

# AGENDA



For a meeting of the
<b>RESOURCES POLICY DEVELOPMENT GROUP</b>
to be held on
<b>THURSDAY, 16 MARCH 2017</b>
at
<b>2.00 PM</b>
in
<b>WITHAM ROOM - COUNCIL OFFICES, ST. PETER'S HILL, GRANTHAM. NG31 6PZ</b>
Beverly Agass, Chief Executive

Group Members:	Councillor Michael Cook (Chairman), Councillor Damian Evans, Councillor Mike Exton, Councillor Graham Jeal, Councillor Matthew Lee (Vice-Chairman), Councillor Charmaine Morgan, Councillor Adam Stokes, Councillor Brian Sumner and Councillor Paul Wood
Executive Member(s):	Councillor Bob Adams, Leader of the Council Councillor Terl Bryant, Executive Member Finance & IT Councillor Mrs Frances Cartwright, Executive Member Governance
Support Officer:	Anita Eckersley      Tel: 01476 40 65 17 E-mail:                      a.eckersley@southkesteven.gov.uk

**Members of the Group are invited to attend the above meeting to consider the items of business listed below.**

**1. COMMENTS FROM MEMBERS OF THE PUBLIC**

To receive comments or views from members of the public at the Group's discretion.

**2. MEMBERSHIP**

The Group to be notified of any substitute members.

**3. APOLOGIES**

*Your council working for you*

**4. DISCLOSURE OF INTERESTS**

Members are asked to disclose any interests in matters for consideration at the meeting.

**5. ACTION NOTES FROM THE MEETING HELD ON 26 JANUARY 2017**

(Enclosure)

**6. UPDATES FROM PREVIOUS MEETING**

**7. FEEDBACK FROM THE EXECUTIVE**

**8. PEOPLE STRATEGY**

Presentation by the Executive Manager Commercial

(Enclosure)

**9. REVIEW OF ALL DISCRETIONARY FEES AND CHARGES**

Report CFM415 of the Corporate Finance Manager

(Enclosure)

**10. FINANCIAL REPORT FOR 2016/17 QTR 3 FORECAST MONITORING INFORMATION**

Report CFM410 of the Corporate Finance Manager

(Enclosure)

**11. REVIEW OF COMMERCIAL PROPERTY INVESTMENT STRATEGY**

Report CFM414 of the Corporate Finance Manager

(Enclosure)

**12. REPORTS FROM WORKING GROUPS**

**13. WORK PROGRAMME**

**14. COMMERCIAL WASTE**

Report ENV654 of Executive Manager Environment

(Enclosure)

**15. ANY OTHER BUSINESS, WHICH THE CHAIRMAN, BY REASONS OF SPECIAL CIRCUMSTANCES, DECIDES IS URGENT**



## MEETING OF THE RESOURCES POLICY DEVELOPMENT GROUP

THURSDAY, 26 JANUARY 2017 2.00 PM



---

### GROUP MEMBERS PRESENT

Councillor George Chivers	Councillor Charmaine Morgan
Councillor Michael Cook (Chairman)	Councillor Adam Stokes
Councillor Mike Exton	Councillor Brian Sumner
Councillor Graham Jeal	Councillor Paul Wood
Councillor Matthew Lee (Vice-Chairman)	

### EXECUTIVE MEMBER

Councillor Bob Adams, Leader and Executive Member Growth  
Councillor Teri Bryant, Executive Member Finance & IT  
Councillor Mrs Frances Cartwright, Executive Member Governance

### OFFICERS

Strategic Director Corporate (Daren Turner)  
Executive Manager Commercial (Judith Davids)  
Business Manager People and OD (Elaine Pepper)  
Corporate Finance Manager (Richard Wyles)  
Business Manager Venues and Facilities (Paul Stokes)  
Business Manager Legal and Democratic Services (John Armstrong)  
Legal Executive (Shelly Hardy)  
Executive Manager Property (Neil Cucksey)  
Strategic Lead Programme Delivery (Lee Sirdifield)  
Administration Assistant, Democratic Services (Anita Eckersley)

---

### 43. MEMBERSHIP

The PDG was notified that Councillor George Chivers would be substituting for Councillor Damien Evans for this meeting only.

### 44. APOLOGIES

An apology for absence was received from Councillor Damien Evans.

An apology for absence was also received from Councillor Linda Wootten, Executive Member Housing.

*Your council working for you*

**45. DISCLOSURE OF INTERESTS**

No interests were disclosed.

**46. ACTION NOTES FROM THE MEETING HELD ON 8 NOVEMBER 2016**

It was noted that in respect of action note 39 regarding the Art Centres and Corn Exchange, Members would be provided with detailed information in preparation for the review of subsidies once it had been arranged.

The action notes from the meeting held on 8 November 2016 were noted.

**47. UPDATES FROM PREVIOUS MEETING**

It was noted that all the Action Notes from the previous meeting had been actioned.

**48. FEEDBACK FROM THE EXECUTIVE**

It was noted that the following recommendations from the previous meeting had been submitted to the Executive and approved.

Action Note 38: Council Tax Base 2017/18

Action Note 39: Fees and Charges

Action Note 40: Review of Charges Scheme for Building Control

**49. CORPORATE ENFORCEMENT POLICY**

The Business Manager – Legal & Democratic Services presented report number LDS198 on the changes to the Corporate Enforcement Policy and other policies. The purpose of the report was to provide Members with an awareness of the revised draft Corporate Enforcement Policy (CEP) and of the changes to other policies that required updating.

Members of the PDG were being asked to consider the draft revised Corporate Enforcement Policy (CEP) and make a recommendation to the Executive Member for Governance to approve the adoption of these policies.

The PDG was informed that the Corporate Enforcement Policy (CEP) provided a single over-arching policy containing key factors and principles common to all aspects of enforcement undertaken by the Council. The aim was for a consistent approach that would ensure good practice when enforcement activities were undertaken. Fair and effective enforcement was essential to protect economic interests, public health and safety and the environment. The

Corporate Enforcement Policy (CEP) was supported by a number of service specific policy documents that set out greater detail in respect of the enforcement practice for each particular service area. This would ensure consistency across all services as well as with the Corporate Enforcement Policy (CEP). Each service enforcement policy included a reference to the Corporate Enforcement Policy (CEP) as well as updated web links to all the relevant policies, regulations and procedures.

The review of these policies also reflected the changes in the organisational structure in respect of the Neighbourhood Team as well as the changes of remit within the wider Environmental Services Team. As a result of this it had been considered appropriate to have one service specific enforcement policy that covered Environmental Services and Waste and Recycling. This change was reflected in the Environmental Services Enforcement Policy.

Service specific policies covered were:

- Development Management
- Building Control
- Environmental Services
- Debt and recovery
- Waste and Recycling

Members discussed the impact of lorries parking overnight where no toilet facilities were available and how this issue could be tackled, whether a working group may be required to look at how to deal with this issue or whether it was an issue for Highways at Lincolnshire County Council (LCC).

Further discussion took place on the metrics behind the policies and whether this was readily available and when the documents would come into force.

Members were informed that overnight parking was more a highways issue and noted that the metrics behind the policies could be provided at a future meeting.

**Recommendation:**

That the Resources PDG recommends to the Executive Member for Governance that the Corporate Enforcement Policy (CEP) and associated service Enforcement Policies as outlined in the appendices are approved and adopted.

**Action Notes:**

That the Resources PDG are provided with examples of enforcement measures undertaken to assess the effectiveness of the Corporate Enforcement Policy (CEP) and associated service Enforcement Policies at a future meeting.

*Councillor Bob Adams, Leader and Executive Member Growth left the meeting at 14:29.*

**50. SOUTH KESTEVEN DISTRICT COUNCIL CIVIL ENFORCEMENT OFF STREET PARKING PLACES ORDER 2017**

The Business Manager – Legal & Democratic Services presented report number LDS199 on the draft South Kesteven District Council Civil Enforcement Off-Street Parking Places Order 2017 (“new Parking Order”).

The purpose of the report was to provide Members with an opportunity to understand the proposed new Parking Order and provide feedback before making a recommendation to the Executive that the Council goes out to consultation on the proposed new Parking Order in accordance with the relevant Regulations.

Members were informed that the Council had identified potential safety issues for both pedestrians and other road users on land off St. Catherine’s Road, Grantham at the rear of Welham Street car park due in part to unregulated car parking. It was proposed that the new Parking Order would amend the existing Parking Order; South Kesteven District Council Civil Enforcement Off-Street Parking Places Order 2012 (“Existing Parking Order”). The amendments were highlighted in red on the tracked changed document at Appendix 2 of the report.

An overview of the rationale for seeking to introduce a new parking order was provided:

- a) A new Parking Order would include a further area of land edged red on plan F in Appendix 1, known as land off St. Catherine’s Road and situated at the rear of Welham Street Car Park. The new Parking Order would provide for a maximum of two disabled parking spaces free of charge, provided the disabled clock and badge were displayed in a conspicuous place in the vehicle and the other provisions of the new Parking Order were adhered to.
- b) A new order would also provide an opportunity to include reference to Cashless Parking Prepayment Scheme. Although not necessary for enforcement purposes it would be a way of ensuring further clarity and would remove any doubt around those circumstances where enforcement action may be taken.
- c) Under the Road Traffic Regulation Act 1984, Local Authorities had the power to regulate the use of off-street parking places by way of a Parking Order providing that consultation was carried out with the statutory bodies (Freight Transport Association, the Road Haulage Association, the Chief Officer of Police and the local Highway Authority – Lincolnshire County Council) and the general public. The consultation had to be in accordance with the Local Authorities Traffic Orders (Procedure) (England and Wales)

Regulations 1996. The consultation would consist of sending a copy of the new Parking Order to statutory bodies, publishing a notice of the proposals in the local newspaper circulated in the area to which the Order relates. A notice would also need to be placed in the affected areas. The same notice and a copy of the new Parking Order would be available for inspection at the Council's Customer Service Area.

The Business Manager Venues and Facilities noted the comment regarding the timing of issuing and re-issuing parking permits and said he would follow this up.

Further comment was also made regarding the Car Parking Strategy and whether a summit similar to the recent housing summit should be undertaken for all Members to have an input into a new Strategy bearing in mind their knowledge of their particular area of the District.

**Recommendation:**

Following consideration of the draft South Kesteven District Council Civil Enforcement Off-Street Parking Places Order 2017 ("new Parking Order"), the Resources PDG recommends to the Executive that the Council goes out to consultation in accordance with the relevant Regulations.

**51. PENSIONS POLICY STATEMENT**

The Executive Manager – Commercial presented report COM003 on the Pensions Policy Statement 2017. The report highlighted updates that were required following recent guidance from the Council's pension scheme administrators, West Yorkshire Pension Fund (WYPF). The proposed changes were essential to ensure the ongoing compliance of the Council's Pensions Policy Statement.

The report outlined the requirement on employers to formulate, publish and keep under review a policy statement in relation to exercising discretions under the Local Government Pension Scheme (LGPS).

Members were informed that previously there had been two discretions the Council had chosen not to adopt. The new guidance now provided greater clarity and indicated this would no longer be an option. Criteria would need to be available for assessing these discretions when making a decision.

*Councillor C Morgan arrived at 14:35*

Members queried what impact 5.2 of the policy regarding Shared Additional Pension Contributions (APCs) would have and whether there was potential for retrospective payments. It was noted that previous guidance had been followed correctly and that the existing policy was not incorrect but new guidance provided greater clarity and brought all local authority pension

schemes into line. Further guidance had been sought from both West Yorkshire Pension Fund (WYPF) and Freeths an external legal adviser.

Further discussion took place around how the updated document would be circulated to all staff, whether the policy would apply to Parish Councils, how SKDC's discretions compared with other local authorities and confirmation that the new Pension Policy Statement would be fully compliant with LGPS regulations.

Members were informed that the document, once finalised and approved, would be published on the Council's Intranet for staff to access; that all authorities which were Members of the LGPS would have received this guidance and that the policy was compliant with LGPS regulations.

**Recommendation:**

That the Resources PDG notes the required updates to the Council's Pensions Policy Statement 2017.

*Councillor Frances Cartwright – Executive Member Governance left the meeting at 14:48*

**52. FINANCIAL REPORT FOR 2016/17- QUARTER 2 FORECAST MONITORING INFORMATION**

The Corporate Finance Manager presented report number CFM397 on the budget monitoring information which included a summary of the forecast outturn position as at the end of Quarter two against the annual budget for 2016/17 for the General Fund Revenue Budget, the Housing Revenue Account Budget and Capital Programmes – General Fund and HRA. It was noted that due to the timings of the PDG, the information for Quarter two had been too late for the November meeting of the PDG. Details for the end of Quarter 3 would be submitted to the March meeting of the PDG.

Members were verbally informed there had been no significant variances and the outturn position was expected to be in-line with projections. The forecast outturn work undertaken on a quarterly basis by business areas enabled options to be considered on spending proposals for the remainder of the year. It was also used to identify any emerging financial issues that may need investigating so mitigating actions could be put in place if required.

The PDG was informed of a 1.7% variance on the Budget forecast outturn for 31<sup>st</sup> March 2017 as at Quarter 2 projections. The detail of the variances was summarised by priority area in Table A in the report.

Table 'B' outlined the main factors impacting on the forecast variance position. Table 'C' provided further detail on the general fund significant income streams. It was noted that the majority of the discretionary income was outside the

Council's direct control or influence.

There had been little movement on Table 'E', HRA Variance Analysis, although some key movements with respect to budgeted rental income was being influenced by Universal Credits.

With regards to Capital Programmes and funding it was noted that due to a review of the St Peter's Hill proposed development, the residual budget of £4.529m would be moved to next year. The Property Investment Strategy had a forecast slippage of £5m due to a lack of commercial investment opportunities that met the Council's requirements. Consideration may need to be given to whether the Investment Strategy may need reviewing in light of the difficulties of securing a commercial investment property. It was suggested that the Resources PDG may want to review the Investment Strategy at a later date. The slippage of £5m would be moved across into the following year.

The following issues were discussed by the PDG:

1. Table B – Projected Income unlikely to be received being included in the budget and how this affected projections and budgeting;
2. Table G – The number of project slippages and how external forces impacted on these projects;
3. Whether there was a point at which money set aside for projects could be diverted to other active projects or services rather than be left 'allocated' in the budget until the end of the year;
4. The proposals on the St Peter's Hill Development to be submitted to a future PDG;
5. Table B – Growth – Planning: It was felt that the explanation implied that funding was for a single application. Would other applications be included or receive similar funding;
6. Money aligned for homelessness, how this was used and how the homelessness issue was going to be addressed;
7. Reviewing the Community Fund and the applications and ensuring the Fund continued to be promoted, and
8. Corporate savings: whether the target had been reached and what impact vacant posts and restructuring had on this figure.

**Action note:**

The Resources PDG note the Financial Report for 2016/17 – Qtr 2 Forecast Monitoring information.

## **53. POST SETTLEMENT UPDATE**

The Corporate Finance Manager gave a presentation on the Post Settlement Update. Members were informed that the presentation would provide an update on the December Settlement; New Homes Bonus; Settlement Funding Assessment; Budget Pressures; Budget Growth; Savings & Efficiencies, Potential council tax levels and future challenges.

The main elements from the Settlement were; the confirmation of continuing cuts to the Revenue Support Grant (RSG); Core Spending Power updates, a new methodology for the distribution of the New Homes Bonus (NHB), part of this being a reduction in backdated payments from 6 years to 4 years in 2017/18; details about the adjusted business rates baselines, tariffs and top ups; confirmation of the availability of a £5 council tax increase for District Councils. No update was available on the consultation findings for the 100% Business Rate Retention (BRR) at this stage but further information was expected in 2017.

Members were shown graphs outlining the projected reduction in funding from £28.1bn down to £17.2bn over the period 2012/13 to 2019/20; the shift in funding from Districts; CLG Council Tax Base assumptions; Settlement funding assessments; Budget Assumptions and Savings, Efficiencies and Income Generation.

A reduction of £241m was forecast nationally in New Homes Bonus (NHB) Funding allocation for 2017/18 from £1,493m to £1,252m. For 2017/18 onwards only growth above 4% would attract New Homes Bonus (NHB) payments and there would be a move to year payments for both existing and future NHB allocations for 2017/18 and then to 4 years from 2018/19. Adjustments to the baseline could be made by the Government in future years to reflect significant and unexpected housing growth.

Members were updated with budget proposals information for 2017/18 including potential areas for growth. It was referenced that any increase in Council Tax would contribute towards offsetting the loss of Revenue Support Grant (RSG) and help support investment in additional green waste collections, town centre cleansing, Local Plan, festival funding and further investment in the Community Fund.

In conclusion Members were reminded of the future challenges ahead such as business rate appeals, 100% Business Rates retention by 2020; Council Tax base growth, national economic cycle outside the control of the Council; further changes to the NHB baseline growth and the need to have a strong and sustainable local economic growth.

**Action point:**

The PDG noted the information presented in respect of the settlement.

#### **54. ASSET STRATEGY- VISION AND ASSET CHALLENGE**

The Executive Manager Property presented report RIM365 on the Asset Strategy, Vision and Asset Challenge. PDG Members were being asked to note the contents of the report and provide feedback and views on an Asset Vision, and on the asset challenge in terms of the scoring methodology and matrix.

Members were informed that the current Vision Statement was focused on operational assets and that the current adopted Property Asset Strategy was due to expire in 2017. With the new Corporate Plan having come into force in 2016 and the current Property Asset Strategy due to expire this year an opportunity was available to formulate a new Vision that would reflect the current objectives and wider ambitions for the future.

It was noted that 3.1.1 to 4.2.5 of the report set out the growth plans in line with the Council's Corporate Plan 2016 – 2020 and highlighted the Council as being "Open for business" and "Commercially and Customer Focused". These outcomes were key to the future asset strategy and for focusing a vision for the property assets going forward.

Section 5 of the report referred to the challenges on all assets including operational properties and investment properties held in the Council's portfolio. The aim was to re-balance the asset portfolio through disposals of under-performing assets and invest into more prime assets that may have the potential to generate a more healthy return to support service delivery.

This provided an opportunity to move from the historic legacy of current property holdings and transform and modernise the asset portfolio. Reassessing the asset management along with combined reinvestment could be an important component in improving the asset performance, balance, and growth and sustainability of income and overall performance of the portfolio moving forward.

The Report contained information to help inform a debate about the asset vision for the revised Property Asset Strategy, post 2017, which would set a direction and context when formulating the Strategy. It was anticipated that the revised Vision would incorporate the principles to be adopted and contain an Asset Management Plan that set out how property asset management would be delivered along with an action plan that would provide clear and measurable actions that could be implemented.

Formulating a Vision and what went into it would need to include a number of appropriate key words or phrases. It was suggested that the Vision should enable a long term strategic vision, deliver corporate objectives, and set a direction for the asset portfolio. With a view to the Council owning, occupying or

using properties that empowered excellent performance in the delivery of its services and Corporate Plan themes on behalf of its residents, businesses and visitors. This could include co-location with other external organisations. Examples of how the Performance Criteria Scoring Matrix had been applied were provided.

The Executive Manager Property described opportunities that the current vision statement had created and had been acted upon. These included the Customer Access point and Library at Bourne, South West Lincolnshire Clinical Commissioning Group and their support contractor collocating at St Peters Hill Grantham, The current opportunity was with the DWP and Members were asked if they had a view about that possible co-location.

Members discussed the issues regarding the property at Broad Street, Stamford; whether the adoption of a “Vision” would prevent similar issues from occurring again; whether all three PDG’s should be considering this issue; the robustness of the weighting selection; whether there would be opportunities to increase the Council’s assets; ensuring that the decision process for disposing of assets, such as public toilets, was transparent; the role of the Executive in respect of decisions on Assets, the need to ensure that the criteria was in place for considering such issues and whether this document would provide that guidance; that the Constitution provided guidance on who could make decisions on the disposal of assets.

**Action Points:**

- a) That the Resources PDG note the contents of the report, and
- b) That Members at a future meeting are provided with information on the Council’s current asset portfolio and a summary providing them with an understanding of why those assets are held.

**55. WORK PROGRAMME**

**Local Pay Scheme Policy Review**

The Executive Manager Commercial informed Members that Council’s local collective agreement for cost of living pay awards had been reviewed, and that a new simplified form of words had been agreed with and signed off by the Unions which would give greater flexibility in determining our own local pay. The changes to the Collective Agreement would need to be approved by Council.

Members were being asked to consider forming a working group to review the mechanisms by which the Council’s cost of living pay awards could be determined. The remit of the working group would be to consider the criteria that could be applied, and the approval route and mechanisms that would be necessary for the local determination of the Council’s cost of living pay award

each year.

It was noted there was a time constraint in respect of ensuring this Scheme was included in the start of the budget setting process in September 2017.

**Action Note:**

That a working group be arranged between May and July 2017 to review the Local Pay Scheme Policy.

**56. CLOSE OF MEETING**

The meeting closed at 16.20.



*Your council working for you*

# **People and Organisational Development Strategy 2017-2020**

Resources PDG

16<sup>th</sup> March 2017



*Your council working for you*

# Background

People Strategy 2013-2016 key successes:

- Updating all policy/procedure to ensure fit for the future in terms of flexibility of resources and the way we work
- Introduction and completion of Talent Management Programme
- Strengthening of employee engagement and internal consultation through staff conferences, Joint Staff Consultative Committee and Employee Forum
- Embedded values and behaviours through job descriptions, recruitment and selection procedures and annual appraisal



# Background

- Leadership Development – SMT, Executive Managers and Business Managers
- Learning and Development Programme across the organisation
- Introduced non financial rewards for staff i.e. cycle scheme, computer scheme
- Established well-being group, trained champions, introduced and facilitated activities throughout the year, well being week, walks, pedometer challenge, health checks, eye tests etc.



# People and Organisational Development Strategy 2017-2020

The new People and Organisational Development Strategy will build on the work of the previous strategy and serve to deliver a flexible, innovative organisation that has the skills, resilience and motivation to deliver and achieve the Council's business objectives.



# Outcomes to be achieved

- The right organisational culture, that supports the delivery of the corporate plan
- Clearly defined values in place
- Clear ownership of the strategy, values and behaviours
- Employees feel valued and understand what the organisation is doing, and how they contribute
- Roles are built around purpose and the Customer, focusing on the Councils priorities
- A new Performance Framework

# The Journey :

- So far the strategy incorporates the discussions and feedback from :
  - Wider discussions with SMT, Executive Managers and Business Managers
  - Wider discussions with a cross-section of colleagues from all service areas
  - Staff “Discovery” sessions



## Outcomes of consultation so far:

- After undertaking a review of all the feedback and comments several themes came out:
  - Strategy – buy in/embedded/annual
  - Customers
  - Leadership
  - Skills
  - Values and Behaviours
  - Communication and Engagement

# Themes of the People and OD Strategy

- **Theme One : Right people, excellent skills, right culture**
  - Workforce planning
  - Flexible recruitment processes
  - Succession planning
  - Effective Induction
  - Opportunities for development
  - Employee Performance Management

# Themes of the People and OD Strategy

- **Theme Two : Engaging and valuing our people in order to run our business effectively**
  - Effective consultation and involvement
  - Staff inclusion
  - Clear direction
  - Regular and constructive feedback
  - Achievement recognised and celebrated
  - Effective communications
  - Effective policy and procedures



# Themes of the People and OD Strategy

- **Theme Three : Effective leadership to inspire and navigate change**
  - Clear expectations of leaders/managers
  - Clear expectations of employees
  - Managers communicate change
  - Manages lead/manage change effectively
  - Coaching/mentoring
  - Showcasing/sharing best practice



*Your council working for you*

## **Views/thoughts/comments**

Resources PDG

7<sup>th</sup> April 2016



*Your council working for you*

## REPORT TO RESOURCES PDG

**REPORT OF: CORPORATE FINANCE MANAGER**

**REPORT NO: CFM415**

**DATE: 16th March 2017**

<b>TITLE:</b>	<b>REVIEW OF DISCRETIONARY FEES AND CHARGES</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	None	
<b>EXECUTIVE MEMBER: NAME AND DESIGNATION:</b>	Councillor Terl Bryant Finance and ICT Executive Member	
<b>CONTACT OFFICER:</b>	Richard Wyles, Corporate Finance Manager <a href="mailto:r.wyles@southkesteven.gov.uk">r.wyles@southkesteven.gov.uk</a> Tel: (01476) 406210	
<b>INITIAL IMPACT ANALYSIS:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
<b>Equality and Diversity</b>		No
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	Resources PDG 8 <sup>th</sup> November 2016 <a href="http://moderngovsvr:8080/ieListDocuments.aspx?CId=495&amp;MId=3339&amp;Ver=4">http://moderngovsvr:8080/ieListDocuments.aspx?CId=495&amp;MId=3339&amp;Ver=4</a>	

### 1. RECOMMENDATION

Resources PDG is asked to commence the review of discretionary fees and charges in accordance with the PDG work plan for 2017/18.

### 2. PURPOSE OF THE REPORT

- 2.1 At the meeting on 8<sup>th</sup> November 2016 Resources PDG considered a new methodology for setting discretionary fees and charges to be considered from 2018/19. This report sets out the rationale and methodology to be considered for establishing fee levels going forward.
- 2.2 The main focus of this report is in respect of discretionary charges, i.e. where there is no statutory fee setting process already established.

### **3. BACKGROUND & CONTEXT**

- 3.1 The Council provides a wide range of services for which it is able to make a charge – either statutory (set by the Government) or discretionary (set by the Council). The focus of the review is on the discretionary charges through a planned programme of work. By definition, these are for discretionary services where local authorities can make their own decisions on setting the level of charges or indeed whether charges should apply. Accordingly, when setting these fees and charges, the Council’s approach should be clear and in line with the principle established in the recently updated Medium Term Financial Strategy (MTFS):

*“Fees and charges should be reviewed annually and changes should have regard to the priority outcomes.”*

### **4. DETAILS OF REPORT**

- 4.1 Resources PDG recommended at the meeting on 8 November a suggested approach to reviewing charges going forward which is fundamentally based on aligning the service to agreed outcomes. The proposed methodology is to consider the context in which the service is provided and the outcomes it delivers and how charges contribute towards them being achieved. It should also consider whether the charges should be based on the principle of user pays or whether a subsidy level should be considered and what that level should be in financial terms.

As the Council is becoming commercially focussed and operating in a business-like way it is necessary to consider charges in a way that supports this ethos by stimulating demand and encouraging participation. It is also appropriate to consider competition, market and customer segmentation, any limitations of contributions to fixed costs as factors to take into consideration when reviewing fees and charge levels. Fees and charges can also be used strategically to encourage behavioural changes which can support delivery of the corporate priorities.

Therefore, it is suggested that charges be reviewed using the criteria set out below:

- The relative contribution towards the priorities of the council
- The basis on which fees should be set - consider whether the fees should be set at a cost recovery level or a subsidy level (i.e. a proportion of the cost is recovered from the users of the service and the remainder of the unrecovered cost is met by the tax payer).
- Benchmarking information, where possible, of similar charges for comparable authorities/service providers
- Demonstrable link between the charge and the cost of providing the service

- 4.2 The PDG agreed to the following fees and charges being reviewed in this way and a workshop will be established to consider markets and bus station. Other charges will be considered during the year with the objective of completing the review in readiness for the budget proposals for 2018/19.

<b>Business Area</b>	<b>Charging Category</b>	<b>Priorities</b>	<b>Current Charging Principle</b>
Car Parks	Discretionary - traffic management	Growth	Generate a surplus to re-invest into town centres
Bus Stations	Discretionary	Growth	Subsidy/Partial Cost Recovery
Markets	Discretionary	Growth	Subsidy/Partial Cost Recovery
Arts Centres & Corn Exchange	Discretionary - Income Generation	Culture	Subsidy/Partial Cost Recovery
Outdoor Recreation	Discretionary	Environment	Subsidy/Partial Cost Recovery
Hackney Carriage & Private Hire	Discretionary	Environment	Full cost recovery
Cycle Centre	Discretionary	Environment	Subsidy/Partial Cost Recovery
Building Control	Discretionary - Chargeable and Non Chargeable Service	Housing	Surplus on chargeable service
Leisure Centres & Sports Stadium	Discretionary	Culture	Fees set by contractor and Authority
Green Waste, bin replacement & bulky waste	Discretionary - service user pays	Environment	Full cost recovery
MOT Testing	Discretionary - based on VOSA recommended fees	Environment	N/a
Other Licences – animal licences, sex establishments, street trading	Discretionary	Environment	Full cost recovery
Grantham Cemetery	Discretionary	Environment	Full cost recovery
Land Charges	Discretionary	Housing	Full cost recovery
Neighbourhoods	Discretionary	Environment	Partial Recovery
HRA – Community Rooms	Discretionary	Housing	Partial Recover
Environmental Health	Discretionary	Environment	Full cost recovery
Pre-Planning Charges	Discretionary	Housing	Subsidy/Partial Cost Recovery

## **5. OTHER OPTIONS CONSIDERED**

5.1 None at this stage of the review.

## **6. RESOURCE IMPLICATIONS**

6.1 The fees and charges are compiled as part of the budget setting process.

**7. RISK AND MITIGATION**

7.1 N/A

**8. ISSUES ARISING FROM IMPACT ANALYSIS**

8.1 This will be considered as part of the introduction of any changes in fees and charges.

**9. CRIME AND DISORDER IMPLICATIONS**

9.1 None

**10. COMMENTS OF FINANCIAL SERVICES**

10.1 Financial considerations are included in the report.

**11. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

11.1 The Executive has the power to charge for the delivery of discretionary services in accordance with s.93 of the Local Government Act 2003. The power to charge is available provided taking one financial year with another the income received from charges does not exceed the cost of the provision of the service.

**12. COMMENTS OF OTHER RELEVANT SERVICES**

12.1 None

**13. APPENDICES:**

13.1 N/a

## REPORT TO RESOURCES PDG

**REPORT OF: CORPORATE FINANCE MANAGER**

**REPORT NO: CFM410**

**DATE: 16<sup>th</sup> March 2017**

<b>TITLE:</b>	<b>Financial Report for 2016/17– Qtr 3 Forecast Monitoring Information</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	None	
<b>EXECUTIVE MEMBER: NAME AND DESIGNATION:</b>	Councillor Teri Bryant Executive Member Finance and IT Councillor Linda Wootten Executive Member Housing	
<b>CONTACT OFFICER:</b>	Richard Wyles- Corporate Finance Manager Tel: 01476 406210 Email: <a href="mailto:r.wyles@southkesteven.gov.uk">r.wyles@southkesteven.gov.uk</a>	
<b>INITIAL IMPACT ANALYSIS:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
<b>Equality and Diversity</b>	N/A	No
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	CFM397 – Qtr 2 Forecast Monitoring Information CFM381 – Qtr 1 Forecast Monitoring Information CFM377 – April & May Monitoring Information CFM358 – Determination of Budget 2016/17 The above reports can be located by putting the reference number in the search section of the committee website via the link below: <a href="http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1">http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1</a>	

### 1. RECOMMENDATION

- 1.1 Members are asked to review the comments and figures contained in this report and identify any variances that require further action.

## 2. PURPOSE OF THE REPORT

2.1 In order to ensure effective budget management it is important that the members are updated with budget monitoring information and are kept informed of the financial position. The report provides a summary of the forecast outturn position as at the end of Quarter 3 against annual budget for 2016/17 for the following areas:

- General Fund Revenue Budget
- Housing Revenue Account Budget
- Capital Programmes – General Fund and HRA

2.2 Forecast outturn work is undertaken on a quarterly basis by the business areas in order to anticipate the outturn position. This process enables options to be considered in respect of the spending proposals for the remainder of the year or alternatively it is used to identify emerging financial issues that can then be investigated and mitigating actions put in place.

## 3 DETAILS OF REPORT

### General Fund Revenue Budget

3.1 The budget requirement for 2016/17 was set at £12.403m. The budget is adjusted in year to allow for budget virements, creation of set-asides and centralisation of key budget headings. The updated position is outlined in the table below in the 'Adjusted Budget' column.

3.2 The forecast outturn for 31<sup>st</sup> March 2017 as at quarter 3 shows projections of a £350K variance at 'net cost of services'. This figure is after taking into consideration the workforce efficiency target being met. For 2016/17 this is £360K. The information is summarised by priority area in Table A and Graph A below.

<b>TABLE A – GENERAL FUND REVENUE POSITION</b>				
<b>Budget Area</b>	<b>Annual Budget £'000</b>	<b>Adjusted Budget (i) £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>
Growth	523	445	477	32
Environment	6,379	6,345	6,212	(133)
Culture	2,885	2,826	3,018	192
Housing	1,088	992	928	(64)
Corporate	4,551	4,818	4,441	(377)
<b>Net Cost of Services</b>	<b>15,426</b>	<b>15,426</b>	<b>15,076</b>	<b>(350)</b>
Reserves & Grants	(553)	(553)	(632)	(79)
Interest Payable & Receivable	(173)	(173)	(167)	6

Capital Charges	(2,869)	(2,869)	(2,869)	0
Revenue Contribution to Capital (ii)	500	500	500	0
Allocation of Parish Grants	72	72	72	0
<b>Total</b>	<b>12,403</b>	<b>12,403</b>	<b>11,980</b>	<b>(423)</b>

(i) Adjusted budgets are amended throughout the course of the financial year due to the centralisation of budgets, budget virements and for set-asides agreed at year end.

3.3 The main factors impacting on the forecast variance position are outlined in Table B below.

	<b>TABLE B – GENERAL FUND VARIANCE ANALYSIS</b>	<b>Forecast Variance £'000</b>
<b><u>Priority</u></b>	<b><u>Budget Pressures</u></b>	
Culture	Bourne Core Area – Non domestic rates are payable for 3 vacant retail units.	25
Culture	Leisure Centres – Profiling of the capital repayment for the gym investment at the Meres Leisure Centre has been revised and will therefore be recoverable in future years.	15
Culture	Property Investment Strategy – Due to the current lack of commercial investment opportunities that meet the Councils requirements, it is not anticipated that any investment property income will be received in 2016/17.	200
Growth	Planning Policy – Government grants in respect of designation receipts have been currently deferred. Receipts will therefore not be available in 2016/17. This has been reassessed and budgeted for in future years.	20
Growth	Grantham Market – A reduction of traders for both stalls and pitches of 4 per week has continued during the year.	15
Growth	Car Parks – A temporary contract change in enforcement arrangements and supervisory costs has resulted in a forecast over spend pending completion of a tendering exercise by Procurement Lincolnshire	25
Growth	Planning – Potential consultancy costs required upon receipt of a major planning application resulting in increased expenditure**	60
<b><u>Priority</u></b>	<b><u>Savings &amp; Efficiencies</u></b>	
Environment	Fuel – There has been no increase to the fuel duty during the year which is resulting in a	(60)

	forecast saving of (£60K).	
Environment	Flood Prevention – Programme of works for 2017/18 has been delayed during a review of the service. The works will be undertaken in 2017/18	(40)
Housing	Homelessness – Preventative measures are being undertaken which is reducing the need for emergency accommodation.	(16)
Corporate	Empty Homes – This review has been undertaken utilising internal resources rather than procuring external support	(30)
Corporate	ICT – There has been a reduction in the agency requirements covering employees on secondment of (£45K)*	(45)
Corporate	Community Fund – Based on the current level of applications, the projected level of funding required for 2016/17 of £200K will be reduced.	(50)
Corporate	Centralised - In year savings of (£25K) have been made for advertising and postage costs	(25)
	<b><u>Additional Income</u></b>	
Growth	Car Parks – There is an overall increase in income following an improvement in ticket sales resulting in a forecast increase of (£57K). Due to the revised approach to the St Peter’s Hill development, additional income is forecast for St Catherine’s Road car park (£5K).	(62)
Growth Corporate	Other Income – External support is being provided to other local authorities including leisure centre inspections, conservation and planning policy which is forecast to achieve additional income of (£53K).	(53)
Environment	Green Waste Collection –Additional income is being forecast following a review of the collection fee, with 26,179 households renewing their subscription and 1,122 new households joining the service.	(80)
Culture	Arts Centres – Advertising sponsorships have been received for both locations in year.	(16)

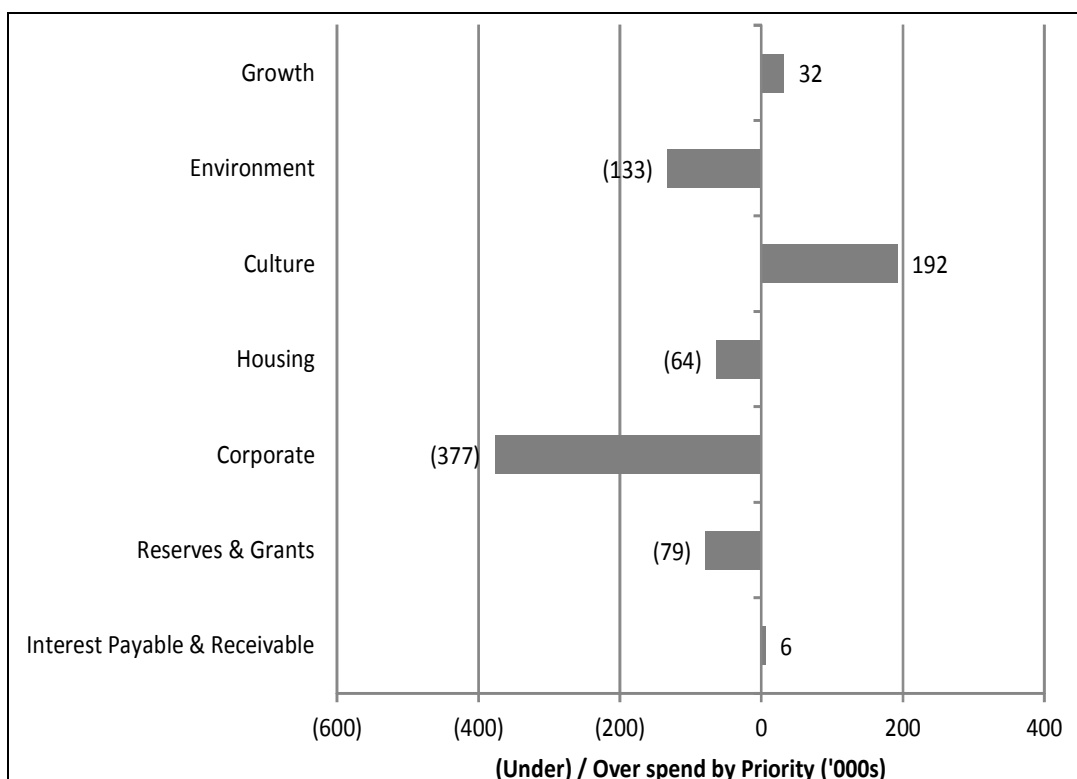
*\*These are funded by reserves so the reserve will be topped up.*

*\*\*This is a potential pressure depending on matters arising from the application.*

3.4 Reserves & Grants – Forecast variances are adjusted to match variances within the priority headings.

- 3.5 The following graph illustrates by priority area the Quarter 3 forecast variance position. Under spends are shown to the left of the centre line, over spends are shown to the right.

**Graph A: General Fund Revenue Budget – Quarter 3 Forecast Variance**



- 3.6 Further detail on the general fund significant income streams can be found in Table C below;

<b>TABLE C – GENERAL FUND SIGNIFICANT INCOME STREAMS</b>			
<b>Significant Income Stream</b>	<b>Annual Budget</b>	<b>Forecast Outturn</b>	<b>Forecast Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Land Charges	(230)	(232)	(2)
Development Management	(892)	(892)	0
Guildhall Arts Centre	(279)	(288)	(9)
Stamford Arts Centre	(738)	(770)	(32)
Bourne Market	(21)	(21)	0
Grantham Market	(78)	(63)	15
Stamford Market	(168)	(168)	0
Grantham Car Parks	(516)	(531)	(15)
Stamford Car Parks	(695)	(742)	(47)
Investment Property Income	(200)	0	200
Licensing	(287)	(282)	5

Commercial Waste Income	(35)	(35)	0
Green Waste Collection	(870)	(950)	(80)
<b>TOTAL</b>	<b>(5,009)</b>	<b>(4,974)</b>	<b>35</b>

The projected variance of £350K will be utilised to support funding of the Council's priorities either by increasing the revenue contribution to the capital expenditure or providing set-a-sides and reserves to fund specific projects. This will be assessed and considered in conjunction with the year end outturn for 2016/17.

### Housing Revenue Account Budget

- 3.7 The original budget for 2016/17 was set at a surplus for the year of £7.917M. The budget is adjusted in year to allow for budget virements, creation of set-asides and centralisation of key budget headings. The updated position is outlined in the table below in the 'Adjusted Budget' column.
- 3.8 The forecast outturn position as at 31st December 2016 shows projections of a net surplus of £1.053M. The information is summarised in Table D and Graph B below.

<b>TABLE D – HOUSING REVENUE ACCOUNT POSITION</b>				
<b>Description</b>	<b>Annual Budget £'000</b>	<b>Adjusted Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>
Income	(26,167)	(26,167)	(26,085)	82
Expenditure	15,378	15,864	14,341	(1,523)
Interest Payable & Similar Charges	3,089	3,089	3,089	0
Interest & Investment Income	(217)	(217)	(171)	46
Workforce Efficiency Target	0	(113)	0	113
Set - Asides	0	(373)	(144)	229
<b>Deficit/ (Surplus)</b>	<b>(7,917)</b>	<b>(7,917)</b>	<b>(8,970)</b>	<b>(1,053)</b>

- 3.9 The main factors impacting on the forecast variance position are outlined in Table E below.

<b>TABLE E – HRA VARIANCE ANALYSIS</b>
<b>Income</b>
<b>Dwelling Rents - £137K uncollectable rental income has been written off so</b>

far this year with a forecast of £200K to be written off by 31st March 2017. The forecast rental reduction has been offset against increased rental income due to a lower void rate (now 1%) (£131K)

## **Expenditure**

**Employee Expenses** - There are continuing vacancies in Property Development following a staffing restructure and savings within Repairs resulting in a forecast under spend of (£152K). There are also forecast under spends in housing management (£40K) These will be offset against the workforce efficiency target.

**Structural improvements** – These are reactive and the forecast has been reduced (£50K) due to the reduced number of structural works enquiries in year.

**Wall Finishes & Flat Roofs** – There is a forecast under spend due to a reduced number of completions achievable by year end (£106K).

**Major void refurbishments** – There have been less properties becoming void this year resulting in a forecast saving of (£118K).

**Sound insulation** – The set aside (£103K) is not required as expenditure can be contained within this year's annual budget. There is also a forecast saving of (£96K) on the budget this year due to a limited number of properties becoming void to enable work to proceed.

**Disability Discrimination Act Work** – There is a forecast saving of (49K) due to limited works arising from DDA surveys.

**Annual Service Of Fire Alarms** – There is a saving of (27K) as the cost of this is met from within communal facilities. This budget has been removed in 2017/18.

**Smoke Heat & Co Detectors** - The set aside (£126K) is not required as expenditure can be contained within this year's annual budget.

**Insulation** – There is a forecast under spend of (£65K) due the contract being re-procured during 16-17 due to previous poor performance resulting in delayed start.

**Asbestos Removal** – There is a forecast under spend (£70K) due to reduced volume of work required on improvement and voids properties in year.

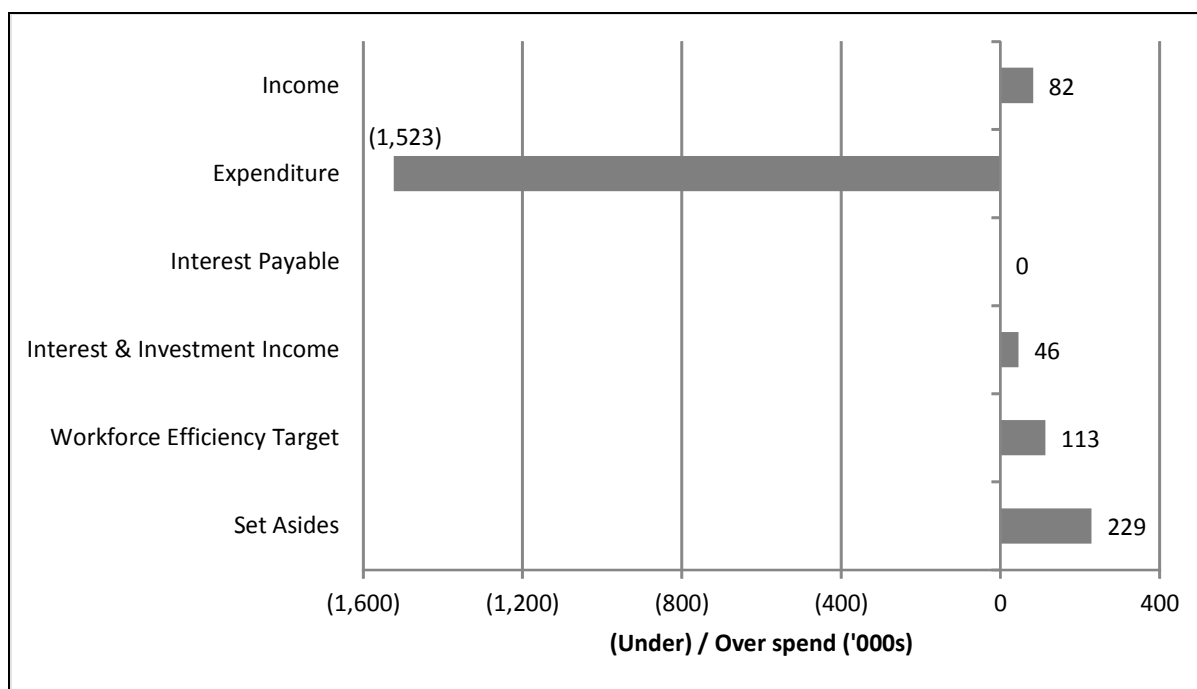
**Disabled adaptations** – The forecast has been reduced (£250K) in line with current levels of demand for this service.

**Utility Costs at sheltered schemes** – There is a forecast under spend of (£30K) on gas due to the milder winter.

**Repairs refuse collection** – There is a forecast under spend (£16K) due to a reduction in skip hire. The budget has also been reduced in 2017/18.

3.10 The following graph illustrates the Quarter 3 forecast variance position.

**Graph B: Housing Revenue Account Budget – Quarter 3 Forecast Variance**



### Capital Programmes

- 3.11 The capital programmes include a number of significant capital projects for 2016/17. The original budget for General Fund Capital Programme was set at £11.802M and the HRA Investment Programme was set at £9.700M. The original budget remains unchanged.
- 3.12 The financial position as at 31st December 2016 shows a forecast variance of (£9.465M) on the General Fund Programme and (£3.642M) on the HRA Investment Programme. The information is summarised in Table F and Graph C below;

<b>TABLE F – CAPITAL PROGRAMMES</b>				
<b>Programme</b>	<b>Annual Budget £'000</b>	<b>Adjusted Budget* £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>
General Fund	11,418	11,802	2,337	(9,465)
HRA Investment	9,257	9,700	6,058	(3,642)
<b>Total</b>	<b>20,675</b>	<b>21,502</b>	<b>8,395</b>	<b>(13,107)</b>

\*Annual Budget has been adjusted for approved slippage from 2015-16.

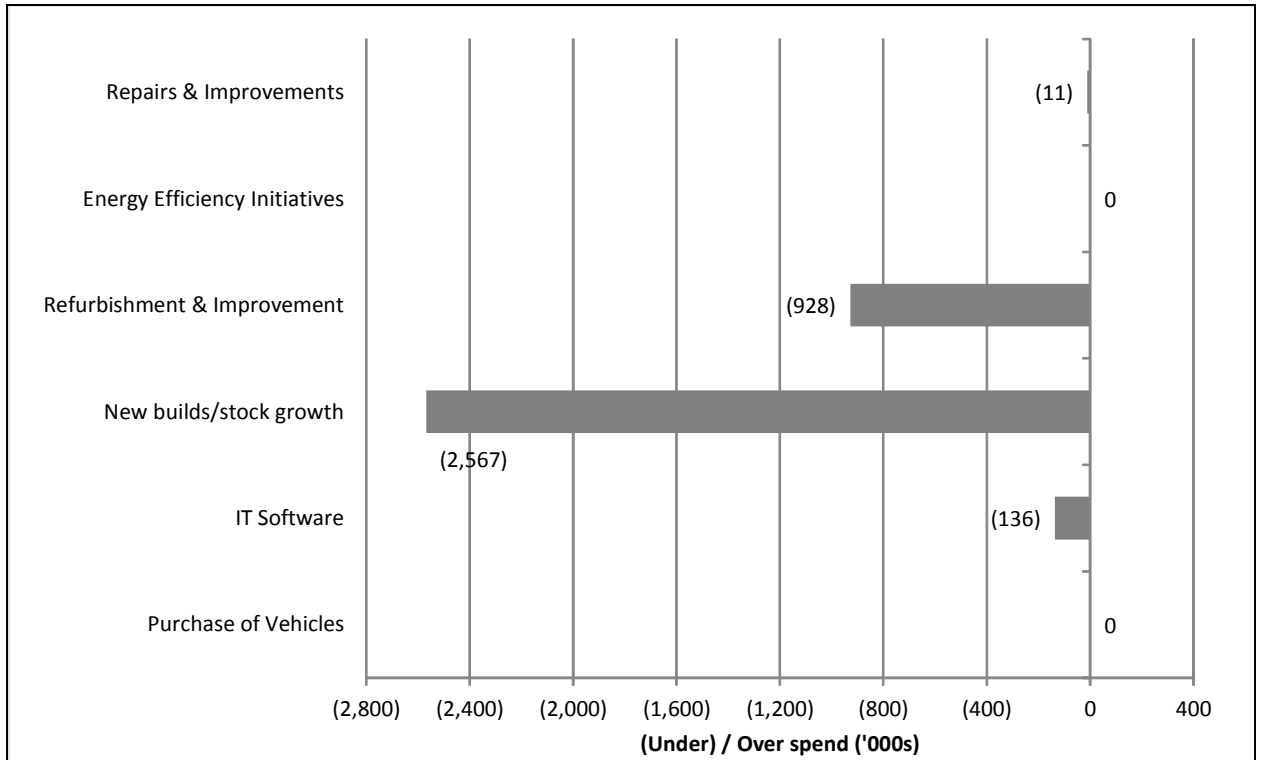
- 3.13 The main factors impacting on the Quarter 3 forecast variance position are outlined in Table G below. These areas represent the key headings and

are not intended to balance to the overall forecast variance shown in Table F due to a number of small variances across schemes which are not materially significant.

<b>TABLE G – CAPITAL - KEY FORECAST VARIANCE INFORMATION</b>
<b>GENERAL FUND</b>
<p><b>Growth - St. Peter's Hill Development</b> - Due to further specialist advice being taken and a revised approach being identified as part of an over-arching ambition of creating a highly attractive sub regional leisure destination and cultural offer to Grantham this project has been delayed (£4.529M).</p> <p><b>Property Investment Strategy</b> – There is a forecast under spend due to the current lack of commercial investment opportunities that meet the Councils requirements. (£5M)</p>
<b>HOUSING INVESTMENT PROGRAMME</b>
<p><b>IT Software</b> – The repairs vehicles management system is no longer being purchased as the units are now being rented (£50K). The Customer Relationship Management system expenditure profile has changed over stages 1 &amp; 2 resulting in a saving to the HRA (£86K).</p> <p><b>Refurbishment &amp; Improvement – External Wall Insulation</b> There is a forecast under spend due to delays in completing new contracts (£758K).</p> <p><b>Refurbishment &amp; Improvement – Rewires</b> There is a forecast under spend due to the testing programme identifying reduced numbers of dwellings (£170K).</p> <p><b>Stock Growth &amp; Acquisitions.</b> There is a forecast under spend in year based on current known estimated buy backs, conversions &amp; land purchases (£1.554M).</p> <p><b>New Build Properties</b> – There is a forecast under spend due to delays in starts on site. (£1.013M).</p>

3.14 The following graph illustrates the Quarter 3 forecast variance position for the Housing Investment programme.

**Graph C: Housing Investment Programme – Quarter 3 Forecast Variance**



**4. OTHER OPTIONS CONSIDERED**

None applicable

**5. RESOURCE IMPLICATIONS**

None applicable

**6. RISK AND MITIGATION**

None applicable

**7. ISSUES ARISING FROM EQUALITY IMPACT ANALYSIS**

None applicable

**8. CRIME AND DISORDER IMPLICATIONS**

None applicable

**9. COMMENTS OF FINANCIAL SERVICES**

Financial considerations are included in the report.

**10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

As part of good governance it is important members are kept updated in respect of the financial position of the Council expenditure during the course of the year.

**11. COMMENTS OF OTHER RELEVANT SERVICES**

None applicable

**12. APPENDICES:**

None

## REPORT TO RESOURCES P.D.G.

**REPORT OF:     CORPORATE FINANCE MANAGER**

**REPORT NO:     CFM414**

**DATE:            16<sup>TH</sup> MARCH 2017**

<b>TITLE:</b>	Review of Commercial Property Investment Strategy	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	Key Decision	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Councillor T Bryant – Executive Member Finance & ICT	
<b>CONTACT OFFICER:</b>	Richard Wyles – Corporate Finance Manager <a href="mailto:r.wyles@southkesteven.gov.uk">r.wyles@southkesteven.gov.uk</a> 01476 406210	
<b>INITIAL IMPACT ANALYSIS:</b>  Equality and Diversity	Carried out and Referred to in paragraph (7) below	Full impact assessment Required:
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	Executive meeting 7 <sup>th</sup> December 2015  <a href="http://moderngovsvr:8080/ieListDocuments.aspx?CId=164&amp;MId=3194&amp;Ver=4">http://moderngovsvr:8080/ieListDocuments.aspx?CId=164&amp;MId=3194&amp;Ver=4</a>	

## **1. RECOMMENDATIONS**

Resources PDG is asked to review the proposed changes to the commercial asset strategy and to recommend it to the Executive for approval.

## **2. PURPOSE OF THE REPORT**

The commercial property investment strategy is focussed on identifying and securing investment opportunities in any business sector in order to secure a financial return. This initiative is a significant contributor to the Council's response to the funding challenges that lie ahead and to maximise the Council's financial headroom.

An investment has been established and meets regularly to consider and review opportunities for potential investment. Given the limited number of potential investments that been able to be considered, the opportunity has been taken to re-assess the investment strategy and consider amendments to the criteria to enable a wider range of opportunities to be considered.

## **3. DETAILS OF REPORT**

The investment strategy was developed by Resources PDG and approved by the Executive in December 2015. At the time of its formation, the criteria proposed was reflective of the economic conditions prevailing at the time. Specifically the target yields were set that were appropriate for the commercial market and the borrowing costs (should borrowing be undertaken) at that time.

Since its approval, a number of opportunities have been identified but, to date, it has not been possible to secure any investments due to the variations in meeting the current criteria. The main difficulties in identifying opportunities that fully meet the criteria have been the target yield (financial return) and suitable location of the investment. There have also been some concerns regarding the incumbent tenant and the suitability of their use of the asset.

Therefore it is timely to review the strategy and to recommend some modifications that address the criteria constraints and the suggested amended strategy is shown at Appendix A. Specifically in response to the reduction in base rates, the target yield has been reduced and the geographical location has been increased in order to maximise the opportunities. For ease of reference the current strategy is also provided and is at Appendix B.

Members of Resources PDG are asked to consider the suggested amendments and should these be supported then the strategy will be presented to the Executive for their approval.

## **4. OTHER OPTIONS CONSIDERED**

The strategy can remain unchanged but the outcomes may not be achieved.

## **5. RESOURCE IMPLICATIONS**

Budgetary provision is included in the budget framework for 2017/18.

**6. RISK AND MITIGATION**

Risk has been considered as part of this report and any specific high risks are included in the table below:

<b>Category Risk</b>	<b>Action / Controls</b>
Financial Risk	Implementation of updated strategy to increase the opportunities for commercial investment

**7. ISSUES ARISING FROM IMPACT ANALYSIS**

N/a

**8. CRIME AND DISORDER IMPLICATIONS**

N/a

**9. COMMENTS OF FINANCIAL SERVICES**

These are included in the report.

**10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

- 10.1** S.12 of the Local Government Act 2003 provides the Council with authority to invest for any purpose relevant to its functions or for the purposes of prudent management of its financial affairs.

**11. COMMENTS OF OTHER RELEVANT SERVICES**

None

**12. APPENDICES:**

- Appendix A – propped amended strategy
- Appendix B – current strategy

## SOUTH KESTEVEN – Commercial Property Investment Strategy

March 2017

### **Background**

As an integral part of the Council's approach to maximising financial resources to deliver its outcomes, this strategy sets out a framework in order to make investments in property to increase its revenue streams. The strategy adopted should reflect a suitable balance between the risks inherent in the types of property to be acquired and the financial rewards obtainable from those investments, limiting such risks appropriately. In addition, the portfolio of properties being acquired should be diversified in order to spread risks via a balanced portfolio, such diversification principally being across geographical location and the use type of properties held.

The investments are to be made using capital from the General Fund into which the resulting rental revenue streams will flow. Any capital receipts arising from subsequent sales will also be returned to the General Fund for use into further capital investment.

**Objective:** to provide income from commercial opportunities with a minimum income return over the medium-term of 5.5% - 7.0% on capital invested, through a balanced strategy of acquisition, retention and management of good quality commercial investments. Long-term [retention/growth] of capital values is also a key objective.

**The objective is specifically to acquire income-producing commercial properties in order to enhance Council revenue streams as opposed to making investments in potential development sites, development or re-generation schemes within the district. These types of development are a distinct activity with very different risks and financial considerations which are not within the scope of this strategy.**

### **Performance measurement**

The financial performance of the commercial property investments portfolio will be measured and reported on an annual basis. Performance measurement will be based on annual external revaluations of the properties. Reports will be presented to the Executive including analysis of the performance with a view to making recommendations concerning amendments or alterations to the adopted strategy to ensure that the main objectives continue to be achieved. Suitable benchmarking may be established so that the performance of the commercial property portfolio may be measured against a suitable peer group or against nationally reported indices of property investment performance.

In the event of a failure to achieve the performance targets in the case of individual assets, the business plan for the commercial property will be reviewed and amended as necessary to address the underperformance noted, or alternatively the asset can be disposed of.

**Scope:** The proposed quantum of investment is a capital allocation of £5 million from the General Fund with subsequent annual allocations of further tranches thereafter, subject to annual performance reviews of the portfolio and the adopted strategy.

It is suggested that the geographical spread of acquisitions is to encompass the East Midlands and South Yorkshire including (but not limited to) Lincolnshire, Nottinghamshire, Leicestershire, Northamptonshire, Rutland and Cambridgeshire.

**Strategy:** To continue the review of the Council's existing asset portfolio.

The strategy to be adopted should include restructuring and rebalancing of the existing portfolio to achieve a satisfactory spread of properties through the main use sub-sectors (Retail; Offices; Industrial/Warehouse); enhancing the portfolio income levels through disposal of lower-yielding assets and reinvestment in a properly risk-controlled manner in higher yielding properties without introducing unjustified increased risk into the portfolio.

Achieving a spread of risk across a greater number of assets and by acquiring properties across the range of different commercial property asset classes, namely retail, leisure, office and industrial, is to be a fundamental objective of the proposed investment strategy. Whilst the portfolio remains relatively small, rigid target percentages for the main commercial property sub-sector allocations are not appropriate. It is suggested that investment is spread initially in approximately equal proportions across the three main sub-sectors, namely retail/leisure, offices and industrial/warehouse.

#### **Minimum and maximum yield**

Acquisitions of assets are targeted at a minimum yield of 5.5% and maximum yield of 10.0%. Assets producing initial yields in excess of 10.0% are likely to exhibit high risk characteristics, such as very short unexpired leases, or financially weak or insubstantial tenants, or obsolete buildings.

#### **Sector spread**

Many good quality commercial property investments across the office and industrial sub-sectors will provide an income return of 6% or greater. In the retail sub-sector income returns for prime retail property, in which steady long-term returns can be assured, are lower than comparable office & industrial property. Therefore it is likely that predominantly office and industrial/warehouse properties will be targeted for acquisition as the income yields for acceptable retail assets may be below the target minimum income return.

#### **Locations**

Given the current difficulty in identifying suitable sites within the vicinity of South Kesteven, it is necessary to broaden the geographical scope of the strategy to encompass a wider area of the East Midlands. Whilst it is still the ambition to invest within the local economy, the primary objective of the strategy is to secure commercial investments and an enhanced asset portfolio. Therefore the strategy is flexible to ensure the primary objective can be delivered.

#### **Target assets**

The following assets will be sought;

1. Retail/convenience food retail investments with the following characteristics;
  - Lot sizes between £1m and £5m
  - Good locations in town centres or in good out-of-town retail clusters/parks

- Well let to sound tenants on leases with a minimum of five years unexpired terms
  - Income yield range from 5.5%% to 8.0%
2. Office investments with the following characteristics;
- Lot sizes between £1m and £5m
  - Modern specification, likely to be built since 1990
  - Good locations in town centre or in good out-of-town business parks
  - Well let to sound tenants on leases with a minimum of five years unexpired terms
  - Multi-let properties to be considered with average unexpired lease terms of 3 years, subject to a spread of expiry dates
  - Income yield range from 5.5%% to 9.0%
3. Industrial/Warehouse investments with the following characteristics;
- Lot sizes between £1m and £5m
  - Modern specification with flexible standard layout, built since 1980
  - Good locations on major road routes and good access to motorways
  - Well let to sound tenants on leases with a minimum of five years unexpired terms
  - Multi-let properties to be considered with average unexpired lease terms of 3 years, subject to a spread of expiry dates
  - Income yield range from 5.5%% to 10.0%
5. Mixed-use investments would also be potentially suitable additions to the portfolio. These may include a mixture of commercial and residential uses, or a mixture of retail and office use. Again, similar characteristics as set out above for office investments will apply.

### **Assessment of risks**

A rigorous assessment of all risks is required in each case of fresh investment in order firstly to value each commercial property and then to check its suitability for inclusion in the portfolio. The risks fall into two categories, firstly property market risks in specific property market sub-sectors and locations and secondly asset-specific risks (as set out below). These can be measured and an assessment made of the likely future performance of the investment carried out to determine the ranges of likely future rental growth of the commercial properties and also the disposal price. Financial returns are modelled over a medium-term horizon of say five years, based on proposed offer prices, to determine the acceptability of each investment, and can be compared against general market forecasts.

### **Asset-specific risks**

Income returns for commercial properties will depend principally on the following five main characteristics;

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

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

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

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

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

As part of the due diligence process to be undertaken in respect of every commercial property acquisition surveys will be undertaken by Council-appointed building surveyors and mechanical & electrical engineers to assess the quality of specification of the building and its current condition.

**Length of lease unexpired** – At present capital values are highest for long-term leased property and values tend to reduce significantly when unexpired lease terms fall below five years, as owners expect significant capital expenditure to be necessary when leases expire and tenants may not renew leases and continue to occupy. Fresh investments should be made ensuring that diminishing lease terms will not either adversely affect capital value or that significant capital expenditure and voids are experienced. Annual reviews of unexpired lease terms across the portfolio should be undertaken.

**Financial strength of tenant(s)** – assessment will be required of each tenant of potential acquisitions through analysis of their published accounts and management accounts. Such assessment forms part of the due diligence process prior to acquisition and may be carried out by Council-appointed or in-house accountants. Risk of tenant default in rent payment is the main issue but the relative strength of a tenant's financial standing also impacts upon capital value of the commercial property which is let to that tenant and careful analysis of financial strength is a key part of due diligence prior to purchase of investments.

### **Sourcing of investment commercial properties**

Generally speaking property investment markets are controlled by national and regional commercial agencies and establishing links and relationships with a number of such property agents is the best method of sourcing suitable properties for acquisition in accordance with the adopted strategy.

Staffing resources will need to be made available consisting of officers with the necessary experience of operating in the property investment market in order to source suitable property assets for acquisition that match the criteria set under the adopted strategy. This

can be done either by recruitment into the existing Council property estates management team or by employing external expertise.

### **Governance and decision making**

Owing to the normal processes when a property comes to the market and is bought and sold, decision-making on property purchases needs to fit in to the due diligence processes and timetables usually followed by private sector property owners. This may require urgent items being brought to the Executive for approval prior to bids or offers being submitted. A normal timetable in the purchase of commercial property would be a two to three week marketing period, followed by a week for submission of offers and confirmation by the seller of the preferred buyer and preparation of Heads of Terms, followed by a 4-6 week period for due diligence investigations by the buyer and the buyer's solicitor prior to exchange of binding unconditional contracts on the purchase. Completion will usually follow within a further four weeks.

## SOUTH KESTEVEN – Property Investment Strategy

December 2015

### **Background**

As an integral part of the Council's approach to commercialisation, this draft strategy sets out a framework in order to make investments in property to increase its revenue streams. The strategy adopted should reflect a suitable balance between the risks inherent in the types of property to be acquired and the financial rewards obtainable from those investments, limiting such risks appropriately. In addition, the portfolio of properties being acquired should be diversified in order to spread risks via a balanced portfolio, such diversification principally being across geographical location and the use type of properties held.

The investments are to be made using capital from the General Fund into which the resulting rental revenue streams will flow.

**Objective:** to provide income from commercial property rents with a minimum income return over the medium-term of 7.0% on capital invested, through a balanced strategy of acquisition, retention and management of good quality property investments. Long-term [retention/growth] of capital values is also a key objective.

The objective is specifically to acquire income-producing property in order to enhance Council revenue streams as opposed to making investments in potential development sites and development schemes within the district, (the latter being a separate strategy). Property development is a distinct activity with very different risks which is not the subject of this report.

### **Performance measurement**

The financial performance of the investment property portfolio and of each property within the portfolio will be measured and reported on an annual basis. Performance measurement will be based on annual external revaluations of the properties. Reports will be presented to the Executive including analysis of the performance with a view to making recommendations concerning amendments or alterations to the adopted strategy to ensure that the main objectives continue to be achieved. Suitable benchmarking can be set up so that the performance of the property portfolio may be measured against a suitable peer group or against nationally reported indices of property investment performance.

In the event of a failure to achieve the performance targets in the case of individual assets, the business plan for the property will be reviewed and amended as necessary to address the underperformance noted, or alternatively the asset can be disposed of.

**Scope:** The proposed quantum of investment is a capital allocation of £5 million in the first year from the General Fund with subsequent annual allocations of further tranches thereafter, subject to annual performance reviews of the portfolio and the adopted strategy.

It is suggested that the geographical spread of acquisitions is to encompass Lincolnshire, Nottinghamshire, Leicestershire, Northamptonshire, Rutland and Cambridgeshire.

**Strategy:** To continue the review of the Council's existing asset portfolio.

The strategy to be adopted should include restructuring and rebalancing of the existing portfolio to achieve a satisfactory spread of properties through the main use sub-sectors (Retail; Offices; Industrial/Warehouse); enhancing the portfolio income levels through disposal of lower-yielding assets and reinvestment in a properly risk-controlled manner in higher yielding properties without introducing unjustified increased risk into the portfolio.

Achieving a spread of risk across a greater number of assets and by acquiring properties across the range of different property asset classes, namely retail, leisure, office and industrial, is to be a fundamental objective of the proposed investment strategy. Whilst the portfolio remains relatively small, rigid target percentages for the main property sub-sector allocations are not appropriate. It is suggested that investment is spread initially in approximately equal proportions across the three main sub-sectors, namely retail/leisure, offices and industrial/warehouse.

#### **Minimum and maximum yield**

Acquisitions of assets are targeted at a minimum yield of 7.0% and maximum yield of 10.0%. Assets producing initial yields in excess of 10.0% are likely to exhibit high risk characteristics, such as very short unexpired leases, or financially weak or insubstantial tenants, or obsolete buildings.

#### **Sector spread**

Many good quality property investments across the office and industrial sub-sectors will provide an income return of 7.0% or greater. In the retail sub-sector income returns for prime retail property, in which steady long-term returns can be assured, are lower than comparable office & industrial property. Typically retail income yields range between 5.0% and 7.0% at present for good quality in-town retail properties, whereas office income yields typically range from 5.5% in strong city centres up to 7.5% to 8.5% for reasonable quality offices in regional and sub-regional centres and industrial income yields range from 6.0% up to 7.0/7.5%, again for acceptable stock. Therefore it is likely that predominantly office and industrial/warehouse properties will be targeted for acquisition as the income yields for acceptable retail assets may be below the target minimum income return of 7.0% for fresh acquisitions.

#### **Locations**

The South Kesteven district, specifically Grantham, Stamford and Bourne, are the preferred locations for fresh acquisitions of investment properties, so that reinvestment is retained within the local economy and any additional capital expenditure is made in the local area. All efforts will be directed to source suitable fresh investments within South Kesteven, therefore. There is a finite supply of property within the local area, however, and of that supply only a small proportion may be available for purchase at any time.

An identified risk to implementing the strategy is the potential difficulty in reinvesting locally. If it becomes clear after a period of 4-6 months that there are insufficient properties available

to satisfy the requirements of the Council for fresh investment then searches for available investments could be widened to include neighbouring counties as defined below.

A wider area should also be considered for fresh acquisitions encompassing Lincolnshire, Nottinghamshire, Leicestershire, Northamptonshire, Rutland and Cambridgeshire. The availability of suitable investments in the wider region would considerably reduce the risk of any failure to buy replacement investments locally within South Kesteven in advance of or simultaneously with disposals from the existing portfolio.

### **Target assets**

The following assets will be sought;

1. Retail investments with the following characteristics;
  - Lot sizes between £1m and £5m
  - Good locations in town centres or in good out-of-town retail clusters/parks
  - Well let to sound tenants on leases with a minimum of five years unexpired terms
  - Income yield range from 7.0% to 8.0%
  
2. Office investments with the following characteristics;
  - Lot sizes between £1m and £5m
  - Modern specification, likely to be built since 1990
  - Good locations in town centre or in good out-of-town business parks
  - Well let to sound tenants on leases with a minimum of five years unexpired terms
  - Multi-let properties to be considered with average unexpired lease terms of 3 years, subject to a spread of expiry dates
  - Income yield range from 7.0% to 9.0%
  
3. Industrial/Warehouse investments with the following characteristics;
  - Lot sizes between £1m and £5m
  - Modern specification with flexible standard layout, built since 1980
  - Good locations on major road routes and good access to motorways
  - Well let to sound tenants on leases with a minimum of five years unexpired terms
  - Multi-let properties to be considered with average unexpired lease terms of 3 years, subject to a spread of expiry dates
  - Income yield range from 7.0% to 10.0%
  
4. Leisure investments, such as public houses, restaurants and health & fitness centres with similar characteristics as above will also be sought.
  
5. Mixed-use investments would also be potentially suitable additions to the portfolio. These may include a mixture of commercial and residential uses, or a mixture of retail and office use. Again, similar characteristics as set out above for office investments will apply.

### **Assessment of risks**

A rigorous assessment of all risks is required in each case of fresh investment in order firstly to value each property and then to check its suitability for inclusion in the portfolio. The risks fall into two categories, firstly property market risks in specific property market sub-sectors and locations and secondly asset-specific risks (as set out below). These can be measured

and an assessment made of the likely future performance of the investment carried out to determine the ranges of likely future rental growth of the property and also the disposal price. Financial returns are modelled over a medium-term horizon of say five years, based on proposed offer prices, to determine the acceptability of each investment, and can be compared against general market forecasts.

### **Asset-specific risks**

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

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

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

Good quality locations for office properties in the region will include Lincoln, Nottingham, Leicester, Northampton, Kettering/Wellingborough and Peterborough.

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

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

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

As part of the due diligence process to be undertaken in respect of every property acquisition surveys will be undertaken by Council-appointed building surveyors and mechanical & electrical engineers to assess the quality of specification of the building and its current condition.

**Length of lease unexpired** – At present capital values are highest for long-term leased property and values tend to reduce significantly when unexpired lease terms fall below five years, as owners expect significant capital expenditure to be necessary when leases expire and tenants may not renew leases and continue to occupy. Fresh investments should be made ensuring that diminishing lease terms will not either adversely affect capital value or that significant capital expenditure and voids are experienced. Annual reviews of unexpired lease terms across the portfolio should be undertaken.

**Financial strength of tenant(s)** – assessment will be required of each tenant of potential acquisitions through analysis of their published accounts and management accounts. Such assessment forms part of the due diligence process prior to acquisition and may be carried out by Council-appointed or in-house accountants. Risk of tenant default in rent payment is the main issue but the relative strength of a tenant's financial standing also impacts upon capital value of property which is let to that tenant and careful analysis of financial strength is a key part of due diligence prior to purchase of investments.

### **Sourcing of investment property**

Generally speaking property investment markets are controlled by national and regional commercial property agencies and establishing links and relationships with a number of such property agents is the best method of sourcing suitable properties for acquisition in accordance with the adopted strategy.

Staffing resources will need to be made available consisting of officers with the necessary experience of operating in the property investment market in order to source suitable property assets for acquisition that match the criteria set under the adopted strategy. This can be done either by recruitment into the existing Council property estates management team or by employing external expertise.

### **Governance and decision making**

Owing to the normal processes when a property comes to the market and is bought and sold, decision-making on property purchases needs to fit in to the due diligence processes and timetables usually followed by private sector property owners. This may require urgent items being brought to the Executive for approval prior to bids or offers being submitted. A normal timetable in the purchase of commercial property would be a two to three week marketing period, followed by a week for submission of offers and confirmation by the seller of the preferred buyer and preparation of Heads of Terms, followed by a 4-6 week period for due diligence investigations by the buyer and the buyer's solicitor prior to exchange of binding unconditional contracts on the purchase. Completion will usually follow within a further four weeks.

## RESOURCES PDG WORK PLAN TIMETABLE

Resources PDG			
PDG	Subject	Detail	Outcome sought
Resources	Review of business rates reliefs	Consideration of a local business rates relief policy to support the development of local businesses	Flexible policy to encourage businesses to locate and prosper in the district
Resources	Review of all Discretionary Fees and Charges	PDG will review of Discretionary Fees and Charges Bus Stations and Markets <b>March 2017</b>	To undertake a fundamental review of all discretionary fees and charges in accordance with the Medium Term Financial Strategy principle.
Resources	Qtr 3 Budget Monitoring Report	<b>March 2017</b>	
Resources	Building Control Provision	Sept – March 2017/2018	Understanding of options for delivery of shared service
Resources	Pay Policy Framework	May – July 2017	Needs to be ready for the Budget setting process in September 2017 A work shop to be established between May – July 2017
Resources	Fit for the Future <i>(Rolling/ongoing)</i>	Projects and proposals	To ensure that this Council is well placed to deal with its future challenges.
Resources	Implementation of priority-based budgeting	To be in place by March 2017  RW / IY / LS	To understand the progress that is being made as the organisation moves to priority-based budgeting to help influence considerations related to the Council's budget
Resources	Corporate Enforcement Policy (CEP)	That the Resources PDG are provided with examples of enforcement measures undertaken to assess the effectiveness of the Corporate Enforcement Policy (CEP) and associated service Enforcement Policies at a future meeting.	For the Resources PDG to have a better understanding of enforcement measures undertaken to assess the effectiveness of the Corporate Enforcement Policy (CEP) and associated service Enforcement Policies.

## Resources PDG

PDG	Subject	Detail	Outcome sought
Resources	Council's Asset Portfolio	Members to be provided with information on the Council's current asset portfolio together with a summary of why the assets are held. Future meeting	For the Resources PDG to have a better understanding of why the assets are held.
Resources	Drainage Board Services	<ul style="list-style-type: none"> <li>• Understanding of structure of IDB's</li> <li>• Impact on LA of levies</li> <li>• Future influence through board members</li> </ul> <p><b>COMPLETE</b></p>	Seek to foster better understanding in member cohort of cost of IDB's their structure and our influence. Could lead to policy objective of change across Lincs or even nationally.
Resources	Local Council Tax Support Scheme	Local council tax support scheme review including technical changes  <b>COMPLETE – pending council decision as part of budget-setting</b>	Review current scheme and viability of scheme with current level of funding including review of technical changes to ensure outcomes are being met
Resources	Medium Term Financial Strategy	Refresh and re write Including Business Rates (discretions etc) Fees and charges Future budget assumptions  <b>COMPLETE</b>	New structure to reflect new environment. Better reflects new way of working more likely to support delivery of the corporate plan.
Resources	General Fund Asset Management Strategy	Review of asset management strategy including asset utilisation and maximising the commercial opportunities for the asset holding  <b>COMPLETE</b>	Refreshed asset management strategy and delivery plans which optimise return on investment and contribute to the delivery of Council priorities.
Resources	Budget assumptions, review of budget cycle and fees and charges review	PDG will review the key budgetary assumptions underpinning the budget cycle  <b>COMPLETE</b>	Provide the supporting framework for Executive to agree budget proposals for 17/18 The PDG would like to look at detailed work on markets and use of car park charges to influence behaviour



## REPORT TO RESOURCES P.D.G.

**REPORT OF:** Executive Manager, Environment

**REPORT NO:** ENV654

**DATE:** 16<sup>th</sup> March 2017

<b>TITLE:</b>	Commercial Waste Service	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	For discussion	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Cllr Nick Craft – Executive Member Environment	
<b>CONTACT OFFICER:</b>	Ian Yates	
<b>INITIAL IMPACT ANALYSIS:</b>  Equality and Diversity	Not Applicable	Full impact assessment Required:
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a> The attached Business Case is exempt under Schedule 12A of the Local Government Act 1972 section 3.	
<b>BACKGROUND PAPERS</b>	Framework for assessing trading opportunities:  <a href="http://moderngovsvr:8080/ieListDocuments.aspx?CId=495&amp;MId=3339&amp;Ver=4">http://moderngovsvr:8080/ieListDocuments.aspx?CId=495&amp;MId=3339&amp;Ver=4</a>	

## **1. RECOMMENDATION**

Members to consider the provision of a trade waste collection service to business customers and support the recommendations in the detailed business case.

## **2. PURPOSE OF THE REPORT**

2.1 The purpose of this report is to present a proposal to introduce a trade waste collection service in South Kesteven.

## **3. DETAILS OF REPORT**

### **3.1 Background**

Under the Environmental Protection Act 1990 (EPA 1990), the Council has a duty to arrange for the collection of commercial waste. We currently discharge this duty by referring customers to private companies operating within the area. The EPA 1990 also imposes a legal responsibility of “any commercial activity” - whether run from home or its own premises - to manage the waste it produces. In practice this requires businesses to have trade waste agreements in place.

### **3.2 Opportunity**

The opportunity therefore exists to build on the existing domestic waste collection services that the council provides by introducing a collection service to commercial organisations. As the majority of the infrastructure for delivering this business proposal is already in place, a hybrid model utilising existing assets and services, with only the requirement for a small investment in employees is required. No significant start-up capital is required.

3.2.1 Many local authorities provide a trade waste service offering good value to local businesses in their areas. Our local commercial waste market is active with four larger providers operating from outside the area and one smaller business within Lincolnshire.

### **3.3 Business Case**

Delivering a trade waste service in a commercial environment is a new venture for the council, and to ensure its success in a competitive market will require our offer to be tailored to customer need. The attached confidential Business Case details the research undertaken analysing the market, the competition and the possible costs and associated sales.

3.3.1 Resources PDG have previously considered a range of questions to assist in deciding whether it would be appropriate for the Council to enter a market, these are attached at Appendix 1.

3.3.2 It is not possible to exactly determine the take up of the proposal as there are many influencing factors that are outside the council’s control. The market may adjust following the entry of a new competitor and prices could fall. Whilst this may mean that the new service loses potential income the business community will benefit from the lower prices. It is only by actually intervening in the market that we will be able to determine if the level of demand can sustain the new service by offsetting costs.

#### **4. RESOURCE IMPLICATIONS**

- 4.1 The confidential business case attached details the benefits and risks of the proposal. The intention will be to utilise the councils invest to save fund to provide initial funding for the early phase of the initiative.

#### **5. RISK AND MITIGATION**

- 5.1 These are detailed in the Business Case.

#### **6. ISSUES ARISING FROM IMPACT ANALYSIS**

- 6.1 The introduction of a commercial trade waste service would not require an impact assessment. This is a service being provided to organisations and not individuals.

#### **7. CRIME AND DISORDER IMPLICATIONS**

- 7.1 None

#### **8. COMMENTS OF FINANCIAL SERVICES**

- 8.1 A business case has been prepared and is predicated on the operating model of utilising the existing infrastructure and resources with only the requirement to invest in an additional resource to promote and market the opportunity. The charging model can only be based on cost recovery in accordance with the Local Government Act 2003.

#### **9. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

- 9.1 The Local Government Act 2003 provides that a local authority can only charge where it is exercising a discretionary function. The general power to charge is subject to a duty to secure that, taking one financial year with another, the income from charges does not exceed the cost of provision. Depending on the success of the service alternative arrangements may need to be considered in the future.

## Appendix 1

### **Opportunity to deliver value or improved outcomes for our communities**

Does it deliver outcomes supporting the council's priorities?

Does it fit within the councils values / is it ethical?

Does it drive positive outcomes or improve efficiencies?

### **Opportunities and benefits from entering a market**

Can we enter the market and gain a share with little or no risk?

Can we improve the offer by intervening in the market?

Would we be upsetting an existing market that is profitable?

Can we act as a catalyst for creating a new service/market?

### **Opportunity for financial benefits**

Will it deliver a financial gain (profit)?

Will it contribute to fixed costs and maximise existing resources and assets?

What new skills will be secured?

Can we enter the market with little start-up investment?\*

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

Document is Restricted