NEWARK & SHERWOOD
DISTRICT COUNCIL

Castle House
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Wednesday 15, January 2020

Chairman: Councillor D Lloyd
Vice-Chairman: Councillor K Girling

Members of the Committee:

Councillor B Clarke-Smith
Councillor R Jackson
Councillor P Peacock
Councillor T Wendels
Councillor R White

Substitute Members:

Councillor R Blaney
Councillor N Mison
Councillor N Mitchell

MEETING:	**Policy & Finance Committee**
DATE:	**Thursday, 23 January 2020 at 6.00 pm**
VENUE:	**Civic Suite, Castle House, Great North Road, Newark, Notts NG24 1BY**

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

If you have any queries please contact Nigel Hill on nigel.hill@newark-sherwooddc.gov.uk.

AGENDA

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1.	Apologies for Absence	
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None		
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To consider resolving that, under section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.

15. Arkwood Developments Ltd - Bowbridge Road Development, Newark 65 - 67

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Policy & Finance Committee** held in the Civic Suite, Castle House, Great North Road, Newark, Notts NG24 1BY on Thursday, 28 November 2019 at 6.00 pm.

PRESENT: Councillor D Lloyd (Chairman)
Councillor K Girling (Vice-Chairman)

Councillor B Clarke-Smith, Councillor R Jackson, Councillor P Peacock, Councillor T Wendels and Councillor R White

47 DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

Councillor P Peacock declared a personal interest in respect of Agenda Item No. 11 – Discretionary Grants Review Future Proposals – as the Council's nominated representative on Rural Community Action Nottinghamshire.

Councillor T Wendels declared a personal interest in respect of Exempt Agenda Item No. 18 – Proposed Extension of the Fitness Suite and Consideration of Alternative Management Arrangements at Southwell Leisure Centre – Update – as a Council appointed Trustee of the Southwell Leisure Centre Trust.

48 DECLARATIONS OF INTENTION TO RECORD THE MEETING

The Chairman advised that the proceedings were being audio and video recorded by the Council with the footage to be streamed for public access after the meeting.

49 MINUTES OF THE MEETING HELD ON 26 SEPTEMBER 2019

The minutes from the meeting held on 26 September 2019 were agreed as a correct record and signed by the Chairman.

50 FORWARD PLAN OF POLICY & FINANCE ITEMS

The Committee noted the Forward Plan items to be considered by the Committee over the next 12 months.

51 COUNCIL MANAGEMENT OF OPEN SPACE AT FERNWOOD

The Director – Growth & Regeneration presented a report which provided an update on the Council taking on the management and maintenance of Public Open Space at the next phase of development by Barratt David Wilson Homes (BDW) at Fernwood.
Historically the Council had taken on the maintenance of such public open spaces following completion of development alongside a one-off commuted sum payable to cover a set number of years maintenance. However, for some years now there had been a trend for developers to decline any agreement for the Council to take on the maintenance of open space with the replacement vehicle being a Management Company. Such a Management Company would be paid for by each house on a new development paying an annual charge.

Some Management Companies were perceived to operate less ethically, which had resulted in residents being dissatisfied, raising concerns with charges levied for issues such as re-mortgaging and seeking permission for conservatories etc. Such concerns were cited by Fernwood Parish Council and given the level of development associated with the greater Fernwood strategic urban extension, it was considered that there was a danger of multiple management regimes each operating at different times in different areas, to different standards.

In order to negate the concerns at Fernwood officers had negotiated (following consultation with the appropriate Members) with BDW, the developer of the next phase of development, that there would not be a Management Company for this phase of the development. As an alternative BDW had agreed, under terms detailed separately as an exempt item, that after each phase of development the open space be transferred to the Council to maintain.

AGREED (unanimously) that the Committee note the urgent decision to enter into an agreement with Baratt David Wilson Homes to ensure that the proposed Management Company be replaced by the Council taking on the ownership and maintenance of the open space at the end of each phase of the development.

<u>Reason for Decision</u>

To enable the provision of future open space to be maintained by the District Council, ensuing a single and transparent maintenance regime.

52 <u>ESTATE REGENERATION - YORKE DRIVE ESTATE AND LINCOLN ROAD PLAYING FIELDS</u>

The Business Manager – Housing Strategy & Development presented a report which updated the Committee on progress with the Yorke Drive estate and Lincoln Road playing fields regeneration proposals and sought the necessary approvals to enable the project to move into the next phase of delivery.

The report provided an update on planning, procuring a development partner and proposals for a decant policy. The final draft Decant policy was attached as Appendix A to the report. Minor changes to the original 'Resident Offer' were highlighted in the draft policy.

AGREED (unanimously) that:

a) the 'Yorke Drive Estate: Resident Decant Policy', as set out at Appendix A to the report, be approved; and

b) the request for an additional meeting of the Policy & Finance Committee to be held on 5 March 2020, to consider the outcome of the procurement process to select a preferred development partner, be approved.

<u>Reason for Decision</u>

To progress the transitional project, focusing on the regeneration of the Yorke Drive estate and Lincoln Road playing fields.

53 HOUSING REVENUE ACCOUNT - HOUSING DEVELOPMENT PROGRAMME

The Business Manager – Housing Strategy & Development presented a report which sought approval for capital finance to support the ongoing delivery of the Housing Revenue Account (HRA) development programme.

Recent work had been undertaken to review the capacity and nature of the remaining HRA sites within the programme to deliver 335 units, which showed that there was a predicted shortfall of 45 units. In the search for sites the Council had been presented with the opportunity to acquire a parcel of land at the former fire station site located off Boundary Road, Newark. Officers had commissioned a valuation of the site based on an affordable housing development and through this had negotiated a price for the land with the fire authority. The price, detailed in an exempt report, also reflected a requirement of the fire authority to ensure that the disposal offered both a market and social value return. It was considered that the site could deliver 10 units.

The report also detailed acquisition parameters with an appropriate measure to ascertain whether a site acquisition offered value for money to the HRA Business Plan by determining a price per unit cost. The report also provided an update in respect of the redevelopment proposals for the fire damaged properties at Forster Avenue, Newark and set out proposals for £485,607.81 to be deposited into a 'Recycled Capital Grant Fund' at the point of acquiring 9 PA Housing units at Yorke Drive, Newark.

AGREED (unanimously) that:

a) the acquisition of the former fire station site off Boundary Road, Newark, at the price detailed in the Exempt Item, and subject to the conditions as set out at paragraph 3.6 of the report, be approved;

b) delegated authority be given to the Director - Governance & Organisational Development and/or Section 151 Officer to approve the acquisition of additional sites for inclusion in the approved HRA development programme within the parameters detailed at paragraphs 3.10 – 3.13 of the report;

c) a sum of £720,000 from HRA Capital Receipts be approved and added to the HRA acquisition fund to aid delivery of the HRA development programme;

d) approval be given to increase Phase 3 of the HRA development programme to £108,231, financed by HRA Capital Receipts to enable the development of 4 x 1 bed 2 person apartments at Forster Avenue, Newark; and

e) a sum of £485,607.81 from the HRA Major Repairs Reserve be approved to be deposited into a 'Recycled Capital Grant Fund' at the point of acquiring the 9 PA Housing units at Yorke Drive, Newark so to meet Homes England grant funding conditions and be utilised to support the capital financing of the ongoing HRA development programme.

Reason for Decision

The HRA development will meet the Council's strategic objective set in the Community Plan to 'Accelerate the supply of new homes including associated facilities', address the evidenced housing need across the District for affordable housing and maintain a viable HRA Business Plan.

54 POSSIBLE PURCHASE OF ADDITIONAL LAND AT BOWBRIDGE ROAD, NEWARK

The Director – Growth & Regeneration presented a report which set out an opportunity to purchase land adjacent to Newark Hospital off Bowbridge Road. There were two parcels of land (identified in Appendix A to the report) which made up the site which was potentially available for freehold purchase. The land had been vacant for some time and had been presented to the market on previous occasions.

It was reported that the NHS Foundation Trust which managed the hospital were keen to address the lack of parking at the site but were lacking significant capital funds to be able to affect any land purchase. Discussions with the Trust had explored the possibility of the Council progressing with a freehold purchase, with the Trust taking a long-term lease in order to allow the Council to recover any capital outlay. Any capital purchase by the Council would need to cover not only any purchase cost, but any capital works to implement the car park. The proposed terms of a possible freehold offer was provided to the Committee under exempt information.

AGREED (unanimously) that the Chief Executive be given delegated authority to negotiate the purchase of the two freehold interests detailed at Appendix A to the report, under the terms of the exempt item for consideration later in the agenda.

Reason for Decision

To secure additional car parking in order to support the function and reputation of Newark Hospital.

55 GENERAL FUND, HRA & CAPITAL PROJECTED OUTTURN REPORT TO 31 MARCH 2020 AS AT 30 SEPTEMBER 2019

The Business Manager – Financial Services presented a report which compared the revised budgets for the General Fund Revenue, Housing Revenue Account (HRA) and Capital Programme, for period ending 31 March 2020, with the Projected Outturn forecast for the period based on three months performance information.

The appendices to the report detailed anticipated performance against budget for the period to 31 March 2020. The overview of the General Fund Revenue budget showed a projected favourable variance against the revised budget of £0.411m on Service budgets, with an overall favourable variance of £0.145m. The main variations from the revised budget were detailed in the report.

The HRA budget showed a projected favourable variance against the approved budget of £0.052m. In respect of the Capital Programme the report summarised the latest position up to the end of September 2019. The additions and amendments which required approval were detailed in Appendix B to the report. If these variations were approved the revised budget would be reduced to £32.869m. The Committee were also advised of capital grant funding which had been awarded for the Buttermarket.

AGREED (unanimously) that:

(a) the General Fund projected favourable outturn variance of £0.411m be noted;

(b) the Housing Revenue Account projected favourable outturn variance of £0.052m be noted;

(c) the variations to the Capital Programme at Appendix B be approved;

(d) the Capital Programme projected outturn and financing of £32.869m be noted; and

(e) the grant of £659k received for the Buttermarket be added to the Capital Programme.

Reason for Decision

To update Members with the forecast outturn position for the 2019/20 financial year.

56 DISCRETIONARY GRANTS REVIEW FUTURE PROPOSALS

The Business Manager – Housing, Health & Community Relations presented a report which provided the Committee with an overview of the current discretionary grants the Council provides to a limited number of voluntary sector partners, presented findings from a review of discretionary grants and proposed a three year grants programme (2020 – 2023) to four core third sector partner organisations.

Following the launch of the Community Plan 2019 to 2023 it was considered timely to review the current Service Level Agreements (SLA's) and the Council's relationship with voluntary sector partners, namely Sherwood and Newark Citizens Advice; Newark & Sherwood CVS Volunteer Centre; Newark & Sherwood Play Support Group; Home Start Newark and Rural Community Action Nottinghamshire (RCAN).

Having reviewed performance outcomes compared to targets, the scope of the current SLA's and position of the Council in terms of its resources, skills competencies and capacity to deliver these services, it was felt that the community/voluntary sector partners were best placed to deliver these; with the exception of the RCAN agreement. In respect of RCAN, the rationale for this view was based on the creation and proposed expansion of the Council's in-house 'Community Relations' function to deliver community based projects and initiatives.

It was therefore proposed that the Council terminates its SLA relationship with RCAN at the end of March 2020 and re-negotiated its retained SLA's with the remaining four core voluntary sector partners. It was also proposed that the savings from the termination of the RCAN agreement of £16,720 per annum were to be re-invested in the remaining SLA partnerships with these agreements being extended for a three year period.

AGREED (unanimously) that:

a) the grant support SLA relationship with RCAN be terminated at the end of March 2020;

b) savings from the termination of the RCAN agreement (£16,720 per annum / £50,160 over 3 years) be reinvested and re-negotiate SLA's with the retained four core voluntary sector partners for an extended period of three years (2020/21 to 2022/23); and

c) the precise distribution and allocation of funds to each partner be agreed by the Business Manager – Housing, Health & Community Relations/Director – Communities & Environment following consultation with the Chairman, Vice-Chairman and Opposition Spokesperson of the Policy & Finance Committee and will not exceed the budget available, which was £110,650 per annum / £331,950 over 3 years.

Reason for Decision

To enable the Council deliver a discretionary grants programme that's aligned to the Councils Community Plan 2019 – 2023 and provide three year grant certainty to core voluntary sector partners to ensure the delivery and sustainment of much needed services to those members of our community that are most in need.

57 OLLERTON HALL

The Director – Growth & Regeneration presented a report concerning the disposal of Ollerton Hall. It was reported that marketing of the property had been concluded and interviews had taken place with three possible purchasers. The full details of how each of the bidders had been appraised, including financial offers were provided in an exempt appendix.

Two of the preferred bidders were promoting residential apartments with the third bidder promoting an office use. The two bids for residential development were the clear preference with one of these bidders offering the highest scoring in respect of a combination of price, commitment to a conservation restoration led project, experience and a programme that offered confidence of delivery. Officers were now to undertake a due diligence stage.

AGREED (unanimously) that:

(a) the update provided be noted, particularly the proposals to progress with the due diligence approach as detailed at paragraph 1.11 of the report; and

(b) any capital receipt secured from the sale of the freehold of Ollerton Hall (net of any associated fees, including the Council's Clerk of Works) be ring fenced towards regeneration proposals within the Ollerton and Boughton areas which are currently being developed within the Housing Strategy and Development Business Unit.

Reason for Decision

To dispose of Ollerton Hall and secure the long term future for the building.

58 EXCLUSION OF THE PRESS AND PUBLIC

AGREED (unanimously) that, under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraphs 3 and 5 of Part 1 of Schedule 12A of the Act.

59 COUNCIL MANAGEMENT OF OPEN SPACE AT FERNWOOD

The Committee considered the exempt element of the report of the Director – Growth & Regeneration concerning the maintenance of open space at Fernwood.

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

60 HOUSING REVENUE ACCOUNT - HOUSING DEVELOPMENT PROGRAMME

The Committee considered the exempt element of the report of the Director – Governance & Organisational Development the Housing Development Programme.

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

61 POSSIBLE PURCHASE OF ADDITIONAL LAND AT BOWBRIDGE ROAD, NEWARK

The Committee considered the exempt element of the report of the Director – Growth & Regeneration concerning the possible purchase of land at Bowbridge Road, Newark.

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

62 URGENCY ITEM - OLLERTON HALL - SETTLEMENT OUTCOME

The Committee noted the exempt Urgency Item in respect of Ollerton Hall.

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

63 PROPOSED EXTENSION OF THE FITNESS SUITE AND CONSIDERATION OF ALTERNATIVE MANAGEMENT ARRANGEMENTS AT SOUTHWELL LEISURE CENTRE - UPDATE

The Committee considered the exempt report of the Director – Communities & Environment concerning the proposed extension of the fitness suite and consideration of alternative management arrangements at Southwell Leisure Centre.

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

64 NATIONAL CIVIL WAR CENTRE UPDATE

This item was withdrawn from the agenda.

Meeting closed at 7.13 pm.

Chairman

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

Document is Restricted

NEWARK & SHERWOOD DISTRICT COUNCIL

Forward Plan of Policy & Finance Committee Decisions from 1 February 2020 to 31 January 2021

This document records some of the items that will be submitted to the Policy & Finance Committee over the course of the next twelve months.

These committee meetings are open to the press and public.

Agenda papers for Policy & Finance Committee meetings are published on the Council's website 5 days before the meeting https://democracy.newark-sherwooddc.gov.uk/mgCalendarMonthView.aspx?GL=1&bcr=1. Any items marked confidential or exempt will not be available for public inspection.

Meeting Date	Subject for Decision and Brief Description	Contact Officer Details
20.02.20	N&S Place Plan	leanne.monger@newark-sherwooddc.gov.uk
20.02.20	General Fund, HRA and Capital Budget Monitoring to 31st March 2020	nick.wilson@newark-sherwooddc.gov.uk
20.02.20	MTFP and General Fund Proposed Revenue Budget 2020/21	nick.wilson@newark-sherwooddc.gov.uk
20.02.20	Capital Programme Budget 2020/21 to 2023/24	nick.wilson@newark-sherwooddc.gov.uk
02.04.20	Yorke Drive Estate Regeneration	rob.main@newark-sherwooddc.gov.uk
02.04.20	Review of Exempt Items	nigel.hill@newark-sherwooddc.gov.uk
02.04.20	Climate Change Strategy and Action Plan	matt.finch@newark-sherwooddc.gov kate.marshall@newark-sherwooddc.gov
02.04.20	Environmental Services Strategy	matt.finch@newark-sherwooddc.gov.uk ella.brady@newark-sherwooddc.gov.uk
TBC	HRA Business Plan (on hold dependant on outcome of the housing management review)	rob.main@newark-sherwooddc.gov.uk nick.wilson@newark-sherwooddc.gov.uk
TBC	London Road Car Park Extension Options Appraisal (EXEMPT)	matt.lamb@newark-sherwooddc.gov.uk

POLICY & FINANCE COMMITTEE
23 JANUARY 2020

NEWARK AND SHERWOOD HOMES ASSET TRANSFER

1.0 Purpose of Report

1.1 The Board of Directors of Newark and Sherwood Homes will need to make a determination as to the disposal of the Company's wholly owned assets, this paper is to invite the Policy & Finance Committee to make a recommendation as to their preference for the future ownership of these properties.

2.0 Background Information

2.1 The approvals given by the Policy & Finance Committee on 26 September 2019 were as follows:

"a) having regard to the results of the tenant and leaseholder consultation and the previous 'in principle' decision, the Committee agree to bring the housing management services in-house for direct service provision by the Council;

c)iv. that the necessary arrangements be made to transfer any properties owned by the Company to the Council upon its dissolution;"

2.2 Between the years 2014 and 2018 Newark and Sherwood Homes acquired 25 properties under its direct ownership, through development and a number of acquisitions; separate to its management of the circa 5500 properties held within the Council's Housing Revenue Account (HRA). In advance of the winding up of Newark and Sherwood Homes, a determination needs to be made as to the future of its 25 wholly owned properties.

2.3 In addition to the 25 properties there are also two small parcels of land in Newark and Sherwood Homes' ownership, these are areas remaining following the developments at Second Avenue - Edwinstowe and the site off Belle Vue Lane – Blidworth.

3.0 Options and implications for disposal of the property assets

3.1 The 25 owned properties, comprise 15 houses and 10 flats, all of which are let on assured tenancies to tenants. The properties were acquired via four different routes;

- The Empty Homes Community Grants Programme
- Section 106 transfers from a developer
- New Build Development by the Company
- Acquisitions from Company Balances

3.2 The two small parcels of land held as assets on the company's balance sheet, were acquired as a result of the two developments that the company undertook directly. The first parcel at Second Avenue forms the car parking for the flats and is laid with tarmac, the second off Belle Vue Lane can be classified as open space and is laid to grass with some wild flower beds, both of these sites are low maintenance. Neither parcel offers any future development potential.

3.3 There are three options available to the board as to the disposal of these assets;

i) Maintain Newark and Sherwood Homes as a shell company.
ii) Effect a sale of the assets to a third party.
iii) A transfer of the assets to the Council's Housing Revenue Account.

3.4 There are a number of implications in maintaining a shell company to hold these assets; the first is that it is in conflict with the Council's previous decision in closing the company down. Secondarily there are a number of cost implications in maintaining and operating a company for such a small number of properties, for example the need to retain directors and prepare company accounts; in addition to the fact that SLA's would need to be prepared to undertake the ongoing management of the stock.

3.5 With regard to the sale of the assets to a third party, the company's articles of association clearly state the following:

"1 Winding Up
If, upon the winding up or dissolution of the Organisation, there remains, after the satisfaction of all its debts and liabilities any property whatsoever, the same shall be paid or transferred to the Housing Revenue Account (as defined in the 1989 Act) of the Council."

3.6 In addition, for those properties which were acquired using external funding, there are various conditions appended which are relevant to any decision making. For the properties purchased using the Empty Homes Community Grants Programme the funding agreement clearly states that if there is a desire to transfer ownership or in the case of a company being wound up, there is a requirement to repay the £50k of funding.

3.7 For the properties acquired via a Section 106 any subsequent sale is conditioned as being to a Housing Association or other person as approved by the Council. For the properties developed by the Company as affordable housing, the sale is conditioned as to a Registered Provider.

3.8 It is also relevant to note that if Newark and Sherwood Homes were to dispose of the properties to a third party, the price paid for the assets will likely be below market value, due to the nature of the existing tenancies. Typically the reduction rate applied is 42%, if this were to be the case we would be unable to replace these units on a like for like basis.

3.9 In transferring the assets to the Council's Housing Revenue Account, we would satisfy the above conditions, although final confirmation is still being sought from the Ministry of Housing, Communities and Local Government. A consequence of transferring the properties into the HRA however, is that they would become subject to the 'Right to Buy', which they are not currently (as they were acquired post transfer), however the four properties purchased using the Empty Homes Community Grants Programme as currently subject to the 'Right to Acquire', which is a similar scheme albeit with smaller discounts.

3.10 Lastly, it is recognised that these properties were either built or purchased from funding that was generated originally from the Housing Revenue Account via the management agreement.

4.0 **Equalities Implications**

4.1 There are no direct equalities implications arising from this report.

5.0 **Financial Implications (FIN19-20/5001)**

5.1 Newark and Sherwood Homes (NSH) currently receive around £100,000 a year of rental income from the 25 properties, after the costs of maintaining them.

5.2 NSH acquired four of these 25 properties using a £50,000 grant from the Empty Homes Community Grants Programme. At the time of writing, it is not clear whether the Government requires this grant to be repaid or not. If the grant needs to be repaid whilst NSH is operating as a company, the cost will be met from company resources. If the grant needs to be repaid after the company's resources have transferred to the Council, the Council will set aside resources to repay the liability until it has obtained relevant advice.

5.3 The Council would seek expert external advice on the (tax and other) implications of transferring the 25 NSH properties into the Housing Revenue Account (HRA). The cost of this external advice would be met from a specific budget within the HRA for the costs of the Council bringing its housing management services back in-house.

5.4 If the properties are transferred into the HRA, the Council will need to get the properties valued. This is so that the Council can account for the properties at their Existing Use Value for Social Housing (EUV-SH). Currently, the company will be holding the properties at either Market Value or Historic Cost. Subsequent valuations would be as part of the Council's routine of valuing capital assets.

6.0 **Community Plan – Alignment to Objectives**

6.1 The transfer of the 25 properties into the Council's Housing Revenue Account aligns with the following objective as set out within the Community Plan "Generate more income, improve value for money and increase residents' satisfaction with the Council".

7.0 **RECOMMENDATION**

That upon the winding up of the Council's Arms' Length Management Organisation (Newark and Sherwood Homes) the Council's preference is that the 25 company owned properties are transferred into the ownership of Newark & Sherwood District Council's Housing Revenue Account.

Reason for Recommendations

That retention of these assets will give security to the tenants living within them and the transfer will support the viability of the Council's Housing Revenue Account Business Plan.

Background Papers – Nil

For further information please contact Edward Langtry, Capital Projects Manager on 01636 655771.
Karen White
Director – Governance & Organisational Development

POLICY & FINANCE COMMITTEE
23 JANUARY 2020

HOUSING MANAGEMENT SERVICES – TRANSFER FROM NEWARK AND SHERWOOD HOMES LTD

1.0 Purpose of Report

1.1 To consider and approve the necessary legal agreements to facilitate the transfer of the housing management service from Newark and Sherwood Homes Ltd back to the Council.

2.0 Background Information

2.1 As Members are aware the Council and Newark and Sherwood Homes Ltd are working together to facilitate the transfer of the housing management service back to the Council following this Committee's decision on 26 September 2019. The service transfer is scheduled to take place by 1 February 2020, with the Company's employees transferring to the Council on this date together its assets and liabilities. The winding up of the Company will take place at a later date.

2.2 To reflect the fact that the Council and the Company's Board are working together on this project and that we have a substantially common interest in the matter, Anthony Collins Solicitors LLP have been jointly instructed to advise on the legal process and documentation required to achieve the transfer.

3.0 Proposed Transfer Agreement

3.1 To facilitate the transfer it is necessary for the parties to enter into a Transfer Agreement incorporating the terms by which the parties agree what is to happen to all existing company contracts, assets and liabilities. It should be noted that the Company is in a strong financial position with significant reserves and a number of properties. Therefore the Company's solvency is not an issue. Members' attention is drawn to the previous report on the Committee's agenda, which sets out the options relating to the 25 Company owned properties and the officer recommendation that these be transferred into the ownership of Newark & Sherwood District Council's Housing Revenue Account.

3.2 It should be noted that expert tax advice has been sought to ensure to review the proposed transactions involving the transfer of the Company's assets.

3.3 The Transfer Agreement is in the process of being drafted on the basis of the following heads of terms, which are recommended for approval:

Termination of the Management Agreement:
The Council and the Company agree that the Management Agreement between the parties (under which the Company performs the housing management services) will terminate by mutual consent on 1 February 2020.

Transfer of the Business and Assets:
The business and assets of the Company (including the 25 housing units) will transfer to the Council.

Consideration and Completion:
The consideration for the transfer of all of the business and assets is the assumption by the Council of the Company’s liabilities.

Assumption of the Liabilities:
With effect from the date of the transfer the Council will assume responsibility for, pay and discharge the Company’s liabilities in full as and when they fall due. Pending their discharge the Council will indemnify the Company against all liabilities.

Contracts:
All Company contracts will be transferred to the Council with effect from the date of service transfer.

Leases:
All leasing agreements will transferred to the Council with effect from the date of the service transfer.

Premises:
The Company will hand over possession of any premises that it occupies to the Council from the date of the service transfer and surrender any leasehold or licence interest that the Company holds in those premises.

Employees:
The employees of the Company will transfer to the Council upon the date of the service transfer on their same terms and conditions, including those relating to pension entitlements. The Council will ensure that the employees are treated fairly and equally with the Council’s existing employees.

Pensions:
The Company and the Council shall endeavour to ensure that the assets and liabilities of the Company in the Fund shall transfer to the Council and that no exit payment or exit credit shall be paid.

Dissolution/Winding up of the Company:
The Company will be dissolved by application in due course. This avoids the need for a liquidator.

The Board Members:
The Council will release the Board Members from any claims it may have against them except to the extent that these arise from their negligence, misfeasance or malfeasance.

4.0 Company’s Articles of Association

4.1 If the Council and the Company support the recommendation to transfer the 25 properties and assets back to the Council it is suggested that the Company’s Articles of Association be amended to allow for the transfer of assets being reserved to the Council as shareholder. This would allow the transfers to take place without the Council making a payment.

5.0 Equalities Implications

5.1 There are no equalities implications arising from the provision of the Transfer Agreement as such. Any relevant equalities issues arising from the transfer of the staff, in terms of any possible negative impacts upon persons with protected characteristics will be taken into account and relevant actions taken as part of the formal TUPE process, but none are envisaged at present as staff will be transferring on the current terms and conditions.

6.0 Financial Implications (FIN19-20/591)

Revenue Current Year

6.1 At 4 April 2019 Policy & Finance Committee agreed a project budget of £150,000 in order to fund the independent tenant consultation excise and other transitional arrangements. To date £91,199 has been spent and committed against this budget in respect of the consultation exercise, HR and legal advice and obtaining a closure valuation report from Local Government Pension Scheme. It is anticipated that this budget will be fully expended.

6.2 The cost to reflect the time spent with Anthony Collins LLP has been budgeted for within the project budget of £150,000. The cost for this assignment has been agreed to be split with Newark and Sherwood Homes, so that they pick up 50% of the costs incurred by Anthony Collins.

Revenue Future Years

6.3 Based on the Savills report that was presented to Policy & Finance Committee 4 April 2019, there are significant efficiencies to be generated from the re-integration of the Housing Management Service. These efficiencies can then be re-invested in further services for tenants and investment in new homes.

6.4 There may also be opportunities to increase further the total efficiencies that could be generated from the re-integration of the service once more detailed discussions take place. Contracts for services and consumables can be re-aligned across the Council to ensure that the organisation is receiving maximum value for money on its purchases.

6.5 The plan for re-investment of the efficiencies will be formulated over a period of time, strategically taking into account the tenants' and Councils' priorities and how best to maximise the potential of the resources made available through the efficiencies generated.

7.0 Community Plan – Alignment to Objectives

7.1 These proposals align with the Council's Community Plan objective to "Generate more income, improve value for money and increase residents' satisfaction with the Council". There is a specific action under this objective to undertake a review and implement the option that delivers the management of the Council's housing stock in the most cost effective and appropriate way. The proposed Transfer Agreement and changes to the Company's Articles will facilitate the reintegration of the Housing Service back with the Council.

8.0 RECOMMENDATIONS that:

a) approval be given for the Transfer Agreement to be entered into on the basis of the Heads of terms as detailed in paragraph 3 of the report, and delegated authority be given to the Director - Governance & Organisational Development to approve the final agreement terms on the behalf of the Council in order to best facilitate the transfer of the housing management service and the Company's assets and liabilities by the 1 February 2020; and

b) the proposed amendment to Newark and Sherwood Homes Ltd.'s Articles of Association as set out in paragraph 4 of the report be supported, and delegated authority be given to the Director - Governance & Organisational Development to implement any Shareholder resolutions/decisions required on the part of the Council to facilitate this.

Reason for Recommendations

To facilitate the transfer of the Housing Management Service from the Company to the Council.

Background Papers

Nil.

For further information please contact Karen White on Ext 5240.

Karen White
Director Governance & Organisational Development

POLICY & FINANCE COMMITTEE
23 JANUARY 2020

GARDEN WASTE UPDATE

1.0 Purpose of Report

1.1 To update Members on progress for bringing the Garden Waste service back to Newark & Sherwood District Council from properties currently served by Rushcliffe Borough Council and Mansfield District Council.

1.2 To seek a Member decision on pricing of the service for 2020/21.

1.3 To update Members on plans for the expansion of the service from April 2020.

2.0 Background Information

2.1 From 2014 the Garden Waste Service was delivered in partnership with Rushcliffe Borough Council (RBC) and Mansfield District Council (MDC) using a mixed delivery approach within the District. However, following a Leisure & Environment Committee decision in January 2019, the service will be brought back in house with Newark & Sherwood District Council (NSDC) commencing service delivery for the whole district from 1 April 2020. This decision was taken as the provision of the service 'in-house' contributes to the Council's green aspirations, offers NSDC greater control ahead of the National Waste Strategy, provides a better customer experience through a single point of contact and aligns with the Council's commercial ambitions.

3.0 Proposals

3.1 **Update on Bringing the Garden Waste Service 'In-House'**
The customer service system for delivering garden waste has been developed and is in testing ready for rollout on 1 April 2020. Customer communications are expected to go out from 3 February informing customers of the change and requesting customers to sign up for the service for 2020/21. The Garden Waste webpage has been updated and the whole service will be relaunched in January 2020 rebranded as 'Garden Recycling' to reflect that garden refuse is composted not landfilled as 'waste', and thus recycled sustainably.

3.2 **Financials**
The decision to bring the Garden Waste Service back in house, taken in January 2019, was based on customer numbers and financial information provided within the Business Case. Below are the updated figures for member information;

Customers Numbers		
	Expected Numbers for 2020/21 From Business Case Jan'2019	**Updated Numbers for 2020/21** Updated Dec'2019
Rushcliffe BC	2,246	2,027
Mansfield DC	5,514	5,122
Growth	538	538
Total	**8,298**	**7,687**

Whilst there is a decline in the number of customers coming from MDC and RBC the number of customers in the NSDC delivery area has increased therefore overall the net change from the business case is minimal (a 1% positive variance).

One-Off Costs		
	Expected Costs From Business Case Jan'2019	**Updated Costs** Updated Dec'2019
Two 32-Tonne Trucks	£370,000	Not required
Bin purchase	£82,980 *Estimate based on £10 per bin	£53,809 *Actual purchase at £7 per bin
Total	**£452,980**	**£53,809**

The business case also budgeted for two additional vehicles to deliver the service. However, upon reflection, the service will use the best vehicles in the existing fleet. This will enable us to learn more about the requirements of the rounds and re-position the fleet as more information becomes available about the National Waste Strategy. There was also a £29.1k saving against budgeted bin costs and the difference was used to enhance the garden waste software provision (urgency item noted at Policy & Finance Committee on 26 September 2019).

Please see **Appendix One** for the revenue impact of these changes on the Business Case numbers.

3.3 **Service Pricing**

The decision to charge £37 a bin was taken in January 2019 before the successful Cleaner, Safer, Greener programme or the adoption to the Community Plan with its objectives around recycling and greening the district. In light of this Council wide 'cleaner and greener' focus it would be most appropriate to promote good waste management and increase recycling rates through greater uptake of the garden waste service. Therefore, it is the officer recommendation that the current charge of £35 is maintained for 2020/21.

This would impact not only the customers coming back 'in-house' but also the customers already served by NSDC. Using the most recent customer numbers, altering the service charge from £37 to £35 a bin would change the income for 2020/21 from £497.5k to £471k a £26.5k financial impact.

3.4 **To Summarise**;

	Original Business Case *13,327 customers at £37*	**Updated Business Case** *13,331 customers at £37*	**Updated Business Case £35 charge** *13,331 customers at £35*
Service Charge for bins from RBC, MDC & Growth	£307,026	£284,419	£269,045
Service Charge for bins from NSDC	£186,073	£208,828	£197,540
Bin Replacements/New Bins	£4,400	£4,400	£4,400
Total Income	**£497,499**	**£497,647**	**£470,985**

Therefore, to summarise, a Member decision to alter the charge from £37 to £35 for 2020/21 would have a £26.6k impact on the income received.

3.5 **Expansion of the Service**

The aim is to expand the Garden Recycling service to increase service income in line with the Council's aspirations, increase the district's recycling rate and improve the waste practices of service users by encouraging considered waste disposal practises.

This will be achieved through;

- Targeted marketing to increase service penetration,
- Expansion of the offer to increase the number of households utilising the Council's garden waste service by offering a lower cost 'bag service' for residents with smaller gardens who would not require a full size bin, and
- Clear branding of the service demonstrating the 'USP' of the service in that the service is all-year around, reliable, regular and environmentally friendly.

4.0 Equalities Implications

4.1 No adverse impacts have been identified. Assisted bin collections currently offered for refuse and recycling will be extended to garden waste service users. The garden waste service will remain an opt-in chargeable service at this current time and the methods of payment will stay the same.

5.0 Financial Implications (FIN19-20/7619)

5.1 As per 'One off Costs' part of the table at 3.2 the £370,000 is no longer required for the two 32 tonne trucks. Therefore £89,410 can be allocated to the three new vehicles required following the waste management review as per the report to this committee on 24 September as we now have the vehicle specification. This leaves £280,590 no longer required in the Capital Programme, freeing up capital receipts for other projects and therefore reducing the need to borrow for other schemes. Approval for these changes will be sought as part of the Capital Budget Report to Policy & Finance Committee on 20 February 2020.

5.2 An urgency item was noted at the Policy & Finance Committee on 26 September reporting the reduced costs of the bins with a recommendation to use the difference to enhance the garden waste software provision with the remaining amount set aside for new customers' bins.

5.3 The Business Case income was for the areas returning to Newark & Sherwood District Council, from MDC and RBC. The income projected is now £38k less, due to a reduction in the forecast collection numbers and by agreeing to keep the charges at the 2019/20 price of £35 per bin. The projected surplus has now reduced to £16.6k.

5.4 However, the NSDC customer numbers have increased and with the reduction to £35 per bin, the income is expected to still increase by £11.5k. Therefore, the NET income reduction in the whole Garden Waste service, if the price stays at £35 per bin, is £26.5K.

6.0 Community Plan – Alignment to Objectives

6.1 This Garden Waste service achieved a surplus and thus contributes to the objective to 'generate more income, improve value for money and increase residents' satisfaction with the Council'. The provision of the service in-house also means a better customer experience. Whilst the improved waste management and increased recycling contributes to the 'improve the cleanliness and appearance of the local environment' objective and the 'protect, promote and enhance the district's natural environment' objective.

7.0 RECOMMENDATIONS that:

a) Members note the updates within the report;

b) the £280,590 no longer required for the refuse collection vehicles be removed from the Capital Programme in order to reallocate the capital receipts to other projects; and

c) the Garden Waste Service charge for 2020/21 be set at £35.

Reason for Recommendations

To enable the Council to provide a Garden Waste Service that delivers a quality customer experience and contributes to the Council's 'green' aspirations.

Background Papers

Nil

For further information please contact Ella Brady on Ext.5279

Matt Finch
Director - Communities & Environment

POLICY & FINANCE COMMITTEE
23 JANUARY 2020

2020/21 HOUSING REVENUE ACCOUNT (HRA) BUDGET AND RENT SETTING

1.0 Purpose of Report

1.1 The annual report being presented to the Committee on the Housing Revenue Account (HRA) will:

a) provide the actual outturn of the HRA for the 2018/19 financial year (01 April 2018 - 31 March 2019) (column 2 of **Appendix A1**);

b) examine the proposed income and expenditure on the HRA for the 2020/21 financial year (column 4 of **Appendix A1**), in accordance with Section 76 (Duty to prevent debit balance on Housing Revenue Account) of the *Local Government and Housing Act 1989*;

c) provide indicative amounts of income and expenditure for the 2021/22 to 2023/24 financial years (columns 5 to 7 of **Appendix A1**);

d) set rent levels and service charges for 2020/21 (with effect from the first Monday in April 2020); and

e) detail the 2020/21 allocation for housing management services. In previous years, this would have been the management fee payable by the council to Newark and Sherwood Homes Ltd (NSH/the company).

1.2 The following paragraphs provide the necessary detail for the matters above.

2.0 Background Information

2.1 The setting of the HRA budget and the approval of rent levels will allow the required time to notify tenants of proposed changes to rents in accordance with legislation.

2.2 The key dates in the budget setting timetable are detailed in the table below:

Council determination of HRA budget and rent setting	11 February 2020
Newark & Sherwood District Council update of rent systems	By end of February 2020
Generation of rent cards and letters to notify tenants of variation of their rent levels (tenants are required to be given one month's notice by law of rent changes).	By end of February 2020

2.3 Any slippage from these key dates would jeopardise the implementation of rent increases from the first Monday in April 2020, and as a consequence, pose a risk to the sustainability of the 30-year HRA Business Plan (BP).

Statutory Duty

2.4 Section 76 of the *Local Government and Housing Act 1989* requires local housing authorities to set a budget annually for their HRA, and that implementation of the budget proposals will not result in a debit balance (deficit position) at year-end.

2.5 Following housing financing reforms (self-financing) in April 2012 the council's HRA has been operating within a 30-year business plan. The inputs and assumptions in the Business Plan are key to setting the HRA budgets annually for each year of the HRA's four-year medium-term financial plan (MTFP).

2.6 Members will be aware that on 08 July 2015, Government announced that registered providers (including social housing stock-owning local authorities) had to reduce social housing rents by 1% each year for four years from 2016/17, in accordance with section 23 (Reduction in social housing rents) of the *Welfare Reform and Work Act 2016*. 2019/20 is the last year of the 1% rent reduction.

2.7 The 1% annual rent reductions have resulted in the HRA Business Plan losing more than £11m (13%) in rental income over the four years. This is equivalent to more than six months' worth of rental income in 2019-20, or the funds to build more than 100 homes.

Rent Standard 2020

2.8 In February 2019, the Secretary of State for Housing, Communities & Local Government published a Direction to the Regulator of Social Housing (RSH) to set a Rent Standard which would apply from 2020. This was published alongside a Policy Statement on Rents for Social Housing 2018 (Rent Policy Statement) for the Regulator to have regard to when setting its Rent Standard.

2.9 The Rent Standard 2020 specifies that rents must be set in accordance with the Rent Policy Statement. The government's Rent Policy Statement now allows annual rent increases to social rent and affordable rent properties for at least five years, up to (and including) the Consumer Price Index (CPI) rate published for September of the preceding financial year plus 1%.

2.10 As the CPI for September 2019 was 1.7%, the Rent Policy Statement allows an annual rent increase of 2.7% for 2020/21.

2.11 By providing a five-year rent settlement, the Government has recognised:

"*the need for a stable financial environment to support the delivery of new homes*", and that "*enabl[ing] registered providers to plan ahead*" will allow them "*to make the best possible use of their* resources".

2.12 In restricting annual rent increases to CPI + 1%, the Government aims to:

"*strike a fair balance between the need to maintain existing affordable homes and the provision of additional affordable housing; the interests of existing and potential social housing tenants; and the cost to taxpayers through Housing Benefit/Universal Credit*".

2.13 From 01 April 2020, therefore, social housing providers registered with the RSH ('registered providers') must now comply with the Rent Standard 2020.

2.14 Newark and Sherwood Homes (NSH) have already made tenants aware about the background to the proposed rent increase through the quarterly rent statements issued in early January 2020 and on its website.

Borrowing Cap

2.15 As part of the HRA self-financing reforms introduced in April 2012, the government set a maximum amount of housing debt that each local authority could have. In subsequent years, the government awarded some local authorities limited increases to their housing borrowing limits. On 29 October 2018, the Limits on Indebtedness (Revocation) Determination 2018 revoked all previous determinations that specified limits on local authority housing indebtedness.

2.16 Though councils are no longer restricted in how much they can borrow in their HRAs, there is still the requirement for councils to make sure that all borrowing is affordable and proportionate within the context of their 30-year HRA business plan (HRA BP). The council has recently obtained expert external advice on the assumptions in the current BP, which concluded that the council's anticipated future level of indebtedness is currently viable within the plan.

Management fee / allocation for housing management services

2.17 On 26 September 2019, the Committee agreed to bring the housing management services provided by Newark and Sherwood Homes (NSH) back in-house for direct service provision by the council. This is anticipated to take place on 01 February 2020.

2.18 For 2019/20 and previous years, the council has budgeted to pay NSH an annual management fee for housing management services. For 2020/21 and future years, the council will need to itemise its budget for housing management services.

2.19 As the council is in the process of bringing housing management services back in-house, this report proposes to designate the budget for what would have been the 2020/21 management fee as an allocation for housing management services instead.

2.20 As part of the housing management review, the council is recruiting to a newly created post of Director of Housing, Health and Wellbeing. A role of the director will be to shape how the council delivers housing management services in 2020/21 and future years, which will be done in consultation with the relevant Committee and tenants. Once this work is completed, a report will be presented to Policy & Finance Committee itemising the council's housing management services budget, so that the Committee can scrutinise spend and inform the annual HRA budget setting process.

30-year HRA Business Plan (BP)

2.21 The BP summarises the viability of the council's plans to fulfil its management, maintenance and investment responsibilities to its HRA assets over the next 30-years. Key assumptions are made in the BP based on the council's strategic priorities and policies, detailed stock data and other factors.

2.22 The assumptions in the BP are key to setting the HRA budgets annually for each year of the HRA's four-year MTFP. Adverse variations in these assumptions can have significant consequences, as the examples in paragraph 2.7 make clear. Failure for Members to agree the proposals in this report could impact on the delivery of housing management services to tenants, as well as the viability and delivery of the council's approved HRA development programme, Yorke Drive regeneration scheme and other investment activities.

2.23 The council has recently obtained expert external advice validating both the HRA BP's financial model and the BP's capacity for borrowing (paragraphs 2.15 and 2.16). The narrative of the HRA BP and assumptions in the financial model will be reviewed and updated once the new Director is in post. A report will then presented to the Committee for approval.

2.24 Officers monitor relevant government policy announcements and model the implications of these on the HRA BP. In the Queen's Speech on 19 December 2019, the Government said that it "*will bring forward a Social Housing White Paper"*, and introduce a new Building Safety Bill and a Fire Safety Bill "*to improve building safety*". Officers will model the impacts of these on the HRA BP as further details become available.

Rent Cycle

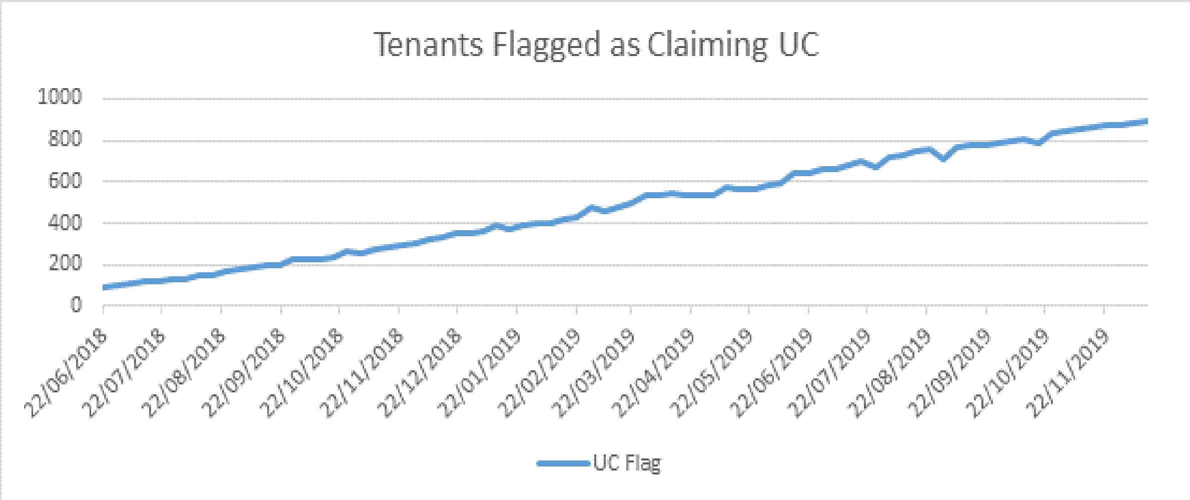
2.25 A member of the Board of Newark and Sherwood Homes Ltd requested in 2018 that the council consider a review of its secure tenancy agreement, to move from a 48 week rent cycle (with 4 rent free weeks) annually to a 52 week rent cycle annually.

2.26 A paper was taken to the Board in November 2018 which considered the options and proposed that a working party be set up to investigate further. Officers have not actively progressed this proposal, as other priorities have since taken precedent. The new director may wish to review the annual rent cycle once in post.

Universal Credit (UC) and Housing Benefit (HB)

2.27 Universal Credit (UC) is the Government's new working-age benefit which combines six means-tested ('legacy') benefits, including Housing Benefit (HB), into a single monthly payment. UC was a central feature of the government's *Welfare Reform Act 2012*. The Government started rolling out UC in 2013, with the full service commencing in 2018 across Newark and Sherwood.

2.28 Since 2018, there has been a significant increase in the number of council housing tenants claiming UC. As per the graph below, the number of tenants claiming UC has increased from 95 to 895 between June 2018 and December 2019. The council expects over 2,000 tenants to be claiming UC once all relevant households have transferred to UC.



2.29 As the number of council housing tenants claiming UC is increasing, the number claiming Housing Benefit (HB) as a standalone ('legacy') benefit is decreasing. Around 2,950, or just over half, of council households currently have tenant(s) in receipt of legacy HB.

2.30 Despite the trends outlined above, a significant number of council housing tenants will continue to receive legacy HB even after all relevant households have transferred to UC. This is because eligible adults of all ages (including older people) can claim legacy HB, whereas only eligible adults of working-age can claim UC. Nearly half of the council's social housing stock is designated for older people.

2.31 Around 1,900 of the 2,950 households, or just under two-thirds, are entitled to the maximum amount of HB, and around 1,050 households to partial HB.

2.32 A small proportion of the 2,950 households receive less HB than they are entitled to, because their HB entitlement is reduced by the benefit cap and/or under-occupancy charge ('bedroom tax' or 'removal of the spare room subsidy'). Tenants in these households may be entitled to maximum or partial HB.

2.33 Residents claiming HB or UC who need help with meeting their housing costs can request a Discretionary Housing Payment (DHP) from their local council. Council and NSH officers work closely together to ensure DHP funds are committed to households in most need.

2.34 The Committee should note that officers recognise the importance of supporting tenants at an early stage to sustain their tenancies, especially around rent collection, benefit entitlement and arrears management.

Service Charges

2.35 In addition to rent, local authorities can charge for other services they provide (service charges). Section 93 (Power to charge for discretionary services) of the *Local Government Act 2003* requires charges to be set such that taking one financial year with another, the income from charges for a service does not exceed its costs of provision.

2.36 The Policy Statement on Rent for Social Housing (February 2019) sets out an expectation that service charge increases remain within the limit of rent charge of CPI + 1% in order to keep service charges affordable. **Appendix C** details the current (2019/20) and proposed (2020/21) service charges, with proposed increases to current charges of 2.7% (CPI + 1%). Subsequent paragraphs provide details about the services that tenants are charged for.

Housing-Based Support Services

2.37 The main housing-based support service that NSH provides is a community alarm service, to help tenants live more independently. Tenants with lifeline units in their properties can raise an alarm call from anywhere in the home if they require this. Around half of the council's social housing properties have these lifeline units.

2.38 Tenants in properties with lifeline units currently pay £1.72 per week for the community alarm service. This charge is mandatory, in line with the terms of their tenancy agreement. This charge is not eligible for housing benefit.

2.39 As well as a range of other support services, officers also provide intensive housing management (IHM) services for tenants in extra care housing schemes. As tenants in these properties need higher levels of support to sustain their tenancies, the charges for IHM services vary depending on the scheme that tenants live in. The council currently has three extra care housing schemes (Bilsthorpe Bungalows, Gladstone House and Vale View), with a fourth in Boughton due for completion towards the end of 2020/21.

2.40 Details of the current and proposed service charges are in **Appendix C**.

Other Housing Based Services

2.41 In addition to charges for IHM services and lifeline units, tenants at Gladstone House are charged for receiving certain meals and a television (TV) licence. The TV licence charge is to recover the cost of an accommodation for residential care (ARC) concessionary TV Licence. As the cost of an ARC licence has not changed (£7.50 per year), it is proposed that the TV licence charge remains unchanged (£0.21 per week).

2.42 Other weekly service charges applied to tenants are for the costs of water and sewerage provided to properties at Vale View (£3.73 per week) and for the costs (where appropriate) of landscaping, lighting and drainage provided to 71 general needs properties (average weekly charge of £5.47 per week).

2.43 Details of the current and proposed service charges are in **Appendix C**.

Non-Housing Based Services

2.44 Officers manage the garages, garage ports (or car ports/parking spaces) and garage plots (or parking plots) within the council's HRA. Garages and garage ports are structures owned by the council, fully enclosed and partially enclosed respectively, whereas garage plots are pieces of land on which tenants supply their own garage structure. The charges for garages (garage rents) and garage plots are weekly, whilst those for garage ports are annually. All garage-based charges exclude standard rate value-added tax (VAT) if let to council housing tenants, and include VAT if let to non-council housing tenants.

2.45 Whilst it may be possible to increase rents by more than 2.7% (CPI + 1%) for more desirable garages, officers are aware that a large increase in rent may increase the expectations of tenants around improvements to the condition and security of garages. It is therefore proposed not to introduce differential rent levels at the current time.

2.46 Officers continue to identify existing and redundant garage sites which could be suitable for inclusion in the council's approved housing development programme.

2.47 Details of the current and proposed service charges are in **Appendix C**.

3.0 Proposals

3.1 In light of the above, officers are proposing to the Committee that it recommends to Council at its meeting on 11 February 2020::

a) the HRA budget for 2020/21, as set out in **Appendix A1** to this report;

b) an increase of 2.7% (CPI + 1%) in the 2020/21 rents of all properties in the HRA as at 31 March 2020;

c) an increase of 2.7% (CPI + 1%) in all 2020/21 service charges, except for the television (TV) licence costs payable by tenants of Gladstone House; and

d) that the TV licence costs payable by tenants of Gladstone House in 2020/21 remain at £0.21 per week.

4.0 Equalities Implications

4.1 The proposed rent increase would apply to all council social housing dwellings, whether or not these are occupied, rather than to the tenants themselves or to tenants in specific properties. The proposed rent increase is therefore not expected to discriminate against any of the characteristics protected under the *Equality Act 2010*.

4.2 The proposed rent and service charge increases are, however, expected to adversely impact working-age tenants in receipt of benefits. The government's increase of 1.7% in working-age benefits for 2020/21 is less than the 2.7% proposed increase in rent and most service charges for next year.

4.3 As outlined in paragraph 2.33, working-age council housing tenants claiming benefits in need of help with housing costs can request a DHP from the council. The Government has not yet announced how much DHP it will be giving councils for 2020/21.

4.4 Though the proposed rent and service charge increases are not expected to adversely impact tenants in receipt of State Pension (as State Pension will increase by 3.9% for 2020/21), officers recognise the importance of supporting tenants of all ages to sustain their tenancies, as outlined in paragraph 2.34.

5.0 Financial Implications

5.1 The majority of the financial implications are set out in the body of this report or its **appendices**. The financial implications of tenants' Right to Buy (RTB) and the council's approach to depreciation are covered in further detail below.

Right to Buy (RTB)

5.2 The council signed a Retention Agreement with the Secretary of State to use 30% of its retained receipts (1-4-1 receipts) from properties sold under the RTB scheme on the provision of replacement social housing. The one-for-one replacement of RTB sales with new affordable rent homes is at the national level.

5.3 If the council is unable to spend its retained receipts within three years of receiving them, it must return these to Government with interest of 4% above the base rate (currently 0.75%).

5.4 By December 2019, the council managed to spend all of the 1-4-1 receipts received between April 2013 and December 2016 (more than £900,000).

5.5 By December 2022, the council anticipates that it will spend all of the 1-4-1 receipts received between January 2017 and December 2019 (more than £2,000,000). This will require spending nearly £7,000,000 on replacement social housing overall.

5.6 Officers closely monitor spend against the council's approved HRA development programme to ensure that 1-4-1 receipts are used as appropriate.

5.7 The number of RTB sales in 2019/20 is at its lowest level since 2012/13 nationally and since 2015/16 in the district. This will reduce how much the council receives in 1-4-1 receipts, and thus how much the council must spend on replacement social housing from its own resources or borrowing, though increases the number of properties from which the council receives weekly rent.

5.8 Officers consider changing local trends in RTB sales when setting the HRA budget annually.

Depreciation

5.9 In previous years, the depreciation charge budgeted for future years only accounted for those assets in the council's asset register. Assets in the register are those fully acquired or developed, such as homes newly built.

5.10 The depreciation charge now budgeted for future years includes assets planned for acquisition or development as part of the council's approved capital programme.

5.11 This move towards accounting more wholly for the council's depreciable assets increases the accuracy (and monetary value) of the depreciation charge now budgeted in the HRA for future years.

6.0 Community Plan – Alignment to Objectives

6.1 One of the actions in the Community Plan 2019-2023 for the council to "*accelerate the supply of new homes including associated facilities*" is for the HRA to "*deliver 335 homes by 2021/22*". Implementation of the proposals in this report will directly support the council's HRA to deliver these new homes.

7.0 RECOMMENDATIONS

That the following recommendations be made to Council at its meeting on 11 February 2020:

a) the HRA budget for 2020/21, as set out in Appendix A1 to this report;

b) an increase of 2.7% (CPI + 1%) in the 2020/21 rents of all properties in the HRA as at 31 March 2020;

c) an increase of 2.7% (CPI + 1%) in all 2020/21 service charges, except for the television (TV) licence costs payable by tenants of Gladstone House; and

d) that the TV licence costs payable by tenants of Gladstone House in 2020/21 remain at £0.21 per week.

Reason for Recommendations

To advise Members of the proposed HRA budget and changes in rent and service charge levels for 2020/21 and for these to be recommended to Council at its meeting on 11 February 2020.

Background Papers

Nil.

For further information please contact Rob Main (Business Manager - Housing Strategy & Development) on Extension 5930 or Mohammed Sarodia (Assistant Business Manager - Financial Services) on Extension 5537.

Sanjiv Kohli
Director – Resources/Deputy Chief Executive

Karen White
Director - Governance & Organisational Development

HOUSING REVENUE ACCOUNT (HRA) - OUTTURN 2018/19 and BUDGET 2019/20 to 2023/24

Annual rent increases of Consumer Price Index (CPI) + 1% between 2020/21 and 2023/24

Column 1 SUMMARY	Column 2 2018/19 OUTTURN £	Column 3 2019/20 BASE BUDGET £	CPI + 1% estimate 2.7% Column 4 2020/21 BASE BUDGET £	CPI + 1% estimate 2.9% Column 5 2021/22 BASE BUDGET £	CPI + 1% estimate 3.0% Column 6 2022/23 BASE BUDGET £	CPI + 1% estimate 3.0% Column 7 2023/24 BASE BUDGET £
INCOME						
Rents: dwellings	21,324,004	21,253,130	21,615,550	21,716,980	22,001,920	22,459,480
Rents: non-dwellings	197,130	199,850	291,440	289,710	288,070	286,400
Charges for services	596,409	773,290	725,560	743,560	762,890	782,810
Contributions to expenditure	77,170	87,940	80,000	82,400	84,870	87,420
Other income	949,325	609,210	596,560	597,820	599,170	600,550
Sub Total - Income	23,144,038	22,923,420	23,309,110	23,430,470	23,736,920	24,216,660
EXPENDITURE						
Supervision & management:						
Council management	1,495,112	1,720,630	1,421,330	1,400,420	1,425,090	1,449,750
Management fee/allocation to housing management	4,690,055	5,012,570	5,137,900	5,266,300	5,398,000	5,533,000
Repairs & maintenance						
Disturbance allowance	34,100	68,000	100,000	25,000	25,000	25,000
Management fee/allocation to housing management	3,962,450	3,464,500	3,551,100	3,639,900	3,730,900	3,824,200
Rents, rates, taxes & other	5,194	3,170	5,000	5,000	5,000	5,000
Depreciation: dwellings	4,511,885	4,998,210	5,379,700	6,225,100	6,787,400	7,261,100
Depreciation: non-dwellings	408,330	0	269,300	269,300	269,300	269,300
Impairments	92,495	0	0	0	0	0
Revenue expenditure funded by capital	58,847	0	0	0	0	0
Revaluation: dwellings	13,303,437	0	0	0	0	0
Revaluation: non-dwellings	(8,061)	0	0	0	0	0
Debt management expenses	75,505	76,940	80,000	80,000	80,000	80,000
Sub Total - Expenditure	28,629,349	15,344,020	15,944,330	16,911,020	17,720,690	18,447,350
NET COST OF SERVICES	5,485,311	(7,579,400)	(7,364,780)	(6,519,450)	(6,016,230)	(5,769,310)
(Profit)/loss on sale of HRA fixed assets	1,042,357	0	0	0	0	0
Interest payable	3,813,387	3,877,090	3,791,690	3,889,370	3,962,510	4,037,025
Interest receivable	(8,511)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
S106 capital income	(1,383,834)	0	0	0	0	0
Capital grant/contribution: government	(2,023,773)	(1,560,000)	(520,000)	0	0	0
Capital grant/contribution: non-government	(1,799)	0	0	0	0	0
Provision for bad debt	384,706	555,840	456,070	451,660	457,490	466,850
Right to Buy (RTB) sales: administration fee	45,500	36,400	32,500	32,500	32,500	32,500
NET OPERATING EXPENDITURE	7,353,344	(4,673,070)	(3,607,520)	(2,148,920)	(1,566,730)	(1,235,935)
APPROPRIATIONS						
Transfer of sale proceeds from CIES	2,071,990	3,300,420	1,660,000	1,710,000	1,760,000	1,810,000
Transfer of RTB sales admin fee re: CRR	(45,500)	(36,400)	(32,500)	(32,500)	(32,500)	(32,500)
Revenue contribution to MRR	3,511,825	2,889,470	2,911,850	1,965,420	1,375,400	987,635
Depreciation charged to MRR	4,920,215	4,998,210	5,649,000	6,494,400	7,056,700	7,530,400
Employer's contribution to NCC	260,000	260,000	208,170	216,000	223,830	280,800
Assets written off disposal	(3,114,347)	(3,300,420)	(1,660,000)	(1,710,000)	(1,760,000)	(1,810,000)
REFCUS expenditure to CAA	(58,847)	0	0	0	0	0
Depreciation/impairment: HRA non-dwellings	(407,128)	0	(269,300)	(269,300)	(269,300)	(269,300)
Depreciation/impairment: HRA dwellings	(4,513,087)	(4,998,210)	(5,379,700)	(6,225,100)	(6,787,400)	(7,261,100)
Capital grant/contribution applied	3,409,406	1,560,000	520,000	0	0	0
Transfer of capital grant/contribution to unapplied		0	0	0	0	0
Revaluation loss on assets charged to CIES	(13,387,871)	0	0	0	0	0
HRA (SURPLUS)/DEFICIT FOR YEAR	(0)	0	0	0	0	0
WORKING BALANCE brought forward (b/f)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
WORKING BALANCE carried forward (c/f)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)

HOUSING REVENUE ACCOUNT (HRA) - BUDGET 2019/20 to 2023/24

SUBJECTIVE SUMMARY

CODE	SERVICE	2019/20 BASE BUDGET £	2020/21 BASE BUDGET £	MORE/(LESS) £	2021/22 BASE BUDGET £	2022/23 BASE BUDGET £	2023/24 BASE BUDGET £
	EMPLOYEES						
114	SUPERANNUATION	260,000	208,170	(51,830)	216,000	223,830	280,800
	EMPLOYEES SUB-TOTAL	**260,000**	**208,170**	**(51,830)**	**216,000**	**223,830**	**280,800**
	PREMISES RELATED EXPENDITURE						
211	REPAIRS & MAINTENANCE	3,532,500	3,651,100	118,600	3,664,900	3,755,900	3,849,200
214	RATES	0	0	0	0	0	0
	SUPPLIES & SERVICES						
430	NSDC MANAGEMENT COSTS	573,060	718,730	145,670	731,950	740,270	748,770
451	CONTRACTUAL	5,443,570	5,579,700	136,130	5,719,100	5,862,100	6,008,700
452	PROFESSIONAL SERVICES	52,680	97,780	45,100	47,780	47,780	47,780
471	STAFF EXPENSES & FEES	1,500	1,500	0	1,500	1,500	1,500
482	SUBSCRIPTIONS	1,000	1,000	0	1,000	1,000	1,000
491	INSURANCES	189,560	165,520	(24,040)	170,390	175,440	180,000
492	TRANSFER TO MAJOR REPAIRS/GROWTH RESERVE	2,889,470	2,911,850	22,380	1,965,420	1,375,400	987,635
	TRANSFER PAYMENTS						
612	FEED IN TARIFF PAYABLE TO NSH	475,000	0	(475,000)	0	0	0
612	PROVISION FOR BAD DEBTS	555,840	456,070	(99,770)	451,660	457,490	466,850
	RUNNING EXPENSES SUB-TOTAL	**13,714,180**	**13,583,250**	**(130,930)**	**12,753,700**	**12,416,880**	**12,291,435**
	CAPITAL FINANCING						
498	LOANS AND INVESTMENTS	3,877,090	3,791,690	(85,400)	3,889,370	3,962,510	4,037,025
817	DEBT MANAGEMENT EXPENSES	76,940	80,000	3,060	80,000	80,000	80,000
821	CAPITAL CHARGES	4,998,210	5,649,000	650,790	6,494,400	7,056,700	7,530,400
	CAPITAL FINANCING SUB-TOTAL	**8,952,240**	**9,520,690**	**568,450**	**10,463,770**	**11,099,210**	**11,647,425**
	INCOME						
911	GOVERNMENT GRANTS	0	0	0	0	0	0
922	OTHER LA CONTRIBUTIONS	0	0	0	0	0	0
928	RECHARGE TO THIRD PARTY	(4,950)	(5,880)	(930)	(6,050)	(6,240)	(6,420)
932	FEED IN TARIFFS	(475,000)	(470,000)	5,000	(470,000)	(470,000)	(470,000)
932	FEES & CHARGES	(57,860)	(53,180)	4,680	(54,270)	(55,430)	(56,630)
933	RENTS	(21,452,980)	(21,906,990)	(454,010)	(22,006,690)	(22,289,990)	(22,745,880)
933	SERVICE CHARGES	(844,690)	(793,060)	51,630	(811,060)	(830,390)	(850,310)
939	OTHER RECEIPTS	(87,940)	(80,000)	7,940	(82,400)	(84,870)	(87,420)
941	INTEREST	(3,000)	(3,000)	0	(3,000)	(3,000)	(3,000)
	INCOME SUB-TOTAL	**(22,926,420)**	**(23,312,110)**	**(385,690)**	**(23,433,470)**	**(23,739,920)**	**(24,219,660)**
	COMMITTEE TOTAL (SURPLUS)/DEFICIT	**0**	**0**	**0**	**0**	**0**	**0**
	WORKING BALANCE brought forward (b/f)	(2,000,000)	(2,000,000)	0	(2,000,000)	(2,000,000)	(2,000,000)
	WORKING BALANCE carried forward (c/f)	(2,000,000)	(2,000,000)	0	(2,000,000)	(2,000,000)	(2,000,000)

Housing Revenue Account (HRA) Rent Setting Policy

1.0 Introduction

1.1 Each year, the council must set rents for its housing properties and notify each individual tenant of any proposed rent change, in accordance with legislation.

1.2 This policy outlines how Newark and Sherwood District Council (NSDC, the council) will calculate and charge rent for the housing properties that it owns within its Housing Revenue Account (HRA) and has responsibility to manage and maintain.

2.0 Purpose of Policy

2.1 The purpose of this policy is primarily to ensure that rents are set in accordance with all relevant legislation and obligations; and provide a clear framework for setting and reviewing the rent levels of properties.

3.0 Background Information

3.1 On 08 July 2015, the Government announced that registered providers (including social housing stock-owning local authorities) had to reduce social housing rents by 1% each year for four years from 2016/17, in accordance with section 23 (Reduction in social housing rents) of the *Welfare Reform and Work Act 2016*. 2019/20 is the last year of the 1% rent reduction.

3.2 In February 2019, the Government published a Direction to the Regulator of Social Housing (RSH) to set a Rent Standard which would apply from 2020. This was published alongside a Policy Statement on Rents for Social Housing 2018 (Rent Policy Statement) for the Regulator to have regard to when setting its Rent Standard.

3.3 The Rent Standard 2020 specifies that rents must be set in accordance with the Rent Policy Statement. The government's Rent Policy Statement now allows annual rent increases to social rent and affordable rent properties for at least five years, up to (and including) the CPI rate published for September of the preceding financial year plus 1%.

3.4 By providing a five-year rent settlement, the Government has recognised:

"the need for a stable financial environment to support the delivery of new homes", and that "enabl[ing] registered providers to plan ahead" will allow them "to make the best possible use of their resources".

3.5 In restricting annual rent increases to CPI + 1%, the Government aims to:

"strike a fair balance between the need to maintain existing affordable homes and the provision of additional affordable housing; the interests of existing and potential social housing tenants; and the cost to taxpayers through Housing Benefit/Universal Credit".

4.0 <u>The Policy</u>

4.1 In accordance with the Rent Policy Statement, the council will calculate and charge rent for all housing properties that it owns within its HRA and has responsibility to manage and maintain. The paragraphs below summarises the relevant content from this document.

<u>Social Rent</u>

4.2 Social rent properties here refers to accommodation, as defined by section 69 (Low cost rental) of the *Housing and Regeneration Act 2008*, not classified as:

a) affordable rent accommodation;
b) let to social tenants with high incomes;
c) shared ownership low cost rental accommodation;
d) intermediate rent accommodation;
e) specialised supported housing;
f) relevant local authority accommodation;
g) student accommodation;
h) Private Finance Initiative (PFI) social housing;
i) temporary social housing; or
j) care homes.

4.3 The council will set the initial rent on a social rent property at a level no higher than 10% above formula rent for supported housing, and no higher than 5% above formula rent for all other social rent properties.

4.4 Formula rent is based on:

a) 30% of a property's rent being based on relative property values;
b) 70% of a property's rent being based on relative local earnings; and
c) a bedroom factor, so that other things being equal, smaller properties have lower rents.

4.5 Formula rent will increase by the Consumer Price Index (CPI) plus 1% each year, based on the CPI rate for September of the previous financial year.

4.6 Formula rent is subject to a rent cap based on the number of bedrooms in a property. Where formula rent would be higher than the rent cap for a particular property, the rent cap will be used instead.

4.7 The rent cap will increase by CPI plus 1.5% each year.

4.8 The annual change in rent for tenants in a specific property will increase by no more than CPI plus 1% each year.

4.9 The rent for a property which exceeds the rent flexibility level will increase by no more than CPI each year, until the rent for the property is brought within the rent flexibility level.

4.10 The rent for a property which exceeds the rent flexibility level will not exceed formula rent plus the rent flexibility level when the property is re-let.

4.11 A social rent property will not be converted to market rent, intermediate rent or affordable rent properties, except for the latter where agreed to by Homes England or the Secretary of State.

Affordable Rent

4.12 Affordable rent properties here refers to accommodation which Homes England or the Secretary of State have agreed can be let at an affordable rent (including service charges).

4.13 Affordable rent will not exceed 80% of gross market rent (including applicable service charges).

4.14 Gross market rent is the rent the property would reasonably be expected to be let for in the private sector. Factors including property size, location type and service provision will be taken into account when determining gross market rent.

4.15 The council will comply with the terms of any agreements with Homes England or the Secretary of State when setting affordable rents.

4.16 The council will also have regard to the local market context, including the Local Housing Allowance (LHA) for the Broad Rental Market Area (BRMA) the property is located in, when setting affordable rents.

4.17 Affordable rent will, as a minimum, be the potential formula rent for the property.

4.18 Affordable rent properties will not be converted to market rent or intermediate rent.

4.19 The annual change in rent for tenants in a specific property will increase by no more than CPI plus 1% each year.

4.20 The rent of an affordable rent property let to a new tenant (or licencee) or re-let to an existing tenant (or licencee) will be based on a new valuation, so as to ensure the new rent does not exceed 80% of relevant market rent.

4.21 The rent of an affordable rent property re-let to the same tenant because their probationary tenancy has ended will not be re-set.

2020 Limit for Social Rent and Affordable Rent Accommodation

4.22 In 2020/21, the maximum rent increase for existing tenants will be calculated using the 2020 limit.

4.23 The 2020 limit is the average weekly rent payable by a tenant for accommodation in 2019/20. For properties re-let in 2019/20, the average weekly rent will be calculated based on the period since the property was last re-let.

4.24 The average weekly rent will be calculated based on the council’s annual rent cycle of 48 weeks in a 52 week financial year, and 49 weeks in a 53 week financial year (four rent free weeks a year).

Service charges

4.25 The council is expected to set reasonable and transparent service charges which reflect the service provided to tenants.

4.26 The council is expected to identify service and rent charges separately for social rent properties.

4.27 The council should endeavour to keep service charge increases within the CPI + 1% limit of annual rent changes, so that charges remain affordable.

4.28 The council should consult with tenants where an additional charge may need to be made for new or extended services.

Garages

4.29 The approach to charging for garages, garage ports (or car ports/parking spaces) and garage plots (or parking plots) may differ from the approach to charging for rents and the approach to charging for housing-based support services.

4.30 The council should endeavour to strengthen the relationship between garage-related expenditure and income, and to adopt a more transparent pricing structure which better reflects garage-related demand.

4.31 The council should consider factors including the location, condition and availability or demand when setting garage-related rents.

Notification of rent changes

4.32 Tenants will be given at least four weeks’ notice in writing of any changes in rent due and the reasons for the rent change.

Newark and Sherwood District Council (NSDC) Housing Revenue Account (HRA) charges proposed for 2020/21

Service charge	2019-20 charge (£)	Proposed 2020-21 charge (£)	Frequency	Other information
CareLine service				
Lifeline alarm monitoring. Advice, contact of next of kin or emergency service if required by tenant	1.72	1.77	per week	All tenants
Lifeline installation fee		25.00	one-off	General needs tenants only
Sensor rental and monitoring per sensor	1.50		per week	All tenants. Lifeline customers only
Sensor rental and monitoring for two to five sensors		1.54	per week	All tenants. Lifeline customers only
Lifeline plus two to five sensors installation fee		35.00	one-off	New general needs tenants only
5 x 5 minute calls at times agreed between 6am - 8pm	10.10 - 12.80	3.50	per week	All tenants. Lifeline customers only
Additional Tenancy Assistance (opt-in service)	4.99	5.12	per week	
Gladstone House				
Support Charge	1.72	1.77	per week	
Intensive Housing Management Charge	94.17	96.71	per week	
TV Licence	0.21	0.21	per week	
Meal Charge	36.11	37.08	per week	
Vale View				
Intensive Housing Management Service	76.47	78.53	per week	
Support Charge	1.72	1.77	per week	
Water Charge	3.73	3.83	per week	
Extra Care Bungalows, Bilsthorpe				
Intensive Housing Management Service	98.53	101.19	per week	
Support Charge	1.72	1.77	per week	
Other charges relating to dwellings or tenants				
New build landscaping, lighting and drainage	2.82 - 6.80	2.90 - 6.99	per week	
Insurance	Various	Various	per week	
Garages				
Garage Rent	8.64	8.87	per week	VAT added if let to non-council tenant
Garage Plot	42.77	43.92	annually	VAT added if let to non-council tenant
Garage Port	3.74	3.84	per week	VAT added if let to non-council tenant

APPENDIX D

<u>Newark and Sherwood District Council (NSDC) 30-year Housing Revenue Account (HRA) Business Plan (BP): some key assumptions</u>

<table>
<tr><th>Assumption topic</th><th>Assumption</th></tr>
<tr><td>Income: inflation</td><td>Increase in 2020/21 rental income by 2.7%, based on the Consumer Price Index (CPI) for September 2019 (1.7%) plus 1%.

Increase in 2021/22 rental income by 2.9%, based on the CPI forecast for 2020 Q3 (1.9%) within the five-year CPI forecast (2019 to 2023) published by the Office for Budget Responsibility (OBR) plus 1%

Increase in 2022/23 and 2023/24 rental income by 3.0%, based on the same principle and publication as the increase in 2021/22 rental income, using the 2021 Q3 (2.0%) and 2022 Q3 (2.0%) forecasts respectively.

<table>
<tr><th></th><th>2020/21</th><th>2021/22</th><th>2022/23</th><th>2023/24</th></tr>
<tr><td>CPI + 1%</td><td>2.7%</td><td>2.9%</td><td>3.0%</td><td>3.0%</td></tr>
<tr><td>CPI data</td><td>Sep-19</td><td>2020 Q3</td><td>2021 Q3</td><td>2022 Q3</td></tr>
</table>
</td></tr>
<tr><td>Income: rent loss from void properties</td><td>1% in each year between 2020/21 and 2023/24.

Between 2014/15 and 2018/19, the percentage of rent lost through dwellings being vacant has ranged between 0.60% and 0.97% annually. Though the trend has been for annual increases, rent lost from empty properties has been reducing since it peaked in 2018-19 Q1.</td></tr>
<tr><td>Expenditure: new build properties</td><td>Capital expenditure between 2020/21 and 2023/24 in line with the council's approved HRA development programme, amended for relevant information which subsequently comes to light.</td></tr>
<tr><td>Expenditure: asset management programme</td><td>Capital expenditure between 2020/21 and 2023/24 in line with the asset management programme presented to the Board of Newark and Sherwood Homes Ltd. (NSH), amended for relevant information which subsequently comes to light.</td></tr>
<tr><td>Right to Buy (RTB)</td><td>25 sales in each year between 2020/21 and 2023/24.

The council has had 18 RTB sales in 2019/20 Q1-Q3. 2015/16 was the last time RTB sales were lower in Q1-Q3 (15).

All Nottinghamshire districts with HRAs except for one have seen reduced RTB sales in 2019/20 Q1-Q2 compared to 2018-19 Q1-Q2.

Nationally, sales are at their lowest level since 2012/13.</td></tr>
</table>

POLICY & FINANCE COMMITTEE
23 JANUARY 2020

POLICY & FINANCE COMMITTEE REVENUE BUDGET 2020/21

1.0 Purpose of Report

1.1 To seek feedback from the Policy & Finance Committee on the proposed general fund revenue budget for the 2020/21 financial year (01 April 2020 – 31 March 2021) for those services which fall under its remit.

1.2 To seek feedback from the Committee on the scale of proposed fees & charges for 2020/21 for those services which fall under its remit.

1.3 To seek approval from the Committee for the 2020/21 base budget in **Appendix A** to be recommended to Policy & Finance Committee at its meeting on 20 February 2020 for inclusion in the overall council budget; and

1.4 To seek approval from the Committee for the 2020/21 fees & charges in **Appendix D** to be recommended to Policy & Finance Committee at its meeting on 20 February 2020 and Council at its meeting on 09 March 2020.

2.0 Background Information

2.1 Business managers and service budget officers have been working with officers in the Financial Services team to prepare a general fund budget for 2020/21 and medium-term financial plan for between 2020/21 and 2023/24. The general fund budgets have been prepared in line with the strategy agreed by Policy & Finance Committee on 20 September 2018.

2.2 The budget and medium-term financial plan have been developed to reflect, in financial form, the corporate priorities of the Council. Where further targeted areas of focus have been identified, additional resources have been directed to these business units.

2.3 **Appendices A** and **B** summarise the budgets proposed for the Committee for 2020/21 by service team and subjective level respectively. These **appendices** exclude capital charges and central support recharges, because service officers do not have direct influence over how much they pay for these. The budgets in this report and its **appendices** are for controllable costs: costs which service officers have direct influence over.

Revenue Budget

2.4 *Table 1* below compares the Committee's 2019/20 initial budget for controllable costs, as approved by Council on 07 March 2019, with its currently proposed 2020/21 budget for controllable costs. The Committee's proposed 2020/21 budget is £206,000 more than its 2019/20 initial budget; an increase of 5%.

2.5 The £206,000 increase in the Committee's proposed 2020/21 budget is comprised of a £511,000 increase in employee costs and a £85,000 increase in running costs, partially offset by a £242,000 increase in non-Housing Benefit income and £147,000 decrease in net Housing Benefit expenditure.

Table 1: changes in controllable costs between 2019/20 and 2020/21 budgeted for services in Policy & Finance Committee

Expenditure or income?	Expenditure type	2019/20 initial budget (£m)	2020/21 base budget (£m)	Increase or (decrease) in budget (£m)
Expenditure	Employees	3.717	4.228	0.511
Expenditure	Running Expenses	2.548	2.632	0.085
Expenditure	Housing Benefit	21.022	20.492	(0.529)
Expenditure	**Total**	**27.287**	**27.352**	**0.066**
Income	Non-Housing Benefit	(2.287)	(2.529)	(0.242)
Income	Housing Benefit	(21.015)	(20.633)	0.382
Income	**Total**	**(23.302)**	**(23.162)**	**0.140**
Net Expenditure	**Total**	**3.984**	**4.190**	**0.206**

2.6 Most of the changes above in budgeted employee costs, running expenses and income relate to a small number of services. Tables 2-4 below show the five services which most account for each of the changes above.

2.7 Five services account for 94%, or £481,000, of the £511,000 increase in budgeted employee costs.

Table 2: the five services in Policy & Finance Committee which most account for changes in budgeted employee costs between 2019/20 and 2020/21

Rank	Service (cost centre)	Increase or (decrease) in employees budget (£m)	Percentage of overall increase or (decrease) accounted for by service
1	Senior Leadership Team	0.286	56%
2	Corporate Property	0.120	23%
3	Business Rates Property Unit	0.059	12%
4	Legal Section	0.057	11%
5	Other Financial Transactions	(0.040)	(8)%
		0.481	**94%**

2.8 Five services account for 136%, or £115,000, of the £85,000 increase in budgeted running expenses.

Table 3: the five services in Policy & Finance Committee which most account for changes in budgeted running expenses between 2019/20 and 2020/21

Rank	Service (cost centre)	Increase or (decrease) in running expenses budget (£m)	Percentage of overall increase or (decrease) accounted for by service
1	Financial Services	0.229	271%
2	Corporate Property	(0.087)	(103)%
3	New Burden Council Tax Reform	0.035	41%
4	Discretionary Housing Payments	(0.035)	(41)%
5	Organisational Development	(0.027)	(32)%
		0.115	**136%**

2.9 Five services account for 135%, or £327,000, of the £242,000 increase in budgeted non-Housing Benefit income.

Table 4: the five services in Policy & Finance Committee which most account for changes in budgeted income between 2019/20 and 2020/21

Rank	Service (cost centre)	(Increase) or decrease in income budget (£m)	Percentage of overall (increase) or decrease accounted for by service
1	Senior Leadership Team	(0.194)	(80)%
2	Commercialisation & M'Projects	(0.079)	(33)%
3	Business Rates Property Unit	(0.053)	(22)%
4	Corporate Property	(0.040)	(16)%
5	Housing Benefit Admin	0.039	16%
		(0.327)	**(135)%**

2.10 **Appendix C** lists the reasons for increases or decreases of over £5,000 between the 2019/20 initial budget and proposed 2020/21 budget for services in Policy & Finance Committee.

Fees & Charges

2.11 Officers have considered the Fees and Charges Toolkit approved by Economic Development Committee on 20 November 2019 when setting the level of fees & charges. The proposed fees & charges for 2020/21 are in **Appendix D** for consideration.

3.0 Proposals

3.1 Officers are proposing to the Committee that it recommends to Policy & Finance Committee at its meeting on 20 February 2020:

a) the 2020/21 base budget in **Appendix A** for inclusion in the overall council budget;

b) and to Council on 09 March 2020 the 2020/21 fees & charges in **Appendix D**.

4.0 Equalities Implications

4.1 Business Managers consider the implications on equalities when assessing how best to deliver the services they are responsible for.

5.0 Financial Implications

5.1 The Committee's proposed 2020/21 budget is £353,000 more than its 2019/20 initial budget; an increase of 9%. Employee budgets of £4.228m account for 62% of controllable costs. Significant budget savings cannot be achieved without affecting staffing levels.

5.2 The council's medium-term financial plan for between 2020/21 and 2023/24 requires significant savings in future years, as changes to how councils manage their finances and other challenges take effect.

5.3 It is important that the Committee continually scrutinises and reviews its budget in order to identify additional savings which will be achieved in future years.

6.0 Community Plan – Alignment to Objectives

6.1 The proposals in this report support the council to achieve multiple objectives of the Community Plan 2019-2023, though particularly the objective to *"generate more income, improve value for money and increase residents' satisfaction with the Council".*

7.0 RECOMMENDATION

That the following recommendations be made to Policy & Finance Committee at its meeting on 20 February 2020:

i. **the 2020/21 base budget in Appendix A for inclusion in the overall council budget;**

ii. **and to Council on 09 March 2020 the 2020/21 fees & charges in Appendix D.**

Reason for Recommendations

To ensure that the budgets and fees & charges finally proposed for 2020/21 are recommended to Policy & Finance Committee on 20 February 2020.

Background Papers - Nil

For further information please contact Nick Wilson (Business Manager – Financial Services) on Extension 5317 or Mohammed Sarodia (Assistant Business Manager – Financial Services) on Extension 5537.

Karen White
Director - Governance & Organisational Development

Sanjiv Kohli
Deputy Chief Executive/Director – Resources

BUDGET SUMMARY BY COMMITTEE - OBJECTIVE

05/01/20

POLICY & FINANCE - APPENDIX A

COST CENTRE	COST CENTRE NAME	2019/20 INITIAL BUDGET	2020/21 BASE BUDGET	MORE/(LESS)
A10601	ELECTORAL REGISTRATION	75,010	76,960	1,950
A10803	INTERNAL AUDIT	77,720	65,990	(11,730)
A10805	INCOME SECTION	29,170	31,350	2,180
A10806	BANK CHARGES	117,770	117,730	(40)
A10812	HUMAN RESOURCES	180,210	194,060	13,850
A10818	COMMITTEE SECTION	217,450	231,680	14,230
A10819	LEGAL SECTION	174,750	249,740	74,990
A10832	CENTRAL TELEPHONES	47,000	50,180	3,180
A10833	CENTRAL POSTAGES	40,570	41,430	860
A10841	CENTRAL PERSONNEL EXPENSES	136,430	112,440	(23,990)
A10842	OTHER EMPLOYEE EXPENSES	20,100	18,860	(1,240)
A10845	INFORMATION GOVERNANCE	71,140	77,560	6,420
A10864	SENIOR LEADERSHIP TEAM	620,440	710,230	89,790
A10895	FINANCIAL SERVICES	428,190	649,270	221,080
A10896	ORGANISATIONAL DEVELOPMENT	180,720	164,590	(16,130)
A10897	PROCUREMENT	29,350	35,920	6,570
A10898	ADMINISTRATION SERVICES	361,200	356,110	(5,090)
A10904	COUNCIL TAX	67,020	4,920	(62,100)
A10905	RENT ALLOWANCES	4,370	(78,930)	(83,300)
A10907	RENT REBATES	2,550	(61,270)	(63,820)
A10908	HOUSING BENEFIT ADMIN	91,820	148,810	56,990
A10911	BUSINESS RATES PROPERTY UNIT		19,000	19,000
A11122	RISK MANAGEMENT	56,450	42,020	(14,430)
A11831	CASTLE HOUSE	89,210	147,560	58,350
A11832	OLLERTON HALL	9,490	7,500	(1,990)
A11833	HAYSIDE COTTAGE LOWFIELD LANE	6,520	7,400	880
A11841	CORPORATE PROPERTY	343,420	336,420	(7,000)
A11844	COMMERCIALISATION & M'PROJECTS	180,900	117,220	(63,680)
A11901	MEMBERS EXPENSES	287,020	291,380	4,360
A11902	CIVIC EXPENSES	20,890	21,500	610
A11911	OTHER FINANCIAL TRANSACTIONS	(360,000)	(400,000)	(40,000)
A12301	ELECTION EXPENSES	33,440	34,440	1,000
A12510	DEMOCRATIC REPRESENTATION	500	500	
A12512	ETHICAL GOVERNANCE & STANDARDS	300	300	
A12520	CORPORATE MANAGEMENT	182,400	164,580	(17,820)
A15028	COMBINED SERVICE COSTS	135,240	142,340	7,100
A15029	CORPORATE PRINTERS	25,730	25,620	(110)
C54032	NEW BURDEN COUNCIL TAX REFORM		35,000	35,000
	TOTAL	**3,984,490**	**4,190,410**	**205,920**

BUDGET SUMMARY BY COMMITTEE - SUBJECTIVE (APPENDIX B)
POLICY & FINANCE

05/01/20

CODE	DESCRIPTION	2019/20 INITIAL BUDGET	2020/21 BASE BUDGET	MORE/(LESS)
111	SALARIES AND WAGES	2,862,600	3,197,400	334,800
112	OTHER SALARIES/WAGES PAYMENTS	56,440	31,390	(25,050)
113	NATIONAL INSURANCE	320,960	357,250	36,290
114	SUPERANNUATION	455,450	620,010	164,560
115	OTHER EMPLOYERS CONTRIBUTIONS	21,800	21,860	60
	EMPLOYEE SUB TOTAL	**3,717,250**	**4,227,910**	**510,660**
211	REPAIRS AND MAINTENANCE	218,440	218,370	(70)
212	ENERGY COSTS	62,730	78,530	15,800
213	RENT		11,500	11,500
214	RATES	119,840	126,640	6,800
215	WATER SERVICES	8,230	8,460	230
217	CLEANING AND DOMESTIC	3,500	3,500	
219	CONTRIBUTION TO FUNDS	111,390	105,190	(6,200)
315	CAR ALLOWANCES	44,520	48,830	4,310
411	EQUIPMENT AND FURNITURE	5,750	5,750	
412	MATERIALS	200	200	
421	CATERING	10,510	11,000	490
431	CLOTHING AND UNIFORMS	960	1,160	200
441	GENERAL OFFICE EXPENSES	74,870	75,060	190
451	CONTRACTUAL	388,680	345,210	(43,470)
452	OTHER SERVICES	286,940	245,330	(41,610)
461	COMMUNICATIONS AND COMPUTING	521,430	525,190	3,760
471	STAFF	19,870	22,500	2,630
472	MEMBERS	257,990	263,150	5,160
473	CHAIRMAN	7,630	8,130	500
481	GRANTS	4,000	2,500	(1,500)
482	SUBSCRIPTIONS	44,910	51,030	6,120
491	INSURANCE	45,980	196,120	150,140
493	OTHER	134,220	138,770	4,550
611	HOUSING BENEFITS	21,196,850	20,632,400	(564,450)
	RUNNING EXPENSES SUB TOTAL	**23,569,440**	**23,124,520**	**(444,920)**
911	Government Grants	(21,353,930)	(20,885,570)	468,360
922	Contributions From Other Las	(162,910)	(162,930)	(20)
928	Recharge Non Gf Accounts	(947,530)	(1,276,170)	(328,640)
931	Sales	(2,000)	(2,000)	
932	Fees And Charges	(366,210)	(379,650)	(13,440)
933	Rents	(219,280)	(193,300)	25,980
939	Other Receipts	(250,340)	(262,400)	(12,060)
	INCOME SUB TOTAL	**(23,302,200)**	**(23,162,020)**	**140,180**
	COMMITTEE TOTAL	**3,984,490**	**4,190,410**	**205,920**

Reasons for increases or decreases of over £5,000 between the 2019/20 initial budget and proposed 2020/21 budget for services in Policy & Finance Committee

Variances between 2019/20 initial budget and proposed 2020/21 budget by service (cost centre)	Increase or (Decrease) in budget (£m)
Internal Audit: The majority (£0.014m) of this decrease relates to a reduction in the number of internal audit days scheduled for the council in the 2020/21 draft plan.	(0.012)
Human Resources: The majority (£0.019m) of this increase relates to an increase in the proportion of the business manager's time charged to this cost centre, as well as expected increases in basic pay (2%) and the council's pension contributions (3.1%).	0.014
Committee Section: The majority (£0.015m) of this increase relates to an increase in the grade of the democratic services assistant post, as well as expected increases in basic pay (2%) and the council's pension contributions (3.1%).	0.014
Legal Section: The majority (£0.057m) of this increase relates to making permanent a senior legal officer post which had previously been on a two-year fixed-term contract (FTC), as well as expected increases in basic pay (2%) and the council's pension contributions (3.1%). The other main change is a reduction (£0.019m) in the costs expected to be recharged to the Housing Revenue Account (HRA), in line with the council's capital development programme.	0.075
Central Personnel Expenses: The majority (£0.025m) of this decrease relates to a reduction in the number of apprentices budgeted for, as the FTCs of some of the apprentices have either ended or are scheduled to end in 2019/20.	(0.024)
Information Governance: The majority (£0.009m) of this increase relates to expected increases in basic pay (2%) and the council's pension contributions (3.1%). The other main change is the creation of an income budget (£0.002m) for charging Arkwood Developments Ltd.	0.006
Senior Leadership Team (SLT): The majority (£0.092m) of this increase is the net effect of an increase in employee costs (£0.286m) and associated income (£0.194m) from recharging these employee costs, primarily to capital (£0.083m), the HRA (£0.089m) and Arkwood (£0.023m). The majority of the increase in employee costs relates to the creation of capital and corporate projects manager posts, a director of housing post and expected increases in basic pay (2%) and the council's pension contributions (3.1%).	0.090
Financial Services: The majority (£0.191m) of this increase relates to the centralisation of all council insurance budgets into this service. Other main changes include a reduction (£0.018m) in expected consultancy costs, particularly treasury management support; an increase in employee and agency costs (£0.020m) and net reduction (£0.019m) in expected recharge income, particularly from the HRA.	0.221
Organisational Development: The majority (£0.016m) of this decrease relates to the removal of the 2019/20 budget for maternity cover costs (£0.027m), partly offset by an increase in employee costs related to expected increases in basic pay (2%) and the council's pension contributions (3.1%).	(0.016)
Procurement: This increase relates to expected costs for the ProContract procurement portal (£0.002m); an inflationary increase to the expected costs for the council's outsourced procurement service (£0.002m); and a reduction in expected income from recharging the HRA (£0.002m).	0.007
Administration Services: The majority (£0.004m) of this decrease relates to the removal of the insurance recharge budget as part of the centralisation of insurance	(0.005)

recharge budgets.	
Council Tax: The majority (£0.056m) of this decrease relates to the apportionment of 55% of the costs of the business manager post to other services (£0.036m) and an increase in expected income from Court Summons (£0.020m).	(0.062)
Rent Allowances: This decrease relates to both a reduction in expenditure, as the implementation of Universal Credit (UC) results in the Department for Work & Pensions (DWP) rather than the council paying the housing benefit (HB)-related costs for non-council tenants, and an increase in the proportion of this expenditure recoverable from DWP.	(0.083)
Rent Rebates: The majority (£0.052m) of this decrease relates to both an increase in expenditure, as the value of expected rent increases outweighs the value from reductions in the number of council tenants for whom the council (rather than the DWP) expects to pay HB-related costs, and an increase in the proportion of this expenditure recoverable from DWP. The other main decrease (£0.012m) is an increase in the value of HB overpayments the council expects to recover.	(0.064)
Housing Benefit Administration: The majority (£0.074m) of this increase is in employee costs (£0.035m) and a reduction in the value of expected grants from DWP (£0.039m). The majority (£0.033m) of the increase in employee costs relates to the apportionment of 50% of the costs of the business manager post to this service. Other main changes include the removal of the budgets for agency staff (£0.008m) and insurance (£0.004m) (as part of the centralisation of insurance recharge budgets) and a reduction in the expected costs of computer software maintenance (£0.006m).	0.057
Business Rates Property Unit: This increase is because the service did not exist in 2019-20. As the lead authority for the project, the council has created two property inspector posts to identify businesses in four Nottinghamshire district councils (including NSDC) that are not paying as much business rates as they should. The council incurs 100% of the costs, though recovers 75% of this from the other authorities (25% from each authority).	0.019
Risk Management: The majority (£0.021m) of this decrease relates to changes in the proportions of certain posts coded to this cost centre and expected increases in basic pay (2%) and the council's pension contributions (3.1%). The other main decrease (£0.008m) is in recharge income from the HRA.	(0.014)
Castle House: The majority (£0.062m) of this increase is the net effect of reduced income (£0.029m), largely based on the current occupancy of council partners; an increase in electricity costs (£0.016m); and an increase in employee costs (£0.017m), largely because of the creation of an additional part-time facilities management officer post (£0.015m).	0.058
Corporate Property: The majority (£0.006m) of this decrease is the net effect of increased income (£0.041m), particularly from recharging capital (£0.014m), the HRA (£0.011m) and Active4Today (£0.013m); largely offset by a net increase in employee and agency costs (£0.022m) and the transfer of rent payments for Farrar Close to this cost centre (£0.012m).	(0.007)
Commercialisation & Major Projects: The majority (£0.079m) of this decrease relates to increased income from recharging the HRA (£0.075m) and Arkwood (£0.004m). The other main change is an increase in employee costs (£0.016m) related to an honorarium expected to be payable and expected increases in basic pay (2%) and the council's pension contributions (3.1%).	(0.064)
Other Financial Transactions: This decrease is because the council assumes it will	(0.040)

save the same percentage in **Error! Reference source not found.** from posts being vacant (3.5%) as in 2019/20, and as total **Error! Reference source not found.** salary costs are greater than total 2019/20 salary costs. As it is not known which services will have vacancies next year, the total council-wide savings expected from vacant posts is accounted for on this cost centre.	
Corporate Management: The majority (£0.014m) of this decrease relates to a reduction in expected audit fee costs.	(0.018)
Combined Service Costs: The majority (£0.006m) of this increase relates to inflationary increases expected for hybrid mail licence costs.	0.007
New Burden Council Tax Reform: In the year (2018/19) when the council received this grant from DWP, it was unable to spend the entire grant amount. The unspent amount was transferred to reserves at year-end so that it could be spent in future years. This budget represents the amount the council expects to spend in 2020-21 to be funded from the reserve previously created.	0.035

PROPOSED 2020/21 FEES & CHARGES - POLICY & FINANCE COMMITTEE - APPENDIX D

CASTLE HOUSE - CIVIC SUITE HIRE CHARGES & PARTNERS DESK CHARGES - POLICY & FINANCE COMMITTEE

(Prices are exclusive of VAT)

No Webcasting			
Room	**Duration**	**2019/20 Charges**	**2020/21 Charges**
G2	Hourly charge	£15.00	£15.00
G3	Hourly charge	£10.00	£15.00
Civic 1	Hourly charge	£25.00	£25.00
Civic 2	Hourly charge	£25.00	£25.00
Civic 3	Hourly charge	£15.00	£25.00
Civic 4	Hourly charge	£15.00	£25.00
Civic 1 + 2	Hourly charge	£25.00	£40.00
Civic 3 + 4	Hourly charge	£25.00	£25.00
Civic 2+3+4	Hourly charge	£25.00	£40.00
Civic 1+2+3+4	Hourly charge	£70.00	£65.00
Desk Charge	Per Desk	£4,350	£4,420

NON PAYMENT OF COUNCIL TAX/NNDR - POLICY & FINANCE COMMITTEE

Council Tax	2019/20 Charge	2020/21 Charge
Summons	**£80**	**£80**
Liability Order	With summons	With summons

NNDR	2019/20 Charge	2020/21 Charge
Summons	**£100**	**£100**
Liability Order	With summons	With Summons

The level of costs to have to be justified to the court and there is case law against raising to a level that is deemed excessive.

POLICY & FINANCE COMMITTEE
23 JANUARY 2020

PROPOSED REFURBISHMENT OF THE ATP HOCKEY PITCH AT MAGNUS ACADEMY - LOAN OFFER

1.0 Purpose of Report

1.1 To seek Committee approval for the Council to loan the Magnus Academy £240,000 to replace the existing Artificial Turf Pitch (ATP) in order to ensure that Newark Hockey Club can continue to play competitive matches and train in the town.

2.0 Background Information

2.1 The current ATP was constructed and opened in 2001 as part of a larger Sport England grant funded project to improve both indoor and outdoor sports provision at the Magnus School. Newark Hockey Club were a partner in the original project and moved to the new facility on its opening and has been a primary user of the facility for the last 19 years.

2.2 The current pitch is a sand-filled ATP, which is one of the preferred surfaces for competitive hockey unlike the Third Generation (3G) pitches opened recently at the YMCA Community and Activity Village. These new pitches are the preferred surface for competitive football but not suitable for hockey. Like all artificial sports surfaces (carpets) they have a useable lifetime before they deteriorate to a point where they are no longer safe for competitive play. The typical lifespan of such a pitch is between 10 and 15 years although this is determined by the level of use and the maintenance undertaken.

2.3 Clearly the Magnus pitch has survived longer than most similar pitches but is now deemed to be in need of replacing if Newark Hockey Club is to continue to play hockey in the town given that the pitch is the only one of its type within an approximate 10 mile radius.

2.4 Newark Hockey Club was established in 1897 and has a thriving membership base of 300+ members ranging from 4 to 60+ years of age with approximately 200 junior members. The Club has numerous teams competing at high level in country and regional leagues, 20 juniors who are currently playing at either county or regional level and beyond. In addition Great Britain Women's Hockey 2016 Olympic Gold Medallist Shona McCallin MBE and the current Great Britain Men's GB Captain Adam Dixon were both junior players who started their hockey playing careers at the Club.

2.5 The urgent need to replace the pitch is the recommendation of an independent synthetic turf pitch consultant based on a condition survey carried out in 2017 and more recently, December 2029. The conclusion and recommendation from the report is that the pitch is at risk of failing its performance assessment, which would mean that competitive hockey would not be deemed safe to play due to deterioration of the surface generally, including the shock-pad base and the failure of the seams across the pitch and line repairs causing potential trip hazards.

2.6 In order to progress the proposals, a project team has been created with representatives from the Academy, Newark Hockey Club, England Hockey and the District Council with support from Sport England which it is hoped will support the project and provide a modest level of grant support in order to help the project stack up financially although this will be subject to an application to the Community Asset Fund, which is a very competitive programme.

2.7 The indicative cost for the project is estimated to be in the region of £300,000 and it is hoped that grant support of circa £60,000 can be achieved which currently leaves a funding gap of £240,000. Sport England have advised that the life of the pitch is likely to be 15 years.

3.0 Proposals

3.1 It is proposed that the Council help fund the gap by way of a loan over a 15 year period in line with the life of the pitch. Based on initial calculations, the loan repayments would be consistent with the hire charges currently paid to the Magnus Academy by the Hockey Club for use of the pitch for club fixtures, training and tournaments.

3.2 The refurbishment of the ATP would include an England Hockey Category 2 compliant sand-dressed pitch, which would improve the playing experience significantly. This would ensure that Newark Hockey Club can continue to play competitive matches and train in the town for the next 15 years thereby enabling the club to continue to develop its membership and increase the levels of physical activity.

3.3 The Magnus Academy project team will work collaboratively and uses its best endeavours to secure a reasonable level of grant funding towards the proposals in order to reduce the loan amount and corresponding repayments. Lower loan repayments will enable the Academy to maintain the new facilities to the required level and the Club will be able to deliver its Club Development Plan.

3.4 The loan will be with the Magnus Academy, as long-term leaseholder and site operator in order to satisfy the Council's financial regulations and to secure assurance that the loan will be repaid as per the agreement. The Academy would, at the same time, enter into an appropriate agreement with the Hockey Club to agree its relationship moving forwards and to outline the quantum of use required and associated hire costs.

4.0 Equalities Implications

4.1 There are no equality implications in respect of the various protected characteristic groups in connection with this proposal. If approval is secured as proposed, the ATP facility provision, operated by the Magnus Academy will be enhanced for the benefit of the whole community, as its use is wider than hockey use.

5.0 Financial Implications (FIN19-20/4585)

5.1 A budget of £240,000 would need to be added to the Capital Programme in 2019/20 financed by borrowing.

5.2 Any interest incurred by the Council financing the loan would be covered by interest received from the loan agreement made with the Magnus Academy.

5.3 If grant funding is not secured by the Magnus Academy for the project, resulting in the funding gap being greater than £240,000 a report should be brought back to this Committee for further consideration.

6.0 Community Plan – Alignment to Objectives

6.1 The proposal, if approved, will primarily contribute to the achievement of Objective 9 'Improve the health and wellbeing of local residents, with a particular focus on developing the best use of community recreation and leisure facilities in order to narrow the gap in healthy life expectancy and other health outcomes'.

6.2 Investment in the leisure offer will drive participation in physical activity and sport and improve health and wellbeing including as identified in the Physical Activity and Sport Plan 2018-2021.

7.0 RECOMMENDATIONS that:

a) delegated authority be given to the Director - Resources to negotiate a loan with the Magnus Academy of up to £240,000 to enable the refurbishment of the existing ATP;

b) the loan agreement outlining the terms and conditions of the repayment schedule is negotiated with the Magnus Academy to ensure that financial regulations and probity are ensured;

c) the creation of a capital budget, within the 2019/20 capital programme, for the £240,000 to be financed by borrowing be approved; and

d) the Magnus Academy project team works collaboratively and uses its best endeavours to secure a reasonable level of grant funding towards the proposals in order to reduce the loan amount and corresponding repayments.

Reason for Recommendations

To ensure that Newark Hockey Club can continue to play competitive matches and train in the town in addition to providing an ongoing community facility.

Background Papers

Nil.

For further information please contact Andy Hardy on Ext 5708.

Matthew Finch
Director – Communities and Environment

POLICY & FINANCE COMMITTEE
23 JANUARY 2020

BLIDWORTH LEISURE CENTRE - STEAM AND SAUNA PROJECT – MINUTE AMENDMENT

1.0 Purpose of Report

1.1 To advise that the resolution agreed in connection with the Blidworth Leisure Centre steam and sauna project by the Policy & Finance Committee at the meeting on 27 June 2019 did not reflect the recommendation of the Leisure & Environment Committee. As such, it is proposed to adopt the correct recommendations for the purposes of clarity and transparency.

2.0 Background Information

2.1 The original report seeking Committee approval to progress with the building of a steam and sauna facility at Blidworth Leisure Centre was submitted to both Leisure & Environment Committee (25 June 2019) and Policy & Finance Committee (27 June 2019) and the respective minutes were duly approved.

2.2 Officers were in the process of finalising the advice from external consultants at the time of the meetings and the recommendations for the Leisure & Environment Committee papers were revised. The subsequent resolution of the Leisure & Environment Committee was as follows:

AGREED (with 9 votes for and 1 abstention) that Policy & Finance be recommended that:

(a) Active4Today be granted permission to extend Blidworth Leisure Centre for the purposes of a steam and sauna facility subject to the legal position being agreed; and

(b) the creation of £75,000 capital budget within the 2019/20 Capital Programme, to be financed by £30,890 from Section 106 monies and £44,020 from the Council's general fund capital resources, subject to the conclusion of the legal decision being finalised, be approved.

2.3 Unfortunately, this resolution was not referred to the Policy & Finance Committee. Therefore, it is deemed appropriate that the matter be brought back to Policy & Finance Committee for completeness and that the correct wording be ratified for the avoidance of doubt.

2.4 Since the date of the meetings, the advice has been that due to the lease agreement, the Council should carry out this work, therefore the full budget required to carry out the work should be added to the Capital Programme financed by the available S106 monies and available Capital Receipts.

3.0 RECOMMENDATIONS that:

a) Committee note the recommendations from Leisure & Environment Committee and that these be endorsed; and

b) the creation of £75,000 capital budget within the 2019/20 capital programme, to be financed by £30,980 from S106 monies and £44,020 from the Council's general fund capital resources, subject to the conclusion of the legal discussion being finalised, be approved.

Reason for Recommendations

To ensure that the recorded decision reflects the proposal for the purposes of transparency and for the avoidance of doubt.

Background Papers

Nil.

For further information please contact Andy Hardy on Ext 5708.

Matthew Finch
Director – Communities & Environment

POLICY & FINANCE COMMITTEE
23 JANUARY 2020

URGENCY ITEMS - MINUTE OF DECISION

Delegation arrangements for dealing with matters of urgency

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

Subject:

To approve the option the Council will enter regarding the cessation of the Pension liability for Newark and Sherwood Homes Ltd, upon transfer of the staff.

Appropriate Committee:

Policy & Finance Committee

Details of Item and Decision Taken:

The decision was taken by Policy and Finance Committee on 26 September 2019 to re-integrate the Housing Service back into the Council. Due to this, the assets and liabilities for the Company (NSH) will need to be transferred back to the Council on closure of the Company.

In relation to employee's pensions, where employees are currently enrolled in the Local Government Pension Scheme (LGPS) with the Company this will continue when they transferred over to the Council. Nottinghamshire County Council, who administer the Local Government Pension scheme will write to all employees after the transfer and give them the option of either amalgamating both "pension pots" or leaving them separate. This report however, concentrates on the funding of the deferred and future liabilities arising from these pensions.

NSH had a Pensions liability on their Balance Sheet, as at 31 March 2019 of £10.031m. This was in respect of the future liabilities arising from the active members in the scheme.

The Council commissioned Barnett Waddingham to produce an indicative report into the options the Council has on the cessation of the NSH pension liability. This report identified two options that the Council could consider:

Partial cessation – this assumes that the Employer's active employees are transferred to NSDC but no employer underwrites the Employer's residual liabilities in the future. Under this scenario it would be appropriate to value the deferred and pensioner liabilities on the minimum risk basis, and the active members on the ongoing funding basis with the expectation that the active members would transfer fully funded on the ongoing basis to NSDC.

Ongoing cessation – this assumes that the Employer's active employees are transferred to NSDC and that the deferred and pensioner liabilities are also picked up by NSDC, hence acting as guarantor. The funding position under this scenario is essentially the current ongoing funding position.

The table below shows the results against each of the options:

	Partial Cessation	**Ongoing Cessation**
	£000s	£000s
Liabilities		
Active members	8,469	8,469
Deferred members	16,379	7,545
Pensions	9,555	6,337
Total	**34,403**	**22,351**
Assets	25,841	25,841
Surplus/(Deficit)	**(8,562)**	**3,490**
Funding level	**75%**	**116%**

Based on the table above the Partial Cessation option proposes that there would be a deficit of approximately £8.6m which NSH would need to pay before they could exit the Fund. The Ongoing Cessation option would mean that there would be an improvement to the NSDC funding position of approximately £3.5m.

It is therefore proposed that the ongoing cessation method is chosen, and hence the Council guarantees the NSH employees when they are transferred over.

The Council have also been given the option to pre-pay for the bank funding elements of the pension liabilities through the period of the triennial review. The charges for pensions are split into a primary and secondary rate, the primary rate, being a percentage applied against each employee's salary, and the secondary being a fixed element to account for the repayment of the pension deficit.

Under the combined position the secondary rates for the individual years covering this triennial review are:

Secondary rate 2020/21	£771,000
Secondary rate 2021/22	£800,000
Secondary rate 2022/23	£829,000
Total	**£2,400,000**

Under the pre-payment option, the total payment for the 3 year period would be £2,235,000. This would represent a saving of £165,000 against the option of paying in the individual years. This will not hit the revenue budget in the current financial year, but will effectively mean that the pension liability and the pension reserve in the balance sheet will not match. A charge to the General Fund and Housing Revenue Account for the respective years will be incurred based on the revised certificate received by Notts County Council for the pre-paid value.

Financial Implications (FIN19-20/2483)

As the Company do not currently have the approximately £8.5m needed to buy themselves out of the pension liability, the only option to be able to exercise is the ongoing cessation. This will reduce payments based on the fact that the funding level is anticipated to be 116% hence giving a surplus using this method of approximately £3.5m. This method reduces the indicative primary rate contributions that the Council would incur from 17.6% to 17.5% and also reduces the secondary rate contributions from an indicative £2,722,000 to £2,400,000 over the three year period. The split between the two funds will be determined based on the proportion of the employers charge to each of the funds as a percentage of the consolidated employers charge.

The further impact of the pre-payment of the secondary contributions then further reduces the annual contributions from £2,400,000 to £2,235,000.

By prepaying there will therefore be a reduction in interest receivable due to funds having to be divested from current investments to be paid to the Pension Fund. Working on indicative rates for Money Market Funds over the next three year period, this would mean a reduction in investment income of approximately £0.034m, meaning that there would be a saving of approximately £0.131m to be split over the General Fund and the HRA.

Decision

1) That the Council takes the option of the On-going cessation in respect of the transfer of Newark and Sherwood Homes' pension liability
2) That the Council takes the option to pre-pay its secondary contributions in respect of the triennial valuation.

Members Consulted:

Councillor David Lloyd
Chairman of Policy & Finance Committee – 12/12/19

Councillor Paul Peacock
Opposition Spokesperson Policy & Finance Committee – 11/12/19

Signed  Date: 12/9/19
Director – Resources, Deputy Chief Executive and S151 Officer

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

Document is Restricted