



NORTHAMPTON
BOROUGH COUNCIL

CABINET AGENDA

Wednesday, 11 January 2017

The Jeffrey Room, St. Giles Square, Northampton,
NN1 1DE.

6:00 pm

Members of the Cabinet:

Councillor: Jonathan Nunn (Leader of the Council)

Councillor: Phil Larratt (Deputy Leader)

Councillors: Mike Hallam, Tim Hadland, Stephen Hibbert, Brandon Eldred and Anna King.

Chief Executive David Kennedy

If you have any enquiries about this agenda please contact
democraticservices@northampton.gov.uk or 01604 837722

PORTFOLIOS OF CABINET MEMBERS

CABINET MEMBER	TITLE
Councillor J Nunn	Leader
Councillor P Larratt	Deputy Leader
Councillor M Hallam	Environment
Councillor B Eldred	Finance
Councillor T Hadland	Regeneration, Enterprise and Planning
Councillor S Hibbert	Housing and Wellbeing
Councillor A King	Community Engagement and Safety

SPEAKING AT CABINET MEETINGS

Persons (other than Members) wishing to address Cabinet must register their intention to do so by 12 noon on the day of the meeting and may speak on any item on that meeting's agenda.

Registration can be by:

Telephone: (01604) 837722
(Fax 01604 838729)

In writing: Democratic Services Manager
The Guildhall, St Giles Square, Northampton NN1 1DE
For the attention of the Democratic Services Officer

By e-mail to democraticservices@northampton.gov.uk

Only thirty minutes in total will be allowed for addresses, so that if speakers each take three minutes no more than ten speakers will be heard. Each speaker will be allowed to speak for a maximum of three minutes at each meeting. Speakers will normally be heard in the order in which they registered to speak. However, the Chair of Cabinet may decide to depart from that order in the interest of hearing a greater diversity of views on an item, or hearing views on a greater number of items. The Chair of Cabinet may also decide to allow a greater number of addresses and a greater time slot subject still to the maximum three minutes per address for such addresses for items of special public interest.

Members who wish to address Cabinet shall notify the Chair prior to the commencement of the meeting and may speak on any item on that meeting's agenda. A maximum of thirty minutes in total will be allowed for addresses by Members unless the Chair exercises discretion to allow longer. The time these addresses take will not count towards the thirty minute period referred to above so as to prejudice any other persons who have registered their wish to speak.

KEY DECISIONS

B denotes the issue is a 'Key' decision:

- Any decision in relation to the Executive function* which results in the Council incurring expenditure which is, or the making of saving which are significant having regard to the Council's budget for the service or function to which the decision relates. For these purpose the minimum financial threshold will be £250,000;
- Where decisions are not likely to involve significant expenditure or savings but nevertheless are likely to be significant in terms of their effects on communities in two or more wards or electoral divisions; and
- For the purpose of interpretation a decision, which is ancillary or incidental to a Key decision, which had been previously taken by or on behalf of the Council shall not of itself be further deemed to be significant for the purpose of the definition.

NORTHAMPTON BOROUGH COUNCIL

CABINET

Your attendance is requested at a meeting to be held:
in The Jeffrey Room, St. Giles Square, Northampton, NN1 1DE.
on Wednesday, 11 January 2017
at 6:00 pm.

**D Kennedy
Chief Executive**

AGENDA

1. APOLOGIES

2. MINUTES

3. INTENTION TO HOLD PART OF THE MEETING IN PRIVATE

There is an intention to hold part of the meeting in private – Item 11 Environmental Services Re-provision - Procurement Process (Appendix 1)

Exempt Information means information falling within the following seven categories outlined in schedule 12A of the Local Government Act 1972: Part 1

Appendix 1 (private) contains detailed information relating to confidential financial information associated with the current contract price and future cost modelling information relating to the procurement process for the future service. Therefore, it has been exempted under schedule 12A, Part 1, (3) “*Information relating to the financial or business affairs of any particular person (including the authority holding that information)*”.

In accordance with Regulation 5 of the *Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012*, a notice of intention to hold part of a meeting in private was published 28 clear days’ prior to the meeting. No representations have been received

4. DEPUTATIONS/PUBLIC ADDRESSES

5. DECLARATIONS OF INTEREST

6. ISSUES ARISING FROM OVERVIEW AND SCRUTINY COMMITTEES

None

7. CABINET RESPONSE TO OVERVIEW & SCRUTINY TOWN CENTRE ECONOMY

Report of Director of Regeneration, Enterprise and Planning (Copy herewith)

8. CABINET RESPONSE TO OVERVIEW & SCRUTINY STREET LIGHTS

Report of Director of Regeneration, Enterprise and Planning (Copy herewith)

9. UPDATE ON DELAPRE ABBEY

B Report of Director of Regeneration, Enterprise and Planning (Copy herewith)

10. ESTABLISHMENT OF A SOCIAL LETTINGS AGENCY

B Report of Chief Executive (Copy Herewith)

11. ENVIRONMENTAL SERVICES RE-PROVISION - PROCUREMENT PROCESS

B Report of Director of Customer and Communities (Copy herewith)

12. UPDATE OF PROGRESS - GREYFRIARS SCHEME

B Report of Director of Regeneration, Enterprise and Planning (Copy herewith)

13. TREASURY MANAGEMENT

Report of Chief Executive (Copy herewith)

14. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

“THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT.”

SUPPLEMENTARY AGENDA

**Exempted Under Schedule
12A of L.Govt Act 1972
Para No:-**

NORTHAMPTON BOROUGH COUNCIL

CABINET

Wednesday, 14 December 2016

PRESENT: Councillor Nunn (Chair); Councillor Larratt (Deputy Chair); Councillors Eldred, Hadland, Hibbert and King

APOLOGIES: Councillor Hallam

1. APOLOGIES

Apologies were received from Councillor Hallam.

2. INTENTION TO HOLD PART OF THE MEETING IN PRIVATE

There were no items to be heard in private.

3. DEPUTATIONS/PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

Councillor Hadland declared a personal non-pecuniary interest as a member of the Delapre Abbey Preservation Trust.

5. ISSUES ARISING FROM OVERVIEW AND SCRUTINY COMMITTEES

There were none.

6. COUNCIL TAX BASE 2017 - 2018

Councillor Beardsworth addressed Cabinet and commented that she understood the need to increase Council Tax but expressed her disappointment that some of the revenue would go towards paying off the loan to the Football Club and noted that she did not want the service levels lost.

Councillor Stone commented that she had some concerns of the impact on the base budget and noted that there would be potential increases to parish precepts and people may struggle. She questioned what advice and support was to be offered to residents who were in financial difficulties and struggling to pay Council Tax and further expressed concern that there appeared to be a growing gap between spending and revenue.

Councillor Eldred, as the Cabinet Member for Finance, submitted a report and elaborated thereon. He highlighted the summary of movement in the tax base and noted that the tax base would increase due to the growth of the Town partly given to the amount of regeneration that was occurring in the Town and that the amount of investment was also positive. It was noted that the non-collection rate of council tax had increased by 0.1%.

The Deputy Leader commented that it was a very positive statement report and thanked the officers and Cabinet Member for their hard work.

RESOLVED:

- 2.1 That Council be recommended to approve the tax base for 2017/18 at 65,709.29 Band D equivalent properties and associated parish tax bases within this report.

	2016/17	2017/18	Change
Billing	2,626.96	2,678.57	51.61
Collingtree	513.97	513.75	-0.22
Duston	5,447.94	5,471.83	23.89
Great Houghton	287.50	288.21	0.71
Hardingstone	782.38	795.44	13.06
Upton	2,617.14	2,993.14	376.00
Wootton, Wootton Fields & Simpson Manor	2,927.45	2,940.72	13.27
East Hunsbury	3,412.11	3,408.98	-3.13
West Hunsbury	1,624.70	1,645.76	21.06
Hunsbury Meadow	505.36	501.41	-3.95
Northampton (Unparished)	43,612.52	44,471.48	858.96
Total tax base	64,357.94	65,709.29	1,351.35

- 2.2 That authority be delegated to the Section 151 Officer in consultation with the Cabinet Member for Finance to make any technical adjustments necessary arising out of the Local Government draft settlement which impacts on the tax base, and to confirm, and inform the relevant authorities, the estimated surplus/deficit on the Collection Fund and how much would be attributable to each council, including NBC, after the statutory date of the 15th January 2017.
- 2.3 That the detailed breakdown of how the tax base and the associated parish tax bases were calculated, shown as a band D equivalent in appendix 1 of the report be approved.

7. LOCAL COUNCIL TAX REDUCTION SCHEME

Councillor Beardsworth commented that she was disappointed with the recommendations. She reported that when the council tax reduction scheme had first been applied, it was at a rate of 8% and increasing it to 35% would impact on the most vulnerable. She further commented that she considered it a step too far and that some people were already having to decide between eating and heating and that there should be more effort made to target non-collection.

Councillor Smith reported that she had concerns about the responses that had been received as part of the consultation. She voiced her concerns that the language that was used in the consultation document was quite complex and that had been noted by a respondent and asked that consideration be given to acknowledge that. She reported that the increase in CTRS would affect the most vulnerable and that people were having to make dire choices between spending money on heating or on food and this could potentially exacerbate their financial difficulties further.

The Deputy Leader concurred with some of the comments made with regards to the language that had been used in the consultation.

Councillor King commented that there had been numerous drop in sessions during the consultation process and that there had been information provided at forums.

Councillor Eldred, as the relevant Cabinet Member, commented that he would take on board the feedback given with regards to the language used in the consultation document. He noted that there had been many opportunities for people to feed into the consultation and explained that there had only been 32 respondents who were against it. He commented that as a result of more people being in work, more people were achieving an income that meant that CTRS was not a necessity. Councillor Eldred reported that the favoured option had been an increase of 8% but that it considered that a 6% increase was achievable and noted that Kettering Borough Council had raised theirs to 45% and that measures would be put in place to assist those most vulnerable.

RESOLVED:

- 2.1 That the proposed amendment to the scheme from a 29% reduction in Council Tax Reduction Scheme (CTRS) in 2016/17 to a 35% reduction in 2017/18 be approved.
- 2.2 That the CTRS amendment be recommended for approval at Council on the 23rd January 2017.

8. DRAFT GENERAL FUND MEDIUM TERM FINANCIAL PLAN 2017/18 - 2021/22 AND DRAFT BUDGET 2017/18

Councillor Stone stated that she had concerns that the Council would be going to be running into severe financial difficulties over the next 4 years and questioned why some expenditures appeared to have been rolled over. She further commented that she considered there seemed to be a lack of ideas about how further income could be generated.

Councillor Eldred, as the relevant Cabinet Member commented that for the past 5 years there had been a freezer on council tax but that it was necessary now for an increase. He noted that there would be significant savings and efficiencies in a number of areas, including the contribution to Waste Partnership. Cabinet Members spoke of the various investments including parks/allotments and cemeteries and the commitment to re-investing in the museum which had been made possible by the sale of Sekhemka. Councillor Hibbert also thanked the Cabinet Member for the increase in funding of the Disabled Facilities Grant which would help those who struggled.

The Leader thanked the Cabinet Member and stated that it was a very good budget and that it gave the administration the opportunity to invest in some very good projects.

RESOLVED:

- 2.1 That the draft General Fund Revenue budget 2017/18, as summarised in Appendix 1 of the report, be approved for public consultation.
- 2.2 That the proposed growth and savings options set out in Appendix 2 of the report be approved for public consultation.
- 2.3 That the proposed Council Tax increase for 2017/18 of £5 a year per Band D property be approved for public consultation.
- 2.4 That the draft General Fund Capital Programme and Financing 2017/18 to 2021/22, as detailed in Appendix 3, be approved for public consultation.

2.5 That the draft Treasury Management Strategy be approved for consultation.

9. HOUSING REVENUE ACCOUNT (HRA) BUDGET, RENT SETTING 2017/18 AND BUDGET PROJECTIONS 2018/19 TO 2021/22

Councillor Eldred, as the relevant Cabinet Member submitted a report and elaborated thereon. He commented that it was good news for residents and noted that there was a continued commitment to exploring new ways to increase the housing stock through investments in the HRA.

RESOLVED:

- 2.1 That the draft Housing Revenue Account (HRA) budget including charges and rents as detailed in Appendices 1 and 5 of the report be approved for public consultation.
- 2.2 That the draft HRA Capital Programme and financing, including bringing the housing stock up to the Northampton Standard, as detailed in Appendix 2 of the report be approved for public consultation.
- 2.3 That the draft Total Fees proposed for NPH to deliver the services in scope be noted.

The meeting concluded at Time Not Specified

Appendices:
2



CABINET REPORT

Report Title	Cabinet response to Scrutiny – Health Check of the Local Economy
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	11 January 2017
Key Decision:	NO
Within Policy:	YES
Policy Document:	NO
Directorate:	Regeneration Enterprise and Planning
Accountable Cabinet Member:	Cllr Tim Hadland
Ward(s)	All

1. Purpose

- 1.1 The purpose of the report is to respond to the recommendations in the Overview and Scrutiny Report Local Economy Health Check.

2. Recommendations

- 2.1 That Cabinet:
- 2.2 Implements the recommendations included in the Overview and Scrutiny report on Local Economy Health check in accordance with the actions outlined in 3.4 below.
- 2.3 That the Scrutiny Panel are formally congratulated on a high quality and comprehensive report and thanked for the time and effort given to producing the report.

3. Issues and Choices

3.1 Report Background

The purpose of the Scrutiny Panel was to look at how partners locally, including the private sector, can work together to influence the local economy.

3.2 Key lines of Inquiry:

- How can schemes, such as Apprenticeship Programmes, be developed and expanded so that they deliver for local employees, employers and local residents?
- What is the vision for skills and learning issues, particularly low skills?
- What support is there for those that are in long term unemployment?
- What are the areas for potential growth in jobs?
- What can other organisations/groups/individuals do to help?
- Whether a mapping skills gap exercise has been undertaken to identify the type of skills that are in short supply; and what the findings of this exercise are
- How specific services can be used to generate business investment
- How can the offer of commercial land in the borough be improved to ensure a steady stream of quality premises that are accessible by new and established organisations?
- What could feasibly be done to improve the physical infrastructure in and around the town?
- How it can be ensured that those who are seldom heard or isolated are engaged with?

3.3 The Overview and Scrutiny Committee, at its work programming event in June 2015, agreed to include a review of the health check of the local economy. The Overview and Scrutiny Committee commissioned Scrutiny Panel 1 to undertake the review. An in-depth review commenced in July 2015 and concluded in March 2016.

3.4 This review links to the Council's corporate priorities, particularly corporate priority 1 – Northampton Alive - A vibrant town.

3.5 Northampton's Economy

3.5.1 In August 2016 the Council commissioned Oxford Economics to submit a proposal to the National Infrastructure Commission (NIC) proposing that

Northampton should be a part of the Cambridge – Milton Keynes – Oxford Growth Corridor. Part of the submission was a comprehensive review of the Northampton economy and the part the town can play in delivering economic growth for the Corridor. An executive summary of the report can be found in Appendix A. An extract of the submission is noted below to set context for the report.

“Recent job growth in Northampton has been strong—growing faster than the UK as a whole. It can also boast the fastest growth in the number of businesses in the Growth Corridor since 2010, growing at more than twice the UK average. Rapid economic growth is driven by specialising in sectors in which the local area has a comparative advantage; and a significant proportion of Northampton’s economy is concentrated in specialist industries, with almost 40 percent of all local jobs in sectors in which the local economy has a higher degree of specialisation relative to the other Growth Corridor cities: these include:

- *Manufacture of leather and leather related products;*
- *Repair of computers and personal and household goods;*
- *Financial service activities; except insurance and pension funding;*
- *Postal and courier activities;*
- *Employment activities;*
- *Land transport and transport via pipelines;*
- *Legal and accounting activities.*

In addition, Northampton has significant advantages that reflect particular strengths in both the structure of its economy and quality of life.

Northampton offers private sector developers an expectation of making an acceptable commercial return on investments.

Northampton has a well-balanced economy; not reliant on one or two trophy sectors or a single ‘legacy’ industry, facing fundamental restructuring nationally or globally. With transport and storage, specifically logistics, it has a sector in which the town has achieved significant scale and strong employment growth. It is also a global leader in High Performance Technology & Motorsport (HPTM) and leather and handmade footwear.

Northampton has a highly favourable location, with good connectivity particularly to London but also to Birmingham, Coventry and the rest of the West Midlands, making it a natural logistics hub.

Northampton and the surrounding county offers a favourable quality of life. Most significant here is the availability of good quality housing, at (relatively speaking) affordable prices. In addition, it is a university town and the town centre has a strong sense of heritage and significant numbers of locally-owned shops, restaurants and cafes. Furthermore,

there is a commitment to grow and develop the current cultural offering in the town. The Cultural Quarter was launched in early 2013 and already boasts a museum, theatre complex, art gallery, film house, and a host of supporting hospitality services.

Northampton and the surrounding county have low unemployment rates and relatively low levels of social exclusion. This helps to give the town a degree of social cohesion, and increases its attractiveness to people looking for a place to live and work.”

(Oxford Economics, 2016)

- 3.5.2 The NIC reported its findings to Government in autumn 2016; Northampton played a significant part of this report (executive summary attached as Appendix B). The Government has announced a high level investment plan for the Growth Corridor as part of the autumn statement and Northampton economy will benefit significantly from the infrastructure investment as the Corridor is developed.

3.6 Northampton Waterside Enterprise Zone

- 3.6.1 The Enterprise Zone (EZ) is an essential vehicle for the town’s economic growth; to accelerate sustainable growth in jobs and unlock the potential for commercially-led development and business investment. The EZ will also help to retain and support local business expansion, stimulating enterprise and enhancing competitiveness of the area, as well as strengthening innovation & knowledge assets.
- 3.6.2 The continued development and subsequent success of NWEZ rests upon NBC, SEMLEP, NCC and other partners’ ability to enable the economic growth of the Zone as a whole, including the sites and the businesses within it.
- 3.6.3 Recent examples of the partnership bringing development forwards within NWEZ include the expansion of strategic businesses such as Cosworth and Carlsberg, the provision of infrastructure including a new railway station, increased power supply and broadband, and the start of the relocation and expansion of the University onto a new campus.
- 3.6.4 Pipeline growth routes are proposed through the expansion of Church’s shoes, Freefoam, HellermannTyton, Project Angel, the joining of St James Mill Link Road, the construction of the new office space at FOUR Waterside and the Vulcan Works managed workspace development on Guildhall Road.

3.7 Recommendations and Service response.

3.7.1 The Overview and Scrutiny Committee recommends to Cabinet that:

- 3.7.2 The Council, together with its partners, develops a Skills Strategy for Northampton. This should include mechanisms for colleges and employers, especially Small and Medium-Sized Enterprises (SME’s) to signpost vacant

apprenticeships across the town; whilst raising the profile of apprenticeships and vocational training in Northampton.

3.8. Proposed Service Response:

3.8.1 Cabinet recognises that skills are intrinsic to health and functionality of the local economy and welcomes the findings of the scrutiny panel. It is also recognised that as a District level authority, the Borough Council does not have a direct remit for the development and implementation of the education or skills agendas. That said, through the Borough Council's commitment to the economic development of the town, the Council should support the skills agenda locally where appropriate.

3.8.2 It is noted that an Area Based review is currently ongoing within the SEMLEP area. The review is part of a national programme aimed at the post-16 education sector. The review has two objectives:

- Clear, high quality professional and technical routes to employment, alongside robust academic routes, which allow individuals to progress to high level skills valued by employers; and
- Better responsiveness to local employer needs and economic priorities, for instance through local commissioning of adult provision, which will help give the sector the agility to meet changing skills requirements in the years ahead, building on the agreements with Greater Manchester, London and Sheffield.

3.8.3 Government state that the policy context means that major reform of post-16 education and training institutions is now necessary, in a way which also addresses the significant financial pressures on institutions including a declining 16-19 population and the need to maintain tight fiscal discipline.

3.8.4 The Government agenda is to move towards fewer, often larger, more resilient and efficient providers. This is expected to enable greater specialisation, creating institutions that are genuine centres of expertise, able to support progression up to a high level in professional and technical disciplines, while also supporting institutions that achieve excellence in teaching essential basic skills – such as English and maths.

3.8.5 The outcome of the Area Based review is likely to have a large influence on the overall skills agenda; however at this time it is difficult to predict the conclusions of the Review. As such it is recommended that at the conclusion of the Area Based Review the Borough Council revisits this Overview and Scrutiny recommendation for the development of a Skills strategy.

3.9 Recommendation to Cabinet:

3.9.1 Cabinet investigates ways that the Council, and its partners, can continue to raise the profile of the economic growth and investment in Northampton through the Northampton Alive Programme, in particular the success of the Enterprise Zone, and work undertaken by larger employers and investors in the town.

3.10 Proposed Service Response:

3.10.1 The Council and its partners continually seek opportunities to raise the profile of the Borough, using the success of the Enterprise Zone and the Northampton Alive programme as leverage to attract further investment.

3.10.2 The Enterprise Zone marketing sub group is tasked with promoting the Enterprise Zone and the wider Borough to national and international investors. There is a Communications Officer position that is paid for by the Enterprise Zone to deliver the marketing objectives of the Group and the overarching Enterprise Zone Board.

3.10.3 Recent Enterprise Zone marketing projects have included:

- The attendance of representatives of the Zone at high profile property events in Manchester and London; including Borough Council officials giving a key note presentation to a delegation of investors, alongside the University of Northampton. The presentation was given at London MIPIM, one of the UK's leading land, property and investment shows.
- Hosting and facilitating visits between international delegations and local companies. This recently included a delegation of Chinese officials and businesses; a local company was awarded a substantial contract following this meeting.
- Regular e-shots and social media activity regarding the successes of the Zone, the Alive programme and also successes of local businesses.
- New signage around the Zone including a large sign that lists some of the key local businesses that faces the railway line south of the station is the first part of the new signage going up around the Zone.

3.10.4 Borough Council officers will continue to explore ways in which to promote the success of Northampton, using achievements as leverage for further investment. The ideal forum to have this discussion will be as part of the agenda on the next Enterprise Zone Marketing group.

3.11 Recommendation to Cabinet:

3.11.1 It is recommended to Northamptonshire County Council and partners that schools and employers work closely to provide work place experiences for young people that are still in education.

3.12 Proposed Service Response:

3.12.1 The Borough Council will engage with the County Council and investigate how to ensure that schools and businesses are able to communicate regarding work experience places.

3.12.2 The Borough Council will investigate how to use its social media platforms to encourage companies to offer work experience positions for young people that are still in education.

3.12.3 As part of the regular business engagement, Borough Council officers will discuss the benefits to young people and businesses of industry work experience.

4. Issues

4.1 None identified.

5. Choices (Options)

5.1 Cabinet could choose not to adopt any of the recommendations within this report. As such, business as usual is accepted as the appropriate response to Overview and Scrutiny Panel recommendations.

5.2 Cabinet may choose to adopt some of the recommendations arising in this report.

5.3 Cabinet may choose to adopt all of the recommendations within this report. This would allow Officers to investigate and address the recommendations of Overview and Scrutiny committee. This is the recommended option.

6. Implications (including financial implications)

6.1.1 Policy

6.1.2 None at this stage

7. Resources and Risk

7.1 There are no financial implications and any action will be covered within existing budgets.

8. Legal

8.1 The actions recommended by this report lie generally within the Council's general power of competence under the Localism Act 2010 and are also consistent with its powers in relation to economic well-being under the Local Government Act 2000

9. Equality and Health

9.1.1 None specifically highlighted.

10. Consultees (Internal and External)

10.1 Internal NBC Officers.

11. How the Proposals deliver Priority Outcomes

- 11.1 The proposals are attributed to the delivery of the Northampton Alive Regeneration programme and the overall economic development of the Borough.

12. Background Papers

- 12.1 Report of Scrutiny Panel 1 – Health Check of the Local Economy

John Dale, Head of Economic Development and Regeneration, X7078.

EXECUTIVE SUMMARY

Northampton has the potential to play a significant role in ensuring that the Growth Corridor achieves its potential as a dynamic and innovative economic area. With its own economic strengths, it can drive growth within the corridor, but also complement the economies of Oxford, Cambridge and Milton Keynes—therefore ensuring that increased investment will not just be for the direct benefit of Northampton, but the Growth Corridor as a whole.

Northampton is already a prominent regional economic centre. In terms of population, it is larger than either Oxford or Cambridge, and employs over 140,000 people—the second largest job total of any local authority in the Growth Corridor. With large sectors in both financial and insurance activities and transport and storage, the local area has seen employment growth outpace the national average.

However, the level of qualifications in Northampton is markedly lower relative to Cambridge and Oxford, and could potentially be an obstacle to long-term growth.

The future for Northampton is bright, with strong growth expected over the next 15 years. The rate of job growth will outpace the Growth Corridor average and be almost twice that of the UK overall. This will see Northampton strengthen as a regional economic centre, with the inflow of commuters increasing over the forecast period. The number of people living in Northampton is expected to exceed 250,000 by 2030, with a strong influx of migrants into the area, boosting the working age population and economic capacity.

Northampton's specialisms strengthen the corridor as whole, complementing and supplying its local economies. Almost 40 percent of the jobs in Northampton belong to sectors in which the local economy has a higher degree of specialisation relative to the other key Growth Corridor cities. In addition, the potential supply chain linkages associated with Northampton's specialist sectors could potentially support significant employment in Oxford, Cambridge and Milton Keynes.

However, the low movement of commuters to and from Northampton and Oxford or Cambridge reveals inadequate transport connections that weaken the economic potential of Northampton and the Growth Corridor as a whole.

Northampton exhibits important strengths. It has a well balanced economy that offers a strong return on private investment; located just off the M1 with easy access to London and Birmingham, it is in an excellent geographic location; with affordable housing and low levels of social exclusion, it offers a good quality of life.

These factors present it with opportunities to build a bright and prosperous future within the Growth Corridor. It can attract the best and brightest to live there, by being an easy commute to other Growth Corridor cities, but also support high skilled jobs in the local area through further development of specialist sectors such as high performance technology and motorsport. It can attract further investment and stimulate business growth by

increasing the number of offices and industrial premises, as well by redeveloping existing buildings. With the Northampton Waterside Enterprise Zone playing a key role in ensuring that needs of businesses in the twenty-first century are met. The enterprise zone itself will be bolstered with the relocation University of Northampton to the site, which in addition to raising the education and skill attainment of local residents, can drive market led research and Northampton's innovation capacity.

Making the most of these opportunities and cementing its position as a crucial component in the success of the corridor will, however, require that some of Northampton's weaknesses are tackled. None are immovable but each currently represents a constraint on the city's future potential. In particular, east-west connectivity is poor, limiting interconnectedness with the Growth Corridor's powerhouses of Oxford and Cambridge. Educational attainment is also relatively low by comparison to its neighbours, a factor that will act to constrain growth in the long term in an increasingly knowledge-based economy. Finally, Northampton's profile is overshadowed by its better known neighbours, and by a kind of self-imposed modesty. It is a city with much to recommend it to the affluent, well educated, productive workforce that will be attracted to the opportunities the wider Growth Corridor has to offer—with an attractive urban environment, relatively affordable housing and a specialist economy—but it needs to more effectively promote itself as a place to live and work if it is to really maximise the benefits that the Growth Corridor brings.

We estimate that investment projects in Northampton have the potential to notably benefit Northampton and the rest of the Growth Corridor.

Planned infrastructure investment could lead to increasing the value of the local economy by more than £1 billion and doubling the pace of job growth by 2030. It is also clear that the additional economic activity and housing will strengthen supply chain linkages and commuting across the nine local economies, adding an additional £370 million and an additional 5,400 jobs to the rest of the Growth Corridor economy.

EXECUTIVE SUMMARY

The National Infrastructure Commission (NIC) has been asked to provide the government with proposals and options to maximise the potential of the Cambridge- Milton Keynes- Oxford corridor as a single, knowledge-intensive cluster that competes on a global stage, protecting the area's high quality environment, and securing the homes and jobs that the area needs.

Over the past eight months the Commission has engaged with a range of stakeholders from across the corridor including local authorities, Local Enterprise Partnerships (LEPs), universities and Whitehall departments. This has included evaluating around 80 responses to a call for evidence which sought to gather views on current challenges, proposed interventions and the vision for the corridor.

This interim report presents the Commission's assessment of the key challenges facing the corridor. It sets out how the NIC will work over the next year to help tackle these challenges. The report also sets out a number of shorter term recommendations which it believes the government should implement whilst the Commission's second phase of work is underway.

The Commission's central finding is that a lack of sufficient and suitable housing presents a fundamental risk to the success of the area. Without a joined-up plan for housing, jobs and infrastructure across the corridor, it will be left behind by its international competitors. By providing the foundations for such a strategy, new east-west transport links present a once-in-a-generation opportunity to secure the area's future success.

A LACK OF HOUSING AND CONNECTIVITY ARE PUTTING FUTURE SUCCESS AT RISK

The Cambridge-Milton Keynes-Oxford corridor is home to 3.3 million people and hosts some of the most productive, successful and fast growing cities in the United Kingdom, as well as world leading universities, knowledge intensive high-tech firms and highly skilled workers. The area is a hugely valuable asset to the UK as a whole. Its universities, businesses and technology clusters have a global reputation and compete on the world stage.

The success of the area has fuelled exceptionally strong demand for housing across the corridor and in its key cities, which has not been matched by supply. Lack of housing supply is leading to high house prices and low levels of affordability, for both home ownership and private rental. The ratio of median house prices to earnings is 13:1 in Cambridge and 12:1 in Oxford making them two of the least affordable cities in the UK.

This situation is exacerbated by poor east-west transport connectivity and limited 'last mile' capacity into certain centres and other employment locations. In contrast to strong north-south radial links extending from London, east-west trips across the corridor are difficult, slow and unreliable. As a result, commuting between key hubs on the corridor is almost non-existent and the area does not function as a single labour market.

Meeting the corridor's housing and connectivity needs is a significant financial and planning challenge. It will require radical thinking to enable new and expand current settlements at the scale needed. Crucial to this will be creating settlements that build on the attributes that make the corridor an attractive place to live and work. This will require different approaches to infrastructure and development in different locations. This could include the densification of existing towns and cities, the development of substantial urban extensions, or the construction of wholly new settlements. It may require all of these things.

Sustainable communities need to be supported by the right infrastructure. This includes the immediate, local connections into specific sites and developments, as well as the broader transport links that connect homes to jobs and services, allowing people to access the wider economy and supporting their quality of life. It also includes utility, flood and digital networks.

Infrastructure and housing must be planned together. The current development of new strategic east-west links, particularly if combined with other more targeted local infrastructure improvements, provides an opportunity to achieve this and prepare an ambitious long-term strategy for the development of the corridor.

A JOINED-UP STRATEGY LINKING INFRASTRUCTURE AND HOMES

To maximise the benefits of significant new infrastructure investment, local stakeholders will need to demonstrate collective strategic leadership, often across administrative borders. This includes developing a shared vision for the corridor and a strategic plan for its development that commands the support of government and wider stakeholders.

If taken forward as part of a wider strategy for planning and housing, new investment in transport infrastructure within the corridor has the potential to:

- Better link homes to employment, opening up both major strategic sites and smaller local sites for high quality housing development.
- Co-ordinate patterns of new development, creating focused opportunities to build new communities around transport hubs and interchanges.
- Create inclusive liveable places, connecting people and communities with opportunities for work and leisure.
- Mitigate congestion in city centres.

- Provide a catalyst to private investment, unlocking broader local and national benefits.
- Increase land values, allowing local authorities and government capture a share of uplifts to support infrastructure investment.

A strategy for infrastructure and homes will also need to be linked to the area's strategy for skills and social infrastructure as well as the UK's wider industrial strategy. The Commission has not examined skills and social infrastructure as part of this study but recognises their importance alongside physical infrastructure to economic success.

The Commission recognises that through partnerships such as the East West Rail consortium, England's Economic Heartland and the Fast Growth Cities group, progress has been made in this area. Going forward, the challenge remains to create a strategic plan or plans with consistent support across the corridor, encompassing planning, transport and funding.

Recommendation 1: Local authorities, Local Enterprise Partnerships, government departments and national delivery agencies, should work together to develop an integrated strategic plan for infrastructure, housing and jobs across the corridor.

- The plan should provide a framework for cross-corridor economic and transport strategies and for strategic spatial plans which, when combined, enable a step-change in housing provision and connectivity.
- The plan should also ensure that options for funding infrastructure are fully integrated into the strategy.
- The Commission will support this process as part of the second phase of the Cambridge-Milton Keynes-Oxford study.

A new vision for how future communities and major new infrastructure projects are designed and developed will need to inform this strategy if it is to win widespread support. This will need to respect the character of the diverse areas that make up the corridor.

Recommendation 2: The quality of infrastructure design and its impact on maintaining and enhancing the character of the built environment should be central to any strategic plan for the area.

- As part of the next stage of its work, the Commission will continue to work with urban planners and the design community to understand how infrastructure can enable new and expanded settlements which incorporate the highest standards of design and place making.

In addition to strategic planning, it is crucial for success that joint governance structures can be formed that support collective decision making.

Leadership on different issues will be required at different spatial scales. While collaboration on strategic transport infrastructure is likely to require collaboration at the whole corridor level, leadership on strategic spatial planning, may require local authorities to collaborate around a travel to work area or across clusters of housing market areas. The delivery of specific new transport and housing sites may require different institutional structures again, for example new development corporations focused on exploiting the potential around key transport hubs and interchanges

To succeed, any new model for strategic leadership must be built from the ground up through an inclusive process. Given the importance of the corridor to the UK economy, national government must recognise its stake in the success of this work.

Recommendation 3: Local authorities, Local Enterprise Partnerships, government departments and national delivery agencies, should work together to develop proposals for the joint governance arrangements required to deliver co-ordinated planning.

- This work should build on and strengthen existing cross-corridor collaborations and should consider the potential for formal joint governance mechanisms (e.g. joint committees, combined authorities, sub-national transport bodies, or the creation of unitary authorities). These should include consideration of future devolved powers, freedoms and financial flexibilities.
- The work should also consider the full range of delivery mechanisms capable of accelerating housing growth, including looking at the potential for new development corporations to accelerate and drive delivery.
- The Commission will support this process as part of the second phase of the Cambridge-Milton Keynes-Oxford study.

A ONCE-IN-A-GENERATION OPPORTUNITY

The East West Rail project and the proposals for an Oxford-Cambridge Expressway present a unique opportunity to develop a multi-modal transport spine for the corridor – delivering substantial national benefits and providing a foundation for the area’s long-term development.

These schemes have significant benefits, including:

- Completing ‘missing links’ within the national rail and road networks – improving resilience by connecting radial routes from London; providing relief to congested routes in the south-east and midlands, and enabling wholly new connections between England’s towns and cities, ports and airports.
- Improving and diversifying the labour supply of existing city economies – bringing productive towns and cities closer together; expanding travel to work catchments, and reducing the impact that pressures in local housing markets have on firms’ ability to recruit and retain people at all levels of their business.

- Meeting projected increases in travel demands driven by population growth and planned housing development.

But this is only part of the story. Through joined-up planning, these schemes also have the potential to unlock major new sites for housing, to improve land supply, and to enable the development of well-connected and sensitively designed communities. Without integration into wider spatial strategies for the corridor they risk not addressing the factors that are holding back growth on the corridor.

The first section of East West Rail between central Oxford and Bicester is due to fully open in December this year. The government has committed to complete the second section of the line between Oxford and Bedford via Bletchley by 2024 – but there is a risk of the project being further delayed, to avoid this, it is important that elements of the work are accelerated so that its construction can dovetail with that of HS2.

Recommendation 4: The government should commit to delivering the Western Section of the East West Rail project before 2024 (the end of the rail industry’s Control Period 6).

- **To achieve this, the government should bring forward £100m in funding to accelerate design and development, and commit construction monies as necessary to:**
 - **avoid abortive cost (subject to the development process demonstrating rigorous disciplines in planning, cost management and value management); and**
 - **integrate construction of the East West Rail Western Section with work on HS2.**
- **To fully maximise the benefits of the project local authorities should recognise the potentially transformational benefits of East West Rail and develop and agree, working with national government, an ambitious strategy for housing development and delivery around stations and station towns.**
- **The Commission will support this process as part of the second phase of the Cambridge-Milton Keynes-Oxford study.**

For the Expressway, and the Central Section of East West Rail between Bedford and Cambridge the Commission recognises more development work is needed before the schemes can be finalised and firm decisions on prioritisation and delivery can be taken. For both schemes, this work must be progressed in a way that maximises opportunities to bring forward high quality housing development, creating places where people want to live which are well-connected to jobs and services while still delivering improvements to national connectivity.

Recommendation 5: The government should commit up to £10m in development funding to continue work on the Central Section of the East West Rail link.

- **Government should provide clear guidance that a core objective for the development of this scheme should be to support the provision of new housing and connect it to local and regional labour markets.**
- **Local partners and national government should work together to develop a plan for the Central Section which links development work on the East West Rail Central Section to options for local housing development.**
- **Government should explore the potential for alternative delivery and financing mechanisms for the railway. This should include consideration of how third party contributions could be leveraged.**
- **The Commission will support this process as part of the second phase of the Cambridge-Milton Keynes-Oxford study.**

Recommendation 6: The government should commit £27m to the end of 2018/19 to fund the next phase of development work on the Oxford-Cambridge Expressway study, allowing the detailed design process to begin as soon as possible.

- **Highways England should work with relevant local authorities to develop and assess the potential Expressway options and develop a proposal which maximises the scheme’s potential to unlock housing growth and connect it to local and regional labour markets, alongside delivering wider benefits.**
- **The Commission will support this process as part of the second phase of the Cambridge-Milton Keynes-Oxford study.**

The full potential of East West Rail and the Expressway cannot be realised without investment in its wider road and rail network. It is encouraging, therefore, that LEPs and local transport authorities are already working together through the England’s Economic Heartland partnership to define a cross-corridor transport strategy.

The delivery of new homes and communities must be a core objective of this strategy. This means prioritising and progressing schemes that enable smart, sustainable communities, alongside those which improve connectivity and create jobs. LEPs and local authorities have prioritised a number of such schemes in recent bids into the Local Growth Fund. National and local government must work together, with the private sector, to secure resources for key schemes and enable their prompt delivery.

Maximising the benefits of East West Rail will also require new thinking from local authorities on first/last mile connectivity, and on the connections between suburban and rural populations and city centres. Most towns and cities across the corridor have city centre strategies in place, but these will need to be strengthened to reflect and enable the long-term requirement for housing growth.

There can, of course, be no “one-size-fits-all” approach to realising these aims. What works in Cambridge may not be appropriate in Milton Keynes, and solutions for Milton Keynes may not work for Oxford and Oxfordshire. However these approaches will need to factor in the wider cross corridor strategy developed as part of

recommendation 1 and the emerging thinking on East-West Rail and the Expressway as set out in recommendations 5 and 6.

Recommendation 7: In order to maximise the benefits of new strategic infrastructure and to ensure that urban centres across the corridor continue to function effectively - Local Authorities, Local Enterprise Partnerships, government departments and national delivery agencies, should work together in each centre to define a set of credible, coherent and co-owned city centre transport strategies.

- These strategies may build on existing plans, but also ensure that national and regional level schemes are properly integrated into local thinking.
- These strategies should be consistent with partners' wider work to develop a plan for the corridor that maximises its potential to support housing growth.
- This should include realistic proposals on funding and financing and any consideration of any devolved powers, freedoms or financial flexibilities.
- The Commission will support this process as part of the second phase of the Cambridge-Milton Keynes-Oxford study.

The recommendations outlined in this interim report, represent an important step in this project. They reflect the Commission's assessment of the key challenges facing the Cambridge - Milton Keynes - Oxford corridor and actions that need to be taken now to further develop strategically significant projects. The recommendations also express the Commission's desire to work with local authorities, LEPs and national government to tackle these challenges.

While the Commission's work thus far has been on gathering and reviewing evidence, phase two of the project will see it play a more active role in the corridor - encouraging new thinking on joined-up strategic planning, governance, infrastructure financing and place-making over the next year.

The long-term success of the corridor will, of course, depend upon the sustained efforts of local and national government, on the continued success of businesses within the corridor, the commitment of investors, and the quality of its universities. The Commission's own work within the corridor will be time limited. The Commission will, therefore, use its final report and its recommendations to government in late 2017, to set out its view on:

- The institutions that will strengthen governance across the corridor, by integrating planning and infrastructure decisions and driving delivery, to maximise the benefits of infrastructure investment.
- The design and phasing of new east-west transport links, and associated housing and development sites.
- Design principles for infrastructure, and associated development, to ensure that it is effectively integrated into the local environment and meets the needs of residents and communities.

- Measures to enhance local connectivity and reduce congestion to enable better journeys within the key urban centres in the corridor and to provide wider access to major new road and rail links.
- Priorities for any additional, non-transport infrastructure investment needed to unlock housing and support growth.
- Financing and funding mechanisms to unblock current barriers to the delivery of housing and infrastructure.

In developing and delivering these recommendations, the Commission will promote and build upon the best ideas from within the corridor itself - testing these through constructive challenge. It will also seek to balance the need for new plans and proposals that align to local needs, circumstances and preferences with the imperative for developing the corridor as driver of national prosperity.

Appendices:
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CABINET REPORT

Report Title	Cabinet response to Overview and Scrutiny Committee – Street Lighting
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	11 January 2017
Key Decision:	NO
Within Policy:	YES
Policy Document:	NO
Directorate:	Regeneration Enterprise and Planning
Accountable Cabinet Member:	Cllr Tim Hadland
Ward(s)	All

1. Purpose

- 1.1 The purpose of the report is to respond to the recommendations in the Overview and Scrutiny Report to NBC owned Street Lighting.

2. Recommendations

- 2.1 That Cabinet:
- 2.2 Note the recommendations included in the Overview and Scrutiny report on Northampton Borough Council (NBC) owned street lighting.
- 2.3 That a Member/Officer working group is created to oversee the completion of the asset list, options appraisal and final business case in relation to NBC owned street lighting.
- 2.4 That the Director of Regeneration, Enterprise and Planning, is invited to submit a report to Cabinet to present the findings of the work stream and make recommendations regarding the way forward.

2.5 That the Overview and Scrutiny Working Group are formally congratulated on a high quality and comprehensive report and thanked for the time and effort given to producing it.

3. Issues and Choices

3.1 Report Background

3.1.1 The purpose of the Scrutiny Working Group was to differentiate between NBC and Northamptonshire County Council (NCC) owned street lighting.

3.1.2 Key lines of Enquiry

- Investigate all NBC owned street lighting, not just those in situ on housing land
- Differentiate between NBC and NCC owned street lighting
- How the public can report problems and issues with street lighting
- Cost of NBC owned street lighting and energy consumption
- On-going costs for NBC street lighting

3.1.3 Conclusions from the Scrutiny work included:

3.1.4 Energy costs

3.1.5 NBC is recharged for electricity used for specific events such as the Christmas lights. NCC purchases its electricity from Laser Group.

3.1.6 The Working Group acknowledges that there is a need to ensure the Council is getting the best possible price on electricity. It would be useful for NBC street lighting to be of low energy lighting. The Working Group noted that NCC turns down its street lighting during night time hours, therefore reducing energy consumption.

3.1.7 There is no dedicated funding in respect of NBC owned street lighting with the exception of Christmas lighting. There is also no current identified revenue budget for the additional street lighting.

3.1.8 Identification of street lighting

3.1.9 The Working Group highlights the need for the inclusion of reference numbers on NBC owned street lighting columns that identify clearly they are owned and maintained by NBC.

3.1.10 It is felt that there is a need for discussions to take place between NBC, NCC and Balfour Beatty to ascertain whether it would be possible for NBC to “dovetail” onto its interactive mapping system. NCC will be provided with details of the NBC street lighting columns.

3.1.11 Public access to NBC owned street lighting columns

3.1.12 When eastings and northings referencing is completed; the NBC owned street lighting will be plotted onto the Council's interactive mapping system.

3.1.13 The Working Group emphasises the need for one clear reporting mechanism for the public regarding all NBC owned street lighting. It felt that the majority of street maintenance issues will be reported by the public to Street Doctor. The production of the Corporate Asset List will inform ownership of the street lighting.

3.1.14 Maintenance and repair costs – street lightings

3.1.15 Evidence received details that each street lighting column costs around £30 - £50 per year in electricity, depending on wattage, which can range from 30-150 watts. Maintenance costs for 744 lighting columns equates to approximately £50,000 per year. It is acknowledged that this amount could change when the Corporate Asset List is finalised. The Working Group felt that it would be beneficial for consideration to be given to looking at a shared street lighting specialist, with Northampton Partnership Homes (NPH), for the 744 NBC owned street lighting columns. It is further felt that maintenance would be cheaper if the test was undertaken in a programmed way; such as a number of columns tested in a day rather than on an ad hoc basis.

3.1.16 Evidence received highlights that there is no revenue or capital budget for NBC owned street lighting and discussions will have to take place regarding assets and maintenance.

3.1.17 Invest to Save Programme - Street Lighting

3.1.18 From the evidence received, the Working Group acknowledges the need for an Invest to Save Programme for NBC owned street lighting. It recognises that NCC has installed energy efficient lighting.

3.1.19 The Working Group recognises that discussions between NBC, NPH and Northamptonshire Police regarding the need and appropriateness for lighting and what areas should/should not be lit should take place.

3.1.20 The Working Group acknowledges that there is a need to ascertain whether the current level of 744 lighting columns is required; for example the lighting of parks. The views of Northamptonshire Police would be useful.

3.1.21 Report It App.

3.1.21 The Working Group highlights the value of the Report It App. and felt it would be useful for details of NBC owned street lighting to be included within the App.

3.1.22 Training

- 3.1.23 Evidence received highlights the need for training of relevant officers, such as customer services staff, regarding the difference between NCC and NBC lighting and to which Authority maintenance issues should be reported to.
- 3.1.24 One clear reporting mechanism for problems with NBC owned street lighting needs to be easily available for the public. A clear reporting mechanism, together with the interactive active mapping system, will make identification and reporting of street lighting columns easier.

3.2 Recommendations and Service Responses

- 3.2.1 It has been established through the work of the Scrutiny Group that there are a large number of NBC owned street lights that currently are not managed, maintained or funded by NBC. As such, there are unquantified risks to the Authority should NCC request a financial contribution towards the maintenance/energy, and the safety of the NBC stock in relation to the general public.
- 3.2.3 The Scrutiny group identified 744 lamp columns throughout the town in the ownership of NBC, however the Group accepts that this is not an exhaustive assets list and as such there are a number of unidentified NBC street lights.
- 3.2.4 Without a comprehensive package of information that will feed from a completed asset list, it is difficult for Cabinet to be advised and subsequently make financial decisions regarding invest to save programmes or contributions to third parties. As such it is proposed that a work stream is created to identify the full list of NBC owned street lights as a matter of urgency.
- 3.2.5 Following the completion of the asset list an options appraisal covering the full range of options available to the Borough Council will be produced. The options identified will include a comprehensive risk analysis and an assessment of value for money to the Authority of the different options. The options appraisal will be presented to Cabinet in due course and will also identify the most appropriate way for the public to report street light faults on NBC owned street lights.
- Business as usual; no changes;
 - Switching off some of the NBC owned Street lights;
 - A financial contribution to NCC for the maintenance and energy costs of the street lights;
 - An invest to save programme for the NBC owned Street lights; and
 - The report will also identify the most appropriate way for the public to report street light faults on NBC owned street lights.
- 3.2.6 Cabinet should be made aware that there is currently no identified budget for NBC owned street lighting. In addition to the direct financial contributions that may be proposed through the options appraisal, it must also recognise that additional officer resource may be required to ensure that there are regular surveys and tests carried out of the NBC stock.
- 3.2.7 The work stream will be completed by the Regeneration and Economic Development service area; however it is recommended that an Officer/Member working Group is established to oversee the work.

3.2.8 Indicative work programme:

- Cabinet Approval of recommendations – 11th January 2017
- Officer/Member working party established – February 2017
- Work stream scoping exercise undertaken – February/March 2017
- Work programme agreed by Working party – March/April 2017
- Completion of the NBC owned street lighting asset list – May/June 2017.
- Options appraisal undertaken; including full cost implications and risk analysis – July/August 2017
- Officer/Member working party agree options appraisal – August/September 2017
- Report to Cabinet autumn 2017

3.3 Choices (Options)

- 3.3.1 Cabinet can choose to approve the recommendations and the associated work programme. This will allow the Authority to complete the NBC street light asset list and complete an options appraisal and report back to Cabinet with further recommendations. This is the recommended option.
- 3.3.2 Cabinet can choose not to approve the recommendations. This leave the Authority exposed to potential future unforeseen costs and risks.

4. Implications (including financial implications)

4.1.1 Policy

- 4.1.2 There are no policy implications arising from this report.

4.2 Resources and Risk

- 4.2.1 There will be a resource implication through officer time to complete the work; scoping work may suggest additional officer capacity to complete the work programme. There are no other financial implications arising as a result of this report.

4.3 Legal

- 4.3.1 There are no particular legal risks which arise directly from the recommendations of this report, although the current lack of an asset list does present some existing risks in terms of potentially unidentified maintenance issues and these should be reduced by the implementation of the recommendation.

4.4 Equality and Health

- 4.4.1 There are no Equality or Health implications arising from this report, however it should be noted that the next report back to Cabinet may identify several

areas that impact equality and health. As such a full assessment will be presented at the relevant point.

4.5 Consultees (Internal and External)

4.5.1 Internal officers have been consulted.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Invest in safer, cleaner neighbourhoods - Creating an attractive, clean and safe environment.

5. Background Papers

Recommendations of the Overview & Scrutiny Committee – NBC Owned Street Lighting.

Overview and Scrutiny Committee report – NBC Owned Street Lighting

Minutes of the meeting of the Overview and Scrutiny Committee – 13 June 2016

John Dale, Head of Economic Development and Regeneration, X7078

Appendices 0



CABINET REPORT

Report Title	DELAPRE ABBEY RESTORATION PROJECT
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	11 January 2017
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Regeneration, Enterprise and Planning
Accountable Cabinet Member:	Cllr Tim Hadland
Ward(s)	Delapre

1. Purpose

- 1.1 To report to Cabinet the conclusion of the necessary agreements between the Borough Council and the Delapre Abbey Preservation Trust in relation to the restoration of Delapre Abbey.
- 1.2 To seek approval to convert a previously agreed revenue loan to Delapre Abbey Preservation Trust of £100,000 into a revenue grant.

2. Recommendations

That Cabinet:

- 2.1 Notes the conclusion of the necessary agreements between the Borough Council and the Delapre Abbey Preservation Trust in relation to the restoration of Delapre Abbey.
- 2.2 Resolves to convert a previously agreed revenue loan to Delapre Abbey Preservation Trust of £100,000 into a revenue grant, to be funded from in-year underspends within the Regeneration Enterprise and Planning Directorate in order to assist the Trust in establishing its operations for the opening of the Abbey later this year.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The restoration of the Grade II* Listed Delapre Abbey is a key heritage project for the Council and will see the Abbey opened to the public for the first time in its 900 year history
- 3.1.2 The Abbey will open offering educational spaces, a shop, exhibition space, a cafe/restaurant as well as offering a specific exhibition around the Battle of Northampton as part of the Wars of the Roses which was fought in Delapre Park in 1460.
- 3.1.3 The Abbey will enhance the public park in that it will include improved public convenience toilets and increase the usage of the park whilst attracting regional and national visitors to Northampton.
- 3.1.4 Close links are being developed between the Trust who will operate the Abbey and the Museums Service to ensure compatibility and joint working.
- 3.1.5 Cabinet will be aware that the Council was awarded £3.6m of Heritage Lottery Funding (HLF) towards the overall project costs the restoration works and activity costs. The bid was agreed by Cabinet on the 8th May 2013.
- 3.1.6 Cabinet previously considered and approved reports on 21st October 2015, and 13th April 2016 and 7th December 2016 regarding project progress and necessary decisions.
- 3.1.7 A full financial assessment is in progress to cover further capital and revenue implications to the Authority. A full consolidated position will be reported to Cabinet in due course.

3.2 Issues

Legal Agreements with Delapre Abbey Preservation Trust (DAPT)

- 3.2.1 Cabinet have been previously advised that a number of Legal Agreements between Delapre Abbey Preservation Trust and the Borough Council are required and approval given by Cabinet to these being agreed by officers after consultation with relevant Cabinet Members or the Leader.
- 3.2.2 These agreements were finalised and agreed on both sides just before Christmas. The documentation sets out the terms with regards to the property matters between the Council and DAPT and also sets the basis of how the Trust and the Council will work well together within the partnership. With regards to the property matters, at this point the Agreement for Lease has been concluded, with the long term lease and the four licenses to complete before the 7th working day following the practical completion of landlord's works. This is in order to ensure that the details of the final leases and licenses reflect the final completed physical project correctly.
- 3.2.3 The completion of this documentation has enabled DAPT to submit a Heritage Lottery Fund resilience bid application for revenue support.

Revenue Implications - DAPT

- 3.2.4 Cabinet previously approved a revenue cash flow loan facility of £100,000 at its meeting on 21st October 2015. The final DAPT business plan approved by the Trust board in summer 2016 which supported repayments of this loan was based on the facility opening in the autumn of 2016.
- 3.2.5 Delays to completion of the construction project and therefore the opening date have meant that DAPT currently and for some time will have no income from the Abbey whilst some staffing and operating expenditure will continue to be incurred. In order to reduce revenue pressures that would be created for DAPT by paying interest and repayments on this funding, it is recommended that this facility is amended to become a revenue grant of £100,000.
- 3.2.6 The business plan for DAPT is being reviewed to take into account the changed opening circumstances and to ensure that the Trust is made operational in a sustainable manner. Once the revised business plan is finalised this will clarify more accurately the impact of the delay, which combined with the outcome of the HLF resilience bid application referred to in 3.2.3 will allow Cabinet to fully consider the impact of the construction delay on the revenue operations of DAPT.

3.3 Choices (Options)

- 3.3.1 Cabinet can choose to approve the £100,000 revenue grant to DAPT to assist with their finances necessary to make the Abbey operational during the delay in completion physical restoration of the Abbey. This would enable the Trust to continue to work towards a successful opening. This is the recommended option.
- 3.3.2 Cabinet could choose not to provide the £100,000 as a grant. Continuing with the provision of a loan at this stage is unlikely to be viable for the Trust as this would increase revenue pressures and in itself require further support to DAPT as a consequence.

4. Implications (including financial implications)

4.1.1 Policy

- 4.1.1 The recommendations within this report do not set policy or have implications on existing policies.

4.2 Resources and Risk

Risks

- 4.2.1 The delay in physical completion of the restoration project has created financial risks to DAPT and NBC, which are being assessed. These risks need to be mitigated by the Council supporting the Trust through this period and ensuring that costs on the Council are managed.
- 4.2.2 The Council would face greater risks if it were not to continue to support DAPT in reviewing and developing their business plan and creating a sustainable Delapre Abbey for the public. **31**

4.2.3 As noted in paragraph 3.2.6 there is a risk the HLF resilience bid is unsuccessful. If this is the case DAPT would face further revenue pressures

Resources

4.2.4 This report identifies a £100,000 revenue implication for the Authority. This will be funded from underspends within the Regeneration, Enterprise and Planning Directorate.

4.3 Legal

4.3.1 The agreements referred to in paragraph 3.2 of this report are legally binding and commit the Council to the funding arrangements, the taking of a long term lease of Delapre Abbey and the granting of the licences

4.3.2 The potential state aid implications of providing a grant to DAPT have received a high level assessment by the Council's legal advisors. The initial analysis demonstrates that any risks are minimal.

4.4 Equality and Health

4.4.1 No specific health or equality matters have been raised by these proposals.

4.5 Consultees (Internal and External)

4.5.1 Council officers, the DAPT Director and LGSS Finance have all been involved within the review of the additional capital works required and there has been regular liaison with DAPT Trustees and HLF officers

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The successful restoration of the Grade II* listed Delapre Abbey is the key heritage priority for the Council.

4.7 Other Implications

4.7.1 None

5. Background Papers

5.1 Cabinet Report dated the 8th May 2013, 21st October 2015, April 2016 and 7th December 2016.

5.2 Delegated Officer Decision 22nd December 2016 – signing of legal agreements

**Report Author: John Dale, Head of Economic Development and
Regeneration, 01604 837078**

Appendices

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CABINET REPORT

Report Title

Establishment of a Social Lettings Agency

AGENDA STATUS:

PUBLIC

Cabinet Meeting Date:	11 January 2017
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Chief Executive's
Accountable Cabinet Member:	Councillor Stephen Hibbert
Ward(s)	All

1. Purpose

- 1.1 On 21 October 2015, Cabinet approved the principle of establishing an in-house social lettings agency that will let and manage private rented accommodation (on behalf of owners and in return for a management fee) in order to improve standards in the private rented sector, bring empty homes back into use, prevent homelessness and make it easier for people who are living and working in the borough to access good quality, well managed, affordable private rented housing.
- 1.2 Since that decision, Officers have developed an operating model that will not only meet the Council's strategic objectives but will also be cost-effective, sustainable and, over time, meet all or most of its operating costs from its fees and charges.
- 1.3 A comprehensive Business Case (Appendix A) has now been produced, explaining how the social lettings agency will operate and how it will be funded.
- 1.4 The purpose of the report is to seek Cabinet approval of the establishment of a social lettings agency – called 'Guildhall Residential Lettings' – in Northampton.

2. Recommendations

- 2.1 That Cabinet approves the establishment of Guildhall Residential Lettings (an in-house, not-for-profit social lettings agency that will let and manage private rented accommodation, on behalf of owners, in return for a management fee); and
- 2.2 That Cabinet approves the drawdown of reserves of £56k (from the 'Preventing Repossession reserve') in the current year 2016/17 in order to cover the cost of developing the Social Lettings Agency Business Case and employing a Social Lettings Agency Manager for Quarter 4 of 2016/17.
- 2.3 That Cabinet agrees that the resources identified in the table in Paragraph 4.2.1 of this report are reflected in the final budget for 2017/18 and the Medium Term Financial Plan due to go to Cabinet and Council in February 2017.

3. Issues and Choices

3.1 Report Background

- 3.1.1 In Northampton, the private rented sector has doubled in size during the past ten years and now amounts to around 16,000 (18%) of the homes in the borough. For the first time in decades, there are now more people living in Northampton's private rented sector than are living in social rented housing.
- 3.1.2 As well as having a growing University population, the town is attracting more people through the creation of extra jobs by the Northampton Alive projects and Enterprise Zone. Together with the difficulty that many people are still having in buying a home of their own, this is leading to more people wanting to rent a home in the borough.
- 3.1.3 Although the private rented sector plays a vital role in helping to meet the demand for housing in Northampton, the high demand has encouraged landlords and rental agents to ask for as much rent as tenants can afford.
- 3.1.4 In November 2014, the Council introduced an Additional HMO Licensing Scheme and issued an Article 4 Direction (removing permitted development rights) in parts of the town. Intelligence suggests that, 2 years on, a large number of licensable HMOs are operating without an HMO licence.
- 3.1.5 Northampton's intelligence-led, risk-based approach to tackling criminal, rogue and irresponsible landlords – underpinned by new Private Sector Housing policies in February 2016 – is helping the Council, Police and Trading Standards to identify offenders. However, the Council is currently not equipped to take over the management of unsafe or badly managed housing.
- 3.1.6 With so many tenants to choose from – and charging rents that are a lot higher than the Local Housing Allowance rates used to calculate Housing Benefit – none of the town's rental agents will now let to people who are reliant on Housing Benefit even if the Council offers a financial incentive.

- 3.1.7 During the past year, there has been a sharp rise in the number of households applying to the Council for assistance under the homelessness legislation. The loss of private rented accommodation – and the difficulty of accessing the private rented sector – is the main cause of homelessness in Northampton.
- 3.1.8 Of particular concern is the growing number of people in full-time employment who become homeless because they are unable to meet their needs in the private rented sector due to the high rents and the amount of competition from other homeseekers. This has not happened very much in the past.
- 3.1.9 The increase in homelessness applications, together with a corresponding fall in the number of social rented homes available for letting, has resulted in a sharp rise in the number of homeless households living in temporary accommodation, especially in expensive B&B accommodation.
- 3.1.10 At a time when the demand for housing is so high, it is known (from council tax records) that more than 1,200 privately owned homes are currently empty in Northampton and that a quarter of these have been empty for at least 2 years.
- 3.1.11 Although the Private Sector Housing Team regularly receives reports about empty homes, it only has the capacity to deal with the most problematic.
- 3.1.12 Northampton Partnership Homes is currently managing 28 flats and apartments that were created by converting surplus or redundant office space and commercial premises into affordable housing. The scheme – involving government funding and the Council leasing the homes for 6 years – was set up by the Homes & Communities Agency and the Regeneration Team.

3.2 Issues

- 3.2.1 The main purpose of the social lettings agency is to help the Council to improve standards in Northampton's private rented sector, bring empty homes back into use and make it easier for people who are living and working in the borough to access good quality, well managed, affordable private rented accommodation.
- 3.2.2 It is intended, also, that the social lettings agency will prevent homelessness, reduce the Council's reliance on B&B and, in doing so, substantially reduce expenditure on temporary accommodation. The draft budget includes a budget pressure of £570k across the Housing & Wellbeing Service and Housing Benefits (reflecting the likely increase in temporary accommodation costs) which needs to be addressed.

Improving standards in the private rented sector

- 3.2.3 The Council is committed to dealing robustly with criminal, rogue and irresponsible landlords – including the owners and managers of unlicensed HMOs – and to making full and effective use of its enforcement powers and the provisions of the Housing & Planning Act 2016.
- 3.2.4 Northampton's intelligence-led, risk-based, 'offender pays' approach is set out in its Private Sector Housing Enforcement Policy and Fees & Charges Policy which encourage and reward good and responsible behaviour and impose penalties and sanctions for bad and irresponsible behaviour.

- 3.2.5 Although the Council has a duty (under Part 4 of the Housing Act 2004) to make an Interim Management Order to take over the control and management of property for a period of up to 12 months in relation to licensable HMOs, and a power to take such action for non-licensable HMOs, in order to protect the health, safety or welfare of the occupants and people living within the vicinity, this is not a course of action that the Council has had to take to date.
- 3.2.6 The duty to take over the control and management of an HMO presents a number of challenges for the Council because, in common with many other local authorities, it is currently not equipped to deal with such a situation. As the Private Sector Housing Team's intelligence-led approach has identified a significant number of HMOs that are operating without a licence, there is a strong likelihood that the Council will need to take over the control and management of some HMOs in the future.
- 3.2.7 If a social lettings agency is established in Northampton, the Private Sector Housing Team will be in a much better position to make an Interim Management Order (lasting up to 12 months) and then a Final Management Order. A Special Interim Management Order may be applied for (to remove or significantly reduce an anti-social behaviour problem) when a landlord is failing to take action to address a problem in private rented accommodation.
- 3.2.8 The Housing & Planning Act 2016 strengthens local authority powers to tackle criminal, rogue and irresponsible landlords with the introduction of Banning Orders, a tougher 'fit and proper person' test and Civil Penalties of up to £30,000, together with changes to Rent Repayment Orders.
- 3.2.9 As the introduction of Banning Orders and a tougher 'fit and proper person' test is likely to increase the number of licensable HMOs that are not licensed and are unlikely to be licensed in the near future (see Paragraph 3.2.6, above), the social lettings agency will play a vital role in helping the Council to meet its statutory obligations in relation to Interim and Final Management Orders.
- 3.2.10 The introduction of Civil Penalties (which can be imposed as an alternative to prosecution) and the extension of Rent Repayment Orders (to cover a range of offences, not just licensing) is extremely important to the Council because all of the monies due to the Council will remain with the Council (to spend on housing related activity) rather than, as at present, being passed on to the Treasury.
- 3.2.11 Where a landlord is unable to manage their property themselves, the social lettings agency will offer them a solution. Better outcomes will be achieved, of course, if the social lettings agency takes on the management of such properties, especially if there are tenants in occupation.
- 3.2.12 It is hoped that the social lettings agency's ethical practice - including the transparency, fairness and simplicity of its system of fees and charges - will set a new benchmark for rental agents and encourage good practice.

Bringing empty homes back into use

- 3.2.13 At present, around 1,200 privately owned homes are empty in Northampton and, of these, one in four has been empty for at least 2 years.
- 3.2.14 Although many of these homes will not stay empty – because they are on the market, are in the process of being re-let or are being renovated – empty homes can blight neighbourhoods and attract squatters, crime, anti-social behaviour and vermin. They also add to the pressure on housing supply.
- 3.2.15 Dealing with these problems (including flytipping, vandalism and arson), and boarding up empty homes to make them secure, places a significant burden on public services. Bringing these homes back into use, therefore, will help meet housing need, improve the look and feel of local neighbourhoods, reduce crime and anti-social behaviour, and relieve some of the pressure on public services.
- 3.2.16 Experience in other parts of the country has shown that the employment of an innovative, persuasive and tenacious Empty Homes Officer can make a huge difference in bringing empty homes back into use and reducing the number of homes left empty for more than 6 months.
- 3.2.17 Section 85 of the Local Government Act 2003 authorises the sharing of council tax data for the purpose of helping to bring empty homes back into use. Arrangements are now in place for the Private Sector Housing Team to receive automated monthly reports of all listed empty homes in the borough. As the empty homes situation is constantly changing, this arrangement will ensure that Officers can access the most up-to-date data when tackling empty homes.
- 3.2.18 In order to achieve its objective of bringing empty homes back into use – and to encourage the owners of empty homes to either lease their properties to the Council (for use as temporary accommodation) or employ the social lettings agency to let and manage them on their behalf – it is proposed that an Empty Homes Officer is appointed and embedded within the social lettings agency.
- 3.2.19 The Empty Homes Officer will contact the owners of all privately owned empty homes in the borough to inform them of their full range of options (including letting and leasing) and explain what help is available from the Council and the social lettings agency to enable them to bring their empty homes back into use.
- 3.2.20 Often, it will take just a letter or conversation to prompt an owner to sell or let their empty home. Sometimes, it will require an inspection, a schedule of works, advice on how to secure the services of reliable contractors and/or the offer of a property management service, a leasing arrangement or help with repairs. Occasionally, it will require an enforced sale or compulsory purchase.
- 3.2.21 Some of the empty homes – including those that have been empty for a long time or are especially problematic – may require repairs and improvements to bring them up to the agreed lettable standard. It is proposed that, where an owner is willing to lease their empty property to the Council for 5 - 7 years, the Council will offer them an interest-free loan of up to £10,000 to pay for essential works and then recover this loan through deductions from the lease payments.

3.2.22 If the works are organised by the Council, a charge of 15% will be made. The rate at which the loan is repaid will depend on the amount borrowed, the length of the lease, the size of the lease payments and the owner's circumstances.

3.2.23 Although it is expected that the Council's private sector leasing scheme will be of interest to many of the owners of empty homes – because the Council is hoping to lease 40 family homes, as quickly as possible, to provide temporary accommodation for homeless households that would otherwise be living in expensive B&B – it is also expected that the owners will be interested in the whole range of letting and management services offered by the social lettings agency.

Improving access to private rented accommodation

3.2.24 In common with many other parts of the country, the high demand for private rented accommodation in Northampton exceeds supply, is pushing up rents and making it extremely difficult for people to access the private rented sector.

3.2.25 With so many tenants to choose from, none of the town's rental agents will now let to people who are reliant on Housing Benefit and, even though the Council's rental deposit scheme is still in operation, take-up is extremely low and landlords are no longer interested in the financial incentives offered.

3.2.26 During the past year, there has been a sharp rise in the number of households applying to the Council for assistance under the homelessness legislation. The loss of private rented accommodation – and the difficulty of accessing the private rented sector – is the main cause of homelessness in Northampton.

3.2.27 What is especially worrying is the growing number of people in full-time employment who are unable to access private rented accommodation due to the intense competition from other homeseekers, their inability to provide a guarantor and/or a difficulty in meeting agents' fees and charges.

3.2.28 Although the social lettings agency will need to be satisfied that prospective tenants are able to afford the rent and are capable of sustaining the tenancy, it will not normally require a guarantor, it will consider people who are reliant on Housing Benefit and it will accept the Council's rental deposit scheme.

3.2.29 Although the Government has recently announced that it will prohibit letting agents from imposing fees and charges on tenants, it has not yet published details of its proposals or, indeed, its plans for consultation. Until tenants' fees and charges are outlawed, they will continue to be a significant barrier to people's access to decent, well managed private rented accommodation.

Preventing homelessness

3.2.30 The social lettings agency will manage a mixed portfolio of homes and let them to a broad range of tenants, including key workers, people with disabilities and people who are homeless or at risk of becoming homeless.

- 3.2.31 In 2014/15, the loss of private rented accommodation accounted for 123 (42%) of the homeless households for whom the Council accepted a housing duty. In 2015/16, it accounted for 149 (46%) of the acceptances and, during the first six months of 2016/17, the figure had already reached 135 (57% of acceptances).
- 3.2.32 Although the Council's Housing Options & Advice Team works hard to prevent homelessness wherever possible, it is especially difficult to negotiate with landlords or rental agents who are intent on obtaining vacant possession in order to sell the property or let it to someone else at a much higher rent.
- 3.2.33 The problem is compounded by the fact that, even when they have been an exemplary tenant, tenants often find it extremely difficult (for the reasons described in Paragraph 3.2.27, above) to secure suitable alternative private rented accommodation that they can afford.
- 3.2.34 The social lettings agency will play an active role in shaping the attitudes of the owners of the homes it is managing and, by putting in appropriate safeguards, it will encourage them to accept people who are reliant on Housing Benefit.
- 3.2.35 If tenants are unable to raise the two months' deposit, assistance may be given by the Council's rental deposit scheme on the condition that any deposit that is subsequently returned to the tenant (by their former landlord) will be paid to the Council to offset the rental deposit it has paid.
- 3.2.36 Although its capacity to prevent homelessness will be limited by the number of homes it is managing and the number of properties available to let, the social lettings agency will do everything it can to prevent private tenants from becoming homeless by offering them alternative private rented accommodation.
- 3.2.37 Depending on the number of properties available, it will also prevent other households from becoming homeless, wherever practicable.

Reducing the Council's reliance on B&B

- 3.2.38 Although the number of homeless households living in Bed & Breakfast accommodation – and, indeed, the overall number of homeless households living in temporary accommodation – increased gradually in 2015/16, the number has risen sharply since May 2016.
- 3.2.39 At the end of May 2016, there were 82 homeless households living in temporary accommodation, including 32 in B&B accommodation.
- 3.2.40 Between the end of May 2016 and the end of October 2016, the number of homelessness applications increased. As a result, the number of households living in temporary accommodation increased to 140 (a 71% increase) and the number of households living in B&B increased to 74 (an increase of 131%).
- 3.2.41 Although it is important that the social lettings agency does not become too reliant on private sector leasing to secure the properties it manages – because it needs to prove that it can successfully compete in the mainstream residential lettings market – its success in bringing empty homes back into use and helping the Council reduce its use of B&B is reliant on the existence of a successful private sector leasing scheme.

3.2.42 It is proposed, therefore, that the social lettings agency will lease a total of 40 family homes (as a replacement for B&B) as soon as practicable. Although other action will also be taken to reduce the Council's use of B&B, the private sector leasing scheme will help to reduce the Council's financial exposure.

Reducing expenditure on temporary accommodation

3.2.43 Although the private sector leasing scheme will substantially reduce the amount of money that the Council spends on B&B, it is hoped that the social lettings agency will also help the Council to prevent homelessness and, in doing so, further reduce the Council's expenditure on temporary accommodation.

3.2.44 By showing landlords that people who are receiving Housing Benefit are reliable and do comply with their tenancy conditions – and that there is a more ethical way of managing and letting properties – the social lettings agency will attract more business, manage a growing portfolio of properties and enable an increasing number of people to meet their needs in the private rented sector.

3.2.45 Increased landlord confidence in the social lettings agency and the Council's rental deposit scheme will help to maximise the number of tenants who are able to secure suitable, good quality accommodation through the social lettings agency's 'Tenant Finder' service.

3.2.46 It is hoped that, once established, the social lettings agency will be able to play an active role in helping the Council to successfully discharge its homelessness duty to homeless households with offers of suitable private rented housing.

Social lettings agency operating model

3.2.47 The social lettings agency will manage and let properties that are leased by the Council or owned by individuals and businesses. If landlords want to manage the property themselves, it will help them find suitable tenants.

3.2.48 Operating as a distinct business unit within the Private Sector Housing Team on the Second Floor of the Guildhall, the social lettings agency will employ 5 staff. Although the social lettings agency will not have a shopfront, it will have its own interactive website which will have the look and feel of a contemporary residential lettings agent.

3.2.49 During the first year, the social lettings agency will manage 100 homes:

- 40 family-sized homes that will be leased by the Council (under its private sector leasing scheme) for use as temporary accommodation;
- 28 flats and apartments that are already being leased by the Council (under an empty property / affordable housing scheme) but are currently being managed by Northampton Partnership Homes; and
- 32 flats and houses that will be let and managed by the social lettings agency, on behalf of owners, in return for a management fee.

- 3.2.50 Northampton's social lettings agency will be fundamentally different from other social lettings agencies because it is based on a private sector residential lettings model (rather than a local authority model), it is planning to use the software that the private sector uses (rather than the software that local authorities use) and it is being set up with the primary objective of improving standards in the private rented sector.
- 3.2.51 Furthermore, unlike other letting agents, the social lettings agency will be actively looking for opportunities to attract funding to improve the homes it is managing, for the benefit of tenants and landlords. An example of this might be where new boilers are being provided, free of charge, to improve the warmth and energy efficiency of homes occupied by people in receipt of a qualifying benefit.
- 3.2.52 In order to minimise staffing costs and compete successfully with other rental agents, the social lettings agency will encourage self-service and make optimum use of information technology and the industry's leading software.
- 3.2.53 It is hoped that, over the next 3 years, the social lettings agency will achieve steady, year-on-year growth from a portfolio of 100 homes in 2017/18 to a portfolio of at least 250 homes by the end of 2019/20.

3.3 Choices (Options)

- 3.3.1 Consideration was given to the merits of establishing the social lettings agency as a social enterprise, joint venture or wholly owned subsidiary. However, this option was rejected on the grounds that the agency needs to be up and running and sustainable before alternative delivery vehicles are considered.
- 3.3.2 As the purpose of the social lettings agency is to improve housing conditions, prevent homelessness, bring empty homes back into use, reduce the Council's reliance on bed and breakfast and make it easier for people to access the private rented sector, these objectives will still need to be met if the service is no longer delivered in-house.
- 3.3.3 Throughout the development of the social lettings agency's operating model, careful consideration has been given to a whole raft of options in relation to the size and composition of the team, the mix of property types and management arrangements, the amount of rent that will be charged, the size of the management fee and set-up fees, and how low income households can benefit from the social lettings agency.
- 3.3.4 Cabinet can choose to establish a social lettings agency in a different way, such as a social enterprise, joint venture or wholly owned subsidiary, etc.
- 3.3.5 Cabinet can choose to establish an in-house social lettings agency in the manner described in this report and set out in the Agency Business Case (see Appendix A).
- 3.3.6 Cabinet can choose to establish an in-house social lettings agency but vary the operating model from what is described in this report and the Business Case.
- 3.3.7 Cabinet can choose to do nothing.
- 3.3.8 For the reasons explained in this report, the social lettings agency will play a vital role in helping the Council to achieve its strategic objectives, prevent homelessness and reduce its use of Bed and Breakfast. Given the impact that the high cost of temporary accommodation is having on the Council's finances, doing nothing is not an option.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The establishment of the social lettings agency is in line with Council policy and is contained within its key corporate priorities.

4.2 Resources and Risk

4.2.1 The financial details behind the proposal are contained within Section 8 of the Social Lettings Agency Business Case (attached as Appendix A) and the estimated net operating position is shown in the table below. There is a forecast reduction in net cost after Year 1 as the social lettings agency gets established and generates additional fee income. There will be a requirement for an increase in the Housing & Wellbeing budget, for Year 1, to fund the social lettings agency's net operating costs.

SOCIAL LETTINGS AGENCY (including the PSL Scheme)	2017/18 £	2018/19 £	2019/20 £
Social Lettings Agency operating deficit (excluding Private Sector Leasing)	135,700 (60 homes)	82,000 (110 homes)	33,400 (160 homes)
Private Sector Leasing operating deficit	91,365 (40 homes @ £2,284)	91,365 40 homes @ £2,284)	91,365 (40 homes @ £2,284)
TOTAL	227,065	173,365	124,765

4.2.2 The increased number of households applying to the Council for assistance under the homelessness legislation, together with the Council's growing reliance on Bed and Breakfast to meet the demand for temporary accommodation, has substantially increased the amount of money that the Council spends on temporary accommodation. The draft budget and Medium Term Efficiency Plan includes a budget pressure of £570k across the Housing & Wellbeing Service and Housing Benefits for the anticipated increase in these temporary accommodation costs.

4.2.3 One of the key actions in the Efficiency Plan is to reduce the net cost of providing homeless households with temporary accommodation. By preventing homelessness, making it easier for families to access to the private rented sector and operating a private sector leasing scheme that costs substantially less than Bed and Breakfast, the social lettings agency is expected to play a key role in reducing the net cost of temporary accommodation and, in doing so, helping to implement the Efficiency Plan.

4.2.4 The table below shows the potential expenditure that the Council would incur in accommodating 40 families in Bed and Breakfast compared to what it would cost to accommodate those families through the private sector leasing scheme:

**COMPARISON OF USING PRIVATE SECTOR LEASING
INSTEAD OF BED AND BREAKFAST (40 FAMILIES)**

<u>PRIVATE SECTOR LEASING</u>	Total £
Annual rent paid to owner (based on 80% of the Social Lettings Agency Rate)	292,410
Net annual rental income (after making deductions for voids, repairs and bad debts)	(201,045)
PSL Net Annual Cost (Excluding Staff)	91,365
<u>BED & BREAKFAST ACCOMMODATION</u>	Total £
Annual equivalent of the weekly B&B charge	808,800
Net annual rental income (based on Housing Benefit of £103.85 per week)	(216,000)
B&B Net Annual Cost / (Saving) (Excluding Staff)	584,800
FORECAST REDUCTION IN COSTS USING PSL INSTEAD OF BED AND BREAKFAST	(493,435)

4.2.5 Although it will take a while to set up the private sector leasing scheme and procure the 40 leased properties, the table in Paragraph 4.2.4 illustrates the substantial savings that the Council could achieve, year on year, by operating a private sector leasing scheme and minimising the number of households living in Bed and Breakfast.

4.2.6 The main resource and business risks affecting the social lettings agency relate to the time it takes to build the customer base and to then develop that customer base as quickly as possible in order to benefit from the economies of scale.

4.2.7 The key risks and mitigation are described in the Business Case, but include:

- (a) Insufficient interest from owners / landlords who are willing to lease or let their homes to the council

Thorough research has been done on local market conditions and agents' fees and charges. The social lettings agency's offer to landlords is competitive. A detailed marketing and communications plan is being developed to promote and raise awareness of the social lettings agency.

- (b) Impact of welfare reform (Benefit Cap, LHA Rates and Universal Credit) on rent collection rates

Close links maintained with DWP to ensure that impact of welfare reform on tenants and prospective tenants is fully understood and that this is reflected in the way in which the social lettings agency lets and manages its properties. Emphasis on rent collection, income maximisation and budgeting

(c) Unmanageable demand on Legal Services in setting up the private sector leasing scheme and/or dealing with a higher than expected number of evictions

Additional staffing resources will be brought in if Legal Services is unable to meet the demand.

4.3 Legal

4.3.1 The Council has wide and extensive powers to implement the proposals contained in this report through the Power of General Competence in the Localism Act 2011.

4.3.2 The Homelessness Act 2002 introduced the requirement for housing authorities to take a preventative approach to homelessness.

4.3.3 The Localism Act 2011 Part 7, Chapter 1 contains the provision for a housing authority to discharge its homelessness duty into suitable private sector accommodation.

4.3.4 Although the Council must normally allocate housing accommodation in accordance with its housing allocations scheme, this only applies when it selects a person to be its own secure or introductory tenant, nominates a person to be a secure or introductory tenant elsewhere, or nominates a person to be an assured tenant of a registered provider. As the social lettings agency will only be granting non-secure tenancies (which are not affected by the housing allocations requirements), it may grant such tenancies to people outside of its allocations scheme.

4.3.5 Where the Council enters into a lease to provide temporary accommodation, it is permitted to grant a non-secure tenancy where the situation falls within one or more of the exemptions under schedule 1 of the Housing Act 1985. Paragraph 6 of schedule 1 is applicable, provided that:

- (i) the properties are to be leased to the council with vacant possession for use as temporary accommodation;
- (ii) the terms on which they are to be leased include provision for the lessor to obtain vacant possession from the Council on expiry of a specified period or when required by the lessor;
- (iii) the lessor is not a body which is capable of granting secure tenancies; and
- (iv) the Council will have no interest in the properties other than under the lease in question or as a mortgagee.

4.3.6 When drafting the lease, the Council must ensure that the requirements of Paragraph 6, schedule 1 applies and that the tenancy agreements the Council enters into with the occupiers make it clear they are subject to Paragraph 6, schedule 1 and are therefore excluded from secure tenancy status.

4.3.7 Although the social lettings agency will need to comply with all of the legislation and regulations that apply to the management and letting of private rented accommodation – including the Consumer Rights Act 2015 and, in due course, the landlord obligations proposed in the Immigration Act 2015 – the Housing and Wellbeing Service is working closely with Legal Services and Trading Standards to ensure the social lettings agency complies with the law.

4.4 Equality

4.4.1 A full Community Impact Assessment has been completed.

4.4.2 The establishment of a social lettings agency will contribute towards improving housing conditions and life chances of people with protected characteristics including homeless people, people with disabilities and families with children and will therefore, have a positive impact on Equality and Diversity.

4.4.3 The new scheme is part of the Borough Council's commitment to improving communities and our town as a place to live. During all stages of this project, the Council will have due regard to its Public Sector Duty and will continue to work to tackle discrimination and inequality and contribute to developing a fairer society.

4.5 Consultees (Internal and External)

4.5.1 Council Officers, the National Landlords Association, private landlords, rental agents and members of the Northampton Wellbeing Partnership.

4.5.2 Although some landlords have said they are unlikely to use the social lettings agency because they prefer to manage their properties themselves, most consultees have been very positive about the Council's plans to establish a social lettings agency.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The social lettings agency will help meet 3 priorities in the Corporate Plan:

- **Safer Communities:** The social lettings agency will improve the condition and management of private sector housing and, by providing healthier, safer homes, it will have a positive impact on people's lives.
- **Housing for Everyone:** The social lettings agency will increase the supply of, and access to, well managed affordable homes, and provide opportunity and choice to those whose housing choices are normally limited.
- **Working Hard and Spending your Money Wisely:** The social lettings agency will be developed, delivered and grown in the most cost-effective way to prevent homelessness, reduce the cost of temporary accommodation, improve access to the private rented sector and bring empty homes back into use.

4.6.2 The social lettings agency will also make a positive contribution to 2 of the 3 Business Development Priorities that support the Corporate Plan and help manage the Council's future financial challenges:

- **Empowering Communities:** The social lettings agency will encourage communities to become actively involved in mentoring tenants and helping to bring empty homes back into use in order to make everywhere in Northampton a great place to live, visit, work, study and invest.

- **Partnership Working:** The social lettings agency will actively promote collaborative multi agency working and, in doing so, it will help the Council to get the best from the resources available. As well as increasing efficiency and effectiveness, this will reduce duplication, deliver better outcomes and improve residents' housing, health and wellbeing.

Appendices

Appendix A – Social Lettings Agency Business Case, January 2017

Background Papers

Cabinet Report – 'Establishing a social lettings agency', 21 October 2015
Community Impact Assessment, December 2016

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[General Exception Notice - 2017](#)

**NORTHAMPTON'S
SOCIAL LETTINGS AGENCY
BUSINESS CASE**

**Phil Harris (Head of Housing & Wellbeing)
Robert Endersby (Lettings Specialist)**

January 2017

1. INTRODUCTION

- 1.1 In Northampton, the private rented sector has doubled in size during the past ten years and now amounts to around 16,000 (18%) of the homes in the borough. For the first time in decades, there are now more people living in Northampton's private rented sector than are living in social rented housing.
- 1.2 As well as having a growing University population, the town is attracting more people through the creation of extra jobs by the Northampton Alive projects and Enterprise Zone. Together with the difficulty that many people are still having in buying a home of their own, this is leading to more people wanting to rent accommodation in Northampton.
- 1.3 Although the private rented sector plays a vital role in helping to meet the demand for housing in Northampton, the high demand has encouraged landlords and rental agents to ask for as much rent as tenants can afford.
- 1.4 In November 2014, the Council introduced an Additional HMO Licensing Scheme and issued an Article 4 Direction (removing permitted development rights) in parts of the town. Intelligence suggests that, 2 years on, a large number of licensable HMOs are operating without an HMO licence.
- 1.5 Northampton's intelligence-led, risk-based approach to tackling criminal, rogue and irresponsible landlords – underpinned by new Private Sector Housing policies in February 2016 – is helping the Council, Police and Trading Standards to identify offenders. However, the Council is currently not equipped to take over the management of unsafe or badly managed housing.
- 1.6 With so many tenants to choose from – and charging rents that are a lot higher than the Local Housing Allowance rates used to calculate Housing Benefit – none of the town's rental agents will now let to people who are reliant on Housing Benefit even if the Council offers a financial incentive.
- 1.7 During the past year, there has been a sharp rise in the number of households applying to the Council for assistance under the homelessness legislation. The loss of private rented accommodation – and the difficulty of accessing the private rented sector – is the main cause of homelessness in Northampton.
- 1.8 Of particular concern is the growing number of people in full-time employment who become homeless because they are unable to meet their needs in the private rented sector due to the high rents and the amount of competition from other homeseekers. This has not happened very much in the past.

- 1.9 The increase in homelessness applications, together with a corresponding fall in the number of social rented homes available for letting, has resulted in a sharp rise in the number of homeless households living in temporary accommodation, especially in expensive B&B accommodation.
- 1.10 At a time when the demand for housing is so high, it is known (from council tax records) that more than 1,200 privately owned homes are currently empty in Northampton and that a quarter of these have been empty for at least 2 years.
- 1.11 Although the Private Sector Housing Team regularly receives reports about empty homes, it only has the capacity to deal with the most problematic.
- 1.12 Northampton Partnership Homes is currently managing 28 flats and apartments that were created by converting surplus or redundant office space and commercial premises into affordable housing. The scheme – involving government funding and the Council leasing the homes for 6 years – was set up by the Homes & Communities Agency and the Regeneration Team.
- 1.13 On 21 October 2015, Cabinet approved the principle of the Council establishing an in-house social lettings agency that will let and manage private rented accommodation, on behalf of owners, in return for a management fee.
- 1.14 At the same meeting, Cabinet delegated to the Chief Executive the authority, in consultation with the Cabinet Member for Housing & Wellbeing, to establish a social lettings agency, subject to due diligence and the production of a detailed business case that has been signed off by the Section 151 Officer.

2. PURPOSE OF THE BUSINESS CASE

- 2.1 The main purpose of the social lettings agency is to help the Council to improve standards in Northampton's private rented sector, bring empty homes back into use and make it easier for people who are living and working in the borough to access good quality, well managed, affordable private rented accommodation.
- 2.2 It is intended, also, that the social lettings agency will prevent homelessness, reduce the Council's reliance on B&B accommodation and, in doing so, substantially reduce the Council's expenditure on temporary accommodation.

Improving standards in the private rented sector

- 2.3 The Council is committed to dealing robustly with criminal, rogue and irresponsible landlords – including the owners and managers of unlicensed HMOs – and to making full and effective use of its enforcement powers and the provisions of the Housing & Planning Act 2016.

- 2.4 Northampton's intelligence-led, risk-based, 'offender pays' approach is set out in its Private Sector Housing Enforcement Policy and Fees & Charges Policy which encourage and reward good and responsible behaviour and impose penalties and sanctions for bad and irresponsible behaviour.
- 2.5 Although the Council has a duty (under Part 4 of the Housing Act 2004) to make an Interim Management Order to take over the control and management of property for a period of up to 12 months in relation to licensable HMOs, and a power to take such action for non-licensable HMOs, in order to protect the health, safety or welfare of the occupants and people living in the vicinity, this is not a course of action that the Council has had to take to date.
- 2.6 The duty to take over the control and management of an HMO presents a number of challenges for the Council because, in common with many other local authorities, it is currently not equipped to deal with such a situation.
- 2.7 As the Private Sector Housing Team's intelligence-led approach has identified a significant number of HMOs that are operating without a licence, there is a strong likelihood that the Council will need to take over the control and management of some HMOs in the future.
- 2.8 If a social lettings agency is established in Northampton, the Private Sector Housing Team will be in a much better position to make an Interim Management Order (lasting up to 12 months) and then a Final Management Order. A Special Interim Management Order may be applied for (to remove or significantly reduce an anti-social behavior problem) where a landlord is failing to take action to address a problem in private rented housing.
- 2.9 The Housing & Planning Act 2016 strengthens local authority powers to tackle criminal, rogue and irresponsible landlords with the introduction of Banning Orders, a tougher 'fit and proper person' test and Civil Penalties of up to £30,000, together with changes to Rent Repayment Orders.
- 2.10 Although many of the provisions in the Housing & Planning Act 2016 have yet to come into force and will not do so until the various dates determined by the Regulations, the social lettings agency will help the Council to make best use of the new powers that it is given by the new Act.
- 2.11 As the introduction of Banning Orders and a tougher 'fit and proper person' test is likely to increase the number of licensable HMOs that are not licensed and are unlikely to be licensed in the near future (see Paragraph 2.7, above), the social lettings agency will play a vital role in helping the Council to meet its statutory obligations in relation to Interim and Final Management Orders.
- 2.12 The introduction of Civil Penalties (which can be imposed as an alternative to prosecution) and the extension of Rent Repayment Orders (to cover a range of offences, not just licensing) is extremely important to the Council because all of the monies due to the Council will remain with the Council (to spend on housing related activity) rather than, as at present, being passed on to the Treasury.

- 2.13 Where a landlord is unable to manage their property themselves, the social lettings agency will offer them a solution. Better outcomes will be achieved, of course, if the social lettings agency takes on the management of such properties, especially if there are tenants in occupation.
- 2.14 It is hoped that the social lettings agency's ethical practice - including the transparency, fairness and simplicity of its system of fees and charges – will set a new benchmark for rental agents and encourage good practice.

Bringing empty homes back into use

- 2.15 At present, around 1,200 privately owned homes are empty in Northampton and, of these, one in four has been empty for at least 2 years.
- 2.16 Although many of these homes will not stay empty – because they are on the market, are in the process of being re-let or are being renovated – empty homes can blight neighbourhoods and attract squatters, crime, anti-social behaviour and vermin. They also add to the pressure on housing supply.
- 2.17 Dealing with these problems (including flytipping, vandalism and arson), and boarding up empty homes to make them secure, places a significant burden on public services. Bringing these homes back into use, therefore, will help meet housing need, improve the look and feel of local neighbourhoods, reduce crime and anti-social behaviour, and relieve some of the pressure on public services.
- 2.18 Experience in other parts of the country has shown that the employment of an innovative, persuasive and tenacious Empty Homes Officer can make a huge difference in bringing empty homes back into use and reducing the number of homes that are left empty for more than 6 months.
- 2.19 Section 85 of the Local Government Act 2003 authorises the sharing of council tax data for the purpose of helping to bring empty homes back into use. Arrangements are now in place for the Private Sector Housing Team to receive automated monthly reports of all listed empty homes in the borough. As the empty homes situation is constantly changing, this arrangement will ensure that Officers can access the most up-to-date data when tackling empty homes.
- 2.20 In order to achieve its objective of bringing empty homes back into use – and to encourage the owners of empty homes to either lease their properties to the Council (for use as temporary accommodation) or employ the social lettings agency to let and manage them on their behalf – it is proposed that an Empty Homes Officer is appointed and embedded within the social lettings agency.

- 2.21 The Empty Homes Officer will contact the owners of all privately owned empty homes in the borough to inform them of their full range of options (including letting and leasing) and explain what help is available from the Council and the social lettings agency to enable them to bring their empty homes back into use.
- 2.22 Often, it will take just a letter or conversation to prompt an owner to sell or let their empty home. Sometimes, it will require an inspection, a schedule of works, advice on how to secure the services of reliable contractors and/or the offer of a property management service, a leasing arrangement or help with repairs. Occasionally, it will require an enforced sale or compulsory purchase.
- 2.23 Some of the empty homes – including those that have been empty for a long time or are especially problematic – may require repairs and improvements to bring them up to the agreed lettable standard. It is proposed that, where an owner is willing to lease their empty property to the Council for 5 - 7 years, the Council will offer them an interest-free loan of up to £10,000 to pay for essential works and then recover this loan through deductions from the lease payments.
- 2.24 If the works are organised by the Council, a charge of 15% will be made. The rate at which the loan is repaid will depend on the amount borrowed, the length of the lease, the size of the lease payments and the owner's circumstances.
- 2.25 Although it is anticipated that the Council's private sector leasing scheme will be of interest to many of the owners of empty homes – because the Council is hoping to lease 40 family homes, as quickly as possible, to provide temporary accommodation for homeless households that would otherwise be living in expensive B&B – it is also likely that the owners will be interested in the whole range of letting and management services offered by the social lettings agency.

Improving access to private rented accommodation

- 2.26 In common with many other parts of the country, the high demand for private rented accommodation in Northampton exceeds supply, is pushing up rents and making it extremely difficult for people to access the private rented sector.
- 2.27 With so many tenants to choose from, none of the town's rental agents will now let to people who are reliant on Housing Benefit and, even though the Council's rental deposit scheme is still in operation, take-up is extremely low and landlords are no longer interested in the financial incentives offered.
- 2.28 During the past year, there has been a sharp rise in the number of households applying to the Council for assistance under the homelessness legislation. The loss of private rented accommodation – and the difficulty of accessing the private rented sector – is the main cause of homelessness in Northampton.

- 2.29 What is especially worrying is the growing number of people in full-time employment who are unable to access private rented accommodation due to the intense competition from other homeseekers, their inability to provide a guarantor and/or a difficulty in meeting agents' fees and charges.
- 2.30 Although the social lettings agency will need to be satisfied that prospective tenants are able to afford the rent and are capable of sustaining the tenancy, it will not normally require a guarantor, it will consider people who are reliant on Housing Benefit and it will accept the Council's rental deposit scheme.
- 2.31 As tenants' fees and charges will be comparatively low, the social lettings agency will help to improve people's access to private rented accommodation.

Preventing homelessness

- 2.32 The social lettings agency will manage a mixed portfolio of homes and let them to a broad range of tenants, including key workers, people with disabilities and people who are homeless or at risk of becoming homeless.
- 2.33 In 2014/15, the loss of private rented accommodation accounted for 123 (42%) of the homeless households for whom the Council accepted a housing duty. In 2015/16, it accounted for 149 (46%) of the acceptances and, during the first six months of 2016/17, the figure had already reached 135 (57% of acceptances).
- 2.34 Although the Council's Housing Options & Advice Team works hard to prevent homelessness wherever possible, it is especially difficult to negotiate with landlords or rental agents who are intent on obtaining vacant possession in order to sell the property or let it to someone else at a much higher rent.
- 2.35 The problem is compounded by the fact that, even when they have been an exemplary tenant, tenants often find it extremely difficult (for the reasons described in Paragraph 2.26, above) to secure suitable alternative private rented accommodation that they can afford.
- 2.36 The social lettings agency will play an active role in shaping the attitudes of the owners of the homes it is managing and, by putting in appropriate safeguards, it will encourage them to accept people who are reliant on Housing Benefit.
- 2.37 If tenants are unable to raise the two months' deposit, assistance may be given by the Council's rental deposit scheme on the condition that any deposit that is subsequently returned to the tenant (by their former landlord) will be paid to the Council to offset the rental deposit it has paid.

- 2.38 Although its capacity to prevent homelessness will be limited by the number of homes it is managing and the number of properties available to let, the social lettings agency will do everything it can to prevent private tenants from becoming homeless by offering them alternative private rented accommodation.
- 2.39 Depending on the number of properties available, it will also prevent other households from becoming homeless, wherever practicable.

Reducing the Council's reliance on B&B

- 2.40 Although the number of homeless households living in Bed & Breakfast accommodation – and, indeed, the overall number of homeless households living in temporary accommodation – increased gradually in 2015/16, the number has risen sharply since May 2016.
- 2.41 At the end of May 2016, there were 82 homeless households living in temporary accommodation, including 32 in B&B accommodation.
- 2.42 Between the end of May 2016 and the end of October 2016, the number of homelessness applications increased. As a result, the number of households living in temporary accommodation increased to 140 (a 71% increase) and the number of households living in B&B increased to 74 (an increase of 131%).
- 2.43 Although it is important that the social lettings agency does not become too reliant on private sector leasing to secure the properties it manages – because it needs to prove that it can successfully compete in the mainstream residential lettings market – its success in bringing empty homes back into use and helping the Council to reduce its reliance on B&B accommodation is dependent on the existence of a successful private sector leasing scheme.
- 2.44 It is proposed, therefore, that the social lettings agency will lease a total of 40 family homes (as a replacement for B&B) as soon as practicable. Although other action will also be taken to reduce the Council's use of B&B, the private sector leasing scheme will help to reduce the Council's financial exposure.

Reducing expenditure on temporary accommodation

- 2.45 Although the private sector leasing scheme will substantially reduce the amount of money that the Council spends on B&B, it is hoped that the social lettings agency will also help the Council to prevent homelessness and, in doing so, further reduce the Council's expenditure on temporary accommodation.
- 2.46 By showing landlords that people who are receiving Housing Benefit are reliable and do comply with their tenancy conditions – and that there is a more ethical way of managing and letting properties – the social lettings agency will attract more business, manage a growing portfolio of properties and enable an increasing number of people to meet their needs in the private rented sector.

- 2.47 Increased landlord confidence in the social lettings agency and the Council's rental deposit scheme will help to maximise the number of tenants who are able to secure suitable, good quality accommodation through the social lettings agency's 'Tenant Finder' service.
- 2.48 It is hoped that, once established, the social lettings agency will be able to play an active role in helping the Council to successfully discharge its homelessness duty to homeless households with offers of suitable private rented housing.

3 PROJECT DESCRIPTION

Business Need

- 3.1 Northampton's private rented sector is thriving and, more than ever before, the demand for private rented accommodation is outstripping supply.
- 3.2 High rents, excessive fees and charges and rental agents' refusal to let properties to people who are reliant on Housing Benefit are making it difficult for a large number of households to access Northampton's private rented sector.
- 3.3 Although the Council continues to offer assistance with rent-in-advance and damage deposits – in order to prevent homelessness and meet the housing needs of people who are already homeless – this is often not enough to persuade a landlord or rental agent to provide them with accommodation.
- 3.4 Unable to access alternative private rented accommodation, a growing number of private tenants are approaching the Council for assistance under the homelessness legislation, saying that their landlord is ending their tenancy in order to let the property to someone else at a higher rent.
- 3.5 A sharp rise in the number of homelessness applications has resulted in a substantial increase in the number of homeless households living in temporary accommodation and, in particular, expensive B&B accommodation. As this is placing a huge strain on the Council's finances, there is an urgent need to procure a supply of alternative, less expensive temporary accommodation.
- 3.6 Although it is hoped that the social lettings agency will improve people's access to private rented accommodation and reduce homelessness, the most effective way of reducing the Council's use of B&B accommodation is to set up a private sector leasing scheme that will be managed as part of the social lettings agency and support the Council's efforts to bring empty homes back into use.
- 3.7 As well as offering the owners of empty homes a range of letting and leasing options, the social lettings agency will offer a cost-effective property management service to landlords who are failing to manage and maintain their properties to the required standard and are at risk of formal enforcement action. It will also provide the Council with the capacity and expertise to manage properties that are the subject of Interim / Final Management Orders.

3.8 The establishment of a social lettings agency will complement the work that the Council is already undertaking to tackle criminal, rogue and irresponsible landlords. It is hoped that at least some of the extra income that the Private Sector Housing Team generates from Civil Penalties and Rent Repayment Orders (as a result of the Housing & Planning Act 2016) will be invested in the operating costs of the social lettings agency.

Goals / Scope

3.9 Cabinet approved the principle of establishing an in-house, not-for-profit social lettings agency at its meeting on 21 October 2015.

3.10 It is proposed that the new agency is called **Guildhall Residential Lettings**.

3.11 Although it has taken much longer than originally envisaged to develop this Business Case, it has been necessary to think imaginatively and carefully about what an efficient, ethical, sustainable social lettings agency will look like, how it will operate and what difference it will make.

3.12 As an ethical social lettings agency, Guildhall Residential Lettings will never overcharge its customers for the services it provides, and it will ensure that its terms of business (including its fees and charges) are straightforward, clear and easy to understand and compare.

3.13 In order to minimise staffing costs and compete successfully with other rental agents, the social lettings agency will encourage self-service and make optimum use of information technology and the industry's leading software.

3.14 It is hoped that, over the next 3 years, the social lettings agency will achieve steady, year-on-year growth from a portfolio of 100 homes in 2017/18 to a portfolio of at least 250 homes by the end of 2019/20.

Social Lettings Agency Operating Model

3.15 Guildhall Residential Lettings will manage and let properties that are leased by the Council or owned by individuals and businesses. If landlords want to manage the property themselves, it will help them find suitable tenants.

3.16 During the first year, the social lettings agency will manage 100 homes:

- 40 family-sized homes that will be leased by the Council (under its private sector leasing scheme) for use as temporary accommodation;
- 28 flats and apartments that are already being leased by the Council (under an empty property / affordable housing scheme) but are currently being managed by Northampton Partnership Homes; and
- 32 flats and houses that will be let and managed by the social lettings agency, on behalf of owners, in return for a management fee.

3.17 Guildhall Residential Lettings will operate as a distinct business unit within the Private Sector Housing Team on the Second Floor of the Guildhall. Although it will not have a shopfront, it will have its own, interactive website.

3.18 The social lettings agency will employ a team of 5 full-time staff:

- Social Lettings Agency Manager
- Empty Homes Officer
- Residential Lettings Negotiator
- 2 Housing Management & Lettings Officers

3.19 The **Social Lettings Agency Manager** will have overall responsibility for the management of the team and the day-to-day operation of the social lettings agency, ensuring that accurate records are maintained and that any issues or problems are dealt with swiftly and effectively. S/he will also be responsible for promoting the work of the social lettings agency, gaining instructions from landlords, setting targets, monitoring performance and managing budgets.

3.20 The **Empty Homes Officer** will maintain an up-to-date record of empty homes in the borough, undertake property inspections and provide the owners with comprehensive advice on all of the options and incentives available to help them bring their homes back into use. S/he will promote the work of the social lettings agency, actively encourage owners to lease their properties to the Council for it to use as temporary accommodation and, where necessary, work proactively with the Housing Standards Team to take enforcement action.

3.21 The **Residential Lettings Negotiator** will provide advice on rental values, organise and conduct accompanied viewings, negotiate offers between tenants and landlords, and maintain accurate and comprehensive file notes. S/he will also gain instructions from landlords, respond to all enquiries in a timely manner and achieve the targets set by the Social Lettings Agency Manager.

3.22 The **Housing Management & Lettings Officers** will ensure that all routine property inspections are organised and carried out within the required timeframe, deal with any maintenance issues that arise, establish who is liable for any repairs and ensure that all repairs and maintenance is carried out on time and to the required standard. S/he will also arrange the renewal of tenancies, organise the repairs and cleaning at the end of the tenancy, mediate between the parties in relation to the deposit, and ensure that void periods are kept to a minimum between tenancies.

3.23 The second Housing Management & Lettings Officer will be appointed six months after the social lettings agency is up and running. This will ensure that all of the properties are professionally managed and let in a timely manner.

3.24 As well as having its own interactive website – which will have the look and feel of a contemporary residential lettings agent – the social lettings agency will make optimum use of information technology and some of the best and most popular residential lettings software in the UK.

3.25 In order to ensure that the social lettings agency is efficient, effective and sustainable, specialist software will be purchased for the following:

- Property management
- Property inspections
- Repair reporting

3.26 The **property management software** will provide an all-in-one platform of data management, property marketing and property management, avoiding the need to keep switching from one system to another.

- The database of applicants, tenants, landlords and contractors means that you can find all the information you need at your fingertips, in one location. You can then link these through the property record and log any conversations on each property file or tenant file.
- Cloud-based software can be accessed anywhere with an internet connection. This means that you are not restricted to one location.
- A live dashboard means you can easily identify any safety certificates that are due, and upload the renewed certificates for your records. The software will not only store and populate the documents needed but you can also send out emails and text messages direct from the software.
- The use of mass e-mailing and SMS means that when a property becomes available you can match it to your applicant database for suitable candidates and e-mail / SMS them with details on the property.
- Integrating with Microsoft Word means that you can pre-load documents that will automatically populate and pull through the relevant data. This ensures that you are being the most efficient with time and are not having to duplicate / reproduce documents already in existence.
- It will automatically identify if a tenancy is due for renewal, and flag inspections that are both due and overdue. If there are any rent arrears, this will also be flagged on the dashboard, meaning that you can chase any rent that maybe outstanding all from one place.

- Receipting monies from tenants is simple and the system automatically allocates it to the relevant property. This means that, with a few clicks, you can produce annual income and expenditure reports for landlords.
- The ability to log comments on landlord, tenant and property files means that, in the event of a dispute, a timed dated stamped report can be produced. This cannot be altered and is recognised by the Courts.

3.27 The **property inspection software** provides an electronic inspection tool that can be used via a tablet or mobile phone.

- The ability to create paperless reports on site gives users the advantage of carrying out multiple inspections without the hassle of all the paperwork.
- The user can produce live reports that are date stamped and incorporate photos. You can create bespoke, tailored property reports including inventories, check-ins, mid-term reports, and checkout reports. You can even tailor a report to incorporate houses in multiple occupation.
- The use of such inspection software gives you the opportunity to keep a live record of the condition of each managed property. You then have the online hub that stores each previous inspection linking it to each new inspection. This means you can view previous reports whilst on inspections.
- The online hub lets you email the finished reports to landlords and tenants, giving you the opportunity to highlight any potential concerns and to notify of them the next inspection time and date.
- There are no guarantees as how a tenant will treat a property during their tenancy but the software provides a live, up-to-date photographic log of the condition. You can highlight any issues or concerns to the tenant and landlord and keep a record of this, which is vital in the event of a dispute.

3.28 The **repair reporting software** makes it easy for letting agents and tenants to report repairs.

- A live, online reporting portal giving tenants the ability to report issues 24 hours a day, 365 days of the year. Accessed via the agency's own website, a simple tab that can be clicked takes you through to the system. This is where tenants can communicate the issue that they have identified and whether it is just a case of resetting the fuse board or changing a light bulb.
- The website's use of modern diagrams means that issues can be easily identified. The step by step process gives tenants the ability to interact via the website which is offered in more than 40 languages.

- With guidance and advice, tenants are made aware of their responsibilities and given all the information necessary to solve those frequent 'easy-to-fix' problems that they might come across. In the case of a bigger issue, in-built guided advice ensures that the tenant can take all the right steps to prevent costly damage to the landlord's property.
- Clear, concise repair reports contain all the information needed, including details such as the make and model of appliances, the specific location of the issue, and photos of the problem. The reports are then sent direct to the contractor or property manager, making it easier for the issues to be resolved during the first contractor visit.
- The software supplier has published figures showing that, of more than 25,000 repair reports logged in one month, 16% were resolved using the interactive website and 61% of the reports logged contained photographs.

Issues / Risks / Opportunities

- 3.29 Although a large number of local authorities have expressed an interest in setting up a social lettings agency, most have only talked about it.
- 3.30 Of the social lettings agencies established to date, most have been set up to prevent homelessness, enable the local authority to discharge its homelessness duty in the private rented sector and/or reduce the cost of housing homeless households in expensive temporary accommodation.
- 3.31 Except in areas where there is a lot of private sector leasing, most social lettings agencies are relatively small and, where there is a large differential between market rents and Local Housing Allowance (LHA) rates, the social lettings agency is not expecting to grow significantly in the foreseeable future.
- 3.32 Northampton's social lettings agency is fundamentally different from other social lettings agencies because it is based on a private sector residential lettings model (rather than a local authority model), it is planning to use the software that the private sector uses (rather than the software that local authorities use) and it is being set up to improve standards in Northampton's private rented sector, bring empty homes back into use and make it easier for people who are living and working in the borough to access good quality, well managed, affordable private rented accommodation.
- 3.33 Until the social lettings agency is able to generate enough income to cover all of its running costs, the Council will need to offset the operating deficit against the savings that the social lettings agency achieves in preventing homelessness and reducing the Council's use of B&B. Eventually, it may be able to use the income from Civil Penalties and Rent Repayment Orders.

- 3.34 One of the biggest challenges facing the social lettings agency is the differential between the market rents being charged in Northampton and the Local Housing Allowance (LHA) rates that are used in the calculation of Housing Benefit.
- 3.35 Based on a sample of more than 100 privately rented homes on the Rightmove website at the end of October 2016 (and excluding the most expensive homes), the rents charged by rental agents fell broadly within the following ranges:
- 1-bedroom homes: £500 - £700 per calendar month
 - 2-bedroom homes: £600 - £800 per calendar month
 - 3-bedroom homes: £725 - £1000 per calendar month
 - 4-bedroom homes: £800 - £1200 per calendar month
- 3.36 With the exception of some of the 4-bedroom homes, these market rents are significantly higher than the LHA rates:
- 1-bedroom homes: £434.74 per calendar month
 - 2-bedroom homes: £548.85 per calendar month
 - 3-bedroom homes: £607.64 per calendar month
 - 4-bedroom homes: £813.17 per calendar month
- 3.37 If the social lettings agency only offers landlords rents at LHA rates, most landlords are likely to use other rental agents who are able to offer them the full market rent. If the social lettings agency cannot attract landlords, it will fail.
- 3.38 If, on the other hand, the social lettings agency offers landlords the full market rent, it will make the homes less affordable to tenants and, by encouraging landlords to charge as much as they can, it will be complicit in inflating rents.
- 3.39 In order to strike the right balance between landlords' expectations and tenants' needs, it is proposed that the social lettings agency will offer landlords a rent equivalent to 95% of the market rent. This is the amount that the tenant will be charged and it will be called the '**Social Lettings Agency Rate**' (SLA rate).
- 3.40 Although many of the tenants accommodated through the social lettings agency will be able to meet their rent (or 'top up' their Housing Benefit) from their own resources, checks will always be made to ensure that the rent is affordable.
- 3.41 For more information about rents, fees and charges (and the assistance the Council is able to offer households through its 'sponsored tenant' arrangements), please refer to Section 6 of this Business Case (Page 18).

- 3.42 The unique selling point of the social lettings agency is that it is owned by the Council, everything it does will be ethical and transparent, and it is accountable.
- 3.43 Although some landlords are only interested in maximising their return, experience has shown that many of them are happy to accept a slightly lower rent if their property is well managed, the rent is paid in full and on time, the turnover of tenants is low, and the letting arrangements serve a social purpose.
- 3.44 In order to be effective at letting properties quickly, the social lettings agency will be establishing and maintaining a register of pre-approved tenants who are in a position to move in with the minimum of delay. They will be alerted to properties, via e-mail and text messages, when properties become available.
- 3.45 Rental agents' reluctance to let the accommodation they manage to people on Housing Benefit is blamed on the unreliability of 'the system' and the people who depend on it, rather than on the extra time they might spend managing such a tenancy compared to a tenancy where the rent is paid by direct debit.
- 3.46 As the social lettings agency is being set up for a social purpose, its primary motivation will be to find innovative and cost-effective ways of managing tenancies, rather than to maximise the financial return with the least amount of effort. If special arrangements are needed to sustain someone's tenancy, these arrangements will be put in place by the social lettings agency and its partners.
- 3.47 Although special arrangements will be put in place to deal with out-of-hours emergency repairs – using Northampton Partnership Homes – it is proposed that all repairs, including void works, will be organised and managed by the social lettings agency (using the repair reporting system) and undertaken by local contractors, using a schedule of rates.
- 3.48 Unlike other rental agents, the social lettings agency will be actively looking for opportunities to attract funding to improve the homes it is managing, for the benefit of tenants and landlords. An example of this might be where new boilers are being provided, free of charge, to improve the warmth and energy efficiency of homes occupied by people in receipt of a qualifying benefit.
- 3.49 Although the social lettings agency has a clear social purpose – which is described, in detail, in this Business Case – the strength of its operating model lies in the diversity of its property portfolio, its ability to switch the PSL properties from temporary accommodation to private rented accommodation (and vice versa) in light of changing demand for temporary accommodation, and the fact that it is designed to meet the housing needs of a wide range of people and not just those who are homeless and/or reliant on Housing Benefit.

3.50 Whilst the savings achieved from the establishment of a private sector leasing scheme will more than offset the deficit in the social lettings agency's budget in 2017/18 and 2018/19, it is envisaged that the social lettings agency will be able to deliver a balanced budget within the next 2 or 3 years if it is able to grow its property portfolio quickly and secure Civil Penalties / Rent Repayment Orders.

3.51 One of the challenges will be to procure 40 private sector leases, on good terms, as quickly as possible. Although this will not generate any income for the social lettings agency, it will help minimise the Council's expenditure on B&B.

3.52 A priority will be to recruit the social lettings agency staff. It is hoped that the roles can be advertised in January 2017 and that the interviews can take place during January and February 2017. This will enable all or most of the members of the team to be in place by the beginning of April 2017.

4. HIGH LEVEL IMPACT

4.1 The social lettings agency will help meet 3 priorities in the Corporate Plan:

- **Safer Communities:** The social lettings agency will improve the condition and management of private sector housing and, by providing healthier, safer homes, it will have a positive impact on people's lives.
- **Housing for Everyone:** The social lettings agency will increase the supply of, and access to, well managed affordable homes, and provide opportunity and choice to those whose housing choices are normally limited.
- **Working Hard and Spending your Money Wisely:** The social lettings agency will be developed, delivered and grown in the most cost-effective way to prevent homelessness, reduce the cost of temporary accommodation, improve access to the private rented sector and bring empty homes back into use.

4.2 The social lettings agency will also make a positive contribution to 2 of the 3 Business Development Priorities that support the Corporate Plan and help manage the Council's future financial challenges:

- **Empowering Communities:** The social lettings agency will encourage communities to become actively involved in mentoring tenants and helping to bring empty homes back into use in order to make everywhere in Northampton a great place to live, visit, work, study and invest.

- **Partnership Working:** The social lettings agency will actively promote collaborative multi agency working and, in doing so, it will help the Council to get the best from the resources available. As well as increasing efficiency and effectiveness, this will reduce duplication, deliver better outcomes and improve residents' housing, health and wellbeing.

5. ALTERNATIVE OPTIONS

- 5.1 Cabinet has already approved the principle of establishing a social lettings agency and, subject to due diligence and this Business Case being signed-off by the Section 151 Officer, the Chief Executive (in consultation with the Cabinet Member for Housing & Wellbeing) is authorised to set one up.
- 5.2 Although consideration was given to amending Northampton Partnership Homes' Management Agreement and extending the range of housing services that are delivered by NPH to include the procurement, management and letting of private rented accommodation, it was decided that the social lettings agency requires a different approach to customer service and housing management.
- 5.3 Consideration was given to the merits of establishing the social lettings agency as a social enterprise, joint venture or wholly owned subsidiary. However, this option was rejected on the grounds that the agency needs to be up and running and sustainable before alternative delivery vehicles are considered. As the primary objective is to improve housing conditions, prevent homelessness, bring empty homes back into use and minimise the cost of temporary accommodation, the Council will also need to ensure that this objective will still be met if the service is no longer delivered in-house.
- 5.4 Throughout the development of the social lettings agency's operating model, careful consideration has been given to a whole raft of options in relation to the size and composition of the team, the mix of property types and management arrangements, the amount of rent that will be charged, the size of the management fee and set-up fees, and how low income households will be able to benefit from the social lettings agency.

6. RENTS, FEES AND CHARGES

Rents

- 6.1 Although the social lettings agency does not want to contribute to the inflation of rents, it will only be able to prevent homelessness, set up a successful private sector leasing scheme and improve people's access to the private rented sector if it offers landlords an amount of rent that they will accept.

- 6.2 It is proposed, therefore, that the social lettings agency will offer landlords a rent equivalent to 95% of the property's market rental value. This will be called the '**Social Lettings Agency Rate**' (SLA rate) and is what the tenant will pay.
- 6.3 It is also proposed that, where a property is leased for a period of up to 7 years, the rent that is paid to the owner will be equivalent to 80% of the SLA rate. This will be called the '**Private Sector Leasing Rate**' (PSL rate).

Fees and charges

- 6.4 As an ethical social lettings agency, Guildhall Residential Lettings will never overcharge for the services it provides, and it will ensure that its terms of business (including its fees and charges) are straightforward, clear, and easy to understand and compare.
- 6.5 Although the social lettings agency will need to generate enough income to cover its operating costs, the amount of money that it charges will be reasonable, justified and offer good value for money.

The amount that landlords will be charged

- 6.6 A small handful of Northampton's rental agents charge landlords a relatively low monthly management fee, equivalent to up to 10% of the monthly rent. Most, however, charge landlords a higher monthly management fee, equivalent to between 11% and 16% of the monthly rent.
- 6.7 Comparing rental agents is extremely difficult, due to the wide range of fees and charges that landlords are asked to pay (in addition to their monthly management fee) for such things as setting up and renewing tenancies, producing inventories, organising repairs and renewing gas safety certificates.
- 6.8 Often, these additional fees and charges are much higher than what it actually costs the agent. When assessing the suitability of a prospective tenant, for example, some rental agents will charge the person at least 10 times more for a reference than the amount they are being charged by the referencing company.
- 6.9 Where the social lettings agency has a formal management agreement with a landlord and incurs expenditure that relates to its management of the tenancy (such as repairs and maintenance, the renewal of gas safety certificates, and possession action) the landlord will be recharged this expenditure. Apart from such recharges, however, the social lettings agency will only charge the landlord a **monthly management fee of 12%** and a **set-up fee of £500**.
- 6.10 The one-off set-up fee of £500 per property will cover some of the work that the social lettings agency undertakes before the property is first let: inspecting the property, drawing up the inventory and producing the tenancy agreement.

- 6.11 The monthly management fee of 12% and the set-up fee of £500 will not apply to the homes that are leased through the private sector leasing scheme and, although the monthly management fee of 12% will apply to the properties in the HCA's Empty Homes Scheme, the set-up fee of £500 will not apply because all of the landlords are already leasing their properties to the Council.
- 6.12 Where the social lettings agency is asked to find a suitable tenant for a landlord (under its 'Tenant Finder' scheme), it will charge the landlord a fee that is equivalent to **50% of the first month's rent** and, if an inventory is required, it will charge the landlord a fee equivalent to **the first month's rent**.
- 6.13 Where a landlord is seeking a 'guaranteed rent' arrangement in relation to a property that is being let through the social lettings agency, the social lettings agency will seek to procure this (on the landlord's behalf) from an appropriate insurance scheme and pass on the **full cost of the cover** to the landlord.

The amount that tenants will be charged

- 6.14 The Government has recently announced (in the Chancellor's Autumn Statement) that it is planning to prohibit letting agents from charging fees to tenants. This will have only a limited impact on the social lettings agency.
- 6.15 It is important to note, however, that this is a proposed change and that the Government will need to consult and assess the impact. If it involves primary legislation, the change may not come into effect until late 2017 at the earliest.
- 6.16 One of the issues that the Government will need to consider is whether or not letting agents should be allowed to recover their reasonable costs in determining a tenant's suitability to rent a property. As the social lettings agency is planning to establish and maintain a register of approved homeseekers and employ a referencing agency to help it determine each tenant's suitability, its ability to recover the costs will need to be established.

Interim arrangements for charging tenants

- 6.17 Although the social lettings agency wants to improve, rather than reduce, people's access to private rented accommodation, its financial viability and its success in attracting instructions from landlords are dependent on it always being in a position to let its homes quickly and efficiently to suitable tenants.
- 6.18 To support the lettings process, the social lettings agency is proposing to set up a **register of approved homeseekers** who have already been assessed and approved by the social lettings agency and a referencing company.

- 6.19 The register of approved homeseekers will not only make it easier for the social lettings agency to find suitable tenants for the properties it is letting, but it will also demonstrate to landlords why they should use the social lettings agency (under its 'Tenant Finder' scheme) to help them find suitable tenants.
- 6.20 It is proposed, therefore, that everyone who wants to be considered for properties that are being let through the social lettings agency – except, of course, homeless households that are moving into the temporary accommodation that is managed by the social lettings agency – must first apply to join the social lettings agency's register of approved homeseekers.
- 6.21 It is also proposed that, until the Government has published its plans for prohibiting letting agents from charging tenants – including the timescales – the social lettings agency will seek to recover its reasonable costs in determining a tenant's suitability and carrying out a compulsory on-site inventory check.
- 6.22 As the assessment process will involve the use of a referencing company (which will charge up to £25 for each reference) and a lot of administration (before and after the assessment) on the part of the social lettings agency, it is proposed that homeseekers are charged an **application fee of £125**.
- 6.23 If a homeseeker's application is turned down or their circumstances remain the same and they are not offered a suitable property within 6 months of their application being approved, the social lettings agency will refund the 'administration' element of the application fee.
- 6.24 Given the importance of the inventory – as a record of the condition and contents of the property – and the disputes that can arise at a later date if the tenant has not checked and amended the inventory at the start of the tenancy, the social lettings agency will carry out a compulsory, on-site inventory check, jointly with the tenant, and charge the tenant an **inventory fee of £75**.
- 6.25 All of the social lettings agency's tenants – except homeless households that move into the temporary accommodation that is managed by the social lettings agency – will need to pay a **rental deposit** (equivalent to two months' rent) and the **inventory fee of £75** when they sign the tenancy agreement.
- 6.26 Tenants will no longer be charged an application fee and/or inventory fee (or the fees will be reduced) if the law is changed and such charges are prohibited.

7. ENSURING THAT HOMES ARE AFFORDABLE

- 7.1 Although it is hoped that many of the people who are helped by the social lettings agency will be in a position to pay the application fee, the inventory fee and the two months' rental deposit from their own resources, there will be occasions when someone who is well-suited to private rented accommodation needs help in meeting all or part of these costs.
- 7.2 In some instances, the person will be living in private rented accommodation and will be expecting their landlord to return their rental deposit when they move out. If this can be verified with the landlord, the social lettings agency will accept a smaller deposit from the tenant on the understanding that, when the original deposit is released, it will be paid to the social lettings agency.
- 7.3 There will be other instances, of course, when someone has been assessed (by the social lettings agency and the referencing agency) as being suitable for private rented accommodation, but is not in a position to pay the full rental deposit and inventory fee and will become homeless if they are not able to move into the accommodation they are offered by the social lettings agency.
- 7.4 Although the social lettings agency will always need to be satisfied that tenants can afford the full rent – taking into account the amount of Housing Benefit they will receive and any prospect of this amount being reduced because of the bedroom size criteria or the Benefit Cap – financial assistance may sometimes be available to help with the fees and rental deposit.
- 7.5 Tenants who are in receipt of Housing Benefit can apply to the Council's Revenues & Benefits Team for a Discretionary Housing Payment (DHP) to help them with the fees, the rental deposit and/or the shortfall between the rent charged and the amount of Housing Benefit they are receiving. However, as the demand for DHPs is very high, there is no guarantee of success.

Help for 'sponsored tenants'

- 7.6 The Council's Housing Options & Advice Team already operates a rental deposit scheme that is designed to help people who are homeless or threatened with homelessness to access private rented accommodation. However, for the reasons explained earlier in this Business Case, most landlords and rental agents are not interested in the scheme.
- 7.7 Although it is hoped that the social lettings agency will eventually be able to operate without the need for much financial support from the Housing Options & Advice Team – because, in future, it might benefit from the income generated from Civil Penalties and Rent Repayment Orders – the rental deposit scheme can play an important role in helping the social lettings agency to ensure that, at the end of the tenancy, the rent account is not in arrears, any damage has been put right and the landlord is not left out of pocket.

- 7.8 Where a tenant is homeless or at risk of becoming homeless and the Housing Options & Advice Team determine that the Council owes them a housing duty under the homelessness legislation, the Housing Options & Advice Team will 'sponsor' the tenant in all of their dealings with the social lettings agency.
- 7.9 Under its 'sponsorship' arrangements, the Housing Options & Advice Team will provide the tenant with the financial assistance s/he needs to access suitable private rented accommodation through the social lettings agency. This may include help in paying the application fee, the inventory fee and/or the deposit.
- 7.10 Where the tenant is able to raise the 2 months' rental deposit and meet the social lettings agency's fees but requires all or part of that money to meet a shortfall between the monthly rent and the amount of Housing Benefit they are receiving, the Housing Options Team may decide to fund the fees and deposit.
- 7.11 'Sponsorship' of tenants is entirely at the discretion of the Council.

8. FINANCIAL CONSIDERATIONS

- 8.1 Assuming that the social lettings agency is fully staffed* and up and running from 1 April 2017, the operating costs (excluding the private sector leasing scheme) during the next three years are expected to be as follows:

ANNUAL EXPENDITURE (OPERATING COSTS)	2017/18	2018/19	2019/20
Employee costs	£165,200 *	£181,800	£183,600
Equipment (phones, computers and tablets)	£ 5,000	£ 1,000	£ 1,000
Software (inspections, repair reporting and property management)	£ 6,500	£ 4,600	£ 4,900
Interactive website	£ 5,000	£ 2,000	£ 2,000
Leaflets and marketing	£ 11,400	£ 11,400	£ 11,400
Referencing (tenants)	£ 2,500	£ 2,500	£ 2,500
ARLA membership	£ 1,500	£ 500	£ 500
Legal costs	£ 1,500	£ 1,500	£ 1,500
Stationery / supplies	£ 1,000	£ 1,000	£ 1,000
TOTAL	£199,600	£206,300	£208,400

*It is assumed that, during the first six months of 2017/18, only one of the two Housing Management & Lettings Officer will be needed. The second will start in October 2017

- 8.2 As explained in Section 6, the social lettings agency will earn a management fee (equivalent to 12% of the rent due) in relation to the 28 flats and apartments that the Council is already leasing from owners under the Homes & Communities Agency's Empty Homes Scheme and the dozens of other properties for which it receives instructions to manage on behalf of the owners.
- 8.3 Although the social lettings agency will not charge any set-up fees in relation to the private sector leasing scheme and HCA's Empty Homes Scheme, it is proposing to charge landlords £500 for all other residential lettings in order to cover the cost of setting up the tenancy.
- 8.4 The table below provides an illustration of how much income the social lettings agency might generate in fees and charges over the next three years. It assumes that, including the 40 homes in the private sector leasing scheme, the social lettings agency will be managing, on average, 100 properties in 2017/18, 150 properties in 2018/19 and 200 properties in 2019/20.

ANNUAL INCOME (FEES & CHARGES)	2017/18	2018/19	2019/20
12% management fee (HCA Empty Homes Scheme)	(£13,900) (28 homes)	(£13,900) (28 homes)	(£13,900) (28 homes)
12% management fee (Residential Lettings)	(£34,000) (32 homes) ¹	(£85,400) (82 homes) ²	(£136,100) (132 homes) ³
Set-up fees (Landlords) (Residential Lettings)	(£16,000) (32 homes)	(£25,000) (50 homes)	(£25,000) (50 homes)
Set-up fees (Tenants) (Residential Lettings)	£ NIL ⁴ (32 homes)	£ NIL ⁴ (50 homes)	£ NIL ⁴ (50 homes)
TOTAL	(£63,900)	(£124,300)	(£175,000)

Note ¹ Portfolio of 19 x 2-beds, 11 x 3-beds and 2 x 4-beds

Note ² Portfolio of 10 x 1-beds, 41 x 2-beds, 25 x 3-beds & 6 x 4-beds

Note ³ Portfolio of 20 x 1-beds, 66 x 2-beds, 36 x 3-beds and 10 x 4-bed homes

Note ⁴ This assumes that the Government bans all tenants' fees and charges. For the purpose of illustration, if the social lettings agency is allowed to charge the application fee and inventory fee described in Paragraphs 6.22 and 6.24 of this Business Case, this would generate annual fee income of £6,400 in 2017/18 and £10,000 in 2018/19 & 2019/20.

8.5 No allowance has been made for the cost of managing the private sector leasing scheme because, while it is being used as temporary accommodation, the rent that the Council can charge the tenants will be lower than what it is paying the owner. Excluding the private sector leasing scheme, the shortfall between the social lettings agency's operating costs and the amount of income it is able to generate in fees and charges might be as follows:

SOCIAL LETTINGS AGENCY	2017/18	2018/19	2019/20
Annual operating costs (excluding the private sector leasing scheme)	£199,600	£206,300	£208,400
Annual income (set-up fees and management fees)	(£63,900)	(£124,300)	(£175,000)
TOTAL	£135,700	£82,000	£33,400

8.6 Although the private sector leasing scheme is needed to reduce the Council's use of expensive B&B accommodation – and to help bring empty homes back into use – it will not generate any surpluses while it is being used as temporary accommodation. This is because the rents will be based on the Local Housing Allowance rates that have been frozen until 2019/20.

8.7 The following table illustrates how much rent the Council might receive from a private sector leasing scheme of 40 homes and how much of this income it might need to set aside for voids, repairs and bad debts:

PRIVATE SECTOR LEASING SCHEME	2-bed homes	3-bed homes	4-bed homes	Total
Annual rent collected from tenants (based on Local Housing Allowance rate)	(£131,720) (20 homes @ £6,586) ¹	(£109,365) (15 homes @ £7,291) ²	(£48,785) (5 homes @ £9,757) ³	(£289,870) (40 homes)
Annual amount for voids (rent loss and cleaning), repairs and bad debts (based on 3 lettings a year)	£40,800 (20 homes @ £2,040)	£34,950 (15 homes @ £2,330)	£13,075 (5 homes @ £2,615)	£88,825 (40 homes)
TOTAL NET ANNUAL RENTAL INCOME	(£90,920) (20 homes @ £4,486)	(£74,415) (15 homes @ £4,891)	(£35,710) (5 homes @ £7,057)	(£201,045) (40 homes)

Note ¹ The Local Housing Allowance Rate is £548.85 pcm

Note ² The Local Housing Allowance Rate is £607.64 pcm

Note ³ The Local Housing Allowance Rate is £813.17 pcm

- 8.8 Unfortunately, as the table below illustrates, it is likely that a private sector leasing scheme of 40 homes will operate at a substantial financial deficit and contribute nothing to the social lettings agency's staff / running costs:

PRIVATE SECTOR LEASING SCHEME	2-bed homes	3-bed homes	4-bed homes	Total
Annual rent paid to owner (based on 80% of the Social Lettings Agency Rate)	£127,680 (20 homes @ £6,384)	£117,990 (15 homes @ £7,866)	£46,740 (5 homes @ £9,348)	£292,410 (40 homes)
Net annual rental income (after making deductions for voids, repairs and bad debts)	(£90,920) (20 homes @ £4,546)	(£74,415) (15 homes @ £4,961)	(£35,710) (5 homes @ £7,142)	(£201,045) (40 homes)
NET ANNUAL COST (EXCLUDING STAFF)	£36,760 (20 homes @ £1,838)	£43,575 (15 homes @ £2,905)	£11,030 (5 homes @ £2,206)	£91,365 (40 homes)

Note ¹ The Social Lettings Agency Rate is £665.00 pcm; the PSL Rate is £532.00 pcm.

Note ² The Social Lettings Agency Rate is £819.38 pcm; the PSL Rate is £655.50 pcm

Note ³ The Social Lettings Agency Rate is £973.75 pcm; the PSL Rate is £779.00 pcm

- 8.9 When the estimated annual deficit in the operating costs of the private sector leasing scheme and the social lettings agency are combined, the deficit for the next three years is likely to be as follows:

SOCIAL LETTINGS AGENCY (including the PSL Scheme)	2017/18	2018/19	2019/20
Social Lettings Agency operating deficit (excluding Private Sector Leasing) ¹	£135,700 (60 homes)	£82,000 (110 homes)	£33,400 (160 homes)
Private Sector Leasing operating deficit ²	£91,365 (40 homes @ £2,284)	£91,365 (40 homes @ £2,284)	£91,365 (40 homes @ £2,284)
TOTAL	£227,065	£173,365	£124,765

Note ¹ See table in Paragraph 8.5.

Note ² See table in Paragraph 8.8.

8.10 Given the extremely high cost of B&B accommodation, however, a private sector leasing scheme will offer a substantially more cost-effective form of temporary accommodation. Using the same mix of households as the tables in Paragraphs 8.7 and 8.8, the following table illustrates – for the purpose of comparison – how much the Council might spend accommodating the 40 families in B&B rather through the private sector leasing scheme:

BED & BREAKFAST ACCOMMODATION	2-bed families	3-bed families	4-bed families	Total
Annual equivalent of the weekly B&B charge	£327,600 (20 families @ £16,380) ¹	£327,600 (15 families @ £21,840) ²	£145,600 (5 families @ £29,120) ³	£800,800 (40 homes)
Net annual rental income (based on Housing Benefit of £103.85 per week)	(£108,000) (20 families @ £5,400)	(£81,000) (15 families @ £5,400)	(£27,000) (5 families @ £5,400)	(£216,000) (40 families)
NET ANNUAL COST (EXCLUDING STAFF)	£219,600 (20 homes @ £10,980)	£246,600 (15 homes @ £16,440)	£118,600 (5 homes @ £23,720)	£584,800 (40 homes)

Note ¹ Based on a weekly charge of £315 (£45 per night)

Note ² Based on a weekly charge of £420 (£60 per night)

Note ³ Based on a weekly charge of £560 (£80 per night)

8.11 Based on the illustrations provided in the tables in Paragraphs 8.8, 8.9 and 8.10, private sector leasing offers a more cost effective option than B&B and the financial savings could be better utilised to support the social lettings agency.

9. RISKS AND MITIGATION

Risk	Mitigation	Residual Risk
Resourcing the social lettings agency	Comprehensive business case produced, setting out how the agency will operate, the likely mix of properties it will manage, the nature and size of the team, and a projection of its income and expenditure over the next three years. Cabinet will consider it on 11/01/2016.	
Recruitment of suitably experienced lettings team	Job descriptions will emphasise the need for private sector experience. Recruitment to take place in January & February 2017.	
Insufficient interest from owners / landlords who are willing to lease or let their homes to the council	Thorough research has been done on local market conditions and agents' fees and charges. The social lettings agency's offer to landlords is competitive. A detailed marketing and communications plan is being developed to promote and raise awareness of the social lettings agency.	
Social lettings agency is unable to cope with the number of landlords who are willing to lease or let their homes to the council.	The social lettings agency will only take on properties that are in good condition and meet the published lettable standard. A register of approved tenants will ensure that all homes are let as quickly as possible.	
Higher than anticipated level of void losses	Re-let times to be minimised by ensuring that homes are made ready for letting as quickly as possible and by maintaining an up-to-date, register of approved tenants and managing the voids and letting processes well.	

Risk	Mitigation	Residual Risk
Impact of welfare reform (Benefit Cap, LHA Rates and Universal Credit) on rent collection rates	Close links maintained with DWP to ensure that impact of welfare reform on tenants and prospective tenants is fully understood and that this is reflected in the way in which the social lettings agency lets and manages its properties. Emphasis on rent collection, income maximisation and budgeting	
Accommodation becomes unaffordable for the tenant	Robust move-on plans to help tenants move to somewhere affordable.	
Demand for temporary accommodation reduces	If any homes in the private sector leasing scheme are not needed for temporary accommodation, they will be offered (temporarily or long-term) to other tenants who are not homeless.	
Unmanageable demand on Legal Services in setting up the private sector leasing scheme and/or dealing with a higher than expected number of evictions	Additional staffing resources will be brought in if Legal Services is unable to meet the demand.	
Risk to the Council's reputation	The social lettings agency has clear objectives and its operating model is flexible and designed to spread the risk and be sustainable. Operational activity and performance will be closely monitored in order to identify potential issues early.	

Appendices
1



CABINET REPORT

Report Title	Environmental Services Re-provision – Procurement Process
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AGENDA STATUS: Public

Cabinet Meeting Date:	11 th January 2017
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Customers and Communities
Accountable Cabinet Member:	Councillor Mike Hallam
Ward(s)	All wards

1. Purpose

- 1.1 To seek agreement from cabinet on the key principles of the Procurement Strategy for the re-provision of environmental services with effect from June 2018, when the council's current contract expires.

2. Recommendations

That cabinet:

- 2.1 Reaffirms its firm commitment to ensuring the views of local people inform the way environmental services are delivered when new arrangements are put in place in June 2018.
- 2.2 Notes that consultation with borough residents, community groups and councillors is currently still ongoing and, once complete, will be collated and analysed so that responses can be used to inform bidders of the council's preferences as to the way environmental services are to be delivered in the town from June 2018.
- 2.3 Approves the Business Case attached at Appendix A.

- 2.4 Agrees to procure environmental services (waste, recycling, grounds maintenance, street cleansing and other ancillary services) as a single lot.
- 2.5 Agrees to a contract length of up to 10 years, plus extension provisions up to a further 10 years (extension provisions to be subject to future cabinet approval).
- 2.6 Agrees to use the Competitive Procedure with Negotiation as its chosen procurement procedure.
- 2.7 Agrees to the development of an outcome based services specification and to negotiation with bidders on strategic aspects of service design so as to encourage innovation, quality, value for money and affordability.
- 2.8 Approves the procurement timetable outlined in the report.
- 2.9 Approves the contract award criteria outlined in the report.
- 2.10 Agrees that the award of the contract will be based on the most economically advantageous tender assessed from the point of view of the contracting authority, that the contract award criteria is on the basis of price and quality, that these are equally weighted and that that the weighting to be applied to the criteria stays the same at both initial tender stage and final tender stage.
- 2.11 Agrees to the non-mandatory provision of the council's depots.
- 2.12 Delegates to the Director of Customers and Communities, in consultation with the Cabinet Member for Environment and the Borough Secretary, authority to take all necessary steps to progress the environmental services procurement process provided such steps are consistent with the recommendations of this Cabinet Report.
- 2.13 Notes that further reports will be brought to cabinet to advise of progress with the environmental services re-provision procurement process in April, July and September 2017, with a final report being brought to cabinet in December 2017 to seek agreement to award contract.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The council's environmental services contract expires on 3 June 2018. To move forward the process to put new arrangements in place, at a meeting of cabinet on 16th November 2016, following a robust commissioning options review, the council decided to once again outsource its environmental services.
- 3.1.2 Intensive preparations to get the council ready for the imminent OJEU procurement process are now underway in order to ensure high quality and affordable environmental services are in place when the current arrangements come to an end.

3.2 Issues

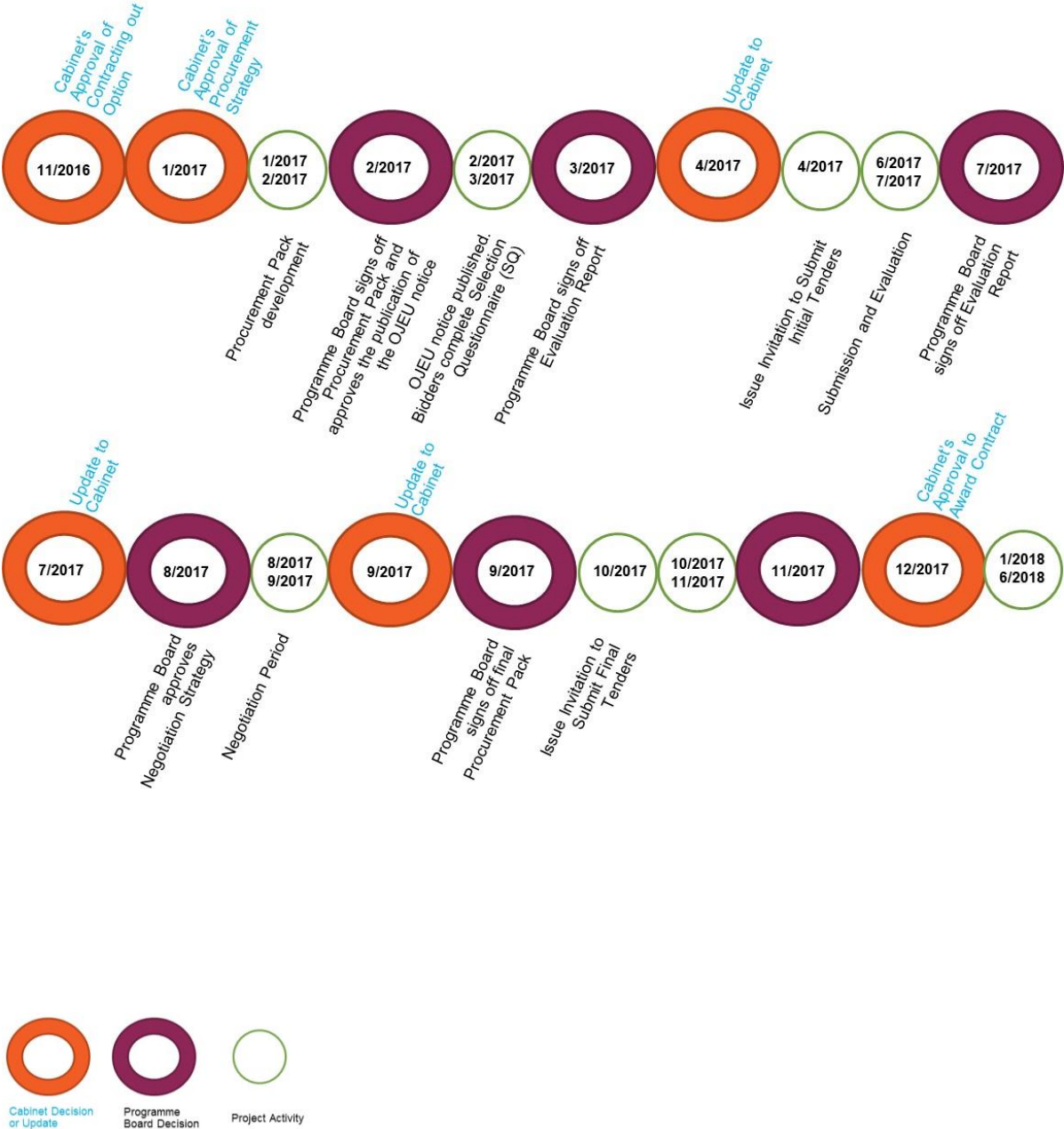
- 3.2.1 Following cabinet's decision of 16th November 2016 to re-outsource environmental services from June 2018, a number of matters need to be agreed by cabinet in order to move into the OJEU procurement phase of this project.
Business Case (Appendix A)
- 3.2.2 The purpose of this Business Case is to establish whether the procurement project is:
- desirable, taking into account the cost/risk/benefits balance
 - viable, in terms of the project's ability to deliver the product
 - achievable, by determining whether the product will provide the desired benefits.
- 3.2.3 The Business Case will act as the reference document that the programme board will use to ensure that the project has clear definition, direction and that it provides evidence of what it seeks to achieve.
- 3.2.4 The Business Case will be used as a reference:
- when a major decision is taken about the project
 - at the end of key gateways during the project life cycle
 - at the conclusion of the project, to measure whether it delivered the benefits and outcomes
- 3.2.5 As well as giving overall approval to the Business Case, there are a number of specific matters dealt within the Business Case that cabinet is asked to agree in this cabinet report, as follows:
- environmental services (waste, recycling, grounds maintenance, street cleansing and other ancillary services) are procured as a single lot (as detailed in sections 3.3 and 3.5 of the Business Case).
 - the contract length is up to 10 years, plus extension provisions up to a further 10 years (as detailed in section 3.4 of the Business Case).
 - Competitive Procedure with Negotiation is chosen as the procurement procedure (as detailed in section 3.7 of the Business Case).
 - an outcome based services specification is developed and negotiation with bidders is undertaken on strategic aspects of service design (as detailed in sections 3.6 and 3.8 of the Business Case).
- 3.2.6 Appendix 1 (Project Financial Analysis) of the Business Case contains commercially sensitive financial information and is therefore not published with this report. It is available to all elected members by request from the monitoring officer and under his guidance.

3.2.7 The procurement timetable for this project is in Appendix 2 to the Business Case.

3.2.8 The next stage of the project involves advertising in OJEU, release of the procurement pack and receipt of selection questionnaires from bidders. It does not include receipt of bidders' tenders or service design proposals.

3.2.9 The major implementation timescales are outlined in figure 1 below.

Figure 1: Major Project's Implementation Timescales



3.2.10 Table 1 below sets out the Tier 1 level of the contract award criteria.

3.2.11 To have the best possible chance of achieving both good quality and affordable environmental services from the procurement process, it is proposed that price and quality tier 1 criteria are given the same weighting in

order to reflect the high level of importance elected members and other consultees place on both service quality (across all three main service areas – waste, grounds maintenance and street cleansing) and affordability/value for money.

3.2.12 A 50/50 approach is assessed as the one most likely to accurately reflect political and local priorities at a price the council can afford.

Table 1: Tier 1 Level of Contract Award Criteria

Tier 1 Criteria	Weighting to apply at Initial Tender Stage	Weighting to apply at Final Tender Stage
Price	50%	50%
Quality	50%	50%

3.2.13 Officers will produce the procurement documentation, including the detailed evaluation framework which will set out the detailed sub-criteria levels for price and quality.

3.3 Choices (Options)

3.3.1 The key choices open to cabinet are set out below.

Lots (section 3.3 of the Business Case):

3.3.2 Environmental services consists of three service areas – waste and recycling, grounds maintenance and street cleansing. Cabinet could elect to subdivide the contract into several lots or elect to keep the contract in a single lot.

3.3.3 The relative options have been considered in detail and the conclusion is that the advantages of the single lot option outweigh the reasons for subdivision of services into lots.

3.3.4 A single lot is likely to deliver better value for money for reasons of synergy and economies of scale. It can also address demarcation inefficiencies at the point of delivery and minimise interface risks between services.

3.3.5 The single lot option can promote a stronger local identity. One of the main disadvantages associated with the single lot option however is that it can minimise the number of bidders to larger organisations.

3.3.6 To overcome this potential disadvantage, where appropriate and subject to commercially prudent safeguards, bidders are able to sub-contract parts of the services, to support the development of the local supply chain, the local economy and social value principles.

Length of Contract (section 3.4 of the Business Case):

- 3.3.7 Cabinet could choose a contract of any length. A contract length for the initial term of 10 years is recommended as it is likely to provide the best value solution to the council and was identified as the contract length generally preferred by leading suppliers engaged during a recent soft market testing exercise.
- 3.3.8 The main reason for electing to use this length is that it reflects the expected lifespan of refuse vehicles and allows efficient recovery of the capital investment that will be required in fleet and other infrastructure.
- 3.3.9 It is recommended that after the initial period, the council considers the option, subject to cabinet approval at that time, to extend for up to a further 10 years, the duration of the extension may range from 1 year to 10 years, with no lower or upper limit to the number of extensions that the council can arrange, subject to not exceeding the maximum possible overall length of 20 years.
- 3.3.10 The flexibility built into the extension provisions will allow the council to adapt to future service changes and technological advancements, innovation and financial pressures, taking into account the contractor's performance and the council's strategy.

Procurement option (section 3.7 of the Business Case):

- 3.3.11 There are a number of procurement options open to the council. These options are evaluated within the Business Case. A summary is provided below.
- 3.3.12 A **restricted procedure** has the benefit of being fast and low cost but it requires the contracting authority to clearly specify the service it requires rather than allowing the market to propose service solutions and is therefore not considered to be an appropriate option for the council for this procurement given its desire to benefit from market innovation.
- 3.3.13 **Competitive dialogue** encourages market innovation but is lengthy and resource intensive.
- 3.3.14 The **competitive procedure with negotiation** is considered to be best suited to the council's needs as it encourages innovation but is not as resource intensive as competitive dialogue.

Service Design (sections 3.5 and 3.6 of the Business Case)

- 3.3.15 Cabinet may choose to prescribe service design in whichever way it chooses in order to best meet the needs and wishes of local residents, however doing so reduces the opportunity of the market to innovate so as to improve quality and reduce cost.
- 3.3.16 There could be significant risks associated with specifying specific aspects of the service at this point in time as it could fetter innovation or could have a disproportionate and unanticipated impact on price. It is proposed that the outcomes of community and political consultations are therefore best fed to bidders as preferences to be balanced against affordability.

- 3.3.17 The election of the competitive procedure with negotiation will allow the council to refine its needs and requirements with the market during the successive stages of the procurement process.
- 3.3.18 An outcome based services specification will be developed and key outcome requirements will be negotiated with bidders during the procurement process.
- 3.3.19 For example, subject to the outcomes of ongoing consultation, bidders could be advised of the council's preference for a co-mingled collection system for dry recycling and/or a free at the point of use collection service for green waste, but would be required to balance these preferences against the overall affordability of their bid.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 There are no policy implications directly arising from this report.

4.2 Resources and Risk

- 4.2.1 There are no financial implications directly arising from this report.
- 4.2.2 The financial implications of carrying out the environmental services procurement process were dealt with in the Environmental Services Re-provision cabinet report of 16th November 2016.
- 4.2.3 Risks are being appropriately mitigated and managed and a risk register has been developed to ensure effective risk management throughout the procurement process. The risk register appears in Appendix 3 (Risk Log) to the Business Case.
- 4.2.4 It is recognised that risks associated with out-sourcing must be sufficiently considered as the project progresses and contract documentation / contract management processes are developed to ensure that there is appropriate focus on delivering against the assumptions made by the council in its risk assessment of each commissioning option (as set out in 16th November 2016 cabinet report, Environmental Services Re-provision – Selection of Service Delivery Option).
- 4.2.5 The main risks, at this early stage of the project, primarily fall within the following categories:
- 4.2.6 A risk that the procurement timetable is not adequately implemented leading to delays and a short mobilisation phase;
- 4.2.7 A risk that resources are not sufficiently skilled or available to move the procurement process forward leading to delays and a short mobilisation phase;

- 4.2.8 A risk that the incumbent contractor does not co-operate fully and promptly with requests for data and information during the procurement stage leading to inaccurate solutions;
- 4.2.9 A risk that the council is unable to find a suitable partner to deliver the services leading to a contract which fails to meet the quality and affordability expectations; and
- 4.2.10 A risk that expectations on service design arising from public consultation lead to a service cost which goes beyond the financial affordability.
- 4.2.11 The Council's internal auditors, PwC, have considered, at a high level, the approach taken by the Council to develop its Business Case for the re-provision of environmental services, and the Procurement Strategy embedded within it, and consider that the process followed in this regard to be reasonable.
- 4.2.12 Furthermore, to help to ensure the robustness of the procurement process going forward, overview and scrutiny committee have been invited to establish a scrutiny panel to scrutinise the process through to contract award and mobilisation.

4.3 Legal

- 4.3.1 The legal implications of the environmental services re-procurement were dealt with in the 16th November 2016 cabinet report, Environmental Services Re-provision – Selection of Service Delivery Option.
- 4.3.2 Expert legal advice has been sought and adhered to throughout the process to ensure it is fully legally compliant. Appropriate legal advisors (Bevan Brittan) have now been appointed and have confirmed the legal robustness of the project to date and the proposed way forward.
- 4.3.3 Legal advisors have confirmed that the Council may use the Competitive Procedure with Negotiation for this procurement if it fulfils one or more of the criteria pursuant to Regulation 26 of the Public Contracts Regulations 2015 (as amended) which justify the use of this procedure.

4.4 Equality and Health

- 4.4.1 An equality impact assessment was undertaken as part of the commissioning options review process, which was considered by cabinet on 16th November 2016. That EIA has been reviewed to reflect the recommendations set out in this report and will continue to be reviewed and updated throughout the procurement process.
- 4.4.2 Bidders will be required to have regard to equality and health implications when submitting their bids and a community impact assessment will be undertaken ahead of contract award.

4.5 Consultees (Internal and External)

- 4.5.1 A community engagement framework has been developed to ensure stakeholders are fully involved in the environmental services re-provision process.
- 4.5.2 The community engagement framework is drawn from a broad range of stakeholder groups, including resident associations, parish councils, friends groups, park management committees, partner agencies, elected members and staff.
- 4.5.3 Following the 16th November 2016 cabinet report, more community engagement meetings took place in both December 2016 and January 2017.
- 4.5.4 The views of local councillors are vitally important to this procurement process. A workshop session was held in December 2016 and a follow up surgery took place in January 2017.
- 4.5.5 As well as consultation undertaken via the community engagement framework, an Ipsos MORI survey was commissioned. The survey entailed 1,000 interviews with residents from across Northampton which sought their views on various aspects of environmental services.
- 4.5.6 In addition to the Ipsos Mori consultation, all borough residents are being given the opportunity to share their views via an online survey which they are being driven to by a letter delivered to their home.
- 4.5.7 To ensure maximum response, alternatives are being provided to those unable to respond online.
- 4.5.8 All Information gathered from consultation will be collated and analysed by March 2017 in order to be shared with bidders, as they prepare their tenders, to inform their service design proposals.
- 4.5.9 The outcomes of consultation will also be shared with Overview and Scrutiny Committee in their scrutiny of the environmental services re-provision process to give assurance that consultation undertaken has been meaningful and is informing the future of environmental service provision in Northampton.
- 4.5.10 However, it must be noted that the wishes of the community will be balanced against cost to ensure an affordable solution is derived from the procurement process.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 The proposals in this report will help to deliver the following corporate plan priorities:
 - A clean and attractive town for residents and visitors

- Enhancing and encouraging participation
- Delivering quality modern services

5. Background Papers

Environmental Services Re-provision – Selection of Service Delivery Option, Cabinet Report, 16th November 2016

Eunomia – Commissioning Options Review, October 2016 (partly exempt for commercial reasons)

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Business Case

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Section 1 Executive Summary

The purpose of this Business Case is to establish whether the project is:

- **desirable**, taking into account the cost/risk/benefits balance;
- **viable**, in terms of the project's ability to deliver the product; and
- **achievable**, by determining whether the product will provide the benefits.

The Business Case will act as the reference document that the programme board will use to ensure that the project has clear definition, direction and that it provides evidence of what it seeks to achieve.

The Business Case will be used as a reference:

- when a major decision is taken about the project;
- at the end of key gateways during the project life cycle; and
- at the conclusion of the project to measure whether it delivered the benefits and outcomes.

The Council's environmental services are currently delivered by Enterprise Management Services Ltd (EMS) / Amey plc (Amey). The contract with EMS/Amey is due to expire on 3 June 2018.

The majority of the services represent statutory functions that the Council must deliver, therefore the reason for the project is primarily driven by statutory responsibilities that the Council must discharge.

The identification of the need for this project is also driven by the acknowledgement that the future delivery of the environmental services will require an increased annual budget to reflect the anticipated specification and quality standards for these services.

The project aims to:

- (1) identify the most suitable commissioning option for the delivery of the environmental services post 3 June 2018 (the conclusion of the options analysis is presented in section 2.3);
- (2) implement the selected commissioning option to ensure that the environmental services continue to be delivered to customers without disruption once the current contract expires (section 3 describes the key principles that will support the implementation of the selected option, section 4 describes how the project will be implemented and section 5 outlines the proposed governance); and
- (3) support and link to relevant aspects of the Corporate Plan 2016-2020, Securing Northampton's Future (section 2.2, business justification).

The following options were considered:

- Do nothing: this option was considered and rejected. The environmental services contract includes statutory services that the Council has a duty to discharge. The services are currently delivered as part of an agreement with Daventry District Council (DDC) and EMS/Amey due to expire in June 2018, so the option of Do nothing is not a viable consideration for this project.
- Alternative Option 1 – Extension of the current contract: the option of extending the current contract beyond June 2018 for another seven years was considered and rejected. The extension is only possible where the three parties agree to such arrangement and DDC took the decision not to extend the contract with NBC and

EMS/Amey in early 2016, therefore this option is not a viable consideration for this project.

- Alternative Option 2 – Local Authority Company (LAC): The option of “Delivering the services through a LAC” beyond June 2018 was considered and taken forward for additional analysis.
- Alternative Option 3 – In-sourcing: The option of “In-sourcing the services” beyond June 2018 was considered and taken forward for additional analysis.
- Alternative Option 4 – Contracting Out: The option of “Contracting Out the services” beyond June 2018 through a procurement process was considered and taken forward for additional analysis.

The option of a shared service model for the delivery of the environmental services was also explored. Consideration has been given to joint working either via joint procurement (similar to the current joint arrangement with DDC) or by joining an existing Local Authority Company. However none of these options was pursued because no suitable partner could be identified.

Similarly, engagement with Northamptonshire County Council (NCC) took place. The vision was to create an ‘end to end’ process for waste collection and disposal. This option could not progress and was therefore not taken forward to the options appraisal stage.

The Council appointed Eunomia Research & Consulting Ltd (Eunomia) to carry out the detailed review of the three alternative commissioning options. The consultants’ report¹ concluded that Alternative Option 4, Contracting Out, was the preferred option, given the ability of this service delivery model to achieve the ‘best’ balance of benefits and risks to the Council:

- a well understood solution with predictable implementation costs and timetable;
- the ability to transfer some significant financial risk to the selected contractor; and
- the opportunity to attract competition during the procurement process to secure best value and to deliver an innovative contract.

Management Board, acting as programme board for this project, endorsed the recommendations in the Business Case which will now be discussed at the Cabinet meeting on 11 January 2017, in particular:

- The **reason for the project** (section 2) and the proposed **project’s outcomes and benefits** (section 2.2.2)
- The **procurement strategy** (section 3)
- The **project’s implementation plan** (section 4), in particular: the **implementation timescales** (section 4.7), the **project plan** (Appendix 2) and the **people resource plan** (section 4.8)
- The project’s **governance and control** arrangements (section 5)
- The **project financials** (appendix 1²)
- The **risk log** (appendix 3)

¹ The Executive Summary of the consultants’ report was published in Appendix 1 to the Cabinet Report discussed at the Cabinet meeting on 16 November 2016.

(<http://www.northamptonboroughcouncil.com/ieListDocuments.aspx?CId=528&MId=8147&Ver=4>)

The full report contained commercially sensitive information and was therefore a confidential background paper available to Members of the Council under the guidance of the Borough Secretary.

² Note that this Appendix is not published with the Business Case, as it contains commercially sensitive information and is therefore available as a confidential background paper to Members of the Council under the guidance of the Borough Secretary.

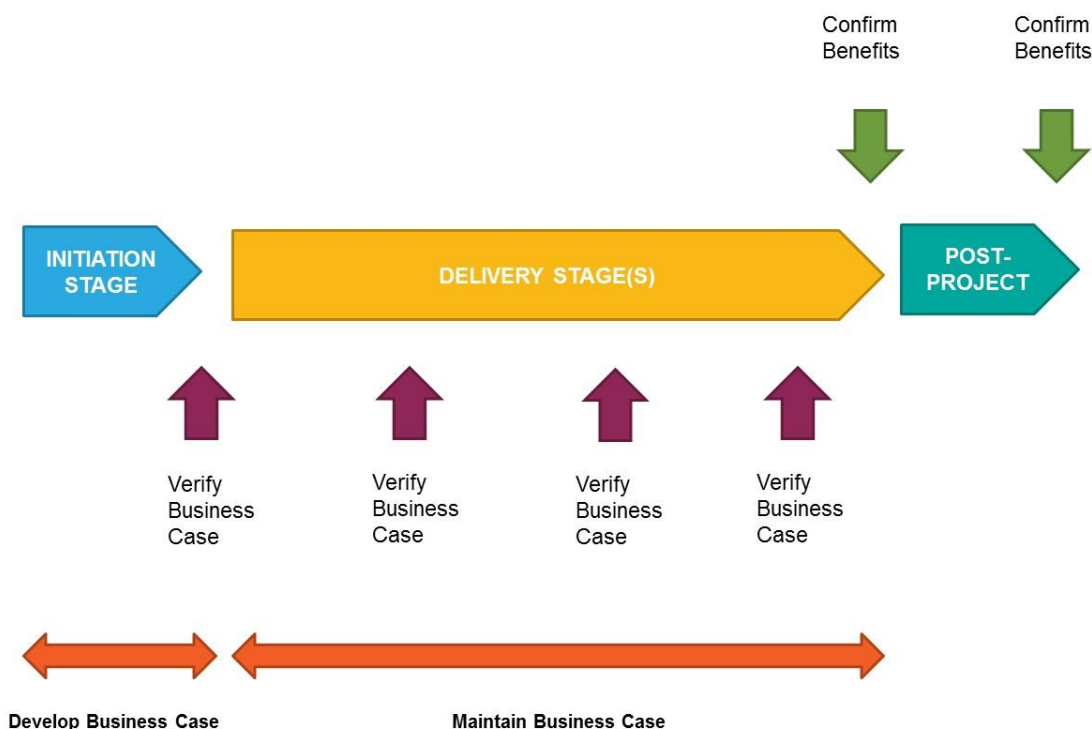
Section 2 Reason for Project

2.1 Why is the Project Needed?

2.1.1 The Purpose of the Project

The purpose of this Business Case is to establish whether the project is **desirable**, taking into account the cost/risk/benefits balance; **viable**, in terms of the project’s ability to deliver the product; and **achievable**, by determining whether the product will provide the benefits.

The Business Case will not be a static document. It is used to gain the commitment and funding to the project. A key requirement will be to actively maintain and continually update it with current information on costs, risks and benefits. The Business Case will be reported back to Cabinet at the appropriate gateways during the delivery stage.



The Council’s environmental services are currently delivered by Enterprise Management Services Ltd (EMS) / Amey plc (Amey). The contract with EMS/Amey is due to expire on 3 June 2018.

The majority of the services represent statutory functions that the Council must deliver, therefore the reason for the project is primarily driven by statutory responsibilities that the Council must discharge.

The identification of the need for this project is also driven by the acknowledgement that the future delivery of the environmental services will require an increased annual budget to reflect the anticipated specification and quality standards for these services.

2.1.2 What the Project is Aiming to do

The project aims to:

- (1) identify the most suitable commissioning option for the delivery of the environmental services post 3 June 2018 (the conclusion of the options analysis is presented in section 2.3);
- (2) implement the selected commissioning option to ensure that the environmental services continue to be delivered to customers without disruption once the current contract expires (section 3 describes the key principles that will support the implementation of the selected option, section 4 describes how the project will be implemented and section 5 outlines the proposed governance); and
- (3) support and link to relevant aspects of the Corporate Plan 2016-2020, Securing Northampton's Future (section 2.2, business justification).

2.2 Business Justification

2.2.1 Corporate Plan

The project aims to support and link to relevant aspects of the Corporate Plan 2016-2020, Securing Northampton's Future.

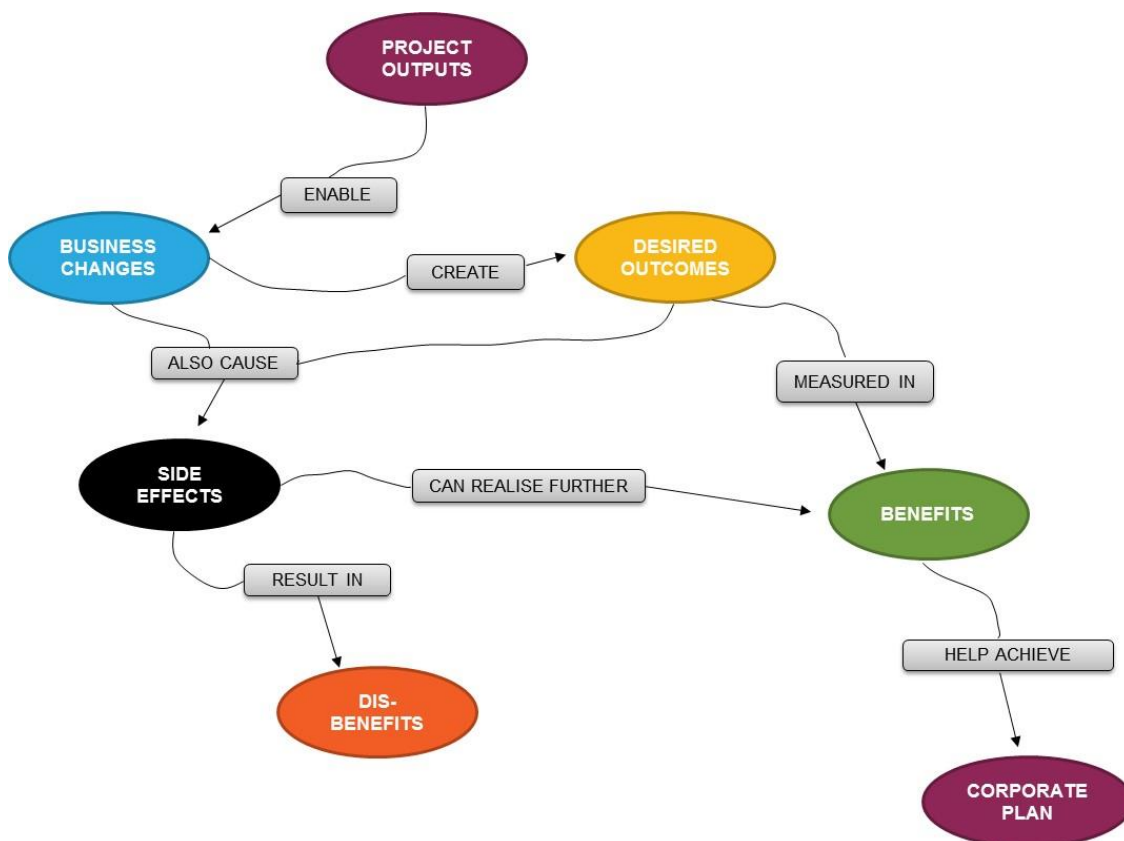
The priorities and outcomes are identified in the following table. The outcomes will influence the overarching procurement principles and the design of the contractual documentation that will be produced at the start of the procurement stage. Similarly, these outcomes enable the identification and management of the project's benefits that will be delivered during the contract management stage.

Theme	Priority	Outcome	Commitments
(1) Protecting Our Environment	A clean and attractive town for residents and visitors	Northampton to be kept clean and litter free with well-maintained green spaces	(a) Maintain high standards in our parks and green spaces and aim for Green Flag awards
			(b) Review environmental services and waste contract to ensure the best service for the people of Northampton
			(c) Commit to town centre cleaning regime
			(d) Zero-tolerance to fly-tipping and dog fouling
			(e) Support residents wanting an allotment
			(f) Have wide range of events in all parks
(2) Love Northampton	Enhancing and encouraging participation	Northampton to have a great community spirit, with people [...] taking pride in Northampton, its	(a) Support and encourage volunteering

Theme	Priority	Outcome	Commitments
		environment and its communities	
(3) Working Hard and Spending Your Money Wisely	Delivering quality modern services	Ensure the Council is economic, efficient and effective	(a) Consider application of Living Wage commitment in future contracts
			(b) Support apprenticeship schemes

2.2.2 Project's Outcomes and Benefits

The graph below outlines the golden thread that will allow the project to deliver the priorities and the objectives in the Corporate Plan.



The following table outlines how the outcomes and the potential benefits will contribute to the delivery of the corporate plan. As the outcomes and the benefits will only be realized at the end of the project, the Business Case will be reviewed and maintained on an ongoing basis to ensure that they remain relevant and consistent.

Outcome	Potential Benefit	Corporate Plan
New provider secured through competitive procurement	Maximum value for money for the cost of the services and positive contribution to the Efficiency Plan	Ensure the Council is economic, efficient and effective
The requirements for the new contract set clear standards for the delivery of the street cleansing and grounds maintenance activities which have been negotiated and agreed during the procurement process	Northampton is attractive to residents and visitors because it is kept clean and there is a safe environment	Northampton to be kept clean and litter free with well-maintained green spaces
The requirements for the new contract deliver a solution for the waste collection service which enables flexibility and maximum value for money	Flexibility over the life of the contract to manage service changes successfully and efficiently	Ensure the Council is economic, efficient and effective
The requirements for the new contract place the customer at the centre of service delivery with a focus on creating a strong local identity and brand	Local communities are resilient and participate, where relevant, to the delivery of services	Northampton to have a great community spirit, with people actively [...] taking pride in Northampton and its environment [...]
The requirements for the new contract set adequate expectations for monitoring and performance management	The provider is held to account by the client team and has adequate resources to rectify poor performance	Ensure the Council is economic, efficient and effective

2.3 Business Options

2.3.1 Current Business Operating Model

NBC and DCC formed a partnership and entered a joint contract with EMS/Amey in June 2011. The services described in section 3.5 are currently included in the scope of the contract.

The contract is monitored on behalf of both authorities by the Partnership Unit, hosted by NBC. The Partnership Unit consists of two officers, employed by NBC.

EMS/Amey has an Account Director, who also acts as Contract Manager. There is a dedicated management team based in Northampton, with sole responsibility for delivering the services to Northampton customers.

The current total cost of the environmental services contract is £6.9 million per year. This includes both the annual contract cost and additional payments that the Council incurs, including payments toward staff pension costs and pension deficit lump sum payments that relate to transferred staff.

2.3.2 Options Analysis

This section describes the options analysis. High-level cost breakdowns for each option are detailed in Appendix 1³.

Do Nothing – continue as is	Option overview
Do nothing	The option of “Do Nothing” was considered and rejected. The environmental services contract includes statutory services that the Council has a duty to discharge. The services are currently delivered as part of a contract with DDC and EMS/Amey, so the option of Do nothing is not a viable consideration for this project.

Alternative Option (1)	Option overview
Extension of the current contract	The option of “Extending the Current Contract” beyond June 2018 for another seven years was considered and rejected. The extension is only possible where the three parties agree to such arrangement and DDC took the decision not to extend the contract with NBC and EMS/Amey in early 2016, therefore this option is not a viable consideration for this project.

Alternative Option (2)	Option overview
Local Authority Company (LAC) service delivery option	The option of “Delivering the services through a LAC” beyond June 2018 was considered and taken forward for additional analysis.

Alternative Option (3)	Option overview
In-sourcing service delivery option	The option of “In-sourcing the services” beyond June 2018 was considered and taken forward for additional analysis.

³ Note that this Appendix is not published with the Business Case, as it contains commercially sensitive information and is therefore available as a confidential background paper to Members of the Council under the guidance of the Borough Secretary.

Alternative Option (4)	Option overview
Contracting Out service delivery option	The option of “Contracting Out the services” beyond June 2018 through a procurement process was considered and taken forward for additional analysis.

The potential for developing a shared service model for the delivery of the environmental services was extensively explored over the past year. Consideration was given to joint working either via joint procurement (similar to the current joint arrangement with DDC) or by joining an existing LAC. However none of these options could be pursued further in the Business Case. Officers could not identify a potential partner as interest did not go beyond the initial feasibility discussions. Similarly extensive engagement with Northamptonshire County Council (NCC) took place over many years, and until very recently. The vision was to create an ‘end to end’ process for waste collection and disposal, as this option may have had the potential to achieve cost reductions and service improvements for both councils. This option was also not taken forward into the Business Case, as it was not possible to make progress with the development of the vision.

2.3.3 Recommended Option

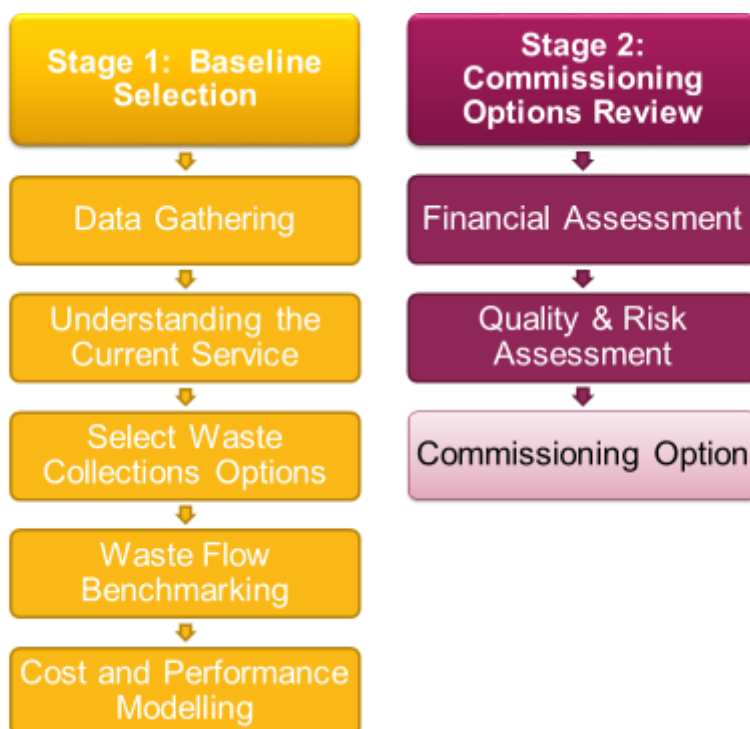
The Council appointed Eunomia Research & Consulting Ltd (Eunomia) to carry out the detailed review of the three commissioning options shortlisted from section 2.3.2:

- (1) LAC option
- (2) In-sourcing option
- (3) Contracting Out option

The consultants undertook a detailed commissioning options analysis and the findings were presented to Cabinet at the meeting on 16 November 2016⁴.

The following paragraphs describe the methodology used during the commissioning options review and the graph below outlines the modelling stages.

⁴ The Executive Summary of the consultants’ report was published in Appendix 1 to the Cabinet Report. (<http://www.northamptonboroughcouncil.com/ieListDocuments.aspx?CIId=528&MIId=8147&Ver=4>) The full report contained commercially sensitive information and was therefore a confidential background paper available to Members of the Council under the guidance of the Borough Secretary.



Stage 1: Baseline Selection

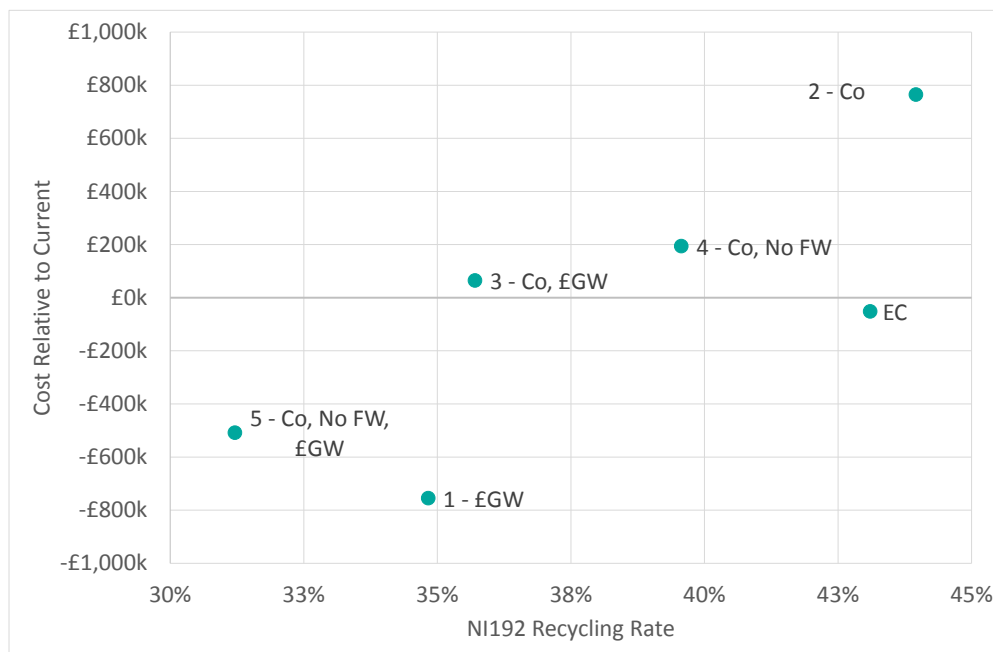
The output of this stage determined the selection of the service baseline for the waste collection service to be used as an input into the commissioning options stage. Whilst this stage may ultimately inform the decision as to which collection system should be implemented, the objective of this stage was limited to providing a realistic service baseline against which the commissioning options could be compared.

The waste collection options selected for the initial modelling are outlined in the following graph.

	Current	Enhanced Current	1 (KS £GW)	2 (Co)	3 (Co £GW)	4 (Co, No FW)	5 (Co, No FW, £GW)
Dry Recycling	Weekly Kerbside Sort 			Fortnightly Co-mingled Wheelie Bin or Weekly Co-mingled Boxes 			
Food Waste	Weekly 			No Service			
Garden	Free 	Charged 	Free 	Charged 	Free 	Charged 	Charged
Residual Waste	Fortnightly 240 L Wheelie Bin or Weekly Limited Sacks 						
	Current	Enhanced Current	1 (KS £GW)	2 (Co)	3 (Co £GW)	4 (Co, No FW)	5 (Co, No FW, £GW)

Following the waste flow benchmarking and cost and performance modelling, the project team selected the Enhanced Current waste collection service option as the baseline option for the commissioning options analysis.

The comparison of cost and recycling performance of the options against the current service are outlined in the following chart.



The assumptions for the street cleansing and grounds maintenance services were that the analysis undertaken in the Target Operating Model (TOM)⁵ was sufficiently robust and therefore those assumptions would be carried forward as inputs to the commissioning options modelling.

It is important to stress that the objective of this stage was limited to providing a realistic service baseline against which the commissioning options could be compared. The purpose of this stage was not to identify the budget requirements for the environmental services post June 2018 or develop the service design for the environmental services post June 2018.

Stage 2: Commissioning Options Review

During the next stage of the options analysis, the consultants assessed the three commissioning options against the two primary criteria of: cost and quality/risk.

Cost Modelling

The consultants produced detailed financial models for each commissioning option, using data and a set of assumptions arising from industry experience.

The results of the cost modelling concluded that:

- the LAC option delivered the lowest modelled cost solution for running the environmental services;
- the Contracting Out option delivered a modelled cost that was approximately £400k higher per year than the LAC; and
- the In-sourcing option delivered a modelled cost solution which was marginally higher than the Contracting Out option.

⁵ The TOM is a model developed by the Council to enable risks to the continuity of the current environmental service contract to be mitigated.

Quality/Risk Assessment

The methodology used for the qualitative assessment of the commissioning options review was based on a risk assessment of criteria developed with officers and the members of the Cabinet Advisory Group. The quality and risk assessment concluded that:

- the Contracting Out option performed best in the risk assessment by some margin;
- the LAC option performed reasonably well in the risk assessment; and
- the In-sourcing option performed worse than the other options in the risk assessment.

Commissioning Option

The two criteria of cost and quality/risk were subsequently combined into a single 'score' using the weighting of:

- cost – 40%; and
- quality/risk – 60%.

The application of the weighting determined the overall ranking presented in the following table.

Criterion	Cost	Quality/Risk	Total	Rank
LAC	40	55	95	2
Contracted Out	39	60	99	1
In-Sourcing	38	52	90	3

The consultants' assessment concluded that Contracting Out is the recommended option for the project⁶, as this option is capable of delivering the 'best' balance of benefits and risks to the Council:

- a well understood solution with predictable implementation costs and timetable;
- the ability to transfer some significant financial risk to the selected contractor; and
- the opportunity to attract competition during the procurement process to secure best value and to deliver an innovative contract.

Officers developed the Cabinet Report seeking approval to select Contracting Out as the preferred commissioning option for the delivery of the environmental services from June 2018. Cabinet discussed the report at the meeting on 16 November 2016⁷ and approved the recommendations. Following call-in and the hearing at the Overview and Scrutiny Committee meeting on 29 November 2016⁸, Cabinet confirmed the decision to implement Contracting Out as the preferred commissioning option at the meeting on 7 December 2016⁹.

⁶ Although the LAC option did not emerge as the preferred commissioning option, it is clear that an existing LAC could bid for the opportunity to deliver the environmental services when the procurement starts.

⁷ <http://www.northamptonboroughcouncil.com/ieListDocuments.aspx?CId=528&MId=8147>

⁸ <http://www.northamptonboroughcouncil.com/ieListDocuments.aspx?CId=694&MId=8327>

⁹ <http://www.northamptonboroughcouncil.com/ieListDocuments.aspx?CId=528&MId=8146>

Section 3 Procurement Strategy

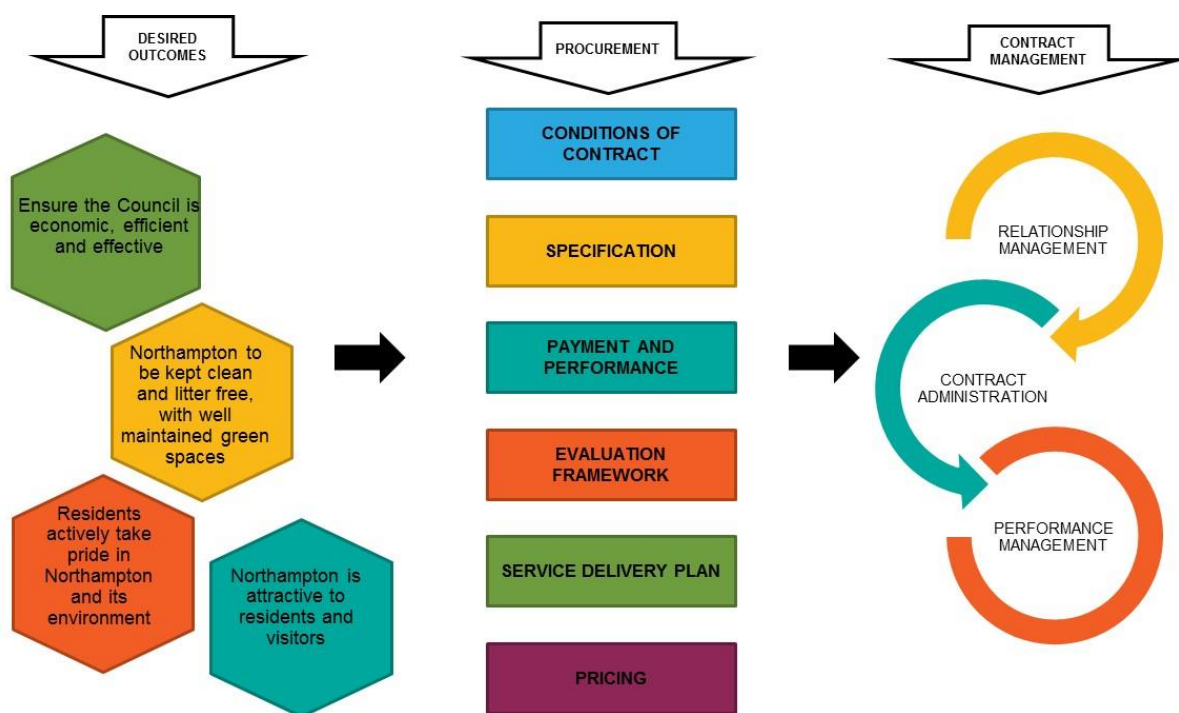
This section of the Business Case sets out the strategy and the principles that will be implemented during the procurement stage of the project.

Cabinet will consider the recommendation to implement this Procurement Strategy at the meeting on 11 January 2017.

3.1 Procurement Principles

Section 2.2 of the Business Case identifies the overarching outcomes and benefits that the project will aim to achieve and particularly how these will contribute to the delivery of relevant aspects of the Corporate Plan 2016-2020, Securing Northampton’s Future.

These outcomes will influence the design of the procurement and the contractual documentation that will be produced at the start of the procurement stage, as outlined in the following graph.



3.2 Single Borough Procurement

It is recommended that the project is delivered on the basis that the next environmental services contract will be a single borough contract.

NBC and DCC entered a partnership agreement with EMS/Amey on 20th April 2011 to deliver the current environmental services contract. The contract was entered for a period of seven years with an option to extend for an additional seven years, subject to the agreement of the three parties to the contract.

DDC decided against the extension to the contract early in 2016, therefore the option to extend the current contract is disregarded for the purposes of the NBC project.

Additional considerations which led to the recommendation of the single borough procurement are also included in section 2.3.2.

3.3 Contract Nature

It is recommended that the project is implemented on the basis that the next environmental services contract will continue to be delivered as one single package of services.

Reasons are as follows:

- Soft market testing: the Council engaged the market in a soft market testing exercise early in 2016. A total of 12 potential suppliers were invited to participate in the exercise which involved a written response to a structured questionnaire. One of the questions asked potential suppliers to express views on how the contract should be packaged in the event of an outsourced commission, either one contract covering the full range of services or a combination of lots. Most of the suppliers, primarily larger organizations, identified the single package as the preferred option, quoting lower costs through economies of scale, integration of services and reduced contract management requirements as reasons for their response. Conversely, smaller organizations identified the lot structure as the preferred delivery method, primarily because it would provide more opportunities to participate in the procurement process, and proposed a range of combinations of lots.
- Consultant report¹⁰: NBC engaged a consultant to undertake preliminary work to the commissioning options review stage (see section 2.3.3). The consultant assessed the single package of services option and a combination of six different configurations of lots. The consultant produced a traffic light matrix to assess the options against agreed assessment criteria and concluded that the single package of services was likely to deliver the greatest benefits to the Council, particularly in the Contracting Out commissioning option, as outlined in the following figure.

¹⁰ Environmental Services - Options Appraisal Report (May 2016)

		Efficiency / Synergies	Attractiveness to Bidders	Access for SME contractors	Contingency	Market Experience	Interface Risks	
		<p>Key</p> <p>Generally high/ good performance expected</p> <p>Generally moderate performance expected</p> <p>Generally low / poor performance expected</p>						
Individual Service Contracts		Red	Yellow	Green	Red	Yellow	Red	Opens the contract to smaller players, and potentially third sector suppliers. A wide range of possible bidders depending on the specific service in question. Fails to deliver cross service / integration efficiencies or potential contingency aspects. Greater contract management requirement & interface risks for multiple contracts than fewer, however some simplicity as regards focus for delivery by the contractor.
Contract Packaging options	1. Single 'Integrated service contract' (Collection + Street Cleansing + Grounds + Allotments / Cemeteries)	Green	Yellow	Red	Green	Yellow	Green	Minimises interface risks between services and maximises potential efficiencies. It enables strong staffing contingency in pinch points / emergencies. It has the potential to create a more complex contract management framework, and reduces the number of potential bidders for the work.
	2. Collection + Street Cleansing	Yellow	Green	Red	Green	Green	Yellow	Commonplace approach. Good synergies between the two services enables some efficiencies and potential staffing contingency where needed. A good number of bidders for this type of contract.
	3. Grounds + Allotments / Cemeteries	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Good synergies between services and small contract size means smaller companies could bid for the works. Does not benefit from the economies and efficiencies of linkage with street cleansing (e.g. parks waste).
	4. Street Cleansing, Grounds + Allotments / Cemeteries	Yellow	Green	Red	Yellow	Yellow	Yellow	Good synergies between cleansing and grounds maintenance and some capacity to provide staffing contingency across services. Wide range of bidders for this type of work, but no capacity to realise synergies and efficiencies between collection and cleansing.
	5. Collection and Grounds maintenance or Allotments / Cemeteries	Red	Yellow	Red	Red	Red	Red	No synergies between Collection and either Grounds or Allotments / Cemeteries. No real benefit in packaging these services.
	6. Street Cleansing and Grounds	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Good synergies between cleansing and grounds maintenance and some capacity to provide staffing contingency across services. Wide range of bidders for this type of work, but no capacity to realise synergies and efficiencies between collection and cleansing.
	7. Street Cleansing and Allotments / Cemeteries	Red	Yellow	Yellow	Red	Yellow	Red	Some, but limited synergies between Cleansing and Allotments / Cemeteries. Limited benefit in packaging these services alone.

- Council's priorities and desired outcomes: the following table summarizes the key considerations that led to the recommendation that the single package of services has the potential to deliver the Council's priorities and outcomes more effectively.

Factors	Considerations	Single Lot	Multiple lots
Attractiveness to Bidders	Both options have the potential to attract bidders. The multiple lots option has the potential to attract smaller organizations which are often unable to bid for contracts of this scale. This issue can be overcome, to a certain extent, by allowing sub-contracting and/or groups of economic operators to bid for the opportunity, as well as promoting the development of the local supply chain. A disadvantage of the multiple lots option is that the value of the contracts would be significantly reduced and this could make the opportunity less attractive to bigger organizations.	✓	✓

Factors	Considerations	Single Lot	Multiple lots
Service Delivery	The single lot option has the potential to minimize demarcation inefficiencies and interface risks at the point of delivery and overall can promote a stronger local brand and increased accountability.	✓	
Economies of scale	The single lot option, particularly in the context of the Contracting Out commissioning option, has the potential to deliver economies of scale compared to the multiple lots option. In particular, the multiple lots option would require separate operational and contract management structures which could increase costs to both parties.	✓	
Contingency	The single lot option has the potential to provide additional contingency to the contracting authority, particularly for its ability to enable stronger staffing and assets co-ordination in the event of operational failures.	✓	
Resilience	To the extent that the authority is placing its trust in a single provider under the single lot option, it could be argued that the multiple lot option could give rise to further resilience due to the participation of multiple suppliers in the arrangements. However, a procurement process that adequately analyses the robustness of the financial strength of a single provider and mitigates against this risk in the conditions of contract means that both options are viable.	✓	✓
Market Experience	There is experience of delivering environmental services contracts using both options.	✓	✓

In accordance with Regulation 46 (Division of contracts into lots) of the Public Contracts Regulations 2015, the legal advisers will provide the justification for the reasons for the decision not to subdivide the contract into lots.

3.4 Contract Length

It is recommended that the project is implemented on the basis that the next contract length will be for an initial term of 10 years, followed by the ability to extend for up to a further 10 years, the duration of the extension may range from 1 year to 10 years, with no lower or upper limit to the number of extensions that the Council can arrange, subject to not exceeding the maximum possible length of 20 years. The flexibility built into the extension provisions offers an opportunity to the Council to adapt to future service changes and technological advancements, innovation and financial pressures, taking into account the contractor’s performance and the council’s strategy at the point of contract extensions.

The following table summarizes the key considerations that led to the recommendation on contract length.

Factors	Considerations	5 years	7 years	10 years
Vehicles	Vehicles are likely to represent the most significant area of capital investment and asset value realisation is a key consideration for the selection of the contract length. Longer contract terms will allow more time to efficiently recover the capital investment required.		✓	✓
Lifespan of assets	The lifespan expectation of refuse vehicles is now longer than the “historical” 7 years that the market and contracting authorities have used in the past, as a result of improved vehicle specifications, more adequate maintenance regimes, vehicles not driving over irregular terrain (i.e. landfill sites). Although 10 years is the maximum ceiling that should be considered, it is becoming more common practice for contracting authorities to consider contract lengths of between 8 and 10 years.			✓

Factors	Considerations	5 years	7 years	10 years
Assets replacement cycle	Most of the street cleansing and grounds maintenance assets tend to be depreciated over a five year period, therefore a 10 year contract would allow two complete cycles of depreciation.			✓
Attractiveness to the market	Officers engaged providers in a soft market testing exercise early in 2016. Most organisations, particularly larger organisations participating in the exercise, favoured a contract length of 10 years, as this period allows efficient recovery of the capital investment that will be required.			✓

3.5 Scope of the Services

It is recommended that the services within the scope of the current environmental services contract continue to be included within the next contract.

The OJEU notice and the procurement documents will be developed using this key consideration.

The full list of services in the scope of the contract will be:

- (1) Household Waste Collection Services: residual waste collection, dry recycling waste collection, food waste collection, garden waste collection, bulky waste collection, clinical waste collection
- (2) Hazardous Waste Collection Service
- (3) Street Cleansing Services: mechanical and manual street sweeping, fly tipping removal, graffiti removal, fly posting removal, litter bin emptying, litter picking, weed spraying
- (4) Public Conveniences Services: opening, closing and cleaning
- (5) Grounds Maintenance Services: grass cutting, shrub/hedge maintenance, litter picking, litter bin and dog waste bin emptying, winter and summer flower beds and hanging baskets maintenance
- (6) Parks Services: sports pitches maintenance, play equipment inspections
- (7) Allotments Services: management
- (8) Cemeteries Services: management and maintenance

- (9) Trees Inspection and Maintenance Services: trees in HRA open space, parks and open spaces
- (10) Customer Services
- (11) Communications and Education
- (12) Materials management

There are also services which the Council and, where relevant, its partners may decide to deliver differently as part of the next contract and a decision about those services will be taken during the course of the procurement stage. It is important to stress that the inclusion or exclusion of these services from the scope of the contract will not affect the project's success. These services are as follows:

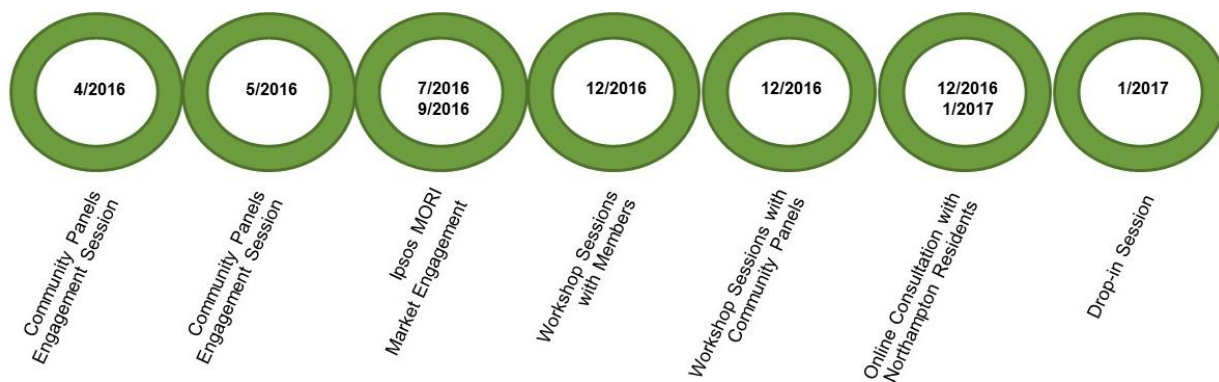
- (1) Services for which the Council and NCC have agreements in place, namely tree maintenance, grass cutting, weed spraying and shrub maintenance on highway land;
- (2) Services delivered to Northampton Partnership Homes (NPH), namely grass cutting, litter picking, shrub maintenance and other activities on council tenants' gardens;
- (3) Establishing whether parish councils could assume responsibility for aspects of grounds maintenance services as part of the next contract and the implications of this decision on the services specification;
- (4) Ancillary services which the Council may consider for inclusion within the scope of the contract, such as: maintenance and repair of play equipment facilities, delivering an enhanced tree maintenance service, managing the booking system for sports facilities, bloom management, grounds maintenance activities in community centres, commercial waste service, and support to the Council's enforcement functions.

Progress will be reported to Cabinet at the key gateways during the delivery of the procurement, as indicated in section 4.7.

Environmental services are not delivered on private land (except where listed explicitly in previous sections), so the scope of the services is limited to the public realm and the public place.

3.6 Key Elements of Service Design

Officers will develop the technical and services specification following endorsement of this Business Case at the Cabinet meeting on 11 January 2017 and prior to the publication of the OJEU notice in February 2017. This will also ensure that the results of the engagement with residents and members, which is currently undergoing, informs the detailed design of the specification. The following graph outlines the extensive programme of engagement that officers have designed and implemented as part of the project.



It is also recommended that the specification is designed so that it focuses primarily on the outcomes and the desired aspirations for the services and that input requirements are limited to a small number of areas or services. This will ultimately ensure that innovative solutions from the market can be considered and appraised accordingly. Furthermore, the considerations in section 3.7, which support the choice of the procurement procedure, provide the rationale for ensuring that the technical specification continues to evolve and be refined during the procurement stage.

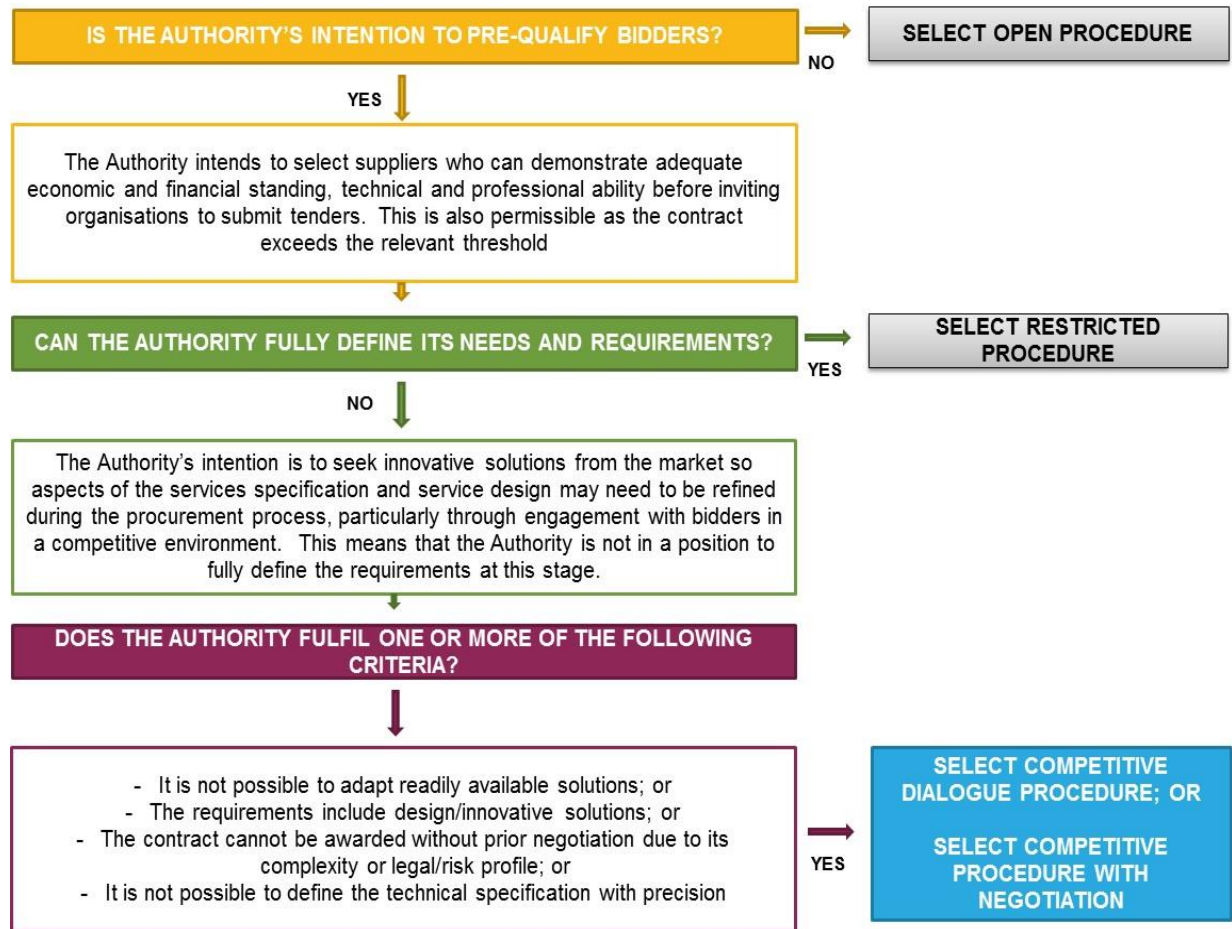
3.7 Procurement Procedure

It is recommended that the Competitive Procedure with Negotiation (CPN) is chosen as the procurement procedure for the delivery of the project.

The following graph describes the process (and the rationale) that officers followed to select the procurement procedure in accordance with Regulation 26 (Choice of Procedures) of the Public Contracts Regulations 2015¹¹.

The graph shows that officers considered and didn't take forward the Open and Restricted Procedures and that the Competitive Dialogue (CD) and CPN were shortlisted for further analysis.

¹¹ Please note that the use of the Innovation Partnership Procedure (Regulation 31 of the PCR 2015) was excluded from the decision tool, as this is a procedure applicable to circumstances where the contracting authority's requirements are for the research and development of an innovative product, services or works that cannot be supplied by the current market.



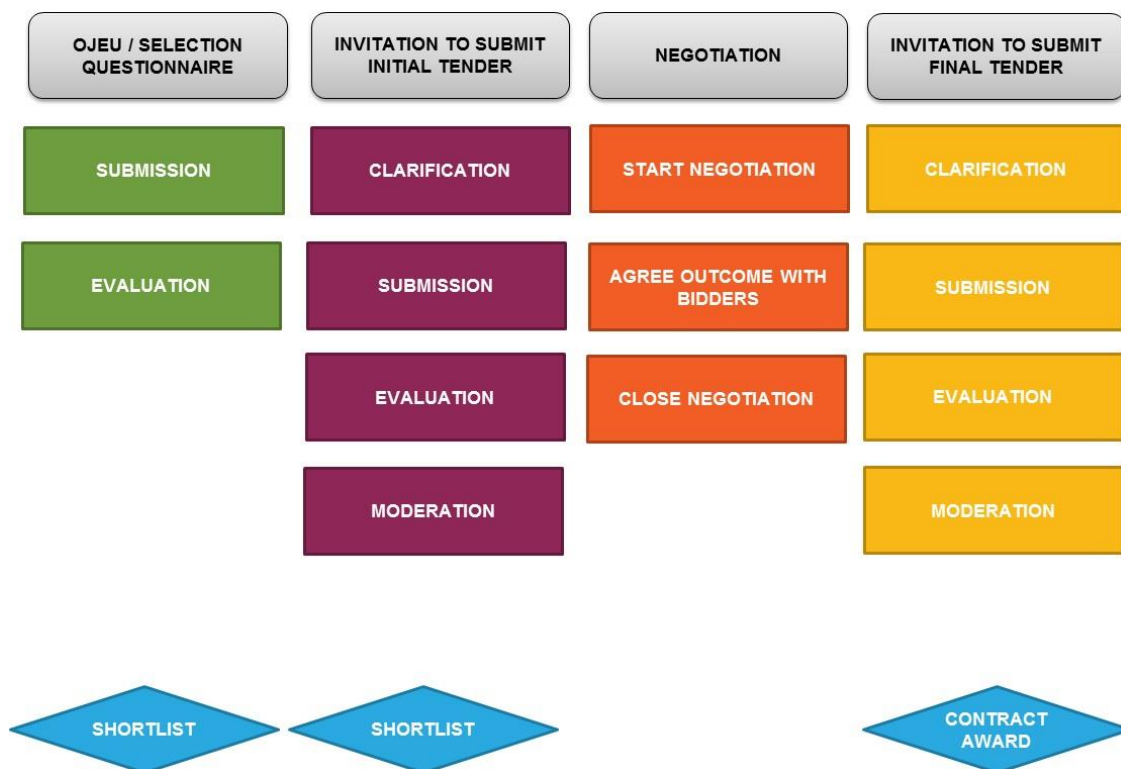
The following table outlines the additional considerations which led to the recommendation that the CPN procedure should be selected as the preferred procedure for the implementation of the Contracting Out option. In accordance with the requirements of Regulation 84 of the Public Contracts Regulations 2015, the Council's legal advisers will record and formally document the circumstances laid down in Regulation 26 which justify the use of the CPN procedure.

Factors	Considerations	CD	CPN
Time	<p>Both procedures envisage successive stages of negotiations to reduce the number of solutions before reaching final tender stage.</p> <p>Officers consider that the CPN procedure is capable of delivering the needs of the Council within a more condensed timeframe than the CD procedure. This is particularly relevant in the context of the Council's need to have adequate timeframe for the mobilisation stage. Reasons are as follows:</p> <ul style="list-style-type: none"> - The CPN procedure can deliver the same results through fewer successive stages of negotiation than the CD procedure. - The CPN procedure includes a provision for the Council to award the contract on the basis of the initial tenders without negotiation. - The CPN procedure optimizes the stages between evaluation of final tenders and contract award, as it does not allow negotiation after receipt of final tenders. 		✓
Quality	<p>Both procedures are elected by contracting authorities when the technical specification cannot be defined with precision and when the requirements will include innovative solutions which can only be delivered with the input of the market.</p>	✓	✓

Factors	Considerations	CD	CPN
Cost	<p>Members approved a total budget of up to £400,000 at the meeting on 16 November 2016¹². Robust budget monitoring will be in place through the application of adequate project governance and control. Officers developed the budget requirement based on input from industry experts who have also advised that the CPN procedure can deliver the same results but at lower cost than the CD procedure. It is important to note that the CPN procedure can reduce costs to bidding organisations as well, potentially increasing market interest for this project.</p>		✓
Scope	<p>The scope of the environmental services to be procured is the same regardless of the procedure selected.</p>	✓	✓
Benefits	<p>The benefits arising from the project are not dependent on the selection of the procurement procedure.</p>	✓	✓
Risk	<p>Officers have analysed both procedures in terms of risk and concluded that the CPN procedure offers advantages in the following risk areas:</p> <ul style="list-style-type: none"> - Market competition: the CPN procedure can cost less than the CD procedure to both the contracting authority and bidding organisations - Timeframe: the CPN procedure can be delivered within a shorter timeframe than the CD procedure. 		✓

The following graph shows how the consecutive stages of the CPN procedure will be implemented. Additional information about the implementation milestones is provided in section 4.7 and Appendix 2.

¹² <http://www.northamptonboroughcouncil.com/ieListDocuments.aspx?CId=528&MId=8147&Ver=4>



3.8 Negotiation Strategy

A critical success factor to the project will be the development and implementation of an appropriate negotiation strategy.

The Council could reserve the right to award on the basis of the initial tenders without negotiation, and this would be made clear in the OJEU contract notice, however, in the event that the Council is unable to identify a solution which meets its needs and minimum requirements following evaluation of initial tenders, the Council would use the negotiation stage to refine aspects of the technical specification, agree with bidders the most appropriate risk profile and refine other legal matters.

The negotiation strategy will be developed in due course during the procurement stage of the project, but it is likely to include:

- Dry recycling collection system
- Materials Management
- Procurement of vehicles and containers
- Depots
- Payment and Performance
- Partnership
- Pensions
- Change mechanism
- Risk and benefit share

Section 4.7 and Appendix 2 clarify that Cabinet will receive regular updates during the negotiation period.

3.9 Contract Award Criteria

In accordance with Regulation 67 (Contract Award Criteria) of the Public Contracts Regulations 2015, the Council will base the award of the contract on the most economically advantageous tender assessed from the point of view of the contracting authority.

Officers have considered alternative options and recommend that the contract award criteria is on the basis of price and quality and that these are equally weighted. Officers also recommend that the weighting to be applied to the contract award criteria stays the same at both invitation to submit initial tender (ISIT) stage and invitation to submit final tender (ISFT) stage. The following table sets out the tier 1 level of the contract award criteria for the project.

Tier 1 Level of Criteria	Weighting to apply at ISIT	Weighting to apply at ISFT
Price	50%	50%
Quality	50%	50%

Officers will produce the procurement documentation, including the detailed evaluation framework, following approval of the Procurement Strategy by Cabinet at the meeting on 11 January 2017. The evaluation framework will set out the detailed sub-criteria levels for price and quality.

The following table outlines the considerations which led to the recommendation that price and quality should be equally weighted.

Factors	Considerations	Price > Quality	Price < Quality	Price = Quality
Local priorities	The local aspirations, as far as we understand from the engagement activities undertaken so far, are that the quality standards of the next contract must improve compared to the standards of delivery of the current contract.		✓	✓

Factors	Considerations	Price > Quality	Price < Quality	Price = Quality
Efficiency Plan	The Council faces a difficult financial outlook. The procurement of the environmental services contract must contribute to the savings identified in the Efficiency Plan.	✓		✓
Choice of Procedure	It would be difficult to change the relative weightings between quality and price from the initial to the final tender stage. Officers recognized that an equal weight between the two components of quality and price would send the right signals to the market about the need to improve the quality standards of the services and the need to deliver maximum value for money.			✓
Market	Officers consider that there is an ample market for the provision of these services and as such equal weight between quality and price does not preclude the authority from achieving competitive tension from the procurement and therefore securing maximum value for money for residents.			✓

Section 4 Project Implementation

4.1 Delivering the Project

This section of the Business Case sets out how the project will be implemented and will act as the reference document that the programme board will use to ensure that the project has clear definition, direction and that it provides evidence of what it seeks to achieve.

This section of the Business Case will be used as a reference:

- when a major decision is taken about the project;
- at the end of key gateways during the project life cycle; and
- at the conclusion of the project to measure whether it delivered the benefits and outcomes.

4.2 Key Business Objectives

The key business objectives of the project are described in the following table.

Key Business Objectives	What the Objective will achieve and Contribution to the Corporate Plan	When the Objective will be achieved	Why it is important to achieve the Objective
Design and implement a successful procurement project	This objective will ensure that the Council meets the following commitment in the Corporate Plan: Review environmental services and waste contract to ensure the best service for the people of Northampton	June 2018	Procurement activities are highly regulated and it is important that the Council delivers a best in class solution to avoid legal challenges arising from the procurement process
Design and procure a contract for NBC which creates an attractive, clean and safe environment	This objective contributes to the following priority in the Corporate Plan: A clean and attractive town for residents and visitors	June 2018	This key business objective is delivered through the following commitments in the Corporate plan: <ul style="list-style-type: none"> - maintenance of high standards in parks and green spaces - commitment to town centre cleaning regime zero-tolerance to fly-tipping and dog fouling

Key Business Objectives	What the Objective will achieve and Contribution to the Corporate Plan	When the Objective will be achieved	Why it is important to achieve the Objective
Design and procure a contract for NBC which provides quality services that represent value for money and are affordable	This objective contributes to the following priority in the Corporate Plan: Working Hard and Spending Your Money Wisely	June 2018	This priority of the Corporate Plan is particularly important for the project, as the current forecast predicts that the next environmental services contract will cost more than the current contract, therefore the Council will need to evidence that it is delivering value for money services
Design and procure a contract for NBC which delivers services safely, respecting the needs of people and the environment	The objective will ensure that NBC meets its statutory requirements, including Health and Safety, Equality considerations, Environmental Protection	June 2018	Most of the services included within the scope of the contract represent statutory functions that the Council must deliver
Design and procure a contract for NBC which places the customer at the centre of service delivery	This objective contributes to meeting relevant aspects of the Love Northampton priority area of the Corporate Plan	June 2018	A key outcome of the Corporate Plan is to create a community spirit where people take pride in their environment. The procurement of the environmental services contract offers a great opportunity to encourage and enhance participation and support by local residents and communities.
Design and procure a contract for NBC which delivers and meets quality standards from day 1	This objective contributes to the following priority in the Corporate Plan: A clean and attractive town for residents and visitors	June 2018	A key outcome of the project is to ensure that the mobilisation timetable is safeguarded and that the contractor has enough time to prepare for the start of the new contract

Key Business Objectives	What the Objective will achieve and Contribution to the Corporate Plan	When the Objective will be achieved	Why it is important to achieve the Objective
Design and procure a contract for NBC which effectively utilizes the results of the extensive engagement with members and communities to design the services specification and the negotiation strategy	This objective will ensure that the Council meets the following commitment in the Corporate Plan: Review environmental services and waste contract to ensure the best service for the people of Northampton	June 2018	The administration placed community engagement at the heart of service design. The results of the consultation with residents and stakeholders (currently underway) will be analysed and considered during the development of the services specification in the context of delivering quality modern services and ensuring affordability
Design and procure a contract for NBC which effectively manages the lessons learnt from the current contract and considers the most appropriate balance in risk management	This objective will ensure that the Council meets the following commitment in the Corporate Plan: Review environmental services and waste contract to ensure the best service for the people of Northampton	June 2018	Lessons learnt from the current contract will be analysed and will inform the development of the contractual and procurement documentation so that going forward the council avoids the issues it faces with the current contract. The risk analysis undertaken during the commissioning options review will also be reviewed at key gateways to confirm the choice of commissioning option.

4.3 Key Measures

The measures that will be used to track the success of the project will be as follows:

- (1) cost: Members approved an implementation budget to be funded from the 'Delivering the Efficiency Plan' reserve to implement the Contracting Out commissioning option. Programme board will review progress as part of the monthly highlight reports or exception reports. The project manager, in agreement with the project sponsor, will follow due process to instigate change requests.

- (2) quality: adequate quality control functions will be in place. LGSS already provides this function as part of the monthly highlight report submission and this responsibility could be enhanced with in depth reviews at key gateways during the project life cycle.
- (3) effectiveness: the project implementation timetable in section 4.7 and the people resource plan in section 4.8 will be used to monitor progress toward achievement of the final product. Programme board will review progress as part of the monthly highlight reports or exception reports. The project manager, in agreement with the project sponsor, will follow due process to instigate change requests.

4.4 Constraints

The key constraints that we are aware of at this stage of the project are:

- (1) Timetable: the project implementation timescale in section 4.7 and the detailed project plan in Appendix 2 outline the pressure and demands that will be placed on officers and advisers. Effective decision making will be required given the limited timetable. Programme Board will need to provide adequate leadership and direction and ensure that resources are deployed to the project effectively.
- (2) Development of the procurement documentation: this activity needs to take place over a limited period of time (between the approval of the Procurement Strategy by Cabinet in January 2017 and the publication of the OJEU in February 2017) with the input and engagement of many different stakeholders.
- (3) Data room: a separate workstream will be set up to ensure that the Council can offer reliable information and data to bidders during the course of the procurement.
- (4) Resources: programme board will be accountable to the success of the project and will have responsibility for ensuring that key resources are adequately deployed to support the project.

4.5 Dependencies

There are four main dependencies which will need to be resolved during the procurement stage of the project:

- (1) Establishing whether the services that NBC delivers for NCC as part of the current environmental service contract will continue to be in scope as part of the next contract.
- (2) Establishing whether the grounds maintenance services on NPH land will continue to be in scope as part of the next contract. Whilst the inclusion or exclusion of these services from the scope of the contract does not have a considerable impact on the contract value, it is important that NBC and NPH work collaboratively to implement a successful solution for both parties, so that a decision to exclude these services from the scope of the contract does not affect negatively NBC's procurement timetable.
- (3) Establishing whether parish councils could assume responsibility for aspects of grounds maintenance services as part of the next contract and the implications of this decision on the services specification.
- (4) Establishing how the service configuration for the recycling service affects materials management, the relationship with NCC and the financial implications on NBC.

4.6 Assessing Project Impacts

4.6.1 Equality Impact Assessment and Community Impact Assessment

A Full Equality Impact Assessment has been carried out for stage 1 of the project and in support of the selection of the preferred commissioning option.

An equality impact assessment has not been undertaken at this stage of the project, as there are aspects that will be influenced by the procurement exercise. In particular the following should be taken into account:

- equality considerations will be central to the development of the services specification; and
- equality considerations will be included in the contractual conditions with the external provider.

A Community Impact Assessment will be undertaken ahead of contract award.

4.6.2 Environmental Impact Assessment

The project has not undertaken an environmental impact assessment at this stage of the project life cycle. However this will be a central aspect of the procurement and evaluation process.

4.6.3 Staff Impact Assessment

The project has not undertaken a staff impact assessment at this stage. This will be completed during the course of the procurement process, as the impact will be dependent on the bidders' solutions.

4.6.4 Initial Risk Consideration

The current risk log is included in Appendix 3. Programme Board will review risks and provide direction with risk management on an ongoing basis.

4.6.5 Health & Safety Considerations

The Council has a duty to ensure that the health, safety and welfare of all persons who may be affected by the operations and activities performed by the future contractor are safeguarded. Health and safety considerations will be a central part of the contractual conditions and the development of the Council's requirements. This will include the requirement that the contractor keeps and maintains a plan for managing all aspects of health and safety relating to the services, including adopting safe working practices, having due regard to regulations, industry good practice guidance, working rules and legislation, and ensuring continuous improvement of health and safety standards to protect the contractor's personnel, third parties and the public.

4.7 Major Project Implementation Timescales

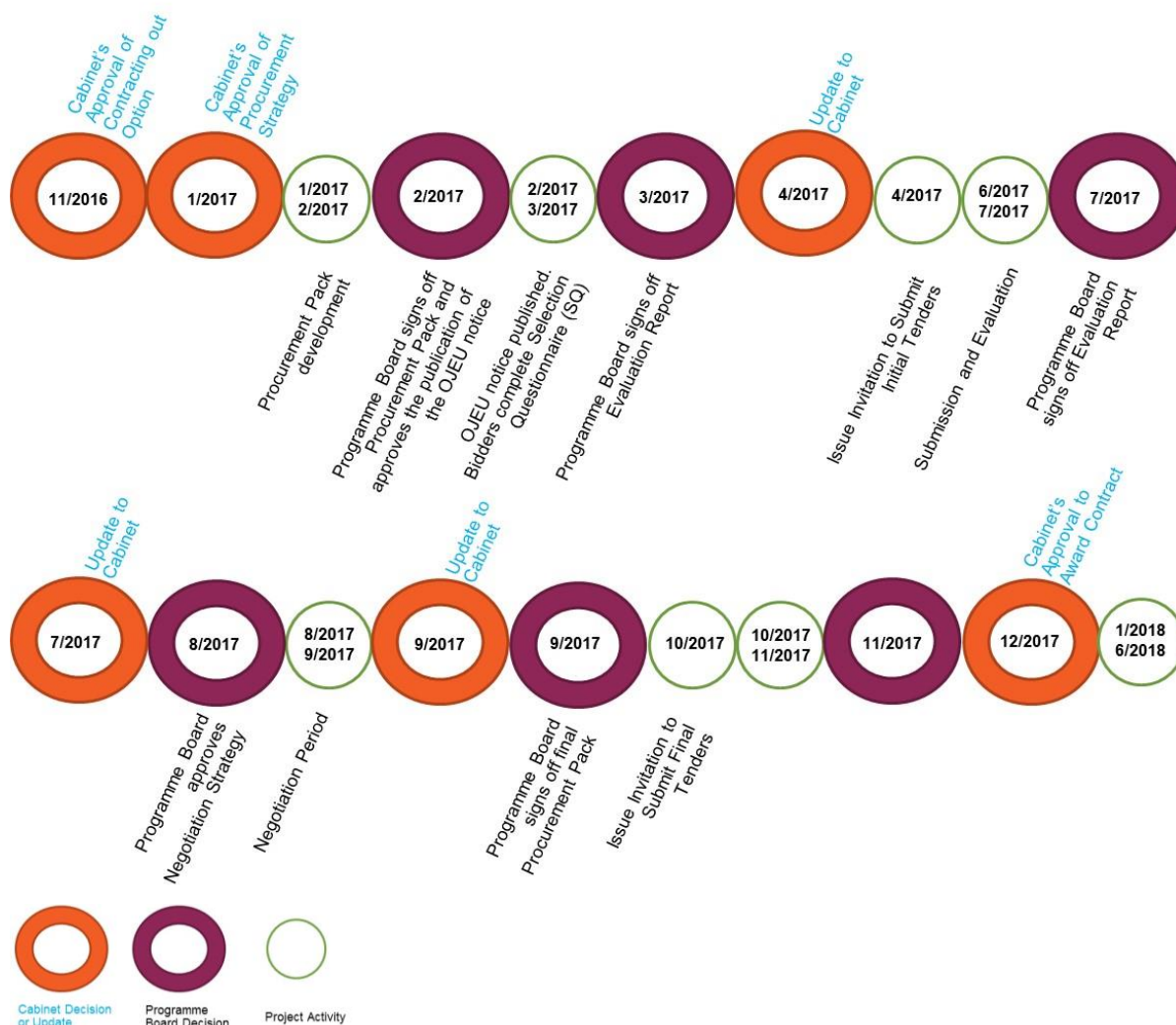
The project's preliminary implementation stages are described in the following graph. The detailed project plan is included in Appendix 2.

The project timetable has been developed on the assumption that Cabinet will make decisions at the following key gateways:

- November 2016: approval of the recommendation to implement the Contracting Out commissioning option;
- January 2017: consideration and approval of the Procurement Strategy and delegation of implementation of the procurement stage of the project to officers; and
- December 2017: consideration and approval of the recommendation to award the contract to the bidder selected through the procurement stage.

It is envisaged that Cabinet will receive regular progress updates during the procurement stage of the project and that these are likely to take place at the following stages:

- Spring 2017: between the conclusion of the selection stage and before invitation to submit initial tenders;
- Summer 2017: at the conclusion of the initial tender stage; and
- Summer 2017: at the conclusion of the negotiation stage and before invitation to submit final tenders.



4.8 People Resource Plan

The following table provides a high level outline of both the internal resources and the specialist resources required to deliver the project.

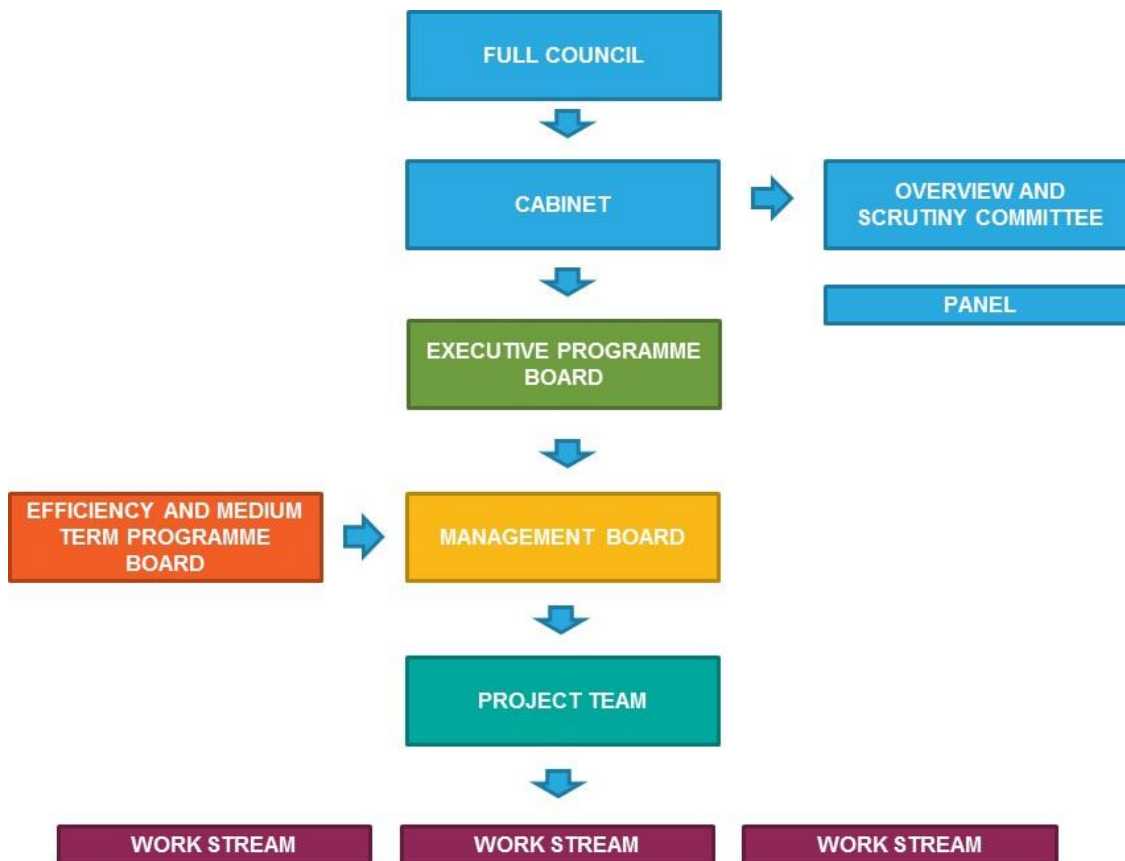
The programme board will be responsible for ensuring that internal resources are discharged to support the project adequately. The 'Delivering the Efficiency Plan' reserve will provide the funding source for the specialist tasks that will be provided by external resources.

Role	Name	Internal / External
Technical	Mick Tyrrell	I
Technical	Peter Hackett	I
Procurement	Susan Clerk	LGSS
Finance	Stuart Johnston	LGSS
Legal	Jackie Buckler	I
Property	Glenn Miller	I
HR	Lorraine Beange	LGSS
IT and Customer Services	Marion Goodman / Michael Dunne	I
H&S	Mike McCue	I
Community Engagement	Victoria Rockall	I
Communications	Deborah Denton	I
NPH services	Shirley Davies	NPH
Project Management / Procurement, Financial and Technical Support	Eunomia	E
Legal	Bevan Brittan	E
Pension	TBC	LGSS

Section 5 Governance

5.1 Governance

The graph outlines the proposed project’s governance and control functions.



5.1.1 Programme Board Members

The following table identifies the roles of the programme board members. Terms of Reference for the group setting out collective and individual responsibilities are in place.

Role	Name	Title
Executive	David Kennedy	CEO
Business Change Manager	Julie Seddon	Director of Customers and Communities
Programme Board Member	Francis Fernandes	Borough Secretary & Monitoring Officer
Programme Board Member	Glenn Hammons	Chief Finance Officer
Programme Board Member	Cathie Wright	HR, Business Change and Transformation

Role	Name	Title
Programme Board Member	TBC	Director of Regeneration, Enterprise and Planning
Programme Board Member	Mike Kay	NPH

5.1.2 Quality Assurance and Risk Management

Role	Name	Title
Risk Compliance	Alice Turrell	Transformation Project Manager
Quality Assurance	Alice Turrell	Transformation Project Manager

5.2 Communications

The high level communication plan is included within the project plan in Appendix 2. The project undertook a stakeholder mapping exercise which remains valid for the implementation stage of the project.

Section 6 Conclusion

The purpose of this Business Case is to establish whether the project is:

- **desirable**, taking into account the cost/risk/benefits balance;
- **viable**, in terms of the project's ability to deliver the product; and
- **achievable**, by determining whether the product will provide the benefits.

The Business Case recommends the implementation of Alternative Option 4, Contracting Out, to implement the project.

The Business Case has demonstrated that the project is:

- **desirable**, as the Contracting Out option offers the 'best' balance of benefits and risks to the Council:
 - o a well understood solution with predictable implementation costs and timetable;
 - o the ability to transfer some significant financial risk to the selected contractor; and
 - o the opportunity to attract competition during the procurement process to secure best value and to deliver an innovative contract , taking into account the cost/risk/benefits balance.
- **viable**, as the selection of the CPN procedure is based on the Council's ability to:
 - o exploit market competition through the procurement process; and
 - o maximise opportunities to refine the needs and the requirements through engagement with market leaders.
- **achievable**, as the selection of the CPN procedure is based on the Council's ability to make best use of the available timeframe whilst at the same time safeguarding the mobilisation phase.

Appendices

Appendix 1 Project Financial Analysis

Appendix 2 Project Plan

Appendix 3 Risk Log

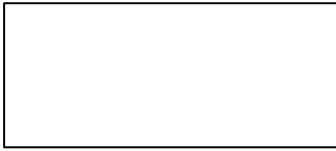
Risk Log

Risk ID	Risk Type	Risk Owner	The Risk <i>(There is a risk that...)</i>	Risk Cause <i>(as a result of...)</i>	Risk Impact <i>(which may result in...)</i>	Raised On	Inherent Pre-mitigation Impact (1-5)	Inherent Pre-mitigation Probability (1-5)	Score (I x P)	Mitigation Controls	Mitigation Actions	Risk Due Date	Proximity	Residual Impact (after controls and actions) (1-5)	Residual Probability (after controls and actions) (1-5)	Score (I x P)	Status
C&C 10	Project Delivery	JS	The procurement timetable is not adequately implemented	Lack of direction and decision making Low engagement by technical resources	The procurement process is delayed resulting in a shorter mobilisation phase	25/10/2016	5	3	Red	Proper application of the project's governance and control framework	Endorsement of the Full Business Case by Programme Board and Cabinet Ensure the Business Case is reviewed regularly and that highlight reports track progress	Dec-17	Distant (12+ months)	4	2	Green	Open
C&C 11	Project Delivery	JS	The internal resources are not skilled or committed to the delivery of the project	Lack of technical knowledge and/or motivation	The procurement timetable may not be applied as baselined in the business case	25/10/2016	4	3	Amber	Proper application of the project's governance and control framework	The people resource plan in the Business Case is developed to take account of the availability of internal resources which are supplemented by external resources where required	Dec-17	Distant (12+ months)	3	2	Green	Open
C&C 12	Project Delivery	JS	External advisers are not appointed in good time to provide adequate support to the project	Lack of direction and decision making	The procurement timetable needs to be redeveloped with implications on the mobilisation phase	25/10/2016	4	3	Amber	Proper application of the project's governance and control framework	External advisers have been identified and appointed	Dec-16	Imminent (0 - 1 month)	3	2	Green	Open
C&C 13	Amey/EMS	JS	The incumbent contractor does not co-operate with the provision of adequate data and information during the procurement stage	Lack of clarity with the incumbent that information is required during the procurement to inform the development of their solutions	The procurement phase may be delayed	25/10/2016	4	4	Red	Proper application of the conditions of contract	Engage with the contractor to seek agreement that relevant data and information will be provided during the procurement stage	Dec-16	Imminent (0 - 1 month)	3	3	Amber	Open
C&C 14	Project Delivery	JS	The council is unable to find a suitable contractor to deliver the services	The procurement project fails to attract competition from the market	The council is unable to deliver quality services to its residents and is potentially locked in a long term relationship with a contractor which fails to deliver the anticipated standards	25/10/2016	5	3	Red	Adequate promotion of the opportunity to the market and development of robust procurement and contract documentation	The risk cannot be avoided. However there are mitigating actions that can be implemented, including the development of procurement and contract documents which offer an attractive legal and risk profile to both parties	Dec-17	Distant (12+ months)	3	3	Amber	Open
C&C 15	Project Delivery	JS	The council is unable to safeguard adequate time for the mobilisation stage.	Delays with the implementation of the project plan baselined in the BC for reasons and forces which may be internal or external	The appointed contractor is unable to mobilise the services successfully leading to service failures from day one	25/10/2016	5	3	Red	Proper application of the project's governance and control framework	Endorsement of the Full Business Case by Programme Board and Cabinet Ensure the Business Case is reviewed regularly and that highlight reports track progress	Dec-17	Distant (12+ months)	4	2	Green	Open
C&C 16	Financial	JS	The council is unable to share key risks with the contractor	The council's appetite for risk transfer	Bidders may inflate prices to account for risk and failure, reducing the ability of the council to deliver best value services	25/10/2016	4	4	Red	Development of a robust procurement strategy and negotiation strategy	Endorsement of the Full Business Case and Procurement Strategy by Programme Board and Cabinet leading to the development of a contract style which seeks to develop a partnership approach with the new contractor and agree a risk strategy which is acceptable to both parties	Dec-17	Distant (12+ months)	3	3	Amber	Open
C&C 17	Project Delivery	DK	Expectations on service design go beyond financial affordability	Response to public desire and expectations	Services not being affordable	25/10/2016	3	3	Amber	Development of a clear procurement and negotiation strategy	Ensure regular and meaningful engagement with members, residents and stakeholders so that stakeholders understand what is feasible and affordable	Dec-17	Distant (12+ months)	2	2	Green	Open
C&C 18	Regulatory / Legal	FF	The outcome of the procurement process is challenged	An aggrieved bidder raising concerns on how the contracting authority has conducted the process	The council could face escalating legal costs and reputational damage which could affect the mobilisation timetable.	25/10/2016	5	2	Amber	Due and proper application of the procurement process, particularly the evaluation framework	Challenge during a procurement process is an unavoidable risk which can only be managed by the correct and thorough application of the regulations	Dec-17	Distant (12+ months)	3	2	Green	Open
C&C 19	Customers / Citizens	JS	Customers oppose the outcome of the procurement process	Unpopular service changes may be required to deliver the benefits of the project	Local opposition to the new contract	25/10/2016	3	2	Green	Proper application of the project's governance and control framework, including engagement with cabinet and community panels	Develop and implement the communications and stakeholder engagement plan	Dec-17	Distant (12+ months)	2	1	Green	Open
C&C 20	Financial	GH	The council is unable to secure an affordable cost proposal from bidders	Financial pressures and the needs to deliver the efficiency plan	The cost increase required to meet anticipated quality standards falls outside of the council's financial envelope.	25/10/2016	5	3	Red	Development of a clear procurement strategy and framework Make best use of the negotiation stage to understand how quality may affect price	There are no mitigating actions that can be implemented at this stage, as this will become clearer as we approach the initial tender stage	May-17	Approach (5 - 11 months)	4	3	Amber	Open

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

Document is Restricted



CABINET REPORT

Report Title	Disposal of Northampton Borough Council's land at the former Greyfriars – Progress report
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AGENDA STATUS:

PUBLIC

Expected Date of Decision:	11 th January 2017
Key Decision	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Regeneration, Enterprise & Planning
Portfolio Holder For:	Cllr Tim Hadland, Cabinet Member for Regeneration, Enterprise & Planning
Ward(s)	Castle

1. Purpose

- 1.1.1 To present an update to Cabinet on the progress made with the preferred developer (Carter Endurance) following the Cabinet decision on the 7th September 2016.
- 1.1.2 To provide specific information on the progress with the various work streams
- 1.1.3 To highlight particular aspects of the overall negotiations that may be relevant to the final cabinet decision.
- 1.1.4 To present the timetable for the continued design and development programme.

2. Recommendations

- 2.1.1 That Cabinet:
- 2.1.2 Notes the progress that has been made to date, the further negotiations with and surveys and traffic modelling to be completed by the developer.

2.1.3 Invites the Director of Regeneration, Enterprise & Planning to submit further reports to Cabinet to approve the proposed legal documents and associated appendices.

3. Issues and Choices

3.1 Selection Background

3.1.2. Cabinet will be aware that following the demolition of the former Greyfriars bus station, Council Officers have been involved in a site disposal process that will ultimately pave the way for redevelopment of the site. The disposal process, as set out to Cabinet on 11th November 2015, included the following milestones:

- Advertisement;
- Submission: Expression of Interest;
- Evaluation of returns/panel select shortlist;
- Shortlist – Invitation to tender;
- Submission: Tender return;
- Evaluation of returns/panel selection;
 - Notice to appoint;
 - Cabinet decision.

3.1.3 Following the deadline for the expressions of interest stage on 6th November 2015, the bidders' Invitation Document was issued to three selected bidders on the 15th January 2016. The deadline for final submissions was noon 31st March 2016.

3.1.4 One bidder notified the Council on the 18th March 2016 that they did not wish to continue with the process and wished to withdraw. Two conforming bids were subsequently received by the due date.

3.1.5 In the period following the submissions deadline, NBC Officers sought various clarifications with both developers regarding the merits of their schemes and final financial offers.

3.1.6 NBC also commissioned expert independent legal, commercial and leisure advice to support the assessment of both bids. Advice from a leading cinema consultancy concluded that there would be a market for an additional family and student orientated cinema within Northampton.

3.1.7 The detailed scoring process identified that the preferred developer's proposal offered a number of distinct advantages. Details of the scoring can be found in the Report to Cabinet of the 7th September 2016 and are summarised below:

- The viability of the overall scheme was considered to be better, particularly with regard to the cinema and restaurant offer. Independent advice highlighted a demand in the family and student market for another cinema. Such a product would also generate admissions and therefore the footfall required to support and sustain a vibrant restaurant offer.
- The positioning of the leisure and restaurant offer on the site, coupled with the improved linkages with the town centre, including the Grosvenor Centre, were assessed as being better thought through and the most likely to work well in practice. Linking the existing town centre to the site is crucial for the viability of the site and to maximise its impact on the wider town centre.

- The strategy for the improvements to the public realm, including the highways network, was regarded to be of a higher standard.
- The delivery of private rented sector housing (PRS) on the site, rather than apartments for sale as proposed by Developer B, was seen to be a less risky delivery option for the proposed residential element on the site.
- There was a greater provision for a transport hub and coach layby by Developer A, based on the plans presented.

3.1.8 The Cabinet Advisory Group has worked well throughout the process and a Cabinet Advisory Group will continue to work with the preferred developer to conclude the detailed design of the scheme and the construction phases. The Group comprises of two Members of the Administration and one Member from the opposition. The Group receives or will receive updates on a quarterly basis from the selected developer and will be consulted on elements of the design of the schemes. The first meeting of the Cabinet Advisory Group post the 7th September cabinet decision is scheduled for January.

3.2.1 **Agreement for Leases work stream update**

3.2.2 Progress has been very positive and representatives from both parties is schedule to meet again on the 17 January 2017 to continue negotiating the terms of the lease.

3.2.3 Discussions with third parties (primarily adjacent land and/or property owners) continue to be positive with all parties proving to be very supportive of the proposed development. Preliminary plans and costings have been issued with respect to any financial commitment to improve links, frontages and boundaries between the development site and adjacent premises. Further meetings have been scheduled for w/c 9 January 2017.

3.2.4 **Design Development**

3.2.5 The Developer is currently in discussions with a hotel operator (who will identify the franchise operator for the hotel), cinema operators and a housing association for the proposed rented residential element of the scheme. The design continues to evolve to meet the needs of the potential site occupiers' requirements.

3.2.6 A number of pre-consultation meetings have taken place between the Planning Authority and the developer's representatives and discussions to date have all been positive.

3.2.7 **Traffic Surveys, Modelling, Surrounding Roads and Public Realm**

3.2.8 Traffic modelling started in early December 2016. This will continue through to January and February 2017 with the first meaningful results expected mid to late February 2016.

Indicative Programme

3.2.9 The latest development programme identifies the below milestones:

- Cabinet Advisory Group Meeting 18 January 2017;
- Agreement for Lease documentation Spring 2017;

- Traffic Reports/Preliminary commentary Spring 2017;
- Cabinet Report Spring 2017;
- Submit Outline Planning Application Summer 2017;
- Submit Detailed Phase I Application Late Summer 2017;
- Planning Approval Phase I Autumn 2017
- Start on site (assuming planning approval) Early 2018; and
- Thereafter, it is proposed that there would be a rolling programme on a phase by phase basis for planning application submissions and approvals.

4. Implications (including financial implications)

4.1.1 Policy

4.1.2 There are no specific policy implications arising from this report, but the proposed development would generally be in conformity with the adopted West Northamptonshire Joint Core Strategy (2014) and the Central Area Action Plan (2013). It would also be generally consistent with previous decisions of Cabinet.

4.2 Resources and Risk

4.2.1 The current site is of strategic importance to the town. There is a small resource implication concerning the ongoing maintenance of the site, predominantly derived from officers' time.

4.2.2 NBC committed £5.6m to the demolition and remediation of the Greyfriars site, with the expectation that a future disposal of the site would fund as much of this capital cost as possible. Any shortfall between the disposal receipt and the amount spent on the demolition of the site would need to be met from the Council's other capital resources. If there is never any development of the site then the whole cost would be written off to revenue.

4.2.3 The Developer's proposal includes a residualised price for the site to be paid to NBC in a phased manner. The details of the structure of the payments to NBC are currently being worked up in greater detail and will form part of the legal documents with the Agreement for Leases.

4.2.4 Table 1: High Level Risks Associated with the selection of a preferred developer.

Risk	Likely	Impact	Blended risk	Remarks/Mitigation	Residual risk
Developer unable to deliver its proposals.	Low	Significant	MED	NBC have been meticulous in gaining an understanding for the intricate workings of the proposals and believe that the preferred developer will be able to deliver	Low

Planning approval not achieved	Low	Significant	MED	Planners have without prejudice to the planning process, evaluated the scheme against existing planning policy and guidance within the scheme scoring process and this has indicated that the scheme is generally compliant with policy. NCC has also been engaged and are (in principle) comfortable with the designs of the scheme.	LOW
Unable to agree final lease terms.	Low	Significant	MED	Assuming the Heads of Terms are completed the expectation would be that the lease would be agreed. Draft HOTs have already been discussed with the developer.	LOW
Terms of the Property Agreements are breached by the preferred developer.	Low	Significant	MED	There is no reason to suppose that the developer would breach the Agreements but if they did the Council would have the provision to terminate.	LOW
The developer is unable to attract a funder	Med	Significant	MED	The market remains for this development. The developer has a good financial standing and well established relationships with funders.	LOW
The developer is unable to deliver the Leisure element in Phase I	Med	Med	MED	The developer is not yet in a position to confirm the order of delivery of the prospective operators	MED
The developer switch cinema, hotel or restaurant operators	Med	Med	MED	NBC will not be able to control individual operators within the development. The independent advice	LOW

				gained throughout the process indicates that the preferred developer's proposals address market demand.	
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4.3 Legal

4.3.1 The significant area of legal risk arises in the settlement of the detail of the final agreements with the buyer. Any transaction of this magnitude and complexity carries a degree of commercial risk to both parties and the key mitigation of this is for the legal documents to anticipate this as far as possible and deal with matters with clarity. The Agreement for Lease documents have now incorporated a number of pre-conditions to allow the Developer to draw down and retain a site.

4.4 Equality

4.4.1 The Borough Council has identified the following equality issues and resolutions and will communicate and work with the developer to address these issues through the planning process.

Issue	Equality Characteristics Affected by Issue	Proposed Action
Design Development meets specific needs people with 'Protected Characteristics.	<ul style="list-style-type: none"> All 	<p>Planned, targeted consultation with specific groups during the planning phase.</p> <p>Designs to be reassessed in the light of significant findings.</p>
Access to buses and shops during the construction phase	<ul style="list-style-type: none"> Age Disability 	<p>Phased access / route planning with clear signage during the construction phase</p> <p>Access during construction included within the Transport Assessment required for any Planning Application.</p>
Access to toilet facilities	<ul style="list-style-type: none"> Age Gender reassignment Disability 	<p>Toilet facilities as a minimum in-line with Building Regulations (Part M 2010) 'Access to and use of buildings')</p> <p>Scoping of the project could also include:</p> <p>'Changing places' toilet to be provided within the scheme</p> <p>Provision of uni-sex toilet</p>

Facilities for Breast Feeding	<ul style="list-style-type: none"> • Pregnancy and maternity 	Scoping of the project could include provision of areas for breast feeding and uni-sex baby changing areas.
Legibility of buildings and streets	<ul style="list-style-type: none"> • Disability – particularly partially sighted • Deafness 	Centrally located information points accessible to wheelchair users. Consultation with relevant forums at detail design/planning stage to identify appropriate provision.
Access to buildings	<ul style="list-style-type: none"> • Disability 	To be considered in detail and consulted on through the planning process.
Streets and public spaces	<ul style="list-style-type: none"> • All 	Consideration will need to be given to the design of the public realm to ensure legibility and safety:-

4.4.2 Consultees (Internal and External)

4.4.3 In the formulation of this report, relevant internal Officers have been consulted. External consultees include Northamptonshire County Council.

4.5 How the Proposals deliver Priority Outcomes

4.5.1 Northampton Alive sets out the Council's aspirations for the regeneration of Northampton. The Council is advised that the proposed development would generate a gross development cost of circa £100m and create up to 400 permanent jobs, with construction jobs and training positions in addition.

4.5.2 The delivery of the site would clearly enhance the vibrancy and attractiveness of the town centre as a whole.

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 None

John Dale, Head of Economic Development and Regeneration, X 7078

Appendices
3



NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	TREASURY MANAGEMENT MID YEAR REPORT 2016-17
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	11 January 2017
Key Decision:	NO
Within Policy:	YES
Policy Document:	NO
Directorate:	LGSS
Accountable Cabinet Member:	Brandon Eldred
Ward(s)	Not Applicable

1. Purpose

1.1 To provide a mid-year update on the Treasury Management Strategy 2016-17, approved by Council in February 2016.

2. Recommendations

2.1 Cabinet is recommended to:

- a) Note the Treasury Management Mid-Year Report 2016-17
- b) Recommend the report to full Council

3. Issues and Choices

3.1 Report Background

3.1.1 Treasury Management is governed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury

Management (the Code). The Code has been developed to meet the needs of Local Authorities and its recommendations provide a basis to form clear treasury management objectives and to structure and maintain sound treasury management policies and practices.

3.1.2 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (“the Treasury Management Code of Practice”).

3.1.3 The Treasury Management Code of Practice and the associated guidance notes for local authorities include recommendations on reporting requirements, including the requirement for an annual mid-year report on treasury activities.

3.1.4 Unless otherwise stated the figures and commentary in the report cover the period from 1 April 2016 to 30 September 2016.

3.2 Issues

Summary of Key Headlines

3.2.1 The main highlights for the mid-year report are:

- The average rate of investments to the end of September was 0.80%, which is 0.52% above the benchmark average 7 day Libid of 0.28%.
- The debt financing budget is currently reporting a saving of £370k in 2016-17 due to:
- Lower recharges to the general Fund. This was due to both lower opening balances than originally budgeted for and lower average rates of interest and,
- A lower than budgeted statutory set aside required to cover outstanding borrowing. This is based on the previous financial year’s activity where more repayment on borrowing related to short-life assets occurred and some capital expenditure was deferred to the financial year 2016-17.
- Legal steps continue to recover outstanding monies due to the Council on third party loans to the football club.
- Compliance with agreed policies and practices has been monitored during the year to date. There have been no reported breaches.

Economic Environment and Interest Rates

3.2.2 A detailed economic commentary is provided in Appendix 1. This information has been provided by Capita Asset Services (CAS), the Council’s treasury management advisors.

3.2.3 The key UK headlines from this analysis are:

- The referendum vote for Brexit in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August 2016. However, in September, because of an equally sharp recovery in confidence it is generally expected that the

economy will post positive growth numbers for the second half of 2016 and 2017 albeit at a slower pace.

- The Monetary Policy Committee (MPC) in August 2016 introduced a package of measures including a cut in the Bank Rate from 0.50% to 0.25%, an additional £70bn of quantitative easing and a £100bn tranche of cheap borrowing for banks.
- The Chancellor, Phillip Hammond, announced, after the referendum, that the target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on 23 November.
- The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. The Consumer Price index (CPI) has already started to rise in 2016 because of the low price of oil and food twelve months ago falling out of the calculation during the year and the effect of the post Brexit fall in the value of Sterling.

Summary Portfolio Position

3.2.4 A snapshot of the Council's debt and investment position is shown in the table below. The figures exclude borrowing to fund loans to third parties, and finance leases.

	TMSS Forecast for March 2017 (As agreed by Council Feb 2016)		Actual as at 31 March 2016		Actual as at 30 September 2016		Revised Forecast to March 2017	
	£m	Average Rate %	£m	Average Rate %	£m	Average Rate %	£m	Average Rate %
Long term borrowing								
PWLB	203		188		188		188	
Market	9		9		9		9	
Other	9		6		9		9	
Total long term	221		203	3.31	206	3.28	206	3.27
Short term borrowing	0		0		0		0	
Total borrowing	221	3.34	203	3.31	206	3.28	206	3.27
Investments	61	0.70	66	0.90	68	0.72	50	0.72
Total Net Debt / Borrowing	187		137		138		156	

3.2.5 Further analysis of the Council's borrowing and investments is covered in the following two sections.

Borrowing

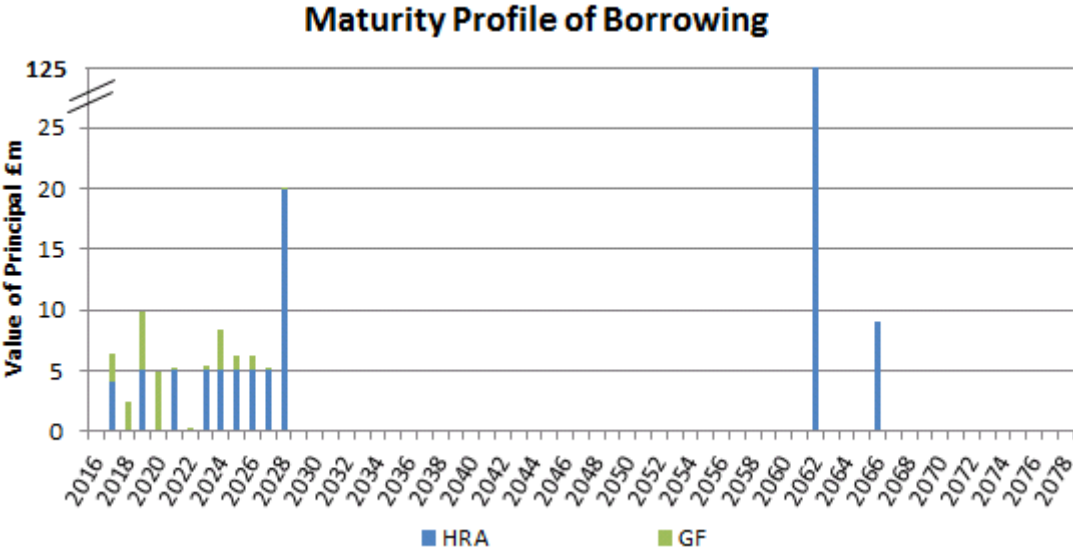
3.2.6 The Council can take out loans in order to fund spending for its Capital Programme. The amount of new borrowing needed each year is determined by capital expenditure plans and projections of the Capital Financing Requirement, forecast reserves and current and projected economic conditions.

New loans and repayment of loans

3.2.7 No new borrowing has been undertaken so far this financial year. Repayments of loan principal under annuity and EIP (Equal Instalment Payments) loan arrangements, mainly but not exclusively relating to borrowing to fund third party loans, have totalled £243k in the year to date.

Maturity profile of borrowing

3.2.8 The following graph shows the maturity profile of the Council’s mainstream loans (excluding borrowing for third party loans) split by HRA and GF. All the loans are at a fixed interest rate, which limits the Council’s exposure to interest rate fluctuations. The weighted average years to maturity of the portfolio is 31.7 years.



3.2.9 The maturity structure presented above differs from that in the treasury indicators in Appendix 2 in that LOBO loans are included at their final maturity rather than their next call date. In the current low interest rate environment the likelihood of the interest rates on these loans being raised and the loans requiring repayment at the break period is extremely low

Loan restructuring

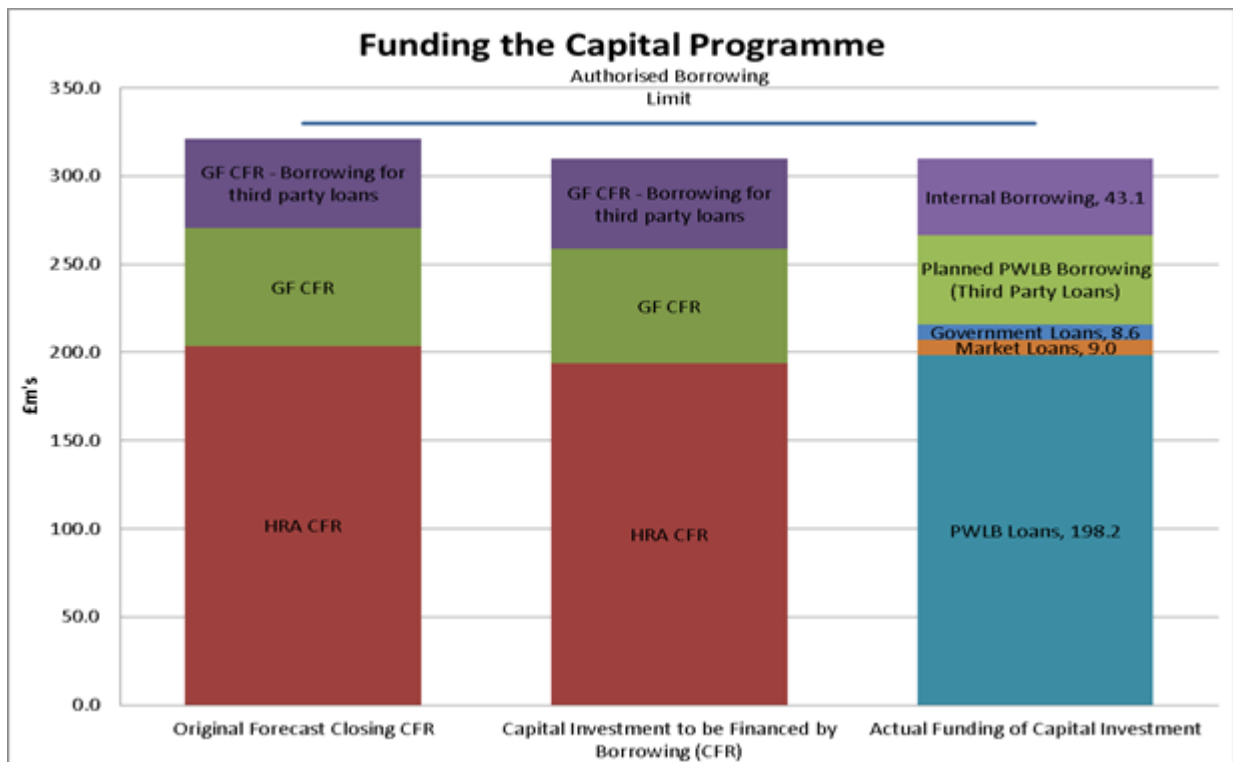
3.2.10 When market conditions are favourable long term loans can be restructured to generate cash savings, reduce the average interest rate and/or enhance the balance of the portfolio by amending the maturity profile and/or the level of volatility (determined by the fixed/variable interest rate mix.)

3.2.11 During the first six months of 2015-16 there were no opportunities for the Council to restructure its borrowing, due to the position of the Council’s

borrowing portfolio compared to market conditions. Further debt rescheduling will be considered subject to conditions being favourable but it is unlikely that opportunities will present themselves during this year. The position will be kept under review, and when opportunities for savings do arise, debt rescheduling will be undertaken to meet business needs.

Funding the Capital Programme

- 3.2.12 The Treasury Management Strategy Statement (TMSS) sets out the plan for treasury management activities over the next year. It identifies where the authority expects to be in terms of borrowing and investment levels. When the 2016-17 TMSS was set, it was anticipated that the Capital Financing Requirement (CFR), the Council's liability for financing the agreed Capital Programme, at year end would be £321m (including borrowing to fund third party loans). This figure is naturally subject to change as a result of changes to the approved capital programme and the optimisation of financing.
- 3.2.13 The graph below compares the maximum the Council could borrow in 2016-17 (the affordable borrowing limit) with the forecast CFR at 31 March 2017 and the forecast of how this will be financed. The figures in the graph include both HRA and GF borrowing, including borrowing to fund third party loans. The majority (£193m) of external borrowing relates to the HRA, arising from the HRA self-financing reforms in March 2012, whereby the Council was required by central government to take on the debt associated with its housing stock.



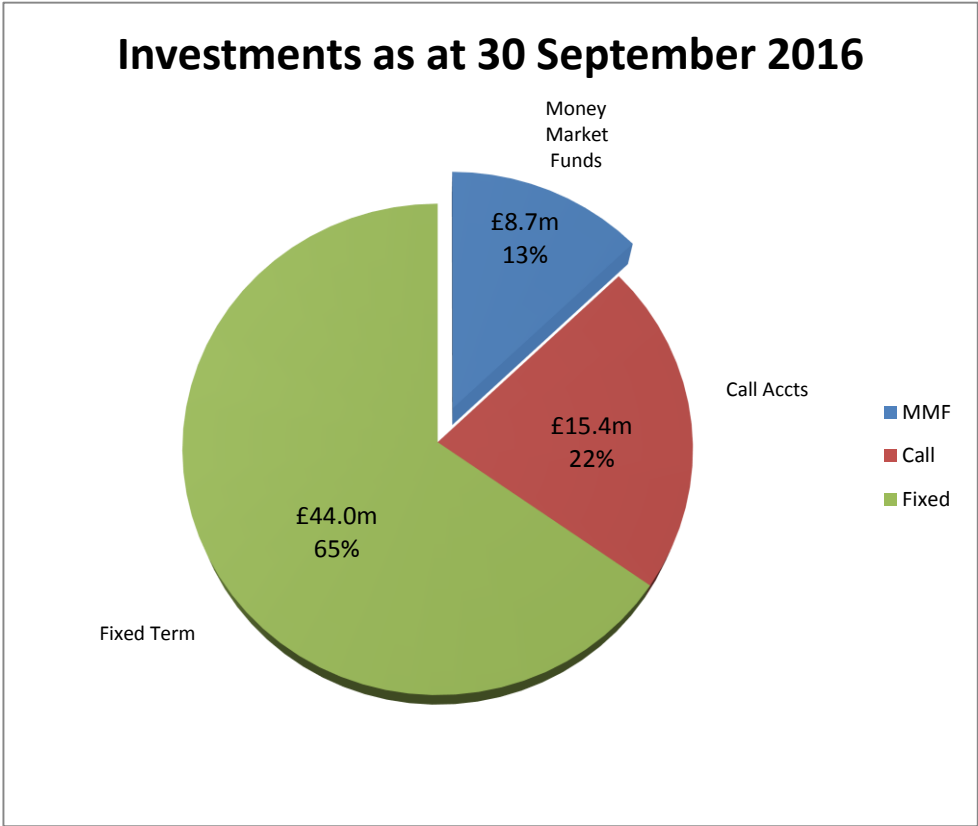
3.2.14 The graph shows that the Council's planned capital investment funded by borrowing is £20.3m below the Authorised Borrowing Limit set for the Council at the start of the year.

3.2.15 The graph also shows how the Council is planning to fund its 31 March 2017 borrowing requirement. £50.8m of external borrowing from the PWLB is expected to be undertaken to fund loans to third parties (primarily the University of Northampton); and £43.1m of internal borrowing is forecast by the end of the year, to finance capital investment. Internal borrowing is the use of the Council's surplus cash to finance the borrowing liability instead of borrowing externally.

Investments

3.2.16 Investment activity is carried out within the Council's counterparty policies and criteria, and with a clear strategy of risk management in line with the Council's treasury strategy for 2016-17. This ensures that the principle of considering security, liquidity and yield, in that order (SLY), is consistently applied. The Council will therefore aim to achieve the optimum return on investments commensurate with proper levels of security and liquidity. Any variations to agreed policies and practices are reported to Cabinet and Council.

- 3.2.17 The strategy currently employed by the Council of internal borrowing also has the effect of limiting the Council’s investment exposure to the financial markets, thereby reducing credit risk.
- 3.2.18 As at 30 September the level of investments totalled £68.1m. The level of cash available for investment is as a result of reserves, balances and working capital the Council holds. These funds can be invested in money market deposits, placed in funds or used to reduce external borrowings.
- 3.2.19 All investments are made according to the requirements of the Council’s Investment Strategy and agreed credit worthiness criteria. A breakdown of investments by type (Fixed Term, Money Market Funds, Call Accounts) are shown in the pie chart overleaf.



3.2.20 The table below compares the investment returns achieved over the six month period with 7 day Libid rate, which is used to benchmark performance.

3.2.21

Investment Returns			
	7 day Libid	Average rate	Uplift to 7 day Libid Rate
	%	%	%
Apr-16	0.36	0.85	0.49
May-16	0.36	0.85	0.49

Jun-16	0.36	0.81	0.45
Jul-16	0.35	0.81	0.46
Aug-16	0.14	0.80	0.66
Sep-16	0.12	0.69	0.57
Average to end of September	0.28	0.80	0.52

3.2.22 From the table, it can be seen that average rate of investments over the period was 0.80%, which is 0.52% above the average 7 day Libid of 0.28%.

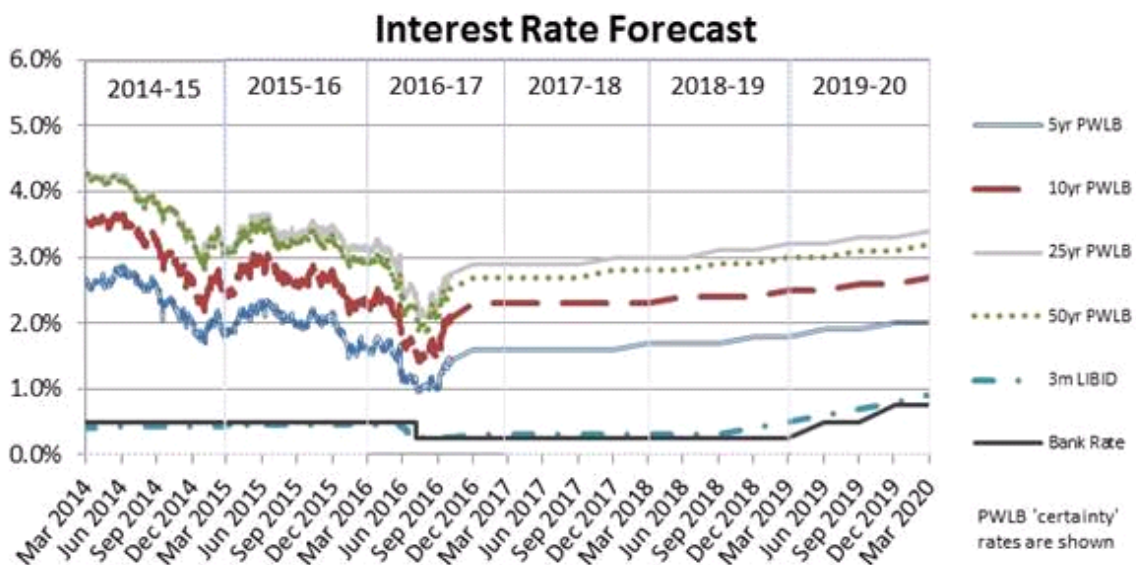
3.2.23 Where appropriate, investments have been locked out for periods of up to one year with suitable counterparties, including the UK part nationalised banks, at higher rates of interest. In a rising interest rate environment it is appropriate to keep investments fairly short in duration so as to take advantage of interest rate rises as soon as they occur. The weighted average time to maturity of investments at 30 September is 95 days, and 146 days when excluding Call Accounts and Money Market Fund investments.

3.2.24 Leaving market conditions to one side, the Council's return on investment is influenced by a number of factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument. Credit risk is a measure of the likelihood of default and is controlled through the creditworthiness policy approved by Council. The duration of an investment introduces liquidity risk; the risk that funds can't be accessed when required, and interest rate risk; the risk that arises from fluctuating market interest rates. These factors and associated risks are actively managed by the LGSS Treasury team together with the Council's Treasury Advisors.

3.2.25 During the six month period, none of the Council's counterparties with live investments have been affected by changes that have resulted in downgrades by Capita to the recommended investment period.

Outlook

3.2.26 The current interest rate forecast from Capita Asset Services is shown in the graph below.



3.2.27 The current interest rate forecast, updated following the referendum result to take account of the Monetary Policy Committee meeting of the 4th August

which cut Bank Rate from 0.5% to 0.25%, is shown in the graph above. The Bank Rate was further confirmed by the MPC on 3 November 2016 when it was held at 0.25%. Clearly, the performance of the economy over the coming months will be critical to this decision. The forecast now is for an increase in Bank Rate in June 2019 to 0.5%, but this will very much depend on how strongly and how soon the economy makes a gradual recovery, and so start a process of very gradual increases in Bank Rate over a prolonged period

3.2.28 Geopolitical events, sovereign debt crisis developments and slowing emerging market economies make forecasting PWLB rates highly unpredictable in the shorter term. The general expectation for an eventual trend of gently rising gilt yields and PWLB rates is expected to remain unchanged. An eventual world economic recovery may also see investors switching from the safe haven of bonds to equities.

3.2.29 From a strategic perspective, the Council is continually reviewing options as to the timing of any potential borrowing and also the alternative approaches around further utilising cash balances and undertaking shorter term borrowing which could potentially generate savings subject to an assessment of the interest rate risks involved. Cash flows in the last couple of years have been sufficiently robust for the Council to use its balance sheet strength and avoid taking on new borrowing. New external borrowing will be required at some point in the near to medium term to support the Councils capital programme.

Third Party Loans

3.2.30 As at 30 September £51.7m of third party loans to local organisations were in place, of which £50.8m were funded by PWLB borrowing.

3.2.31 The majority of the outstanding loan balance relates to the University of Northampton where the Council has worked with the South East Midlands Local Enterprise Partnership (SEMLEP) to secure the LEP project rate from PWLB for a loan facility of £46 million to support the creation of a waterside campus. The loan was drawn down on 10 March 2016.

3.2.32 Other loans included in the balance are to Cosworth, Unity Leisure and Northampton Rugby Football Club. The loan to Northampton Town Football Club is no longer included in this balance,

3.2.33 Interest and principal repayments for all of loans included in the balance have been paid in accordance with the loan agreements.

Regular Monitoring

3.2.34 An investment register is maintained, and updated on a daily basis, showing current investments and deposit account balances with counterparties used, investment durations and interest rates achieved.

3.2.35 Monthly reconciliations are completed for outstanding investment principal, interest received, outstanding borrowing principal and interest paid to ensure all transactions have been made and recorded accurately.

3.2.36 The debt financing budget has been monitored monthly since the start of the year, with any significant variances reported as part of the corporate financial performance reports.

3.2.37 Prudential and treasury indicators are monitored on a regular basis, and any variances or breaches of the indicators are reported to Cabinet and Council on a timely basis.

Debt Financing Budget

3.2.38 The debt financing budget is currently forecast to underspend by £370k, as set out in the table below.

DEBT FINANCING BUDGET 2016-17	As at 30 September 2016		
	Budget	Forecast	Variance to Budget
	£000	£000	£000
Debt Financing & Interest			
Interest Payable	1,784	1,785	1
Interest Receivable	(1,755)	(1,704)	51
Soft Loan Adjustments	0	0	0
Minimum Revenue Provision	1,429	1,152	(277)
Recharges from/(to) HRA - Interest on cash balances	393	248	(145)
Total Debt Financing & Interest	1,851	1,481	(370)

3.2.39 The forecast underspend is primarily due to the following:

- **Interest receivable on investments £51k** – Lower average rates of interest on investments have been achieved than anticipated at the time the budget was set (0.60% compared to 0.90% budgeted).
- **MRP (£227k)** – Significant savings were generated due to the repayment of borrowing on short-life assets during 2015-16 and the carrying forward of some capital expenditure into 2016-17. The MRP calculation is based on the 2015/16 activity, so the 2016/17 budget impact is now fixed and will not change.
- **Recharges from/(to) the HRA (£145k)** – This charge is forecast below budget due to lower opening balances than originally budgeted and lower average rate of interest assumed on investments (0.60% compared to 0.90% budgeted).

Compliance with Treasury Limits and Prudential Indicators

3.2.40 With effect from 1st April 2004 The Prudential Code became statute as part of the Local Government Act 2003 and was revised in 2011.

3.2.41 The key objectives of the Prudential Code are to ensure, within a clear

framework, that the capital investment plans of the Council are affordable, prudent and sustainable. To ensure compliance with this the Council is required to set and monitor a number of Prudential Indicators.

3.2.42 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement (TMSS) and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix 2. There have been no breaches of any indicators during the first half of the financial year.

Variations (if any) from or to agreed policies and practices

3.2.43 Compliance with agreed policies and practices has been monitored during the year to date. There have been no reported breaches in the first six months of this year.

Bank Overdraft Facilities

3.2.44 A cost-benefit exercise was undertaken in late 2014-15 to determine what level of overdraft facility represented best value for money for the Council, based on a risk assessment of possible overdrawn scenarios. As the Council maintains very tight control of its cash balances, it was determined that the most cost effective approach was not to renew the overdraft facility when it came up for renewal in April 2015. This change to the Council's Treasury Strategy was approved by the Chief Finance Officer.

3.3 Choices (Options)

3.3.1 This report asks Cabinet to note the performance of the treasury management function against the Treasury Management Strategy Statement 2016/17 that was approved by Council in February 2016 and as such provides no options for Members to decide on.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Council is required to adopt the latest CIPFA Treasury Management Code of Practice, and to set and agree a number of policy and strategy documents. These policy documents are reported to Cabinet and Council as part of the budget setting process. The Council's Treasury Strategy for 2016-17 was approved by Council on 29 February 2016.

4.1.2 This report complies with the requirement to submit a mid-year treasury management review report to Council.

4.2 Resources and Risk

- 4.2.1 The resources required for the Council's debt management and debt financing budgets are agreed annually through the Council's budget setting process. The latest debt financing budget position is shown in the body of the report.
- 4.2.2 The risk management of the treasury function is specifically covered in the Council's Treasury Management Practices (TMPs), which are reviewed annually. Treasury risk management forms an integral part of day-to-day treasury activities.

4.3 Legal

- 4.3.1 The Council is obliged to carry out its treasury management activities in line with statutory requirements and associated regulations and professional guidance.

4.4 Equality and Health

- 4.4.1 An Equalities Impact Assessment was carried out on the Council's Treasury Strategy for 2016-17, and the associated Treasury Management Practices (TMPs) and the Schedules to the TMPs. The EIA assessment is that a full impact assessment is not necessary, as no direct or indirect relevance to equality and diversity duties has been identified

4.5 Consultees (Internal and External)

- 4.5.1 Consultation on treasury management matters is undertaken as appropriate with the Council's treasury advisors, Capita Asset Services, and with the Portfolio holder for Finance.
- 4.5.2 Under the regulatory requirements, the Audit Committee has been nominated by Council as the body responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. This role includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council. This report will be presented to Audit Committee at their meeting of 18 January 2017.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 Management of performance in relation to treasury management activities supports the Council's priority of making every £ go further.

4.7 Other Implications

- 4.7.1 No other implications have been identified.

5. Background Papers

- 5.1 Treasury Management Strategy Statement 2016/17

Glenn Hammons, Chief Finance Officer 0300 330 7000

**Economic Update provided by Capita Asset Services for the period to 30
September 2016**

UK

GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were strong but 2015 was disappointing at 1.8%, though it remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back to +0.4% (2.0% y/y) in quarter 1 of 2016 before bouncing back again to +0.7% (2.1% y/y) in quarter 2. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme.

The referendum vote for Brexit in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which was interpreted as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post positive growth numbers through the second half of 2016 and in 2017, albeit at a slower pace than in the first half of 2016.

The Monetary Policy Committee (MPC) meeting on 4th August was dominated by consideration of the initial shock fall in business surveys and the expected sharp slowdown in growth. The result was a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing for banks to use to lend to businesses and individuals. The Bank of England quarterly Inflation Report included an unchanged forecast for growth for 2016 of 2.0% but cut the forecast for 2017 from 2.3% to just 0.8% and the forecast for 2018 to 1.8%. However, some forecasters think that the Bank has been too pessimistic with its forecasts; since then, later statistics and the sharp recovery in business surveys have provided support for this view. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government will need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation). The new Chancellor, Phillip Hammond, announced, after the referendum result, that the target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on 23rd November.

The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI had already started rising during 2016 as the falls in the price of oil and food twelve months ago fall out of the calculation during the year and, in addition, the post referendum 18% fall in the value of sterling on a trade weighted basis, (as at late October), is likely to result in additional upward pressure on CPI. However, this further increase in inflationary pressures will take 2-3 years to gradually work its way through the economy so is unlikely to cause major concern to

the MPC unless the increases are stronger than anticipated. The MPC is, therefore, on balance, expected to look through this one off upward blip in inflation from the devaluation of sterling in order to support economic growth, especially if pay increases continue to remain subdued and therefore pose little danger of stoking core inflationary price pressures *arising from within* the UK economy. The Bank of England will most probably have to revise its inflation forecasts significantly higher in its 3rd November quarterly Inflation Report: this rise in inflation expectations has caused investors in gilts to demand a sharp rise in longer term gilt yields, which have already risen by around fifty basis points since mid-August. It should be noted that 27% of gilts are held by overseas investors who will have seen the value of their gilt investments fall by 18% as a result of the devaluation of sterling, (if their investments had not been currency hedged). In addition, the price of gilts has fallen further due to a reversal of the blip up in gilt prices in early August after further quantitative easing was announced - which initially drove yields down, (i.e. prices up). Another factor that is likely to dampen gilt investor sentiment will be a likely increase in the supply of gilts if the Chancellor slows down the pace of austerity and the pace of reduction in the budget deficit in the Autumn Statement - as he has already promised. However, if there was a more serious escalation of upward pressure on gilt yields, this could prompt the MPC to respond by embarking on even more quantitative easing, (purchases of gilts), to drive gilt yields back down.

USA

The American economy had a patchy 2015 with sharp swings in the quarterly growth rate leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 disappointed at +0.8% on an annualised basis while quarter 2 improved, but only to a lacklustre +1.4%. However, forward indicators are pointing towards a pickup in growth in the rest of 2016. The Federal Reserve embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, have caused a delay in the timing of the second increase which is now strongly expected in December 2016. Overall, despite some data setbacks, the US is still probably the best positioned of the major world economies to make solid progress towards a balanced combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis.

EZ

In the Eurozone, the ECB commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from around zero towards the target of 2%. GDP growth rose by 0.6% in quarter 1 2016, (1.7% y/y), but slowed to +0.3%, (+1.6% y/y), in quarter 2. Forward indications are that economic growth in the EU is

likely to continue at moderate levels with Germany continuing to outperform other major European economies. This has added to comments from many forecasters that central banks around the world are running out of ammunition to stimulate economic growth and to boost inflation. They stress that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant political risks within the EZ in as much as Spain has held two general elections since December 2015 and still been unable to form a functioning government holding a majority of seats, while the Netherlands, France and Germany face general elections in 2017. A further cause of major political tension and political conflict, is one of the four core principals of the EU – the free movement of people within the EU, (note – not in just the Eurozone common currency area). In addition, Greece has been a cause of major concern in terms of its slowness in delivering on implementing fundamental reforms required by the EU to reduce its budget deficit in exchange for the allocation of further bailout money.

Another area of major concern is that many Italian banks are exposed to substantial amounts of underperforming loans and are undercapitalised. Some German banks are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.

Prudential and Treasury Indicators as at 30 September 2016

Prudential Indicators

Affordability

a) Estimate of the ratio of financing costs to net revenue stream

Ratio of financing costs to net revenue stream		
	2016-17	2016-17
	Estimate %	Forecast as at 30 September 2016
General Fund	6.90%	5.86%
HRA	35.56%	35.64%

b) Estimate of the incremental impact of capital investment decisions on the council tax

Estimates of incremental impact of new capital investment decisions on the Council Tax	
	2016-17
	Estimate £.p
General Fund	0.59

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

c) Estimate of the incremental impact of capital investment decisions on the housing rents

Estimates of incremental impact of new capital investment decisions on weekly housing rents	
	2016-17
	Estimate £.p
HRA	0.25

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

Prudence

d) Gross debt and the capital financing requirement (CFR)

Gross external debt less than CFR				
	Excluding third party loans		Including third party loans	
	2016-17 Budgeted	2016-17 Forecast at 30 Sep 2016	2016-17 Budgeted	2016-17 Forecast at 30 Sep 2016
	£000	£000	£000	£000
Gross external debt at 30 Sep 2016	215,998	216,155	267,328	266,989
2015-16 Closing CFR	248,431	248,573	299,761	299,913
Changes to CFR:				
2016-17	11,738	10,114	11,458	9,834
2017-18	10,126	9,021	9,846	8,741
2018-19	7,215	6,691	6,935	6,411
Adjusted CFR	277,510	274,399	328,000	324,899
Gross external debt less than adjusted CFR	Yes	Yes	Yes	Yes

Capital Expenditure

e) Estimate of capital expenditure

Capital Expenditure		
	2016-17	2016-17
	Estimate £000	Outturn Forecast at 30 Sep 2015 £000
General Fund	14,532	21,888
HRA	34,592	34,592
Total	49,124	56,480
Loan to Third Parties	0	0
Total	49,124	56,480

f) Estimates of capital financing requirement (CFR)

Capital Financing Requirement (Closing CFR)		
	2016-17	2016-17
	Estimate £000	Forecast at 30 Sep 16 £000
General Fund	66,651	64,769
HRA	194,518	193,918
Total	260,169	258,687
Loan to Third Parties	51,050	51,060
Total	311,219	309,747

External Debt

g) Authorised limit for external debt

Authorised Limit for external debt		
	2016-17	2016-17
	Boundary £000	Actual as at 30 Sep 2016 £000
Borrowing	325,000	266,640
Other long-term liabilities	5,000	348
TOTAL	330,000	266,988

h) Operational boundary for external debt

Operational boundary for external debt		
	2016-17	2016-17
	Boundary £000	Actual as at 30 Sep 2016 £000
Borrowing	315,000	266,640
Other long-term liabilities	5,000	348
TOTAL	320,000	266,989

i) HRA Limit on Indebtedness

HRA Limit on Indebtedness	
2016-17	2016-17
£000	Forecast Closing HRA CFR 31 March 2015 as at 30 Sep 2016 £000
217,001	193,918

i) Adoption of the CIPFA code of Practice for Treasury Management in the Public Services

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Treasury Code). The adoption is included in the Council's Constitution (Feb 2013) at paragraph 6.10 of the Financial Regulations.

Treasury Indicators

1a. Upper Limits on interest rate exposures – investments

Upper limits on interest rate exposures - Investments		
	2016-17	2016-17
	Limit %	Actual as at 30 September 2016 %
Fixed Interest Rate Exposures	150%	110%
Variable Interest Rate Exposures	150%	-10%

1b. Upper limits on interest rate exposures – Borrowing

Upper limits on interest rate exposures - Borrowing		
	2016-17	2016-17
	Limit %	Actual as at 30 September 2016 %
Fixed Interest Rate Exposures	100%	65%
Variable Interest Rate Exposures	100%	35%

Figures exclude borrowing for third party loans

1c. Upper limits on interest rate exposures - Net borrowing

Upper limits on interest rate exposures - Investments and Borrowing		
	2016-17	2016-17
	Limit %	Actual as at 30 September 2016 %
Fixed Interest Rate Exposures	100%	96%
Variable Interest Rate Exposures	100%	4%

Figures exclude borrowing for third party loans

2. Total principal sums invested for periods longer than 364 days

Upper limit on investments for periods longer than 364 days		
	2016-17	2016-17
	Upper Limit £000	Actual at 30 Sep 2016 £000
Investments longer than 364 days	4,000	0

3. Maturity Structure of Borrowing

Maturity structure of borrowing			
	2016-17	2016-17	2016-17
	Lower Limit %	Upper Limit %	Actual at 30 Sep 2016 %
Under 12 months	0%	20%	7%
1-2 years	0%	20%	1%
2-5 years	0%	20%	9%
5-10 years	0%	20%	12%
10 -20 years	0%	40%	12%
20-30 years	0%	60%	0%
30-40 years	0%	80%	0%
Over 40 years	0%	100%	58%

The table shows the maturity structure of Council's mainstream loans (excluding borrowing to fund third party loans).

The guidance for this indicator requires that LOBO loans are shown as maturing at the next possible call date rather than at final maturity. The Council's LOBO loan is therefore included in the figure maturing in less than 12 months.

NBC Investment Portfolio as at 30 September 2016

Class	Type	Deal Ref	Start / Purchase Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Deposit	Fixed	NBC/LT/77	16/12/2014	16/12/2016	Blaenau Gwent County Borough Council	Maturity	0.93%	-2,500,000.00
Deposit	Fixed	NBC/CE/121	18/12/2015	16/12/2016	The Toronto-Dominion Bank	Maturity	0.99%	-4,000,000.00
Deposit	Fixed	NBC/ST/134	19/02/2016	17/02/2017	Landesbanken Hessen-Thuringen Girozentrale (Helaba)	Maturity	0.92%	-3,000,000.00
Deposit	Fixed	NBC/ST/142	06/05/2016	05/05/2017	The Toronto-Dominion Bank	Maturity	0.90%	-5,000,000.00
Deposit	Fixed	NBC/ST/143	02/06/2016	02/12/2016	Sumitomo Mitsui Banking Corporation Europe Ltd	Maturity	0.70%	-5,000,000.00
Deposit	Fixed	NBC/ST/144	10/06/2016	10/03/2017	Bank of Montreal	Maturity	0.68%	-5,000,000.00
Deposit	Fixed	NBC/ST/145	07/07/2016	06/01/2017	Nationwide Building Society	Maturity	0.55%	-5,000,000.00
Deposit	Fixed	NBC/ST/148	02/08/2016	31/07/2017	Landesbanken Hessen-Thuringen Girozentrale (Helaba)	Maturity	0.62%	-3,000,000.00
Deposit	Fixed	NBC/ST149	04/08/2016	03/02/2017	Goldman Sachs International Bank	Maturity	0.59%	-2,500,000.00
Deposit	Fixed	NBC/ST/117	09/11/2015	07/11/2016	The Toronto-Dominion Bank	Maturity	0.89%	-2,000,000.00
Deposit	Fixed	NBC/ST/118	24/11/2015	22/11/2016	Landesbanken Hessen-Thuringen Girozentrale (Helaba)	Maturity	1.07%	-3,000,000.00
Deposit	Fixed	NBC/ST/153	07/09/2016	06/09/2017	The Toronto-Dominion Bank	Maturity	0.57%	-4,000,000.00
Fixed Total							1.57%	-44,000,000.00
Deposit	Call	NBC/ST/119 (180 DAY)	07/12/2015		Santander UK plc	Maturity	0.90%	-7,000,000.00
Deposit	Call	NBC/CE/115 (95 DAY)	06/10/2015		Santander UK plc	Maturity	0.65%	-5,000,000.00
Deposit	Call	NBC/ST/120 (120 DAY)	07/12/2015		Santander UK plc	Maturity	0.80%	-3,000,000.00
Deposit	Call	NBC/CE/1	31/03/2014		HSBC Bank plc	Maturity	0.07%	-410,000.00
Call Total							0.78%	-15,410,000.00
Deposit	MMF	NBC/CE/4	31/03/2014		Insight Liquidity Sterling C3	Maturity	0.35%	-2,367,000.00
Deposit	MMF	NBC/CE/3	31/03/2014		SLI Sterling Liquidity/Cl 2	Maturity	0.37%	-4,110,000.00
Deposit	MMF	NBC/CE/63	01/07/2014		LGIM Sterling Liquidity 4	Maturity	0.35%	-2,210,000.00
MMF Total							0.36%	-8,687,000.00
Deposit Total							1.38%	-68,097,000.00