council, on any volunteer who, in the course of their appointment, will have substantial, unsupervised access to children and young people (or vulnerable adults):**				

		http://www.warwickdc.gov.uk/info/20008/jobs/813/volunteering				

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

	Minimum standard	Evidence of standard fulfilled	RAG status	Action required to ensure compliance	By whom	Progress
B2	How are new staff made aware of their responsibilities to safeguard and promote welfare?	**Some service units have specific induction processes, e.g. Cultural Services, Housing & Property Services.** **In Cultural Services a formal, service area induction takes place for all new staff which includes them being issued with the Coach Guidelines (see B1 above). Child protection and safeguarding issues are a key feature within this staff induction programme for all staff who will have direct contact with children.** **In addition safeguarding information is available for all leisure centre staff within the normal operating procedures for each sports facility/site** **and this is highlighted within their induction.**	**Amber**	**Children's Champion to discuss inclusion of safeguarding in employee induction process for all staff with Interim HR Manager** **Work is currently underway to develop an e-learning tool, as part of a wider meta compliance package that will lock staff out of the ICT system until successfully completed.**	**BH** **BH/TW /GL**	

		Within the Housing Advice Team all new staff are required to read the electronic procedure manual and this is subsequently discussed as part of their induction programme. This includes a section on children's safeguarding.				
B3	Does the agency have a written e-safety polices and procedures. How frequently are these reviewed?	**This area is covered within the Council's Information Security and Conduct Policy (ISCP):** **http://wdcmoss/serviceareas/customer/ICT/Pages/SecurityPolicyv2.aspx** **This has a specific policy section on Internet Acceptable Usage Policy:** **http://wdcmoss/serviceareas/customer/ICT/Pages/InternetAcceptableUsagePolicy.aspx** **All staff are required to**	**Green**			

		undertake specific training in this area before they are able to access and use the Council's ICT systems: http://wdcmoss/serviceareas/customer/ICT/icttraining/Documents/New%20Starter%20Instructions%202011%20v2.pdf Staff and elected members are required to sign to say they have read, understood and will abide by the content of the ISCP. This commits them to ensuring they do not use Council systems or any personal devices brought into work for "inappropriate use", including any content of a sexual or offensive nature. Such usage carries the potential penalty of 'summary dismissal'. The ISCP is updated whenever appropriate. Since being launched in 2009 it has been updated twice, the last				

		time in May 2012. **ICT also operate firewall and filtering services designed to prevent the deliberate or accidental accessing of inappropriate material**				
B4	Does your agency have Effective systems in place for staff to make a complaint or 'whistle blow' where they have concerns that action to safeguard has not been followed in accordance with the agencies procedures.	**The Council has a Whistleblowing Policy that all staff and members can access via the electronic version of the HR Handbook on the intranet (Warwick Staff Portal): http://wdcmoss/serviceareas/chiefexec/hr/Pages/Handbook.aspx** **The policy is designed to cover any serious concerns an employee may have about any aspect of service provision or the conduct of officers or members of the Council or others acting on behalf of the Council. These could include anything that:** • **makes employees feel**	Green	**Discuss whether policy should specifically refer to safeguarding**	**BH**	

		uncomfortable in terms of known standards, their experience or the standards they believe the Council subscribes to; or • is against the Council's Standing Orders and policies; or • falls below established standards of practice; or • amounts to improper conduct. The Whistleblowing Policy does not currently specifically mention safeguarding but makes reference to conduct which is an offence or breach of law; sexual or physical abuse of clients; or other unethical conduct and that concerns may relate to the conduct of staff, Councillors or any individual or organisation that is in any way connected with the Council.				

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

	Minimum standard	Evidence of standard fulfilled	RAG status	Action required to ensure compliance	By whom	Progress
B4 ii	Does your agency have Effective systems in place for service users (adult and child) to make a complaint or 'whistle blow' where they have concerns that action to safeguard has not been followed in accordance with the agencies procedures	**The Council has a policy in place for complaints from service users:** **http://www.warwickdc.gov.uk/info/20734/contacts_consultation_and_feedback/397/compliments_and_complaints_council** **Whilst the Complaints policy is not currently specifically linked to children's safeguarding, the relevant website pages do contain information on who to contact if there are any child protection concerns.** **http://www.warwickdc.gov.uk/info/20131/child_protection** **In addition, Cultural Services, the service area which has direct contact with children records any incident which**	Amber	**Update internet pages on safeguarding to include details of how to complain or whistle blow**	**BH/MB**	

		results in an injury and any complaint received from customers, both of which are reported to the Head of Cultural Services quarterly, or immediately if warranted.				
B5	Do these include clear timescales for resolving complaints and a clear policy/procedure of which staff are aware	**The timescales for both complaints are to respond within 10 working days or, if this is not possible, to contact the complainant, explain the reasons and provide a date by which a full response will be sent.** **Whistleblowing complaints follow the same corporate guidelines but would be escalated as necessary, depending on the initial assessment of the seriousness of the complaint received.**	Green			

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

B6	Does your agency have a policy & procedure in place for professional disagreement (escalation policy) including conflict resolution in relation to safeguarding children?	**The Council will use the WSCB escalation policy if required and seek the advice of the LADO**	Amber	**Review and update policies and internet pages as appropriate to include reference to the escalation policy**	**BH**	
B	**Overall Judgement in respect of requirement (✓ tick as appropriate)**		**Met in full**	**Partially met** ✓	**Not met at all**	

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

C	**A clear line of accountability within the organisation for work on safeguarding and promoting the welfare children**					
	Minimum standard	**Evidence of standard fulfilled**	**RAG status**	**Action required to ensure compliance**	**By whom**	**Progress**
C1	Confirm the line of accountabilities (position, not name) from an individual employee up to the most senior person with overall responsibility How are staff made aware of this?	**The current line of accountabilities and responsibilities for officers is:** • **Chief Executive** • **Deputy Chief Executive (Children's Champion)** • **Service Heads** • **Operational Managers** • **Operational staff** **Officers will lead on all safeguarding issues and alert members as appropriate. However, the line of responsibility and accountability for members is:** • **Leader** • **Children's Member Champions**	Amber	**Review and update the intranet** **Discuss inclusion within the staff induction process**	**BH** **BH/TD**	

		• **All members**				

	Minimum standard	Evidence of standard fulfilled	RAG status	Action required to ensure compliance	By whom	Progress
C2	Do all employees have responsibility to safeguard and promote welfare children stated within their job description?	**No – whilst the responsibility rests with all staff it is only specifically referred to in the job description of a role that directly involves working with children**	Amber	**See A3**	**BH/TD**	
C3	Does your agency have a policy that sets out the frequency that employees in contact with children, young people receive supervision and an appraisal?	**All employees receive an appraisal annually, with a six month review. Comprehensive guidance is available under the Appraisal and Competency Scheme element of the Corporate Learning and Development section of**	Green			

		the Council's intranet: **http://wdcmoss/serviceareas/chiefexec/hr/Pages/CorporateTraining.aspx** **For those staff in contact with children and young people the appraisal will include a discussion of the individual's training needs.** **In addition each individual will receive a monthly 1-1 with their supervisor or manager which will deal with any operational supervision issues.** **New employees who are subject to a probationary period have reviews at 2, 4 and 6 months.**				

C4	Do you have effective processes in place to provide practitioners with supervision for child protection, safeguarding children? How does your agency evidence this is being used?	**Supervision is provided according to the requirements of the job rather than specifically for child protection/safeguarding children, although relevant staff are provided with access to the Level One WSCB ½ day Child Protection Awareness Training.** **Monitoring of training take-up is currently undertaken at service area level with operational managers providing a prioritised list of staff requiring training.**	Amber	**Discuss with WSCB Training Officer whether there is any need to introduce bespoke policies relating to the supervision of staff who work directly with children.** **Introduce central recording of safeguarding training and refresher training needs**	**BH** **TD**	

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

	Minimum standard	Evidence of standard fulfilled	RAG status	Action required to ensure compliance	By whom	Progress
C5	Are there designated / named professionals to whom concerns about a child/young person are reported? Do the job descriptions reflect this responsibility?	**Safeguarding incidents are recorded within each service area and escalated via line manager to senior managers and head of service who will discuss with the Children's Champion for reporting to WSCB, Police or other relevant agency as appropriate.** **No - This responsibility would be implicit in any job description, reflected within the management or supervisory details.**	Amber	**Reporting and escalation procedures need to be refreshed and disseminated to all staff.** **Review of need to include specific responsibilities within relevant job descriptions to be undertaken.**	**BH** **BH/TD**	

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

C	**Overall Judgement in respect of Requirement (✓ tick as appropriate)**		**Met in full**	**Partially met** ✓	**Not met at all**

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

D	Staff training on a) safeguarding and promoting the welfare of children for all staff including volunteers working with or in contact with children and families					
	Minimum standard	**Evidence of standard fulfilled**	**RAG status**	**Action required to ensure compliance**	**By whom**	**Progress**
D1	What percentage or How many staff require training at **Level 1: Foundation level (Core)** as they come into contact with children and young people.	**A minimum of 35 staff within Cultural Services have been identified as 'Priority Staff' to attend with another 41 staff posts selected to attend if possible.** **A further 20 staff with Housing & Property Services currently require this training**	**Red**	**Full training audit required**	**BH/TD/ All service heads**	
	Level 2: Intermediate level (Specialist) because they work regularly with children and young people	**The Council does not currently classify any staff as requiring this training**	**Amber**	**Review requirement with Interim HR Manager and WSCB Training Officer as part of the audit referred to above**	**BH/TD**	

	Level 3: Advanced level as they work with children in need of protection on a regular basis or supervise those who regularly work with children and young people	**The Council does not employ staff who require this level of training**	Green			
D1	Training for strategic managers to understand their role and organisational responsibilities for safeguarding	**Events have been held in the past for all service heads and senior officers but none have been held recently**	Red	**Safeguarding training to be prioritised and programme agreed with WSCB**	**BH/TD**	
D2	How many staff have received training within the last 3 years at levels:- 1 2 3 Strategic managers **Green >80% trained** **Amber 65%-80%** **Red<65%**	**Level 1 = 15 out of 90 (16.66%)** **<65% (e.g. 15 out of 90 staff from Cultural Services have attended – 16.66%)** **None identified** **None required**	 **Red** **Amber** **Green**	**Identify relevant posts and introduce central training register for initial and refresher training.**	**BH/TD**	

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

	Minimum standard	Evidence of standard fulfilled	RAG status	Action required to ensure compliance	By whom	Progress
D3	Do you have a safeguarding children training strategy for all levels within your organisation	**The Council does not currently have a specific training strategy for children's safeguarding.**	**Amber**	**Review if a specific policy is required or if this is adequately covered within the existing Training Policy or other service specific policies**	**BH/TD**	
D4	Who provides safeguarding training to staff in your organisation at each of the levels described above?	**Training is provided through the WSCB Training Pool**	**Green**			
D5	How many staff have accessed (CAF) training?	**Training records are not currently available**	**Red**	**A full training audit for relevant staff is required**	**BH/TD**	
D6	How many are involved in delivering a service through CAF?	**Housing Officers and members of the Housing Advice Team currently attend CAFs.** **Staff from Cultural Services or the Community Safety Team may be required to attend in future but have not yet done so**	**Amber**	**A full review of which officers may be required to attend a CAF is required and appropriate training put in place.**	**BH/TD**	

D7	Is additional training (both single and multi-agency) available for staff working with children and young people appropriate to their role	**Staff are encouraged to attend external training appropriate to their role.** **For example, Cultural Services staff can, and do, access training provided through sports coach UK workshops and National Governing Body courses. Attendance is ad-hoc and may be funded by the individual or by the Council. Training needs are discussed through the annual appraisal process.**	**Green**			
D8	How is safeguarding children incorporated into service development?	**Safeguarding requirements were integrated with the tendering process for the 'provision of sports & arts activities to the communities in and around the Forbes Estate and St. Mary's Lands, Warwick'.** **Within the current work**	**Green**	**The completion and submission of the s11 audit and the subsequent production of an Action Plan will ensure that incorporation is consistent across all service areas.** **The s11 audit will be considered by Corporate Management Team, the member Children's**		

		on Leisure Options appraisals safeguarding requirements will be included in the options appraisal at the appropriate time when documents are prepared and decisions made on this piece of work. **When individual projects are designed and commissioned in areas where safeguarding is relevant this is taken into account, for example, redesign of changing rooms within sports/ leisure centres.** **The Coach Guidelines (see B1 and B2) are structured to ensure that staff has guidance and procedures setting out the conduct and behaviour required for both developmental and operational activities.**		**Champion, Overview and Scrutiny Committee and Executive, with progress against the Action Plan subsequently monitored by the Children's Champions and the Scrutiny Committee**		

D9	How do the views of children and families inform individual case decisions?	**The range of functions exercised by the district council mean that Individual case decisions involving children and families predominantly involve staff within the Housing & Property Services and Health & Community Protection areas.** **Within the housing function both the Sustaining Tenancies and the Housing Strategy & Development teams routinely liaise with a range of relevant agencies to ensure that individual case decisions are based on accurate information and attempt to balance often conflicting priorities to ensure they are the most effective decision possible. This is particularly evident in**	**Green**	**One area for development is around the discharge of the homelessness duty and how safeguarding issues are adequately reflected in statutory decisions. This issue is being considered by the WSCB District sub-group and this Council will implement any changes to current practices identified as a result.**		

		decisions around tenancy management issues for council tenants, decisions on the priority awarded to applicants on the Housing Register, homelessness decisions, issues around private sector housing advice, decisions on how or whether to adapt properties. **The Council is the lead agency in tackling anti-social behaviour within the district. This is a victim-led approach and victims are routinely risk assessed with the resultant agreed Action Plan monitored at monthly partnership meetings chaired by WDC's ASB Officer. This process provides for consideration of the needs of any children involved in a case when**				

		decisions are made affecting households, with appropriate referrals made as necessary.				
D	**Overall Judgement in respect of requirement (✓ tick as appropriate)**		**Met in full**		**Partially met** ✔	**Not met at all**

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

E	Safe recruitment practice					
	Minimum standard	**Evidence of standard fulfilled**	**RAG status**	**Action required to ensure compliance**	**By whom**	**Progress**
E1	Does your organisation have robust recruitment procedures which include: i. Safeguarding responsibilities within job descriptions ii. obtaining full employment history via an application form iii. interviewing prospective employees/ volunteers iv. obtain 2 written references v. self-declaration form vi. verification of identity and qualifications	**The Council has a formal Recruitment and Selection Policy, accessible to all staff and members via the Warwick Staff Portal (intranet):** **http://wdcmoss/serviceareas/chiefexec/hr/Pages/Handbook.aspx** **The Human Resources ICT Security & Conduct Policy sets out basic requirements for all staff using the Council's ICT systems and these requirements are first addressed as part of the recruitment process. These specify that:** **Background verification**	Amber	**Clarification as to whether certain posts require specific safeguarding responsibilities written into the job descriptions and any subsequent changes to the recruitment and selection policy required (see also A3)**	**BH/TD**	

		checks must be carried out on all potential users, in accordance with all relevant laws, regulations and ethics. The level of such checks must be appropriate to the business requirements, the classification of the information to be accessed, and the risks involved. The basic requirements for Council employment are: • Minimum of two satisfactory references. • Completeness and accuracy check of employee's application form. • Confirmation of claimed academic and professional qualifications. • Identity check against a passport or equivalent document				

		that contains a photograph. Users who require access to PROTECT and RESTRICTED information and / or require use of the Government Connect Secure Extranet (GCSx) and email facility **must** be cleared to "Baseline Personnel Security Standard". The following requirements **must** be met: • Minimum of 2 satisfactory references. • Completeness and accuracy check of employee's application form. • Confirmation of claimed academic and professional qualifications. • Identity check against a passport or equivalent document that contains a				

		photograph. Identity must be proven through visibility of: ○ A full 10 year passport. Or two from the following list: ○ British driving licence. ○ P45 form. ○ Birth certificate. ○ Proof of residence – i.e. Council tax or utility bill. • Verification of full employment history for the past 3 years. • Verification of nationality and immigration status. • Verification of criminal record (unspent convictions only). Criminal Records Bureau checks on the user must be carried out to an appropriate level as demanded by law.				

		All the above requirements for verification checks must also be applied to technical support and temporary staff that have access to those systems or any copies of the contents of those systems (e.g. backup tapes, printouts, test data-sets).				

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

	Minimum standard	Evidence of standard fulfilled	RAG status	Action required to ensure compliance	By whom	Progress
E2	Which, if any staff are excluded from any of the above aspects of the recruitment procedures	**No permanent or temporary staff are excluded from the process outlined in E1 above.** **DBS checks are completed with all employees including casuals.** **However, some 'casual' staff within Cultural Services will not go through the full recruitment process before a decision is made to award casual hours.**	Green			
E3	Please state the specific training all staff who recruit others have received concerning safe recruitment	**The Recruitment and Selection Policy specifies that:** All Managers are required to attend the recruitment and selection training prior to interviewing for posts.	Green			

		HR has the discretion to make a judgment that adequate training has been achieved to ensure recruitment is not disadvantaged or holding back a service need. HR will interview alongside managers that have not had training. **Senior Management Team posts are recruited via a two stage process with an initial long-listing interview undertaken by officers in accordance with the above and a subsequent interview by a panel of members drawn from the Employment Committee for short-listed candidates. Those members involved in the recruitment process will have undertaken appropriate training provided by the HR team.**				

E4	Please confirm your organisation undertakes CRB/Disclosure and Barring checks, prior to appointment. Which staff are not subject to mandatory checks? Please state.	**See E1 above** **http://wdcmoss/serviceareas/customer/ICT/ictservices/ictsecurity/Public%20Documents/Warwick%20DC%20-%20Human%20Resources%20Information%20Security%20Policy.docx**	Amber	**Consider if the Recruitment and Selection Policy needs to be reviewed and/or a separate Disclosure and Barring Policy implemented**	**BH/TD**	
E5	What arrangements does the organisation have in place for renewing checks on staff who remain in post for longer than 3 years?	**The Council's DBS procedures are followed when re-certification is required**	Green			

E6	Please state if any staff do not undertake a specified induction and probationary period and	**Casual staff within Cultural Services do not have a Corporate Induction or probation period but**	Green			

	why i.e. agency staff? How many staff?	**undergo a service area and job specific induction process. However, this is not considered to be problematic as they can be removed from any work situation whenever necessary.** **Whilst agency staff do not normally have a formal probation period, largely due to the expected duration of their employment, they will be subject to the same routine performance monitoring, 1-1s & team meetings as permanent staff, if any issues are identified these would be dealt with appropriately by their Line Manager. All agency staff goes through the normal WDC induction process.**				

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

E7	Please state how all staff working with children and families are kept up to date with statutory requirements and findings from serious case reviews.	**Any relevant information from the WSCB is circulated by e-mail to appropriate officers (where necessary on a 'need to know' basis for sensitive information) or added to the weekly CMT agenda In addition, where appropriate, the findings of a SCR would be subject to a report to members.**	Amber	**Review information circulation processes and assess the potential to add a dedicated safeguarding section to the intranet.**	**BH/MB**	
E8	There is acceptable user policy for staff that detail how staff and children/young people can use digital technology	**This is covered for all staff within the Council's Information Security and Conduct Policy (see B3) We also have written guidelines on photography in the Coach Guidelines referred to in B1 and B2, including specific guidelines on photography in public places.**	Green			

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

	Overall Judgement in respect of requirement E		**Met in full**	**Partially met** ✓	**Not met at all**

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

F	**Effective interagency working to a) safeguard and promote the welfare of children, young people**					
	Minimum standard	**Evidence of standard fulfilled**	**RAG status**	**Action required to ensure compliance**	**By whom**	**Progress**
F1	Strong strategic leadership in multi-agency working is demonstrated by regular attendance at WSCB	**Attendance at WSCB has not been satisfactory in the last 12 months due to staffing issues at WDC. This has now been rectified and the Deputy Chief Executive will now be resuming attendance at both WSCB and District sub-committee meetings**	Amber	**Resume regular attendance of WSCB meetings**	**BH**	
F2	Staff participate in multi-agency meetings and forums to consider individual children	**When required WDC staff, particularly those from Housing & Property Services attend CAFs or Strategy Case Conferences in respect of individual families or children.**	Green	**Review which staff have received CAF training**	**BH/JO/AH/TD**	

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

F3	Do all staff have access to LSCB Procedures?	**There is a link from the Council's website to the WSCB web pages** **The previous Blue Book was issued to all service areas but have now been collected and destroyed and links to the revised procedures e-mailed to all service heads**	Amber	**Review dissemination of information within service areas.** **Set up link direct from the Warwick Staff Portal intranet, accessible for all staff**	**BH/MB**	
F4	Do Staff participate in Serious Case Reviews (SCRs) and Case Reviews when required to do so.	**Yes, as appropriate.** **The response to a SCR is coordinated by the Deputy Chief Executive who involves other staff as appropriate.**	Green			
F5	SCR's are signed off by the senior manager of your agency	**Yes, by the Deputy Chief Executive.** **If the SCR related to a childrens issue within the district the response would be signed off by the full CMT**	Green			

F6	The agency has a clear process for: 1. Compiling written info for SCRs as requested 2. Completing actions from SCR's 3. Embedding recommendations into practice.	**WSCB guidance is followed in compiling SCR reports and responses.** **Where a SCR requires specific actions from this Council (none currently or recently) a report is taken to the Senior Management Team and an Action Plan devised with regular report backs until all actions are discharged.** **Should recommendations need to be embedded within practice and procedures this would be monitored through the Action Plan**	Amber	**Consider options for measuring the effectiveness of the mechanism for embedding recommendations into practice.**	**BH/RB**	

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

F7	Does your agency have an audit framework to ensure compliance with safeguarding arrangements; If so describe the framework and its content.	**The Council is using the current s11 self-assessment audit tool to review the effectiveness of its current safeguarding procedures** **The s11 response will be taken to the Council's Executive along with an Action Plan to address those issues assessed as requiring further development, with further reports on progress against the Action Plan taken to SMT, Overview & Scrutiny Committee and Executive** **The Council's internal audit process is well developed but does not currently look at safeguarding issues.**	**Green**	**Consider feasibility of adding children's safeguarding to internal audit processes.** **Raise issue of potential reciprocal external audits at WSCB District Council Sub-Committee**	**BH/RB** **BH**	

		The Council participates in external audit processes for MAPPA and would be happy to do so were a similar process to be put in place by WSCB				
	Overall Judgement in respect of requirement F		**Met in full**		**Partially met** ✓	**Not met at all**

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

G	Information Sharing					
	Minimum standard	**Evidence of standard fulfilled**	**RAG status**	**Action required to ensure compliance**	**By whom**	**Progress**
G1	What is the policy/procedure document your organisation has for sharing information with other agencies?	**The Council is a signatory to the Warwickshire Sharing of Information Protocol.** **The Young Persons Homeless Protocol also contains specific information sharing procedures in respect of WCC Childrens Services and Local Authority Housing Departments.** **The Council's Deputy Monitoring Officer is its Primary Designated Officer for Information Sharing**	Green			

G2	Is the protocol in accordance with "What to do if you're worried a child is being abused" (2006)?	**The Warwickshire Sharing of Information Protocol covers all aspects of information sharing not just those relating to child protection.** **However, the Council uses this overarching protocol to effectively share information with a variety of statutory agencies with whom we work closely and routinely, e.g. Police, Children's Services, Probation etc. and to ensure that we deliver our statutory duty via multi-agency groups such as MAPPA, MARAC etc.** **The information relating to 'What to do if you're worried a child is being abused' is available via the Council's website and its links to the WSCB web pages:** **http://www.warwickdc.gov.**	**Green**			

		uk/info/20131/child_protection/466/what_you_should_do_if_you_think_a_child_is_at_risk				

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

G3	Have relevant staff received a copy the "What to do if you're worried a child is being abused" (2006) booklet?	**This information is available through the Council's website (see link at G2)**	Amber	**Consider dedicated page on intranet (see F3)**	**BH**	
G4	Does your agency have a records management policy?	**Yes but this is currently under review internally and with the WCC legal team**	Amber	**Complete review**	**CMT**	
G5	Does your agency have a statement on confidentiality?	**Yes** **This information is available on our website:** **http://www.warwickdc.gov.uk/info/20606/about_this_website/566/privacy_and_cookies_policy**	Green			
	Overall Judgement in respect of requirement G		**Met in full**	**Partially met** ✓		**Not met at all**

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

H	Allegations against staff					
	Minimum standard	**Evidence of standard fulfilled**	**RAG status**	**Action required to ensure compliance**	**By whom**	**Progress**
H1	How are those responsible for managing allegations against staff trained to manage the process?	**The Council has rigorous processes for managing allegations against staff, with a senior manager assessing the allegation and appointing an investigating officer to work to a clear brief and timescale. Where necessary, as in a recent case involving an allegation against a senior manager, external staff will be engaged to lead the investigation. The Council would also seek the advice of the LADO and, if necessary, the Police in respect of any investigation required as a result of an allegation involving child**	Green			

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

		safeguarding or protection issues.				
	Overall Judgement in respect of requirement H		**Met in full** ✓	**Partially met**		**Not met at all**

I	**Addressing issues of diversity**.					
I1	How does your agency record gender, age disability, faith, language and ethnicity and sexual orientation of service-users?	**This information is collected at team level depending on the nature of the service being delivered.** **There is no corporate level monitoring of diversity issues across all those services delivered directly to families with children or young people themselves.**	Amber	**Review adequacy of existing equality and diversity monitoring**	**BH/TD/Heads of service**	

	Minimum standard	Evidence of standard fulfilled	RAG status	Action required to ensure compliance	By whom	Progress
I2	Please confirm your agency has a code of conduct for staff working directly with children young people, concerning acceptable and unacceptable	**The Council has an over-arching Code of Conduct covering the behaviour of all its staff.** **Staff working directly with children within Cultural**	Green			

	behaviour including discrimination and bullying?	**Services work to the Coach Guidelines which has a specific section on 'Code of Behaviour Policy' Examples within this section are:** Do treat everyone with respect; Do not play physical contact games with children; Do not have inappropriate physical or verbal contact with others; Do not show favouritism to others; Do not get close to, or have physical contact with a young person without clearly explaining what you are doing, e.g. correcting the positioning of a foot or lifting or moving a child with physical disabilities				
I3	How are issues of diversity addressed in safeguarding training provided for staff?	**All safeguarding training is undertaken through WSCB training courses, which include diversity issues within them**	**Green**			

I4	Confirm issues of diversity are addressed in your Safeguarding Children Procedures	**There is currently no specific reference to this in procedures**	**Red**	**Draft and agree with WSCB Development Officer, Child Protection Policy and Procedures that properly reflect the Equality Act 2010, the Public Sector**	**BH**	
	Overall Judgement in respect of requirement I		**Met in full**	**Partially met** ✔		**Not met at all**

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

J	**Processes and Procedures are in place to create and maintain a safe working environment where activities are provided directly to children, young people**					
	Minimum standard	**Evidence of standard fulfilled**	**RAG status**	**Action required to ensure compliance**	**By whom**	**Progress**
J1	How information is made available to children, young people and families about safeguarding including who to contact if they are concerned a child or young person is at risk and how to make a complaint.	**Information is available via the WDC website which is also fully linked to the WSCB site:** **http://www.warwickdc.gov.uk/info/20131/child_protection**	Green	**Review webpages to ensure they are fully up to date**	**BH**	
	Overall Judgement in respect of requirement J		**Met in full** ✔		**Partially met**	**Not met at all**

Appendix One

Warwickshire Safeguarding Children Board

Arrangements for Safeguarding and Promoting the Welfare of Children

Strategic and Organisational Self Assessment Tool

Summary of Overall Judgements

		Met in full	Partially met	Not met at all
A	Senior Management commitment to the importance of a) safeguarding and promoting children and young people's welfare b) safeguarding vulnerable children		✓	
B	A clear statement of the agency's responsibilities towards children and young people which is available for all staff		✓	
C	A clear line of accountability within the organisation for work on safeguarding and promoting the welfare children		✓	
D	Staff training on a) safeguarding and promoting the welfare of children for all staff including volunteers working with or in contact with children and families		✓	
E	Safer recruitment practice		✓	

Appendix One

Warwickshire Safeguarding Children Board
Arrangements for Safeguarding and Promoting the Welfare of Children
Strategic and Organisational Self Assessment Tool

F	**Effective interagency working to a) safeguard and promote the welfare of children, young people**		✓	
G	**Information Sharing**		✓	
H	**Allegations against staff**	✓		
I	**Addressing issues of diversity**.		✓	
J	**Processes and Procedures are in place to create and maintain a safe working environment where activities are provided directly to children, young people**	✓		

Appendix One

Warwickshire Safeguarding Children Board

Arrangements for Safeguarding and Promoting the Welfare of Children

Strategic and Organisational Self Assessment Tool

Key to initials

AH- Abigail Hay, Business Support Manager
BH – Bill Hunt, Deputy Chief Executive
CMT – Corporate Management Team (Chris Elliott, Bill Hunt, Andrew Jones)
GL – Graham Leach, Democratic Services Manager & Deputy Monitoring Officer
JO – Jacky Oughton, Sustaining Tenancies Manager
MB – Michael Branson, Website Service Manager
RB – Richard Barr, Audit and Risk Manager
RW – Rose Winship, Head of Cultural Services
SS – Susan Simmonds, Procurement Manager
TD – Tracy Dolphin, Interim Human Resources Manager
TW – Ty Walter, ICT Services Manager

Appendix Two

Children's Safeguarding: Improvement Action Plan

Action Required	Officer(s) Responsible	Target Completion Date
Report to Executive to recommend formal designation of, and role for, Member Children's Champions.	Bill Hunt	3 September 2014
Review intranet information to updating and re-position information on Children's Safeguarding including: • Information on what to do if worried a child is being abused • Whistleblowing in respect of safeguarding issues • WSCB structure, reporting mechanisms and escalation procedures • Safeguarding contacts and accountabilities within and outside of WDC • Dissemination of information from WSCB	Bill Hunt, in liaison with Michael Branson	1 November 2014
Review internet pages to ensure information on Children's Safeguarding is comprehensive and up to date.	Bill Hunt, in liaison with Michael Branson	1 November 2014
Review relevant job descriptions to determine if the inclusion of specific safeguarding responsibilities is required.	Heads of Service, in liaison with Tracy Dolphin and Bill Hunt	31 March 2015
Undertake full training audit for awareness training (including refresher training) and specific functional training e.g. CAFs to identify needs	Tracy Dolphin, in liaison with Heads of Service	1 October 2015

Match training needs to appropriate training and deliver training programme	Tracy Dolphin, in liaison with WSCB Training Officer and Heads of Service	31 March 2015
Review if a specific policy is required in relation to safeguarding training or if this is adequately covered within the existing Training Policy or other service specific policies	Tracy Dolphin, in liaison with Bill Hunt	1 November 2014
Introduce central recording of safeguarding training and refresher training	Tracy Dolphin, in liaison with Heads of Service	1 December 2014
Review need for a specific mechanism to seek the views of young people in all relevant consultations or whether current arrangements are suitable.	Bill Hunt, in liaison with relevant staff in Housing & Property Services and Cultural Services	1 December 2014
Review commissioning arrangements in Cultural Services	Rose Winship, in liaison with Bill Hunt	1 December 2014
Review staff induction process	Tracy Dolphin, in liaison with Bill Hunt	1 November 2014
Develop an e-learning tool, as part of a wider meta compliance package that will lock staff out of the ICT system until successfully completed.	Graham Leach, in liaison with Ty Walter	31 March 2015
Review Whistleblowing policy to determine if it should specifically refer to safeguarding	Bill Hunt, in liaison with Richard Barr	1 October 2014
Discuss with WSCB Training Officer whether there is any need to introduce bespoke policies relating to the supervision of staff who work directly with children.	Bill Hunt	1 December 2014
Complete review of Records Management Policy	Graham Leach, in liaison with CMT	1 December 2014
Consider if the Recruitment and Selection Policy needs to be reviewed and/or a separate Disclosure and Barring Policy implemented	Tracy Dolphin, in liaison with Bill Hunt and Richard Barr	1 December 2014

Resume regular attendance of WSCB meetings	Bill Hunt	1 September 2014
Conclude discussions at WSCB District sub-committee meetings on: • Taking children's views into account on operational issues, e.g. homelessness decisions • potential for reciprocal external audits of each others safeguarding function	Bill Hunt	31 March 2015
Consider feasibility of adding children's safeguarding to internal audit processes.	Richard Barr, in liaison with Bill Hunt	31 March 2015
Consider options for measuring the effectiveness of the mechanism for embedding recommendations arising from WSCB guidance and/or Serious Case Reviews into practice.	Bill Hunt, in liaison with Richard Barr	31 March 2015
Review adequacy of existing equality and diversity monitoring, draft and agree with WSCB Development Officer, Child Protection Policy and Procedures that properly reflect the Equality Act 2010, the Public Sector	Tracy Dolphin, in liaison with Bill Hunt	31 March 2015

WARWICK DISTRICT COUNCIL	**Executive 3rd September 2014**	**Agenda Item No. 8**

Title	Member Children's Champions
For further information about this report please contact	Bill Hunt Deputy Chief Executive 01926 456014 bill.hunt@warwickdc.gov.uk
Wards of the District directly affected	All
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	Overview & Scrutiny Committee, 29th July 2014. Draft minute number 29
Background Papers	Children's Safeguarding and the future role of member Children Champions – Overview and Scrutiny 29/7/14; WSCB s11 self assessment audit tool

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality and Sustainability Impact Assessment Undertaken	n/a

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Deputy Chief Executive		Author
Head of Service		n/a
CMT	13/8/14	Chris Elliott, Bill Hunt, Andrew Jones
Section 151 Officer	13/8/14	Mike Snow
Monitoring Officer	13/8/14	Andrew Jones
Finance	13/8/14	Mike Snow
Portfolio Holder(s)	18/8/14	Cllr. Mobbs
Consultation & Community Engagement		
n/a		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

1.1 This report makes proposals relating to the potential future role that elected member Children's Champions could undertake within the context of the Council's Safeguarding Children responsibilities.

2. **RECOMMENDATIONS**

2.1 That Executive agrees to appoint two Member Children's Champions to undertake the role set out in paragraphs 3.5 to 3.8.

2.2 That Executive agrees that one of these Member Children's Champions should be a member of Executive, appointed by the Leader of the Council and the other should be a non-Executive member, agreed and appointed by the Group Leaders.

2.3 That Executive agrees that for the remainder of this administration the two member Children's Champions will be Cllr. Mrs. Gallagher and Cllr. Mrs. Falp

2.4 That Executive agrees that new Member Children's Champions will be appointed after a new administration is formed in 2015 and that, in future, those appointed will remain in that role for the duration of the administration and that these arrangements should be formalised as part of the review of the Constitution that Council will be considering later this year.

2.5 That Executive agrees that the Member Children's Champions should make an annual report to the Overview and Scrutiny Committee.

3. **REASONS FOR THE RECOMMENDATIONS**

3.1 A report elsewhere of this agenda, entitled 'Self-assessment audit of compliance with Children's Safeguarding duties', sets out the statutory responsibilities of this Council, created by Sections 10 and 11 of the Children's Act 2004. In order to fulfil those duties the Council has been a member of the Warwickshire Safeguarding Children Board (WSCB) since its inception in October 2005. The WSCB's purpose is to coordinate the activities of its members in relation to all safeguarding and child welfare issues within the county and to ensure the effectiveness of the work being undertaken by each individual organisation. Further information on the WSCB and its work is available at: http://www.warwickshire.gov.uk/WSCB

3.2 The Council has a senior officer (Deputy Chief Executive BH) as its Children's Champion, who attends the WSCB and is responsible for ensuring the Council is fulfilling its Section 10 and 11 responsibilities. However, the recent self-assessment audit referred to above, highlighted that although the Council has informally identified 2 Member Children's Champions, one, Councillor Mrs. Gallagher, a member of Executive and the other, Councillor Mrs. Falp, Chair of the Overview & Scrutiny Committee, their role is currently ill-defined.

3.3 The self-assessment audit concluded that Member Children's Champions can undertake an important role in ensuring that the Council is promoting the safeguarding and welfare of children but that, in order to do so, their role needs to be formalised and defined. This issue was considered by the Overview and Scrutiny Committee at their July meeting and their views have enabled the current proposals to be formulated.

3.4 It is, therefore, proposed that the role of the Member Children's Champions would be to:

- Assure themselves that the Council has sound arrangements to protect children and promote their welfare are in place within the district council and that the Council is promoting and engaging in effective interagency cooperation and collaboration in these fields;
- Undertake reasonable investigations so as to be able to form a view of the quality of the Council's child safeguarding activities and work with the officer Children's Champion to assist the Council to improve the quality and/or effectiveness of those activities whenever appropriate;
- Act as a 'critical friend' to constructively challenge officers and elected members on child safeguarding and welfare issues as appropriate;
- Promote awareness of child safeguarding and welfare issues and the activities and processes undertaken by this Council amongst elected members.

3.5 It is further proposed that the Member Children's Champions must work within the existing political and managerial structures of the Council and will, therefore, not have any formal decision making powers or delegated authority. The responsibility for ensuring the Council fulfils its children's safeguarding responsibilities is an officer responsibility with the role of member's being to satisfy themselves that suitable arrangements are in place. Consequently, it is important that the Member Children's Champions do not commit the Council in any way to particular safeguarding or welfare activities or arrangements and do not act in a manner that could be interpreted as being contrary to any established policy or practice. However, they may, with the consent of the Leader of the Council be a media contact in respect of children's safeguarding or welfare issues.

3.6 The self-assessment audit, referred to elsewhere on this agenda, identified a number of areas where the Council needs to develop its systems and processes in relation to children's safeguarding. As a result there are a number of areas where it is envisaged that the Member Children's Champions may wish to work with the officer Champion to assist in the development of specific actions or activities, for example:

- Assisting in the development of a robust training programme for elected members and provide feedback on its effectiveness;
- Assuring themselves that children's safeguarding and welfare issues are given due weight in the induction programme for newly elected members after the May 2015 elections and that refresher training is provided to re-elected members;
- Assisting in the development of a formal Child Protection Policy

3.7 Following the discussion at the Overview and Scrutiny Committee it is proposed that the two current self-nominated Member Children's Champions, Councillors Mrs. Gallagher and Mrs. Falp, are formally confirmed in this role for the remainder of the current administration, i.e. until the Council elections in May 2015.

3.8 However, after a new administration is formed subsequent to those elections it is proposed that new Member Children's Champions are selected to serve in that role for that administration's four year term and that this process is repeated at the start of each subsequent new administration. Members of the Scrutiny Committee felt that is was important that one member Children's Champion should always be a member of Executive, selected by the Leader of the Council but that the other should be a non-executive member, selected by the Group Leaders. It is proposed that future appointments should be formally ratified by Council and, subject to approval of recommendation 2.4, that officers are instructed to build these arrangements into the Council's Constitution during the current review process that will culminate in a report being brought to members later this calendar year.

3.9 Subject to the approval of the recommendations in this report it is proposed that the Member Children's Champions formally report to the Overview and Scrutiny Committee on an annual basis, setting out the work they have undertaken in their role and providing an assurance statement setting out their views as to the robustness or otherwise of the Council's children's safeguarding arrangements. This would enable the Scrutiny Committee the opportunity to determine whether or not it wished to undertake any further in-depth scrutiny and/or make recommendations to the Executive. The Executive will, in any case, be aware of the views of the Member's Children's Champion selected from within its own ranks.

4. POLICY FRAMEWORK

4.1 The Council's statutory duties are set out within the Children's Act 2004. However, the principles of child safeguarding and the promotion of children's welfare are relevant to all the Council's activities.

5. BUDGETARY FRAMEWORK

5.1 There are no budgetary implications arising from this report.

6. RISKS

6.1 Whilst there is no specific or statutory requirement for a local authority to have Member Children's Champions there is a risk that, if they don't, elected members will become disconnected from and unaware of the Council's statutory responsibilities and the actions and activities that the Council has in place to fulfil them.

6.2 There is a risk that formally appointed Member Children's Champions could be perceived to be operating outside of the Council's recognised political and managerial arrangements. This risk can be mitigated by the adoption of a set of principles governing the work of the Champions, as set out in paragraphs 3.4 and 3.5.

6.3 There would be a significant reputational risk to the Council were it to come to light that anyone formally appointed to be a Member Children's Champion had a previous conviction for a child-related offence and/or had or was publically promoting views that were inconsistent with the spirit of the role. This risk could be mitigated by the introduction of suitable checks as and when members are selected for the role and for these to be completed prior to any formal appointment.

7. ALTERNATIVE OPTION(S) CONSIDERED

7.1 One alternative option would be for the Council to operate without any Member Children's Champions. However, this has been discounted for the reasons set out in paragraph 6.1.

7.2 Subject to approval of the recommendation to formally appoint Member Children's Champions a range of options exist as to what their role within the organisation should be and how they should be selected and appointed. However, the proposals set out in this report have previously been discussed with, and supported by, the Overview and Scrutiny Committee.

WARWICK DISTRICT COUNCIL	**EXECUTIVE** **3rd September 2014**	**Agenda Item No. 9**

Title	Building Control Joint Service
For further information about this report please contact	Tracy Darke
Wards of the District directly affected	All
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	9th October 2013
Background Papers	Executive report 9th October 2013, FFF Savings, Service Area Plan.

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes Ref: 519
Equality and Sustainability Impact Assessment Undertaken	Yes/No (If No state why below)

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive		Chris Elliott/Bill Hunt
Head of Service		Tracy Darke
CMT		
Section 151 Officer		Mike Snow
Monitoring Officer		Andrew Jones
Finance		Mike Snow/Gary Walker
Portfolio Holder(s)		Cllr John Hammon

Consultation & Community Engagement	
Employees from each authority affected have been involved in developing the proposal, including knowledge sharing and development of the model for the joint service. Discussions have taken place with Unison (the only union representing members across each of the four authorities). Fortnightly meetings have been taking place with all the staff and a Project Board has been operating prior to the commencement of the trial of the joint service.	
Final Decision?	Yes
Suggested next steps (if not final decision please set out below) None	

1. SUMMARY

1.1 The purpose of this report is to provide members with an update on the trial of the Joint Building Control Service and to seek approval to agree to move to a permanent arrangement with Warwick District Council (WDC) to take over responsibility for the running of Building Control for Coventry City Council, Rugby Borough Council and Daventry District Council and that all of the staff are transferred to WDC.

2. RECOMMENDATION

2.1 That Executive notes the success of the trial scheme that has been operating since January 2014.

2.2 That Executive approves the principle of Warwick District Council taking over responsibility for Coventry City Council, Rugby Borough Council and Daventry District Council's Building Control Services on 1st April 2015, or as soon as practicably possible, with Building Control staff from those authorities being transferred to Warwick District Council under the TUPE regulations.

2.3 That Executive notes that, subject to approval of recommendation 2.2, the proposals will still require formal agreement from Coventry City Council, Rugby Borough Council and Daventry District Council and will not progress until that is secured.

2.4 That Executive agrees that if any of the other authorities decide not to approve the arrangement, the proposal can proceed with the remaining authorities.

2.5 That Executive delegates authority to the Deputy Chief Executive (BH), the Head of Development Services and the Head of Finance, in consultation with the Development Services Portfolio Holder, to agree the detailed working arrangements and legal agreements necessary to establish the proposed joint service.

2.6 That Executive approves the future use of the WDC Building Control Reserves, up to the value of £85,000, to support and improve the existing WDC IT system, to enable migration of the data from each authority and ensure that the proposed joint service can operate from a single IT platform when established.

3. REASONS FOR THE RECOMMENDATION

3.1 WDC has been working very closely with other nearby authorities, Coventry, Daventry and Rugby to explore and subsequently trial a joint service. The scheme has been evolving since February 2013, and formally went into a trial in January 2014 as Coventry staff moved to WDC, and Daventry staff moved to Rugby BC as a satellite office. A Project Board, consisting of officers from each authority, has enabled valuable input into the project.

3.2 WDC had originally only been in discussion with Coventry City Council about a joint service and it was felt that WDC should lead due to its good reputation. Rugby and Daventry then later expressed an interest to join, and whilst combining four authorities service at the same time is complicated, it was felt necessary to take the opportunity when it arose. The trial of the service was to give all partners confidence in WDC being the Lead Authority for the shared service. Added to this we felt we could develop a service that others in the sub-region could join later. It is worth noting that there has been interest shown by several other authorities.

3.3 Whilst there have been many issues to resolve, the trial has been extremely useful and helped to give a clear picture about the benefits to WDC and Building Control in a wider sense, and has allowed WDC to be clear about the responsibility it is taking on. It has also given staff the opportunity to see the benefits of working jointly together, and to be able to understand how we can take the IT system forward, minimising the cost and disruption across the service. It has demonstrated to our customers that we are providing a new and more competitive service, which they have had input into developing with us. It gives the customer more flexibility as they can submit applications to one service for all four districts and receive a consistent service.

3.4 As a result of the success of the trial, officers are of the view that to retain and grow market share and provide a service that competes with the private sector retaining choice for the customer, the joining of the services is the way forward and this is supported by the National Local Authority Building Control body (LABC).. There have been no significant issues that have arisen through the trial that would prevent this as being successful, other than developing the IT system which is required to facilitate the new joint service and improve efficiencies. We have been in discussion with other shared and joint services, and the indications are that this is one of the better delivery models available. Through economies of scale, it results in the reduction of cost of service overall.

3.5 There are many further detailed issues that need to be addressed before the service can function fully. Some of these changes have been held back due to the need for final agreement to go ahead with the permanent arrangement, such as finalising the IT solution, purchasing equipment etc. The need to have a satellite office at Rugby BC has become very apparent during the trial, and although initially it was felt that having the whole four authorities located in one place may have been best from a staff relationship perspective and for customers, the practical working arrangements across a large geographical area made sense to split the offices. Whether this is the long term solution is not yet clear, but certainly in the short to medium term, this is the best arrangement. Alongside this, suitable legal agreements need to be in place to cover such things as:-

- The transfer of staff from Coventry, Daventry and Rugby to Warwick
- Arrangements for charging non-fee earning work to these three authorities
- Arrangements for the shared service office satellite office at Rugby
- Transfer of Building Control Reserves from other authorities to Warwick

3.6 Officers consider that the opportunity to enable other authorities to join the service should be available. There has been interest from other authorities in the sub-region to join, and we will continue to have dialogue with those and other authorities to continue to grow the service. This helps to showcase the good work WDC has been doing on Building Control.

3.7 Officers have explored a number of IT solutions for the joint service as it is unfortunate that each authority currently have a different system. However, having assessed three options, as set out in Section 7, it is considered that having all authorities transferring over to WDC's existing system and retaining the hosting of this system on site will work well. However, this will require investment in the system as there is a cost for each of the authorities migrating the data, not only in staff time, but also for the software supplier. Officers are of the view that the ring-fenced reserve account for building control can support this cost. Currently only WDC and Rugby have reserves to be used. Daventry have indicated a willingness to financially contribute to the project, and Coventry is to be consulted further on this point. It is therefore proposed that Executive approves a maximum sum that WDC would pay towards the costs, which is capable of being reduced subject to subsequent negotiation with the other proposed partners.

4. POLICY FRAMEWORK

4.1 **Policy framework** - The proposal fits into the strategic context of the Council as it shapes the service to enable it to be flexible and cost effective. It demonstrates good partnership working across the sub-region. For residents who live in the district, it maintains a service that gives choice, and ensures that the district is a safe place to live. The scheme meets the aims of 'fit for the future'.

4.2 **Fit for the future –** The proposal fits into the principles of Fit for the Future in that it will provide a service that is lean and efficient, offering good customer service and provide resilience in the future in retaining a service in-house that will offer best value for money.

5. BUDGETARY FRAMEWORK

5.1 The services offered by Building Control fall into two broad categories of statutory services for which no fee can be charged and other fee earning work. The former category is a charge to the General Fund whereas the latter operates within a ring-fenced financial regime. The Building Control Reserve account operates on a rolling 3 year basis with an expectation that the account will break even over that period.

5.2 The statutory non fee earning work includes, for example, all aspects of inspecting and advising on dangerous structures or demolitions, inspections of sports facilities, all general public enquiries, advising statutory agencies and any application aimed at benefitting a disabled person. In broad terms the fee charging element covers anything else, primarily work that involves checking plans, and/or undertaking site inspections.

5.3 At the start of the budget year a budget is set which assumes that the fee earning work will break even, leaving the cost to the authority of the statutory non-fee earning work. CiPFA guidance states that the non-fee earning element should equate to around 30% of the total cost of services, although this will vary between different authorities, depending on the character and nature of the area. The account is then monitored (and adjusted as appropriate through the year). Any surplus or deficit on the fee earning element is, at the year end, transferred to the BC Reserve.

5.4 The table below sets out the likely financial position for each authority, based on the 2013/14 accounts:

		Coventry	Rugby	Daventry	WDC	Total
		£	**£**	**£**	**£**	**£**
Current Service Cost		525,882	237,543	272,000	602,596	1,638,021
Service costs transferring	+	311,768	187,092	199,000	602,596	1,300,456
Non-Fee earning work @ 30%	-	93,530	56,128	59,700	180,779	390,137
Cost of fee earning work	=	218,238	130,964	139,300	421,817	910,319
Income	-	423,000	218,898	122,000	439,838	1,203,736
Surplus on fee earning work	=	204,762	87,934	-17,300	18,021	293,417

Of the current service costs of Coventry, Daventry and Rugby, only a proportion of these will transfer to Warwick as the proposed joint service is formed. These primarily relate to the costs of the staff transferring, associated transport costs etc.
As the table above shows, the overall cost of proposed joint service of £1,300,456, less 30% which equates to £910,320. Income is £1,203,736, giving a profit of £293,417.

5.5 The service will incur additional support service costs. These are likely to accrue from:-

- Professional services provided by WDC, eg. HR, Finance
- Additional ICT costs
- Costs of the satellite office at Rugby (office accommodation, ICT etc)

These costs will increase the cost of the fee and non-fee earning work, and so reduce the surplus shown in the table above. Of course, it is well known that the service should not be in profit, so this income, if realised should be used to reduce the fees and/or recycled back into improving the service.

5.6 Other points of note with regard to each authority are set out below:-

Daventry
There are some savings that can be made through managing the budget differently, however, it is recognised that there is a need to transfer some of the resource to support other areas that are struggling with the high level of work. There is also a need to market Daventry's service better.

Rugby
Rugby also has a ring-fenced reserve account of in the region of £60K which should be invested into the new service.

Coventry
Coventry has had a significant fall in income over the last 5 years. There has been in that period a reduction in the number of employees and more recently income has started to improve. Whilst there are no reserves, there has been a lot of work done to reduce the cost of the service, and with the reduction of the majority of the cost of support services, and an increase in income the service is currently breaking even.

Warwick
WDC has a very healthy ring-fenced reserve account. It is anticipated that this, together with the reserves from Rugby will assist in the cost of the IT solution for the joint service.

5.7 Each authority has a set fee rate per hour which its fee schedule is predicated on. The calculation of the fee rate was done by each authority when the fees were de-regularised in 2010. The difference in the fee rate is so insignificant, that an average rate will be taken of the current fees to form the fees to be charged from 1 April 2015. These will be included within the Fees and Charges Report to the Executive in October. These fees will be re-assessed ahead of the financial year 2016/17.

5.8 The detailed accounting arrangements are still being determined, along with the arrangements for charging each authority for the non-fee earning work.

6. RISKS

6.1 The Development Services risk register relating to Building Control includes the impact of the joint service not going ahead on WDC's service.

6.2 One of the key risks for WDC taking on the joint service is that income is not guaranteed and the market has been unstable over the last 5 years. However, each of the services have survived through this, and whilst the end of year figures show Daventry and Coventry in a deficit, if they had been in a shared service, this would have not been the case. The risk for those authorities is that the service may not survive if they decide not to go ahead. Rugby's service has been reliant on seconding some of the staffs time to other areas, which is not sustainable in the future as a reliable income stream. However, the risks associated with staying as separate authorities are that each individual authority is vulnerable to a competitive market and not being able to deliver the needs of the customer to a level the private sector can. At WDC we have seen the impact of one officer leaving the service and becoming an Approved Inspector, and if the service does not develop and grow, then this may continue to happen with other staff.

6.3 A further risk for WDC to consider is the impact of a drop in income, as the authority will have all the staff transferred across, and will therefore be liable for any redundancy costs that may occur. It is not possible to mitigate against this, other than the service as a whole is particularly lean as a number of staff have been lost from the Coventry service, and recent new recruits have been taken on with temporary contracts to build in this buffer.

6.4 Finally, the three authorities will need to pay for their non-fee earning work to be delivered, which the joint service would wish to do. Each of those authorities will need to be assured that the quality of the service to be delivered on their behalf is acceptable, and this can be addressed through an SLA which will include expected outputs and measures.

7. ALTERNATIVE OPTION(S) CONSIDERED

7.1 **Delivery options:**
For the reasons set out above, a 'do nothing' option is not considered to be a viable option. Also, the other authorities that are part of this proposal may set up as a joint service without WDC and be in direct competition with WDC.

7.2 Outsourcing the service has been rejected as this would result in the termination of the fee generating part of the business although the Council would still be required to provide a service that met the statutory non-fee earning element of the service, adding to the General Fund costs. Outsourcing would also mean a loss of staff and potentially have a detrimental impact on the Council's reputation. This authority recognises the importance of maintaining the service as part of the Councils vision for providing good, cost effective services for the residents of the district.

7.3 **IT options:**
IT will remain a significant cost for each service until we move all services over to the same system operating at WDC. There has been a project team considering IT solutions, and it would be ideal to have each authority on the same system as WDC. There are three options to consider:

(i) Continue with the current systems, and all new cases that are submitted are put into IDOX. There will be all the historical data including three years of live files that will still require access into the current system... Officers could continue to access the old system for history. The only benefit for this is that it is the cheapest solution, but not good long term. From an operational point of view, the central administration team will ultimately need to access four systems on a day to day basis, which is not practicable or acceptable.

(ii) Migrate each of the services over to IDOX to deliver one solution with the system being hosted off site. This is an attractive solution but expensive. There will be an initial migration cost in the region of £225K with an additional annual cost in the region of £40K. Furthermore, then is a resource cost to each authority in transferring the data to allow IDOX to migrate it into our system. Whilst data migration is always fraught with difficulties, the end position is one system which works well and is easily accessible. All upgrades and changes happen automatically at no extra cost.

(iii) The third option is as two above, but hosted on site at WDC. This gives the one system solution, but is significantly cheaper on the annual maintenance costs when grouping the authorities together. The cost of the migration is likely to be in the region of £85K with an annual maintenance cost of approximately £8K thereafter. The disadvantage is the need to buy any upgrades or changes to the system each time, which can happen once or twice a year and cost in the region of £6-8K .

8.0 BACKGROUND

8.1 Building Control (BC) services are changing radically across the country as Approved Inspectors (AI's) take more of the market share. They work in direct competition with Local Authority BC services and the Government also appears to be encouraging LA's to consider different operating models based on the way the private sector is working. This is further borne out by the fact that last year they announced that LA's could apply for AI status, which gives wider scope to attracting other areas of work, in particular cross boundary. Therefore, LA's are being focused to adapt their traditional service offer and consider adopting new commercial models that offer a clearer focus on the needs of their business customers.

8.2 Some LA's have already merged their building control services with their neighbours, working on the principles of economies of scale, helping to reduce costs and enable delivery of a more attractive service to the customer by providing more specialist skills. Officers have seen successful shared services such as Lichfield/Tamworth/South Staffs and have been in contact with the Lead Officer to understand all the practicalities of doing such a joint venture, and the advice is that this works well, as standing still and complacency are not an option. Locally the best example of this is Birmingham City Council who has established an arms-length entity to run the BC services, and have recently received AI status. In addition, the Local Authority Building Control Association (LABC) which is the member organisation representing LA's across England and Wales, has been working closely with us to progress the joint service and are very supportive of the proposal. They can draw on many models across the country from their experience and therefore, much weight should be given to this advice. Even where an individual service is breaking even and financially stable, circumstances can change very quickly in such a competitive market.

Benefits for each authority:

8.3 **WDC:** Although BC has been fairly stable for a number of years and has developed a very good reputation, maintaining in the region of 75% of the market share (indeed one experienced agent has suggested it is 'one of the best'), it is not immune from the national trends. Income has covered the cost of the service excluding non-fee earning which is in line with CIPFA guidance. Profits have built up and the reserve account is in the region of £250K, which should be re-invested back into the service. However, last year, we lost an officer who became an AI and did take approximately £60K business with him through established contacts, so we cannot afford to be complacent. The pattern of income over the year was less consistent and perhaps improved just before year end due to an imminent change in the regulations. It is clear that if the current trend is unchecked the future loss of income to the competing AI market is likely to rise significantly.

8.4 Officers consider that a joint service option offers the best means of addressing the threat posed by the changing external environment and the growing competition from Approved Inspectors. Also, building up a joint service that is large enough to respond to customer's needs and have staff trained in specialisms such as fire risk assessments and structural calculations will be more cost effective, and also give the staff a chance to develop themselves in other areas.

8.5 Given the close relationship that WDC and CCC had developed recently, it was felt opportune to consider the benefits of a joint service. Then with further interest from Rugby and Daventry, the proposal evolved

8.6 **Coventry City Council:** This service has suffered over the last five years primarily due to the change in economic climate and loss of major commercial contracts as many developments were put on hold. The perception of the service by the public historically has been poor, which has been addressed to a great extent over the last few years as there has been significant changes taking on board customer feedback and comparing the service to others. However, due to the loss of income, CCC has been exploring alternative options for a number of years. The decision to join services with WDC is an alternative to outsourcing the service to the private sector, the latter option may ultimately result in the customer losing choice of service and the staff potentially losing their jobs. Since the trial has commenced, the number of staff has reduced and WDC has been assisting in covering some of the work and re-charging CCC. In addition to this and possibly as a result of the promotion of the joint service, the amount of income seems to be improving. This helps to demonstrate that agents like the joint service model where they can submit a number of applications for different areas all at the same place and have a range of officers who they can work with, giving them choice. Whilst through the trial there have been IT issues, some of these have slowly being resolved with a better solution mapped out. However, this can only be implemented on agreement of the permanent arrangement, due to the financial investment required. The joint service trial has allowed CCC BC to work differently, including having the administration staff back within the service area and it is felt that this has been beneficial.

8.7 **Daventry District Council:** This service has been reducing over time as AI's have taken over quite a large part of the market share (approximately 50%). The service has suffered as two of the four staff has been on long term sick leave, resulting in the remaining two officers struggling to keep up with the work, consequently losing further business. The officers have now returned to work and there is the opportunity of marketing the service better, as there is a considerable amount of development taking place in Daventry area. Daventry officers have already had Member agreement to go ahead with the joint service, subject to WDC's agreement.

8.8 **Rugby Borough Council:** Rugby's service, like WDC, has a very good reputation and has maintained a significant amount of the market share (approximately 80%). The Authority has a very forward thinking approach to BC and sees the benefits of the larger service in the sub-region and beyond. Staff has been very co-operative in supporting the joint service, particularly in accommodating Daventry's service in the Rugby office. The service has made a small profit in recent years and this has gone into the reserves, although this has been partly as a result of two of the staff being temporarily seconded to other service areas. The reserves are in the region of £60K.

Effect on Support services

8.9 Support services will be impacted upon for the joint service. Clearly these services in the main will fall away for Coventry and Daventry, but will remain to some extent for Rugby, and will increase for WDC as it takes over the responsibility of the services, such as HR, IT, Finance etc. Accommodation costs for Rugby will not change as they have accommodated Daventry in the same space they were using for just Rugby staff. WDC accommodation cost will slightly increase as they have accommodated Coventry staff, although if the Council moves offices, and progresses with flexible working arrangements, there may be opportunity to reduce accommodation costs.

8.10 Finances are being aligned across the shared service. The intention is that there will be one account operating from 1st April 2015. One of the key issues that will need to be understood is the non-fee earning part of the accounts, as this cost will remain with the respective authorities. Officers have been doing timesheets to quantify the time spent on non-fee earning work so that there is transparency in the amount being charged back to each authority. The arrangement may be through a Service Level Agreement, which can be regularly reviewed. Of course, each authority can make a separate decision to outsource the work if they wish. The industry indications are generally around a 70/30 split between fee and non-fee earning work, 30% being the non-fee earning.

8.11 Legal services at the County have been assisting on the insurance and liabilities of the joint service. Agreement has to be made on who takes on any liabilities, although the general agreement through the project board has been that any cases that arise on work prior to the joint service stays with the respective authority.

8.12 Human Resources at WDC have provided a very useful timetable of each event that will take place to achieve the joint service, particularly in relation to TUPE of staff across to WDC and the roll-out of the new structure. This also includes the stages for reporting to employment committee as the establishment will change. The stages of consultation working with staff and Unison (this is the only union that staff are with across the four services) are very important, although we have been meeting with staff fortnightly through the trial period to keep them informed of progress and to attempt to address any issues or concerns the staff may have. Staff have and will continue to help shape the new service. The TUPE consultation is proposed to commence October 2014.

WARWICK DISTRICT COUNCIL	Executive – 3rd September 2014	Agenda Item No. **10A**

Title	**Rural/Urban Capital Improvement Scheme (RUCIS) Application**
For further information about this report please contact	Jon Dawson Finance Administration Manager 01926 456204 e mail: fsteam@warwickdc.gov.uk
Wards of the District directly affected	Stoneleigh
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	N/A
Background Papers	Rural/Urban Capital Improvement Scheme details. Rural/Urban Capital Improvement Applications file No. 197 onwards; correspondence with Applicant.

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	Yes

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	11.8.14	Chris Elliott
Head of Service	6.8.14	Mike Snow
CMT	11.8.14	Chris Elliot, Bill Hunt and Andy Jones
Section 151 Officer	6.8.14	Mike Snow
Monitoring Officer	11.8.14	Andy Jones
Finance	6.8.14	Mike Snow
Portfolio Holder(s)	4.8.14	Cllr Cross
Consultation & Community Engagement		
Community Partnership Team and Manoj Sonecha (Active Communities Officer) –Copy of report forwarded 1st August 2014		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

1.1 This report provides details of a Rural/Urban Capital Improvement Scheme grant application by Stoneleigh Village Hall and Playing Fields Trust to a) combine two small rooms into one larger room to make an adequate facility for a variety of uses, b) create direct access from the enlarged room onto the stage in the main hall which will create more auditorium space to increase audience capacity and, c) construct a storage area that leads directly from the main hall to the stage to remove current health & safety issues when moving equipment around and also remove vandalism issues that are occasionally experienced with the current storage shed that is based in the grounds of the hall.

2. **RECOMMENDATION**

2.1 It is recommended that the Executive approves a Rural/Urban Capital Improvement Grant from the Rural cost centre budget for Stoneleigh Village Hall and Playing Fields Trust of 50% of the total project costs to adapt the village hall, as detailed within paragraphs 1.1 and 3.2, up to a maximum of £19,081 subject to receipt of the following:

- Written confirmation of formal financial contribution request and subsequent funding decision from Stoneleigh Parish Council; if approved, the contribution from Stoneleigh Village Hall and Playing Fields Trust cash reserves will be reduced accordingly

- Receipt of a third decorating quote

- Receipt of a third asbestos survey quote

(see appendix 1)

3. **REASONS FOR THE RECOMMENDATION**

3.1 The Council operates a scheme to award Capital Improvement Grants to organisations in rural and urban areas. The grant recommended is in accordance with the Council's agreed scheme and will provide funding to help the project progress.

3.2 This project contributes to the Council's Sustainable Community Strategy as without the Village Hall and playing fields there would be fewer opportunities for the community to enjoy and participate in sports, arts and cultural activities which could potentially result in an increase in anti-social behaviour and obesity, particularly in children. The combining of two rooms into one larger room will create more space in the main hall which will increase audience capacity which will also increase opportunities for the community to enjoy and participate in arts and cultural activities. The provision of an indoor storage facility close to the main stage will remove health and safety and vandalism issues that are experienced with the current outdoor storage shed.

4. **POLICY FRAMEWORK**

4.1 The Rural and Urban Capital Improvement Scheme supports the Sustainable Community Strategy and the cross cutting themes which form the priorities for funding areas as follows:-

- Community Engagement & Cohesion (including Families at Risk)
- Targeting disadvantaged rural locations
- Narrowing the Gaps

5. BUDGETARY FRAMEWORK

5.1 The budget for the Rural/Urban Capital Improvement Scheme applications for 2014/15 is £150,000 (£75,000 for rural projects and £75,000 for urban projects).

5.2 In addition there is the unallocated budget from 2013/2014 of £33,634 which sits within a separate cost centre budget; this could then be used for either Rural or Urban schemes once the 2014/15 budget has been used.

5.3 There is £75,000 still available to be allocated for Rural/Urban Capital Improvement Scheme Grants from the Rural Cost Centre budget in 2014/15. If the application within this report from Stoneleigh Village Hall and Playing Fields Trust for 50% of the total project costs, up to a maximum of £19,081 is approved, £55,919 will remain in the Rural Cost Centre budget.

5.4 There is £52,758 available to be allocated for Rural/Urban Capital Improvement Scheme Grants from the Urban Cost Centre budget for 2014/15.

6. RISKS

6.1 There are no main risks for this proposal.

7. ALTERNATIVE OPTION(S) CONSIDERED

7.1 The Council has only a specific capital budget to provide grants of this nature and therefore there are no alternative sources of funding if the Council is to provide funding for Rural/Urban Capital Improvement Schemes.

7.2 Members may choose not to approve the grant funding, or to vary the amount awarded.

8. BACKGROUND

8.1 Stoneleigh Village Hall and Playing Fields Trust has submitted a RUCIS application to a) combine two small rooms into one larger room to make an adequate facility for a variety of uses, b) create direct access from the enlarged room onto the stage in the main hall which will create more auditorium space to increase audience capacity and, c) construct a storage area that leads directly from the main hall to the stage to remove current health & safety issues when moving equipment around and also remove vandalism issues that are occasionally experienced with the current storage shed that is based in the grounds of the hall.

8.2 The RUCIS application is for 50% of the total project costs up to a maximum of £19,081

8.3 Stoneleigh Village Hall and Playing Fields Trust is not registered for VAT; they won’t be reclaiming VAT in connection to this project therefore the award will be inclusive of VAT.

8.4 Stoneleigh Village Hall and Playing Fields Trust has committed £12,581 to the project from their cash reserves. These funds have been evidenced through the provision of a recent bank statement and copies of the organisations savings passbook.

8.5 Stoneleigh Parish Council has indicated that they support the project and are likely to make a small financial contribution of approximately £100 - £200. If the Council do agree to contribute, Stoneleigh Village Hall and Playing Fields Trust's contribution from their cash reserves will be reduced accordingly. A formal request has yet to be made by Stoneleigh Village Hall and Playing Fields Trust therefore a caveat has been included that the successful award of a grant is subject to receiving evidence that the formal request was made and the decision made.

8.6 Stoneleigh Village Hall and Playing Fields Trust had planning permission granted on 1st August 2014.

8.7 The architect employed to produce building plans and aid the planning application has recommended that an asbestos survey is completed ahead of starting any building work as a precautionary measure, however, it is thought very unlikely that there any asbestos issues. The Stoneleigh Village Hall and Playing Fields Trust committee feel an obligation to the community to carry out this survey to alleviate any possible concerns of the community.

8.8 Stoneleigh Village Hall and Playing Fields Trust has previously had successful RUCIS applications:

- £2,281 (25% of the total project costs) for resurfacing the car park in December 2004

- £30,000 (50% of the total project costs) for redeveloping tennis courts in April 2012

This application meets the criteria whereby after a successful grant award an organisation must wait for a minimum of 2 years before re-applying for a new grant. It is therefore recommended that the Executive approves an award of a Rural / Urban Capital Improvement grant to Stoneleigh Village Hall and Playing Fields Trust of 50% of the total cost of the project inclusive of VAT subject to a maximum of £19,081.

APPENDIX 1

RURAL/URBAN CAPITAL IMPROVEMENT GRANTS APPLICATION FOR 3rd SEPTEMBER 2014 EXECUTIVE :

Applicant : **Stoneleigh Village Hall and Playing Fields Trust**

Description of scheme: The project is to a) combine two small rooms into one larger room to make an adequate facility for a variety of uses, b) create direct access from the enlarged room onto the stage in the main hall which will create more auditorium space to increase audience capacity and, c) construct a storage area that leads directly from the main hall to the stage to remove current health & safety issues when moving equipment around and also remove vandalism issues that are occasionally experienced with the current storage shed that is based in the grounds of the hall.

Evidence of need: Visually and through an understanding of how the current floor layout restricts the optimum use of the hall; patrons have also commented on these matters although there is no written confirmation of this.

3 years accounts received? 2011 - 2013 financial statements have been received, along with a recent bank statement covering the period 30th May to 30th June 2014 and a copy of their savings passbook covering the period 6th November 2012 to 11th June 2014. This evidences sufficient cash reserves to meet the contribution stated on the application form.

Financial Performance; minus figure = deficit	**Year ended** 31/12/13	**Year ended** 31/12/12	**Year ended** 31/12/11
	£1,471	£2,997	£1,838
Available Funds (cash and reserves)	**Year ended** 31/12/13	**Year ended** 31/12/12	**Year ended** 31/12/11
	£16,096	£14,399	£15,404

Details of membership, fees etc: None

Details of usage: The facilities are used by the Villagers and by groups of people from further afield for the purposes of:-
* Stoneleigh Male Voice Choir - weekly - 30 people
* Stoneleigh Ladies Choir - weekly - 35 people
* Yoga Classes - weekly - 12 people
* Scottish Dancing - weekly - 25 people
* Art Classes - weekly - 18 people
* Women's Institute craft sessions - weekly - 60 people
* Language Tuition - weekly - 12 people
* NHS Speech and Language Training - weekly - 12 people
* Warwickshire Badger Group - monthly - 10 people
* Women's Institute luncheons - monthly - 48 people
* Music Tuition - monthly - 4 people
* Clumber Spaniels Dog Club - monthly - 12 people
* Gordon Setter Dog Club - monthly - 15 people
* Leigh Educational Committee - monthly - 10 people
* Stoneleigh Male Voice Choir - Annual Show - 260 people

On average approximately 200 people use the accommodation each week. There is also:
* Ad-hoc events, for example last year there were - 9 Children's Parties, 5 Adult Parties, 5 Craft Parties and 1 Cancer Relief Breakfast.
* Regular use of outdoor sports facilities - all weather football pitch, tennis court and full size football pitch

Details of Organisations equalities policies: There is no formal equality policy but the committee is made up of 5 male and 6 female members, there are disabled toilet facilities and there are no gender, ethnicity or religious restrictions.

3 quotes provided: Yes - three quotes have been received for the building work and for the flooring, two quotes have been provided for decorating and two quotes for an asbestos survey (therefore two more quotes required which are included as a caveat in the recommendation report)

Which of the Council's Corporate Priorities are met? **Evidence**

Reduce anti-social behaviour: This is an increasingly popular Village Hall for many Groups in the community wishing to exercise their various interests. Better floorspace arrangements particularly the combining of the two rooms into one (to make a room of 3.6m x 6.1m, 21.96sqm) will increase the number of groups interested in hiring it and the larger room will lend itself to a wider variety of uses. Providing more activities will potentially help to reduce anti-social behaviour.

Reducing obesity, particularly in children: Whilst the project does not directly affect this issue the Village Hall does attract groups of people doing Yoga and Scottish dancing (a quite strenuous form of dancing) as well as singing and in addition to providing outdoor sports facilities; all weather football pitch, tennis court, full size football pitch. All of these activities promote fitness and help to reduce obesity, this includes children.

Increase opportunities for everyone to enjoy and participate in sports, arts and cultural activities: The existing access onto the stage is from the hall and imposes on auditorium space. Combining two small rooms into one enlarged room and creating a direct access from the enlarged room onto the stage in the main hall will increase audience capacity and therefore increases opportunity for everyone to enjoy and participate in arts and cultural activities.

Engaging and strengthening communities: Whilst the project does not directly impact on this, an enlarged room will give greater scope for further activities to be run from the Village Hall and potentially encourage an increase in room hire for social activities by members of the community. Additionally, the Village Hall is run and maintained by a wide range of people from across the community. This all helps to further engage and strengthen the community. The fact that the Village Hall is run by volunteers is another example of a strong and socially cohesive community.

Targeting disadvantage in rural / urban areas:		The only facilities within the village are found at the Village Hall and playing field; once this project has been completed the Village Hall will have created, alongside the external sports facilities finished in 2012, an efficient local hub for a wide variety of uses which local people of all ages can enjoy using. This has targeted disadvantage in a rural area because without these facilities there aren't any other facilities within walking distance of or within the village; residents are reliant on an infrequent bus service or need other means of transport in order to access facilities elsewhere.
Total cost of scheme (including VAT where appropriate)	£38,162	
Funded by:		**Status**
Parish Council	£0	A financial contribution has informally been requested with a response that a small contribution of around £100-£200 is likely; this has been included as a caveat in the recommendation report
Own Funds	£12,581	Cash reserves have been evidenced through the provision of a recent bank statement and a photcopy of the organisations savings passbook
Charity Donations	£6,500	Stoneleigh United Charity £1000 / Stoneleigh Almshouse Trust £2500 / Stoneleigh Male Voice Choir £3000
Total RUCIS	**£19,081**	
equates to	**50.0%**	

RURAL/URBAN CAPITAL IMPROVEMENT SCHEME - 3RD SEPTEMBER 2014 EXECUTIVE **APPENDIX 2**

Summary of Financial Impact of Approving Scheme

Scheme Description	RURAL	URBAN	SLIPPAGE	TOTAL
Original 2014/15 Budget	£75,000	£75,000	£0	£150,000
Resources brought forward from 2013/14 to 2014/15				
Total Slippage from 2013/14 to 2014/15	£0	£0	£186,459	£186,459
Rural/Urban Capital Improvement Grants already approved 2013/14	£0	£0	-£152,825	-£152,825
Rural/Urban Capital Improvement Grant unallocated balance 2013/14	£0	£0	£33,634	£33,634
				£183,634
11th June 2014 Executive				
Kenilworth Town FC		-£13,250		-£13,250
2nd July 2014 Executive				
Whitnash Town Council		-£5,364		-£5,364
Kenilworth RFC		-£3,628		-£3,628
3rd September 2014 Executive				
Stoneleigh Village Hall and Playing Fields Trust - Proposed	-£19,081			-£19,081
Projects Closed - Underspends and Withdrawn 2014/15				
None				
Remaining Budget	**£55,919**	**£52,758**	**£33,634**	**£142,311**

WARWICK DISTRICT COUNCIL	Executive – 3rd September 2014	Agenda Item No. **10B**

Title	Endorsement of Parish Plan for Shrewley
For further information about this report please contact	Bernadette Allen Tel: 01926 456020 Bernadette.Allen@warwickdc.gov.uk
Wards of the District directly affected	Shrewley
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	Yes/**No** If yes state why
Date and meeting when issue was last considered and relevant minute number	Bernadette Allen Tel: 01926 456020 Bernadette.Allen@warwickdc.gov.uk
Background Papers	Joint Protocol for WCC/WDC involvement in responding to Parish Plans, Parish Appraisals and Village Design Statements

Contrary to the policy framework:	Yes/**No**
Contrary to the budgetary framework:	Yes/**No**
Key Decision?	Yes/**No**
Included within the Forward Plan? (If yes include reference number)	Yes/**No**
Equality and Sustainability Impact Assessment Undertaken	Yes/**No** (If No state why below)
No equality and sustainability impact assessment was undertaken by Warwick District Council as the report is about endorsing Parish Plans, which falls within the responsibility of Parish Councils to implement.	

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	31/07/14	Andrew Jones
Head of Service	31/07/14	Jenny Murray
CMT	12/08/14	Chris Elliott/ Bill Hunt
Section 151 Officer		Mike Snow
Monitoring Officer	31/07/14	Andrew Jones
Finance	12/08/14	Mike Snow
Portfolio Holder(s)	14/08/14	Cllr Les Caborn
Consultation & Community Engagement		
Relevant Officers representing potentially impacted service areas in the District and County Council have been asked to comment on the proposed actions in the Parish Plan.		
Final Decision?		**Yes**/No
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

1.1 The Parish Appraisal/ Planning Process is a well-established way of articulating the needs and aspirations of rural communities. This report is seeking to inform Executive of the actions included in the completed Parish Plan for Shrewley Parish.

1.2 The Warwick Rural West Community Forum considered the Parish Plan for Shrewley and supported the plan.

2. **Recommendations**

2.1 That the Executive endorses the Parish Plan for Shrewley.

2.2 That the Executive note the actions detailed in the Parish Plan summarised in appendix 1.

3. **Reasons for the Recommendations**

3.1 In September 2012 the Executive agreed to adopt a 'Joint Protocol for WCC/WDC involvement in and responding to Parish Plans, Parish Appraisals and Village Design Statements' (see appendix 2). The Protocol defines the support available from Warwick District and Warwickshire County Councils to Parish Plan Groups in developing their appraisals/plans and sets out the process for the Executive's consideration and endorsement of the plan.

3.2 A number of issues have been identified by the Shrewley parish during the production of their parish plan. The issues identified were:

- Ensure transport links from all areas of the Parish to local schools are maintained
- Investigate the impact of the Warwick Fire Station closure on fire service response times to Shrewley parish and communicate these to residents
- Find ways of educating dog owners within the parish the importance of clearing up dog waste
- Results of the Household Survey to be communicated to officers and Councillors responsible for the local plan
- Discuss with Warwick District Council and Warwickshire County Council ways in which information about their services could be better fed back to residents in rural communities

3.3 The Joint Protocol requires that 'following presentation at the relevant community forum, all Parish Appraisals/ Plans/VDS should be reported to the District Council Executive and the County Council's *executive body/person* for endorsement, full or part thereof'. In compliance with the Protocol it is recommended that the Council's Executive endorses the Parish Plan for Shrewley

4. **Policy Framework**

4.1 The development of Parish Plans can be linked to the Council's Corporate Business Improvement Plan (Fit for the Future). The Plan can provide information about our customers in rural communities.

4.2 Improving the capacity and confidence of rural communities through closer working with Parishes in the development of Parish Plans is a key element within the Warwick District Sustainable Community Strategy (SCS). Rurality is one of the key cross cutting themes of the SCS.

4.3 Under the Localism Act 'neighbourhoods' will be able to use Neighbourhood Development Orders to grant planning permission in full or outline for new buildings. This is through the developing a Neighbourhood Development Plan which is prepared by local communities. However any Neighbourhood Development Plan needs to conform to both a Parish Plan and the District Council's Local Plan.

5. Budgetary Framework

5.1 Parish Councils can apply to the District Council for a grant to help them fund the development of their Parish Plans and assist in the implementation of actions that align with community forum priorities. Shrewley have received a grant contribution for the Parish Plan Fund to assist with the development of their Parish Plan.

5.2 The Council may provide support within existing resources to support Parishes to implement actions identified in their Plans. There is no impact on existing budgets identified from the parish plans.

6. Risks

6.1 The Local Council's Charter for Warwickshire is a framework to support a mutually beneficial working relationship between all tiers of local government. The risk to the Council, if it chooses not to endorse the Shrewley Parish Plan, is that the Council can be seen to work against this framework and therefore it may prove difficult to influence future plans and developments in Shrewley.

7. Alternative Option(S) considered

7.1 No alternative option was considered as the Protocol was developed to ensure Parish Councils feel included and connected to other key structures and decision making processes.

8. BACKGROUND

8.1 Community consultation and involvement is increasingly important to the life and development of rural communities. Consultation processes help to find out how a village or town feels about itself, its strengths and weaknesses and how its residents want it to develop in the future. Central to the consultation process in rural areas are three consultation mechanisms that are key elements of the Government's rural policy:

- Parish Appraisals

A Parish Appraisal takes a detailed look at life in a Parish. The appraisal is devised and conducted by local residents, creating a snapshot of community life at a point in time. Often information obtained in the Parish Appraisal process is used as a foundation for a Parish Plan

- Parish Plans

Parish Plans take a snapshot of community life in a Parish provided by the appraisal, highlighting needs and aspirations, enabling the Parish council to devise an action plan for the short to medium term

- Village Design Statements

The third element of this range of rural policy mechanisms is a Village Design Statement. These relate to the physical design and layout of a settlement and may be adopted by the local planning authority as supplementary planning documents, provided there is close involvement with officers in Development Services. They primarily relate to the district council as the local planning authority, although in certain circumstances, they do address traffic management and highway design issues that are responsibilities of the county council

8.2 The District Council in the previous Corporate Strategy (2007 -2011) set a priority around encouraging the development of Parish Plans. As a result within the District there are 2 completed Plans in addition to the 4 proposed here, a further 8 are currently at different stages of development.

8.3 Parish Councils/ Parish Plan Steering Groups are encouraged to engage with elected members/ public sector partners on issues identified in Parish Plans. The Joint Protocol allows both Councils to respond to actions identified in the Parish Plan. In the following areas there are budgetary constraints which means that support in implementing identified actions is limited in:

- Maintaining transport links
- Changing speed limits

PARISH PLANS – SUMMARY OF ACTIONS **Appendix 1**

Parish Area	Theme	Proposal	Action	Comments WDC / WCC Officers
Shrewley Parish Plan	Education and Training	Ensure Transport links from all areas of the Parish to local schools is maintained	Feedback comments with regard to local educational establishments	**Feedback: Kevin McGovern WCC Highways (Transport)** A network of bus, minibus and taxi services is maintained to educational establishments for all those who the County Council has a statutory duty to transport. These routes may be varied periodically according to demand**.**
	Emergency Services	Investigate the impact of the Warwick Fire Station Closure on fire service response times to Shrewley parish and communicate to residents	Request that Warwickshire Fire and Rescue Service attend a Parish Council meeting or Parish Assembly meeting in order to discuss the impact of the closure of Warwick Fire Station	**Feedback: Ian Tonner WCC Fire and Rescue** At present due to priority around consulting on the £2.4million reduction in the Fire and Rescue Service budget. The Service does not have the capacity to make a commitment to this action in Shrewley's Plan. However once the consultation has been completed later this year they will endeavour to fulfil this action.
	Environmental Sustainability	Find ways of educating dog owners within the Parish of the importance of clearing up dog mess and encourage then in every way possible to do so	Consult with Warwick District Council dog warden scheme on the best practice for reducing dog waste and educating dog owners on the importance of clearing up dog waste	**Feedback: Pete Cutts WDC Community Protection** The dog warden can visit to address a group or be available during an event to promote responsible dog ownership. There are a number of events planned this summer all 10am-3pm. August 13th- St Nicholas Park

				August 20th – Abbey fields August 27th - Newbold Comyn
	Housing and Planning	In order to develop a clearer understanding of the exact needs of the Parish in the future, a ‘Future Housing Needs’ Consultation to be carried out in consultation with WRCC.	Results of the household survey to be communicated to WDC – in particular to the teams/ Cllrs dealing with Local Plan	**Feedback: Dave Barber WDC Planning Policy** The Council would welcome the completion of the Shrewley Housing Needs Survey in conjunction with WRCC. The Council will consider the results of the survey with a view to meeting identified housing needs as appropriate to the Local Plan.
	Local Government	The mobile library service is ‘use it or lose it’ so the Parish should do everything they can to support the service. The profile of the service needs to be raised in Hatton Station and Shrewley Common	In consultation with WCC’s Mobile Library Service, attempt to raise the profile of the service through additional and marketing and the review of when and where the mobile library service is available in other areas	**Feedback: Tanya Butchers, WCC Library Service** Warwickshire Direct & Libraries will support Shrewley PCC’s plans to promote the Mobile library service within the limits of its existing resources. No additional resources are available at this time nor expected to be in the future.
		Include a list of commonly used Local Government Services (which includes services the relevant local authority accountable for the service) within a parish directory	Discuss with WDC and WCC ways in which information about their services could be better be fed back to residents in rural communities	**Response: Fiona Clark WDC, Customer Contact Manager and Adrienne Bellingeri WCC, Warwickshire Direct** WDC and WCC are working together to make each authorities services available to all residents under the banner of Warwickshire Direct. Residents do not need to worry about which authority to contact for individual services. Residents can simply telephone 01926 410410 and speak to an advisor or call into a Warwickshire

				Direct office in Warwick, Leamington, Kenilworth, Whitnash or Lillington to see an advisor face to face. Each authority has its own website which enables residents to access services and information on-line.
	Transport & Highways	97% of respondents believe that speeding is an issue in the Parish	Encourage WCC to urgently review speed limits on Station Road and Case Lane, introducing more suitable limits given the level of traffic and amount of houses/ pedestrians using the roads.	**Response: Jo Edwards, WCC Highways (Road Safety)** The speed limits on Station Road Lane have been recently implemented and it is unlikely any further changes will be considered. The speed limit along Case Lane is to be reduced to 40mph within this financial year.