Brighton & Hove City Council

Policy, Resources & Growth Committee

Title:	**Policy, Resources & Growth Committee**
Date:	**11 October 2018**
Time:	**4.00pm**
Venue	**Council Chamber, Hove Town Hall**
Members:	**Councillors:** Yates (Chair), Hamilton (Deputy Chair), Janio (Opposition Spokesperson), Mac Cafferty (Group Spokesperson), Bell, Daniel, Mitchell, Peltzer Dunn, Sykes and Wealls
Contact:	**Lisa Johnson** Democratic Services Manager 01273 291228 lisa.johnson@brighton-hove.gov.uk

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AGENDA

PART ONE **Page**

PROCEDURAL MATTERS

47 PROCEDURAL BUSINESS

(a) Declaration of Substitutes: Where Councillors are unable to attend a meeting, a substitute Member from the same Political Group may attend, speak and vote in their place for that meeting.

(b) Declarations of Interest:

(a) Disclosable pecuniary interests;
(b) Any other interests required to be registered under the local code;
(c) Any other general interest as a result of which a decision on the matter might reasonably be regarded as affecting you or a partner more than a majority of other people or businesses in the ward/s affected by the decision.

In each case, you need to declare
(i) the item on the agenda the interest relates to;
(ii) the nature of the interest; and
(iii) whether it is a disclosable pecuniary interest or some other interest.

If unsure, Members should seek advice from the committee lawyer or administrator preferably before the meeting.

(c) Exclusion of Press and Public: To consider whether, in view of the nature of the business to be transacted, or the nature of the proceedings, the press and public should be excluded from the meeting when any of the following items are under consideration.

NOTE: *Any item appearing in Part Two of the Agenda states in its heading the category under which the information disclosed in the report is exempt from disclosure and therefore not available to the public.*

A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls.

48 MINUTES **1 - 20**

To consider the minutes of the meeting held on 12 July 2018 (copy attached).

49 CHAIR'S COMMUNICATIONS

50 CALL OVER

(a) Items (53 - 66) will be read out at the meeting and Members invited to reserve the items for consideration.

(b) Those items not reserved will be taken as having been received and the reports' recommendations agreed.

51 PUBLIC INVOLVEMENT 21 - 24

To consider the following matters raised by members of the public:

(a) **Petitions:** to receive any petitions presented by members of the public to the full Council or as notified for presentation at the meeting by the due of (10 days);

(b) **Written Questions:** to receive any questions submitted by the due date of 12 noon on the 5 October 2018;

(c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 5 October 2018

Referred from Full Council 19 July 2018
(i) Mass Balloon Release – Ms T Fowler (copy attached)

52 MEMBER INVOLVEMENT 25 - 30

To consider the following matters raised by councillors:

(a) **Petitions:** to receive any petitions submitted to the full Council or at the meeting itself;

(b) **Written Questions:** to consider any written questions;

(i) Councillor Mac Cafferty – Brexit

(c) **Letters:** to consider any letters;

(d) **Notices of Motion:** to consider any Notices of Motion referred from Council or submitted directly to the Committee.

Referred from Full Council 19 July 2018:
(i) Charter Against modern Slavery (copy attached)

FINANCIAL MATTERS

53 TARGETED BUDGET MANAGEMENT (TBM) 2018/19: MONTH 5 31 - 90

Report of the Executive Director Finance & Resources (copy attached)

Contact Officer: *Nigel Manvell* *Tel: 01273 293104*
Ward Affected: *All Wards*

54 THE ALLOCATION OF BASIC NEED FUNDING TO THE CITY'S SECONDARY SCHOOLS **91 - 104**

Report of the Executive Director Families, Children & Learning (copy attached)

Contact Officer: *Richard Barker* *Tel: 01273 290732*
Ward Affected: *All Wards*

55 I360 LOAN RESTRUCTURING UPDATE **105 - 124**

Report of the Executive Director Economy, Environment & Culture (copy attached)

Contact Officer: *Max Woodford*
Ward Affected: *All Wards*

56 REVIEW OF WARD BUDGET SCHEME **125 - 136**

Report of Executive Lead Officer for Strategy, Governance and Law (copy attached)

Contact Officer: *Mark Wall* *Tel: 01273 291006*
Ward Affected: *All Wards*

STRATEGIC & POLICY MATTERS

57 CHARGING PROPOSALS FOR EMPTY HOMES **137 - 142**

Report of the Executive Director Finance & Resources (copy attached)

Contact Officer: *David Kuenssberg* *Tel: 01273 291233*
Ward Affected: *All Wards*

REGENERATION & PROPERTY MATTERS

58 OPTIONS FOR FUTURE DELIVERY OF HOUSING REPAIRS, PLANNED MAINTENANCE AND CAPITAL WORKS **143 - 420**

Report of the Executive Director Neighbourhoods, Communities & Housing (copy attached)

Contact Officer: *Sharon Davies* *Tel: 01273 121295*
Ward Affected: *All Wards*

59 NEW HOME FOR NEIGHBOURHOODS - ROTHERFIELD CRESCENT **421 - 438**

Report of the Executive Director Economy, Environment & Culture (copy attached)

Contact Officer: Jo Thompson *Tel: 01273 291466*

Ward Affected: *Patcham*

60 PORTSLADE SPORTS CENTRE - REPLACEMENT 3G PITCH PROJECT **439 - 446**

Report of the Executive Director Economy, Environment & Culture (copy attached)

Contact Officer: *Kerry Taylor* *Tel: 01273 292707*
Ward Affected: *North Portslade*

61 PUBLIC CONVENIENCES **447 - 456**

Report of the Executive Director Economy, Environment & Culture (copy attached)

Contact Officer: *Lynsay Cook* *Tel: 01273 291851*
Ward Affected: *All Wards*

62 DISPOSAL OF 43 BELMONT STREET AND ADJACENT LAND - DISPOSAL UPDATE **457 - 470**

Report of the Executive Director Economy, Environment & Culture (copy attached)

Contact Officer: *Angela Dymott, Jessica Hamilton, Jenna Cafolla* *Tel: 01273 291450 , Tel: 01273 291461 ,*
Ward Affected: *St Peter's & North Laine*

63 DELIVERY OF NEW INTEGRATED PRIMARY CARE CENTRE AT OXFORD STREET **471 - 488**

Report of the Executive Director Economy, Environment & Culture (copy attached)

Contact Officer: *Robert Crossan* *Tel: 01273 291442*
Ward Affected: *St Peter's & North Laine*

CONTRACTUAL MATTERS

64 HOME TO SCHOOL TRANSPORT FOR PUPILS WITH SPECIAL NEEDS AND OTHER SOCIAL CARE TRANSPORT CONTRACT **489 - 500**

Report of the Executive Director Families, Children & Learning (copy attached)

Contact Officer: *Richard Barker* *Tel: 01273 290732*
Ward Affected: *All Wards*

65 DEPARTMENTAL TRANSPORT SERVICE - A REPORT ON MANAGEMENT ACTIONS **501 - 504**

Report of the Executive Director Families, Children & Learning (copy attached)

Contact Officer: *Richard Barker* *Tel: 01273 290732*
Ward Affected: *All Wards*

GENERAL MATTERS

66 ROYAL PAVILION & MUSEUMS SERVICE OPTIONS **505 - 566**

Report of the Executive Director Economy, Environment & Culture (copy attached)

Contact Officer: *Val Birchall* *Tel: 01273 292571*
Ward Affected: *All Wards*

67 ITEMS REFERRED FOR COUNCIL

To consider items to be submitted to the 18 October 2018 Council meeting for information.

In accordance with Procedure Rule 24.3a, the Committee may determine that any item is to be included in its report to Council. In addition, each Group may specify one further item to be included by notifying the Chief Executive no later than 10.00am on [Insert Date] 2013 (the eighth working day before the Council meeting to which the report is to be made), or if the Committee meeting takes place after this deadline, immediately at the conclusion of the Committee meeting.

PART TWO

REGENERATION & PROPERTY MATTERS

68 DELIVERY OF NEW INTEGRATED PRIMARY CARE CENTRE AT OXFORD STREET **567 - 568**

Report of the Executive Director Economy, Environment & Culture (copy attached)

Contact Officer: *Angela Dymott* *Tel: 01273 291450*
Ward Affected: *St Peter's & North Laine*

69 PART TWO DISPOSAL OF 43 BELMONT STREET AND ADJACENT LAND - DISPOSAL UPDATE **569 - 570**

Report of the Executive Director Economy, Environment & Culture (copy attached)

Contact Officer: *Jenna Cafolla*
Ward Affected: *St Peter's & North Laine*

PROCEDURAL MATTERS

70 PART TWO MINUTES **571 - 572**

To consider the part two minutes of the meeting held on (12 July 2018).

Contact Officer: Mark Wall Tel: 01273 291006

71 PART TWO PROCEEDINGS

To consider whether the items listed in Part Two of the agenda and decisions thereon should remain exempt from disclosure to the press and public.

The City Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public. Provision is also made on the agendas for public questions and deputations to committees and details of how questions and deputations can be raised can be found on the website and/or on agendas for the meetings.

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FURTHER INFORMATION

For further details and general enquiries about this meeting contact Lisa Johnson, (01273 291228, email lisa.johnson@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

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Date of Publication - Wednesday, 3 October 2018

BRIGHTON & HOVE CITY COUNCIL

POLICY, RESOURCES & GROWTH COMMITTEE

4.00pm 12 JULY 2018

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillor Yates (Chair)

Also in attendance: Councillor Hamilton (Deputy Chair), Janio (Opposition Spokesperson), Mac Cafferty (Group Spokesperson), Bell, Daniel, Mitchell, Peltzer Dunn, Wealls and Gibson

Other Members present: Councillors

PART ONE

22 PROCEDURAL BUSINESS

(a) Declarations of Substitutes

22.1 Councillor Gibson was present in substitution for Councillor Sykes

(b) Declarations of Interest

22.2 There were no declarations of interests in matters listed on the agenda.

(c) Exclusion of Press and Public

22.3 The Committee considered whether the press and public should be excluded from the meeting during the consideration of any of the items listed on the agenda.

22.4 **RESOLVED:** That the press and public be excluded from the meeting during consideration of the items contained in part two of the agenda.

23 MINUTES

23.1 **RESOLVED**: That the Minutes of the meeting held on 14 June 2018 be agreed and signed as a correct record.

24 CHAIR'S COMMUNICATIONS

24.1 The Chair informed those present that the meeting was being webcast and would be capable of repeated viewing.

25 CALL OVER

25.1 The following items in Part One of the agenda were reserved for discussion:

Item 28 – Business Rates – Rate Relief Scheme
Item 29 – Revenue & Capital Budget Planning and Resource Update 2019/20
Item 30 – Targeted Budget Management (TBM) 2018/19: Month 2
Item 32 – Annual Progress Update Corporate KPIs 2017/18
Item 33 – Corporate Key Performance Indicator Target Setting 2018/19
Item 34 – Phasing Out Single Use Plastics (SUPS)
Item 35 – Winter Night Shelter Evaluation
Item 36 – Disposal of 43 Belmont Street and Adjacent Land
Item 37 – Asset Disposals for Re-Investment in the Urban Portfolio
Item 38 – Public Conveniences
Item 39 – Constitution Review
Item 40 – City Environmental Management Modernisation Programme Update
Item 41 – Proposed New Development of Cullum Centres for Children with Autism in Partnership with the National Autistic Society and Cullum Family Trust.

25.2 The following items in Part One of the agenda were agreed without discussion:

Item 31 – Treasury management Policy Statement 2017/18 – End of Year Review

26 PUBLIC INVOLVEMENT

26 (a) **Petitions**

26.1 There were none

26 (b) **Written Questions**

26.2 There were none

26 (c) **Deputations**

26.3 There were none

27 MEMBER INVOLVEMENT

27 (a) **Petitions**

27.1 There were none

27 (b) **Written Questions**

27.2 There were none

27 (c) **Letters**

27.3 There were none

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27 (d) **Notices of Motion**

27.4 There were none

28 BUSINESS RATES - RATE RELIEF SCHEMES

28.1 The Committee considered the report of the Executive Director Finance & Resources which outlined two Business Rate Relief schemes.

28.2 Councillor Mac Cafferty asked how organisations would show that they had met the criteria for social value, and how they would be assessed. The Revenues & Benefit Manager said that the proceeding policy looked at value to the community, and the new policy refocused that policy as a core principle. Officers were working on a framework to assist them when considering the social value of an organisation.

28.3 Councillor Mac Cafferty noted that charity shops were excluded, but some local ones were not part of big organisations such as Sussex Beacon and asked how those shops would be considered. The Revenues & Benefit Manager said that most organisations had a national basis, but rate relief would be given to independent charity shops if there were a benefit to the community.

28.4 Councillor Mac Cafferty referred to the Revaluation Rate Relief, and asked why there was an underspend when small businesses were struggling. The Revenues & Benefit Manager said that the intention had been to apply the rate relief as soon as possible, but it had taken time to apply. One key thing had been the policy not to support multi-national organisations, but there were a number of groups which had only three to four sites in the UK, and it had taken time to process.

28.5 Councillor Daniel welcomed the report and that it addressed the anomaly for charities in the city, and showed how social value was now increasingly mainstream across the processes of the organisation.

28.6 **RESOLVED**: That the Committee -

(i) Approved the policy for Discretionary Rate Relief at Appendix 2.

(ii) Approved the proposals in paragraphs 3.13 to 3.20 concerning Revaluation Rate Relief for 2018 to 2021, summarised as follows:

- The policy from 2017-18 shall be continued for the remaining lifetime of the Revaluation Rate Relief scheme
- The qualifying Rateable Value threshold shall be reduced to £80,000 for 2018-19.
- Starting thresholds for future years shall be set at £40,000 for 2019-20 and £15,000 for 2020-21
- Officers shall be empowered to alter the thresholds incrementally during each year, or to alter the other parameters of the scheme, to maximise the use of available government funding

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29 REVENUE & CAPITAL BUDGET PLANNING AND RESOURCE UPDATE 2019/20

29.1 The Committee considered the report of the Executive Director for Finance & Resources, which provided a budget planning and resource update for the 2019/10 budget process, including an updated Medium Term Financial Strategy (MTFS).

29.2 Councillor Wealls referred to the service pressure funding for Environment Economy & Culture, and noted that £0.800m was to support additional costs within City Clean and asked how much of that was for agency costs as a result of staff turnover, and how much of it was pressure on income targets for commercial waste. The Executive Director for Economy, Environment & Culture said that he didn't have the specific figures, but the projected figure of £0.800m would have been made up of a number of things such as staff costs associated with weekend work, some agency costs and some pressure on income targets, but in addition it included some pressures on income targets within building control as set out in the report such as the cost of electricity for street lighting. The Executive Director for Finance & Resources said it was hard to be accurate with anticipated pressures for 2019/10 but the figures were based on what was known and officers had to make a prudent estimate.

29.3 Councillor Wealls said that City Clean was going to remodelled and there was a report with no financial figures in it, but in this report there was a projected service pressure of £0.800m when the proper business plan had not been agreed. The Executive Director for Economy, Environment & Culture said that Item 40 on the agenda provided more information on this matter and the full business plan for commercial waste would go to the Environment, Transport and Sustainability Committee in due course.

29.4 Councillor Mac Cafferty said that many other Local Authorities were also facing difficult financial decisions, and asked if this Council shared information on best practices with them. The Executive Director for Finance & Resources said they did; the Council was a member of CIPFA and they were running a number of initiatives and reviews for Councils, and this authority was also a member of Orbis which was useful.

29.5 Councillor Janio asked if Brighton & Hove City Council had bid for last year's Business Rate 100% retention. The Executive Director Finance & Resources said that unfortunately Brighton & Hove City Council was not in the category who could bid. Councillor Janio referred to policy, and suggested that wasn't the case. The Executive Director Finance & Resources clarified that whilst the policy did not exclude unitary authorities, it was made clear that by the DCLG that they were looking at bids from two tier authorities.

29.6 Councillor Gibson referred to the shortfall of income from commercial property rents, and said that currently the Council were looking at getting a more balanced portfolio, and in doing that the Council was disposing of properties with poor rental income and then acquiring higher performing properties. However that had led to a period of no rental income, and the Asset Management Board was considering whether it was preferable to acquire a property and then fund it from the proceeds of the sale of other properties. The Executive Director Finance & Resources said that the Council would look at any asset acquisition and disposal which would be beneficial to the Authority and any sequence which was the most appropriate.

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29.7 Councillor Gibson noted that there was a 3.5% increase arising from the PFI contract and asked if that rate could be renegotiated as that was not the rate at which costs were increasing. The Executive Director Finance & Resources said that the PFI contract was being reviewed through external accountants, and one question was whether there was an alternative finance arrangement. It was not straight forward but experts were looking at the arrangements, and whilst it may not be possible to buy out of the contract it might be possible to renegotiate to reduce the costs.

29.8 Councillor Gibson noted the potential requirement to sell off high value homes when they became vacant, but he had heard that that policy may be scrapped. The Executive Director Finance & Resources said that related to government policy and he would have to get back to the Councillor.

29.9 The Chair noted that an amendment had been received from the Green Group, and asked Councillor Mac Cafferty to propose the amendment.

29.10 Councillor Mac Cafferty noted that the report made reference to looking at Council Tax reduction minimum liability, and said that the amendment was being proposed to ensure that there was consultation. He formally proposed the following amendment:

Insert recommendation 2.5 to the report, as shown in *italics:*

2.4 Agree the proposed approach to reviewing the Council Tax Reduction Scheme as set out in paragraphs 3.25 to 3.27;

2.5 Agree to consult on reducing Council Tax Reduction minimum liability

~~2.5~~ *2.6* Note the resource projections for the Capital Investment Programme as shown in Appendix 3.

29.11 Councillor Gibson seconded the amendment.

29.12 The Committee agreed the amendment.

29.13 RESOLVED: That the Committee –

(i) Noted the resource and net expenditure projections for 2019/20 and the Medium Term Financial Strategy (MTFS) projections set out in the body of the report and Appendices 1 and 2 based on a 2.99% Council Tax increase.

(ii) Noted the latest revised savings requirement of £11.559 million for 2019/20 which will be adopted for budget setting purposes as detailed at paragraph 3.51.

(iii) Instructed the Executive Leadership Team (ELT) to refresh the current 4 Year Service & Financial Plans and develop further investment and savings proposals to address any outstanding budget gaps for 2019/20 based on the MTFS assumptions in this report for consideration by Policy, Resources & Growth Committee.

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(iv) Agreed the proposed approach to reviewing the Council Tax Reduction Scheme as set out in paragraphs 3.25 to 3.27.

(v) Agreed to consult on reducing Council Tax Reduction minimum liability.

(vi) Noted the resource projections for the Capital Investment Programme as shown in Appendix 3.

30 TARGETED BUDGET MANAGEMENT (TBM) 2018/19: MONTH 2

30.1 The Committee considered the report of the Executive Director Finance and Resources which set out an early indication of forecast risks as at Month 2 on the Council's revenue and capital budgets for the financial year 2018/19.

30.2 Councillor Wealls noted that there was a delay in recruiting staff to support homeless households into permanent accommodation, and asked why that was. The Executive Director Finance and Resources said that they were struggling to recruit staff and that was an issue. The authority was looking at hard to recruit positions across the Council, and considering options such as supplementing pay if possible.

30.3 Councillor Mac Cafferty said that last year's budget equality impact assessments assured us that savings would be met through efficiency, and asked if that approach was working. The Executive Director Finance and Resources said that in the budget process the amount of pressure funding that was felt was needed to meet the rising demand and inflationary pressures had been applied. However, over the last few years that had not been adequate, and so budget saving opportunities had to be applied. In this year's budget proposal officer's would be looking capacity and being realistic on what could and could not be delivered. To date the Council had continued to deliver the vast majority of services, but with the level of cuts over the last seven to eight years departments were now straining to deliver them.

30.4 The Chair referred to Recommendation 2.7 and asked if the virement was a one off, or whether it was a permanent transfer of the Concessionary Travel budget. The Executive Director for Economy, Environment & Culture confirmed that it was permanent.

30.5 The Chair proposed the following amendment to recommendation 2.7:

Approved a ~~*virement to*~~ transfer the Concessionary Travel budget from Corporate Budgets to the Environment, Economy and Culture Directorate (paragraph 6.3).

30.6 Councillor Mitchell seconded the amendment.

30.7 The Committee agreed the amendment.

30.8 RESOLVED: That the Committee –

(i) Noted the forecast risk position for the General Fund, which indicated a budget pressure of £2.897m. This includes an overspend of £0.716m on the council's share of the NHS managed Section 75 services.

(ii) Noted that the one-off Adult Care Support Grant has been allocated to meet a gross forecast risk on Adult Social Care of £2.926m including Adult Learning Disability services.

(iii) Noted that the one-off financial risk safety net of £1.500m was available to mitigate the forecast risk if the risks cannot be completely eliminated by year-end.

(iv) Noted the forecast for the Housing Revenue Account (HRA), which was currently an underspend of £0.400m.

(v) Noted the forecast risk position for the Dedicated Schools Grant which was an overspend of £0.385m.

(vi) Noted the forecast outturn position on the capital programme and approve the variations and slippage in Appendix 4 and the new schemes as set out in Appendix 5.

(vii) Approved a transfer the Concessionary Travel budget from Corporate Budgets to the Environment, Economy and Culture Directorate (paragraph 6.3).

31 TREASURY MANAGEMENT POLICY STATEMENT 2017/18 – END OF YEAR REVIEW

32 ANNUAL PROGRESS UPDATE CORPORATE KPIS 2017-18

32.1 The Committee considered the report of the Executive Lead for Strategy Governance & Law which set out performance progress for the period 1 April 2017 to 31 March 2018 in relation to Corporate Key Performance Indicators (KPIs). The report was introduced by the Head of Performance Improvement & Programmes.

32.2 Councillor Wealls was pleased to note that that the number of Fixed Penalty Notices issued for littering had increased from 1601 to 4228, and said it would help address some resident's concerns over the level of litter in the city.

32.3 Councillor Peltzer Dunn referred to the 'speed of determining applications for non-major development', and said that the figures were very encouraging. However he noted the temporary measures proposed by the Head of Planning, and asked if that was an indication that something was now going wrong as the figures in the papers only went up to March 2018 and it was now July 2018. The Executive Director for Economy, Environment & Culture said that officers wanted to ensure that they continued to provide the highest level of service. There had been a spike in planning applications, and some planning officers had a very large caseload and so to ensure that the same good service was maintained a number of temporary measures had been proposed.

32.4 Councillor Janio referred to 'families identified as part of the Stronger Families Stronger Communities Programme who are turned around', and noted that the target number was 212, the actual number was 248, but the engagement target was 531 and asked if a briefing could be provided outside of the meeting to explain the differing figures. The

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Assistant Director Education & Skills agreed to do that.

32.5 Councillor Mac Cafferty referred to the 'missed refuse collection', and 'streets with widespread or heavy levels of litter', which showed many missed refused collections and a higher percentage of roads with heavy litter and said that the Green Group had brought questions to Full Council warning what was happening and that cuts to City Clean and the full effect of those cuts was now evident.

32.5 RESOLVED: That the Committee agreed to review progress in relation to Corporate KPIs particularly corrective measures outlined for 'red' and 'amber' indicators and provide ongoing support and challenge to lead officers to bring performance back on track.

33 CORPORATE KEY PERFORMANCE INDICATOR TARGET SETTING 2018/19

33.1 The Committee considered the report of the Executive Lead Officer Strategy, Governance & Law which presented the draft targets for the Corporate Key Performance Indicators for 2018/19.

33.2 Councillor Wealls thanked officers for the report and said he had confidence in the whole process.

33.3 Councillor Janio thanked officers, and said that the data would be used to drive performance within the Council.

33.4 RESOLVED: That the Committee agreed -

(i) To review and approve the Corporate KPI set and associated targets proposed by Leadership Board and the cross-party Member working group as set out in Appendix 2.

(ii) To note that target figures may change during the year if new benchmarking figures become available. PR&G approval will be sought if there is a proposal from Directorates to change the rationale for particular targets.

34 PHASING OUT SINGLE USE PLASTICS (SUPS)

34.1 The Committee considered the report of the Executive Director Economy, Environment & Culture which proposed a new policy approach to phasing out single use plastics (SUPs) across council buildings and services.

34.2 The Chair noted that an amendment to the recommendations had been submitted by the Green Group, and asked Councillor Mac Cafferty to propose that amendment.

34.3 Councillor Mac Cafferty welcomed the report which had some very strong initiatives, and thanked officers for the work undertaken. He said that one of the key things that the Group raised in the Notice of Motion, which was considered by Council in November 2017, was that there were people outside of the Council who were already looking at

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this matter and it would be beneficial to tap into what they were doing and build on their initiatives. He said that the Green Group amendment was constructive, and sought to underline particular issues such as the existing Sustainable Event Commitment form and to encourage event organisers to completely avoid SUPs. The amendment also requested an action plan be included in the annual report to the Environment, Transport and Sustainability Committee, as this would add weight to any action plan in those reports.

Councillor Mac Cafferty proposed the following amendment (changes in italics):

2.1 Note the report and work progress detailed in section 4.

2.2 Approve the draft Corporate SUPs policy Appendix 1, *including:*

- strengthening the existing Sustainable Event Commitment Form and guidance circulated to exhibitors and traders;

- the possibility of requiring event organisers and vendors to avoid Single Use Plastics as a condition of their event permission

- authorise the Executive Director Economy, Environment & Culture to insert the above in the appropriate part of Appendix 1.

2.3 Approve the recommendation that reporting on this will be brought to Environment, Transport and Sustainability Committee on an annual basis, *including an action plan detailing the timeframe for achieving the goals set out in the policy,* until such time that the committee is confident that the city council has done all it can to reduce and eliminate SUPs use in the city.

34.4 Councillor Gibson seconded the amendment.

34.5 Councillor Mitchell (Chair of Environment, Sustainability & Transport Committee), said that the Council now had a draft policy which could be built on, but it wasn't something which the Council could do by themselves and would need to work with partners and look to central government for additional support. The Labour Group would be happy to support the Green Group amendment.

35.5 Councillor Bell said that the Conservative Group would also support the Green Group amendment. He noted that staff were being asked to no longer use disposable cups for refreshments, but to use their own crockery, glasses etc and asked if that had had an impact. Officers advised that it was being monitored and would be reported back to the ETS Committee in due course. Councillor Bell noted that that had been a lot of negative publicity about the amount of SUPs left after the last marathon, and asked if that would be looked at for next year's event. The Executive Director Economy, Environment & Culture said that conversations were taking place with the organisers of the marathon on that issue.

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35.6 The Committee agreed to accept the amendment.

35.7 RESOLVED: That the Committee -

(i) Noted the report and work progress detailed in section 4.

(ii) Approved the draft Corporate SUPs policy Appendix 1, including:
- strengthening the existing Sustainable Event Commitment Form and guidance circulated to exhibitors and traders;
- the possibility of requiring event organisers and vendors to avoid Single Use Plastics as a condition of their event permission
- authorise the Executive Director Economy, Environment & Culture to insert the above in the appropriate part of Appendix 1.

(iii) Approved the recommendation that reporting on this will be brought to Environment, Transport and Sustainability Committee on an annual basis, including an action plan detailing the timeframe for achieving the goals set out in the policy, until such time that the committee is confident that the city council has done all it can to reduce and eliminate SUPs use in the city.

35 WINTER NIGHT SHELTER EVALUATION

35.1 The Committee considered the report of the Executive Director for Health & Adult Care which updated members on the operation of the Council run night shelter for rough sleepers over the winter of 2017/18.

35.2 Councillor Bell thanked officers for the report and was pleased that the night shelter had helped people. He asked what the future provision for night shelter would be, and if other buildings apart from the Brighton Centre had been considered. The Commissioning and Performance Manager said that there was funding for the Night Shelter to continue this winter, and additional funding had been provided by Ministry of Housing Communities & Local Government which would enable a hub to be opened to provide further beds. Officers had been looking for alternative venues, and had looked at all of the Council owned empty buildings, but none had been identified as being suitable.

35.3 Councillor Gibson welcomed what had been achieved, particularly the fact that seventeen people with complex needs were had been moved into accommodation and were therefore no longer on the streets, and thanked all the volunteers involved. He noted that the venue was not filled to capacity, as despite all the beds being booked some people did not turn up, as asked if it would be possible to overbook. The Commissioning and Performance Manager said that that could be considered. The Chair agreed that it was important to try to accommodate the maximum number of people, but noted that overbooking did carry its own risks.

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35.4 Councillor Gibson referred to empty buildings, and asked if the Brighton General Hospital building could be used. The Commissioning and Performance Manager said that it had been considered, but the condition of the buildings wasn't good.

35.5 Councillor Daniels thanked officers and Councillors Moonan, Gibson and Nemeth for their work in this project, and was pleased to note that 17 entrenched rough sleepers were no longer on the streets, and thought that the informal nature of that provision was providing the right environment for people to get help.

35.6 Councillor Janio was pleased to note how the service had helped the entrenched rough sleepers in particular, and asked why it couldn't be provided all year round. The Commissioning and Performance Manager said that the Night Shelter provided a bed for the night, but it was seasonal but the intention was that the hub would be open all year round.

35.7 RESOLVED:

(i) That the Committee noted the contents of the report which was provided for information.

(ii) That the evaluation information be used to support the commissioning proposal to reduce the need for rough sleeping to be in place later in 2018.

(iii) That this paper be used as background information for related papers going to the Health and Wellbeing Board.

36 DISPOSAL OF 43 BELMONT STREET AND ADJACENT LAND

36.1 The Committee considered the report of the Executive Director Economy, Environment and Culture which sought approval for the disposal of Belmont Street Annexe and adjacent land, to provide a capital receipt for reinvestment in the Council's urban investment portfolio.

36.2 Councillor Wealls noted the views of the tenants and their appetite to moving to New England House expressed in the report, but in an email received by councillors today the tenants seemed concerned about the move. The Assistant Director Property & Design said that the Council had engaged with the tenants and understood their needs. The tenants had known for some time that the building would be redeveloped, and had benefited from lower rents. The Council wanted to make sure that this kind of work was kept within the city, and space within New England House had been made available to accommodate those at Belmont Street.

36.3 Councillor Wealls said the report stated that there were only 4 tenants, but he understood that there were 20. The Assistant Director Property & Design said there were four leases, and two tenants who had a lease employed freelance illustrators, so there were around 25 people working in the building.

36.4 The Chair noted that there was a Green Group amendment and asked Councillor Gibson to propose that amendment.

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36.5 Councillor Gibson said that two bids had been made for the property, and one of the factors which should have been considered when deciding on the successful bid was social value. There was no reference to social value in the report, and so the amendment called for further information on the social impact of moving the current occupiers. He formally proposed the following amendment:

That the following recommendations be added to the report with further amendments as shown in *italics,* and renumbering as required*:*

2.1 That the committee agrees in principle to the disposal of Belmont Street Annexe and 26 and 27 St Peter's Street; ~~That the committee authorises the freehold disposal of Belmont Street Annexe and 26 and 27 St Peter's Street to the adjacent owner and agrees to the surrender of rights to use the adjacent garage,~~

2.2 Prior to the final decision, that this committee receives a report providing further information on the social value impact of displacing current occupiers and considers mitigating measures, such as a rental cap, that may be taken to ensure alternative accommodation at New England House is affordable.

~~2.2 That the committee authorises the Executive Director of Economy, Environment and Culture, Assistant Director Property & Design and Executive Lead Strategy, Governance and Law to agree terms and take any necessary steps to facilitate the recommendation at 2.1~~

~~2.3 That the committee authorises the retention of the net capital receipt to be used with capital receipts from previous disposals approved by Policy, Resources & Growth committee, to add to the "investment capital pot" that is being built up to acquire commercial investment property or properties, in support of the asset investment rebalancing strategy in accordance with the council's AMP and budget strategy.~~

36.6 Councillor Mac Cafferty seconded the amendment.

36.7 Councillor Bell referred to the amendment and said that everyone understood the need for social value to be considered. However, this was a commercial rent and there was nothing in the report to indicate that the rent at New England House was not affordable. He noted that there were two tenants at New England House who were only using it for storage and that they would be relocated in order to provide space for the tenants at Belmont Street, and asked what the current situation was with them. The Executive Director Economy, Environment and Culture said they currently still using New England House, but if Belmont Street were sold the purchaser had said that the current tenants could remain for a year and so there would be time for the others to be relocated.

36.8 Councillor Wealls asked officers to give the difference in cost per square foot of the two buildings. The Assistant Director Property & Design said it should be noted that the two properties were very different and so it would be difficult to make a direct comparison. The space at New England House was 2670 square foot, with a rent of £9.55 per square foot and so the rent per annum would be £25,499, and there would be a service

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charge of £11,000 giving a total annual charge of £36,499. Belmont Street was 4767 square feet, but 1200 of that was storage, so the size was 3567 square feet, the rent was £4.90 pre square foot and so the annual rent was £22,850 and tenants paid for their own repairs. However, if the property were not sold the Authority would have to look at market rents, and the rent would increase to £6.69 per annum giving an annual rent of £31,000, and would have to do some work to the building to bring it up to standard and the tenants would be charged for that with a service charge of £26,000, and so the overall cost would increase to £57,000.

36.9 The Committee agreed to accept the proposed amendment.

36.10 The Committee noted the information contained within Part Two Item 43.

36.11 RESOLVED:

(i) That the committee agrees in principle to the disposal of Belmont Street Annexe and 26 and 27 St Peter's Street.

(ii) That prior to the final decision, this committee receives a report providing further information on the social value impact of displacing current occupiers and considers mitigating measures, such as a rental cap, that may be taken to ensure alternative accommodation at New England House is affordable.

37 ASSET DISPOSALS FOR RE-INVESTMENT IN THE URBAN PORTFOLIO

37.1 The Committee considered the report of the Executive Director for Economy Environment & Culture which sought authority for the disposal of a property from the Council's urban investment portfolio.

37.2 Councillor Mac Cafferty welcomed the report, and suggested that it would be useful if an annual report could come to this committee to allow councillors could monitor decisions being made. He noted that the property in question was near to the new Hannington's development, and therefore property prices could rise in the future, and asked how it could be ensured that the maximum value would be achieved. The Assistant Director Property & Design accepted the concerns, but said that it could be five to ten years before the new development was completed and possibly impacted on nearby property values, and the authority needed to take a balanced view on the best way forward. The Chair referred to the suggestion of having an annual report, and said that it was only a year ago that this committee agreed to set up the Asset Management Board (ASB), and their oversight and recommendations are a useful guide on the management and development of our assets.

37.3 The Committee then moved to Part Two, and noted the information contained in Item 44 (Part Two report which accompanied this report).

37.4 RESOLVED:

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(i) That the committee authorised the disposal of the freehold of 23 Meeting House Lane and that delegated powers be given to the Executive Director of Economy, Environment and Culture, Assistant Director Property & Design and Executive Lead, Strategy, Governance and Law to agree terms.

(ii) That the committee authorised the retention of the net capital receipt to add to an investment fund which includes the net capital receipts of previously completed property disposals, as approved by this committee.

(iii) That the committee noted that the investment fund would be used to acquire a commercial investment property or properties, in accordance with the council's AMP, details of which will be presented to this committee with a recommendation when an acquisition opportunity has been identified.

38 PUBLIC CONVENIENCES

38.1 The Committee considered the report of the Executive Director for Economy, Environment & Culture which sought approval to introduce charging within 11 of the 37 public conveniences with the city and to continue with the charge at the West Pier Arches public conveniences.

38.2 Councillor Peltzer Dunn said that he was opposed to the recommendations. The city was a special place which attracted 11 million visitors last year. The public conveniences identified as being suitable for charging were predominantly in the areas most visited by the tourists, and making them pay to use the toilet was cheapening the city. As well as visitors there were many residents who used the public toilets, and if they did not have the money they may use bushes etc, which would lead to public health issues and would impact on the reputation of the city. Negative views on the city would have an impact on the revenue visitors brought into the city. For the benefit of residents and the city's standing he asked that the Council did not charge the public to use the toilet.

38.3 Councillor Janio said that said the charging at the West Pier public convenience started in 2014, and he was content for that to continue. He noted that a contract was awarded to Healthmatic in May 2017, and part of that contract was that they would commit to a capital investment of £602,000 and asked if the possibility of charging for some public conveniences was known then. The Executive Director for Economy, Environment & Culture confirmed it was known to the bidders. Councillor Janio asked why the committee were therefore being asked to agree the charges if it had been in the original bid, and suggested it should have come to committee when the contracts were awarded.

38.4 Councillor Mitchell said it had always been clear from the beginning, and taking into account the scrutiny report on public toilet provision, that when the new contract came up for procurement that the Council would seek to obtain a capital sum as part of that contract to enter into a refurbishment agreement along with a maintenance and cleaning agreement. This report was clarifying the exact public toilets we would charge for. Tourists wanted to be able to use

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modern and clean toilets, and the money raised would allow the Council to refurbish other public conveniences.

38.5 Councillor Mac Cafferty noted the Equality Impact Assessment in the report, and asked if there had been discussions with groups such as the Older People's Council, or those with medical conditions such as Crohns etc. The Executive Director for Economy, Environment & Culture said that ensuring toilets were accessible for all people was essential. The Council were trying to keep all 37 toilets open, but they did need significant investment and the revenue generated would go towards the repairs.

38.6 The Executive Director for Economy, Environment & Culture said that a report went to the Policy Resources & Growth Committee in October 2016 seeking approval for the procurement process for a new contract for the management of the city's toilets. In the last two budget reports there was reference to the potential for charging. This was coming back to committee to seek approval to spending the investment, how that investment would be prioritised and which toilets there would be a charge to use.

38.7 Councillor Janio said that the city should have good toilets and he wasn't opposed to charging, but wanted to make sure that the right process had been followed.

38.8 Councillor Wealls asked if there were a charge whether there would be contactless payment, and it was confirmed that was being looked at.

38.9 Councillor Daniels said that no one wanted to charge, but it was important to raise money to pay for the refurbishments and ensure that all public toilets were of a good standard.

38.10 Councillor Bell said that £550k had already been allocated from the budget and suggested that that be used now to start the refurbishments, and a further report come back to this Committee in October.

38.11 The Chair said that recommendations 2.1 (1) - 2.1 (5) would be considered separately. Recommendation 2.1 (1) was agreed, recommendation 2.1 (2) was not agreed. The Chair said that as recommendation 2.1 (2) had not been agreed that the remaining recommendations could not be considered as they were dependent on recommendation 2.1 (2). Recommendations 2.1 (3) – 2.1 (5) were withdrawn.

38.12 **RESOLVED:** That the Committee agreed to continue charging 30p at the West Pier Arches public convenience.

39 CONSTITUTION REVIEW

39.1 The Committee considered the report of the Executive Lead for Strategy Governance & Law, which set out the proposed changes to the Council's Constitution.

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39.2 The Executive Lead for Strategy Governance & Law said that there was an officer correction to recommendation 2.2, as follows:

1. Delete reference to paragraph 4.10 in recommendation 2.2
2. Delete the additional words inserted in paragraph 9.9 of Appendix 3 relating to oral questions and add that this issue is referred back to the Constitutional Working Group.)
3. The amended recommendation 2.2 to read:

2.2 That the Policy, Resources & Growth Committee recommends to full Council the proposed changes to the Council's Constitution set out at paragraphs 4.9 ~~and 4.10~~ and appendix 3 (Council Procedure Rules ***but without the changes to paragraph 9.9, this being referred back to the Constitutional Working Group for consideration****) and paragraphs 4.11 to 4.12 and appendix 4 (Code of Conduct for Employees), as well as those in paras 4.13 to4.15 and appendix 5 (Terms of Reference of the Conservation Advisory Group).*

The proposed change to paragraph 9.9 of the Council Procedure Rules had not been agreed by the Constitutional Working Group, and therefore it was suggested that it be removed from this report and referred back to that Group for consideration.

39.3 Councillor Wealls referred to the direct delegations to Field Officers and asked if they would be in a position to enforce cycling on the seafront esplanade, and if that was within their powers which part of the List of Delegation would it come under. The Executive Lead for Strategy Governance & Law said he couldn't find the exact section, but the intention was to give Field Officers the maximum delegated powers, but what powers they enforced would depend on the relevant service director giving authorisation. Councillor Daniels (Chair of Neighbourhoods, Inclusion, Communities and Equalities Committee), said the Field Officers would a small team of highly trained enforcement officers who would focus on reducing the problems for communities in complex cases where there was an overlap of issues. For example, there could be case where there was an anti-social incident involving a noisy neighbour but there could also be concerns over whether the property had the correct licence or planning permission etc. The Field Officer would be able to investigate all the issues which would free up the time of specialist regulatory officers. The intention of the Field Officer role was to deal with complex cases rather than be an additional 3GS officer, and so while they would have the power to enforce cycling on the esplanade, and would be expected to do so if they witnessed it, the intention was that they would be involved in more complex case.

39.4 Councillor Bell asked for clarification that the role of Field Officers would be in addition to current provision rather than a replacement. The Executive Director Economy, Environment & Culture confirmed that they would be in addition.

39.5 The Committee agreed the officer correction to the recommendations.

39.6 RESOLVED: That the Committee -

(i) Approved the recommendations set out at paragraph 4.1 and appendix 1 (updates and revisions to the Scheme of Delegations – general) and paragraphs 4.2 to 4.8 and appendix 2 (updates and revisions to the Scheme of Delegations – Field Officers).

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(ii) Recommends to full Council the proposed changes to the Council's Constitution set out at paragraphs 4.9 and appendix 3 (Council Procedure Rules but without the changes to paragraph 9.9, this being referred back to the Constitutional Working Group for consideration) and paragraphs 4.11 to 4.12 and appendix 4 (Code of Conduct for Employees), as well as those in paras 4.13 to 4.15 and appendix 5 (Terms of Reference of the Conservation Advisory Group).

Resolved to Recommend:

Full Council

(iii) That the proposed changes to the Council's Constitution, recommended in paragraph 2. 2 above, be approved and adopted.

Both Policy, Resources and Growth Committee and Full Council

(iv) That the Chief Executive and Monitoring Officer be authorised to take all steps necessary or incidental to the implementation of the changes agreed by the Policy, Resources and Growth Committee and by full Council, and that the Monitoring Officer be authorised to amend and re-publish the Council's constitutional documents to incorporate the changes.

(v) That the changes proposed in paragraph 2.1 Appendix 1 come into force immediately following their approval by Policy Resources and Growth Committee, while those proposed in paragraphs 4.2 to 4.8 and Appendix 2 come into force once Field Officers have been formally appointed and have completed their induction and relevant training.

(vi) That the changes proposed in para 2.2 come into force immediately following their adoption at full Council.

40 CITY ENVIRONMENTAL MANAGEMENT MODERNISATION PROGRAMME UPDATE

40.1 The Committee considered the report of the Executive Director Economy, Environment & Culture which provided an update on the projects being undertaken as part of the City Environmental Management (CEM) Modernisation Programme.

40.2 Councillor Wealls asked for assurance that the Big Belly bins would be rolled out as far as possible where the marginal cost equalled the marginal saving. The Executive Director Economy, Environment & Culture said that under the Capital Programme agreed at Budget Council this year there was funding to roll out further Big Belly bins.

40.3 Councillor Wealls asked if the communal recycling bins would be rolled out as far as practically possible. The Executive Director Economy, Environment & Culture said that the Authority would look at providing additional bins, but there would be consultation with all interested parties before any decision was taken.

40.4 Councillor Wealls wanted to ensure that communal recycling was being taken as far as possible. The Executive Director Economy, Environment & Culture said that the next phase of the modernisation programme would be to look at improving the balance of on-

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street recycling/waste collection and communal recycling and there may be opportunity to do more, but ultimately it would be a decision for Committee.

40.5 Councillor Gibson referred to Table 1, which set out the commercial waste costs and income during 216/17 and 2017/8, and asked if allowance had been made for depreciation of the cost of vehicles had been included, and whether the figure of £160k which had been accrued and due to be billed should be included in the 'income' figure for the year it had been apportioned to. The Executive Director Economy, Environment & Culture said the depreciation cost of vehicles had been included, and the cost of purchasing and maintaining those vehicles would be included in any business case. With regard to the £160k, one area identified for improvement was the invoicing systems in place hence the accruals listed in the table.

40.6 Councillor Bell thanked the workforce in City Clean and the other agencies involved in waste collection, and appreciated the work they were doing. Residents were looking assurances that things would improve, and that there would be actual changes taking place.

40.7 Councillor Mitchell said the purpose of the report was to pull together and exemplify the support which had been going into a complex organisation which was working under huge pressure, and to look at income generating components which were needed to protect the front line services. The changes already implemented were making a difference. There had been problems with service delivery which had been caused by a number of issues such operational difficulties or access problems etc and this report set out what measures were being taken to address those issues and provide a better service to residents.

40.8 Councillor Mac Cafferty said that there had been problems with waste collection and he had received many complaints from residents. He said that he would support the recommendations, but was concerned that community confidence in the service was ebbing away.

40.9 Councillor Janio noted that this report provided an update to the CEM Modernisation Programme, and suggested it would have been useful if the initial programme had come to this committee first. He said that Digital First was going very well, and the improvements to the website etc were very good. He suggested that a report on business improvements being undertaken needed to go to the Environment, Transport and Sustainability (ETS) Committee as a separate item rather than as part of the CEM Modernisation Programme so they could be fully discussed, and if money were needed that a report then come back to this committee for consideration. With regard to commercial waste he had been concerned that the Council would undercut other providers and by so doing put them out of business and then create a monopoly for that service and put prices up. That had happened with the collection of garden waste, and he asked for assurance that the Council would not suddenly increase their prices for that service. The Executive Director Economy, Environment & Culture said that the Council wanted to provide a good service, and there had been no price increase this year, and if there were it would be need to be considered by the ETS Committee.

40.10 The Chair recognised the hard work of officers, and said the programme was about the operational delivery of services rather than a significant policy change.

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40.11 Councillor Hamilton referred to the roll out of wheelie bins, and noted that there was an area in South Portslade where residents were still using black boxes and asked when they would be provided with wheelie bins. The Executive Director Economy, Environment & Culture said that they were currently auditing those areas where wheelie bins had been rolled out to ensure they were the most appropriate type of containers for those streets, and once that had been done they would look at other areas in the city.

40.12 RESOLVED: That the Committee -

(i) Noted the progress made on the delivery of the City Environment Modernisation Programme through the projects described in Section 3.

(ii) Noted the actions taken following a requested internal audit of the commercial waste service as set out in paragraphs 3.7.1 to 3.7.3 and requests that a further report, setting out options and a full business case for growth of the commercial waste service, be presented to October 2018 Environment, Transport & Sustainability (ETS) Committee.

41 PROPOSED NEW DEVELOPMENT OF CULLUM CENTRES FOR CHILDREN WITH AUTISM IN PARTNERSHIP WITH THE NATIONAL AUTISTIC SOCIETY AND CULLUM FAMILY TRUST

41.1 The Committee considered the report of the Executive Director for Families, Children & Learning, which informed them of the potential partnership with National Autistic Society and the Cullum Family Trust to create a new Special Facility for children with the Autistic Spectrum Condition at Dorothy Stringer Secondary School, and to redevelop the existing Special Facility known as The Phoenix Centre at Hove Park Secondary School.

41.2 The Committee were informed that the Cullum Family Trust would be offering £1.5m, rather than the £1m stated in the report.

41.3 Councillor Daniels welcomed the report and said that improving provision for children with Autistic Spectrum Condition was needed and thanked all those involved. Councillor Daniel asked what the Cullum Centre would provide. The Assistant Director, Health SEN & Disabilities said that the Centre would be a new build in the heart of the school, and there would be trained staff providing a specialist education to allow pupils to access mainstream school.

41.4 Councillor Janio asked if the Kings School had been approached, and was advised that all secondary schools had been asked to express an interest. Only three schools initially came forward and Dorothy Stringer was the only school who wished to remain in the process. Councillor Janio asked if Kings School could be approached now, and was advised that only Dorothy Stringer would have the Cullum Centre, but if other schools were interested in having additional provision it could be something that they could be discussed with the Council.

41.5 RESOLVED: That the Committee approved the further exploration of the partnership with the National Autistic Society and Cullum Family Trust to create two Cullum Centres

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at Dorothy Stringer School and Hove Park School respectively, with more detailed recommendations to be taken to the Children, Young People and Skills Committee in the autumn 2018.

42 ITEMS REFERRED FOR COUNCIL

42.1 It was agreed that Item 40: City Environmental Modernisation Programme Update be referred to the 19 July 2018 Council meeting for information.

The meeting concluded at 8.15pm

Signed Chair

Dated this day of

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POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 51(c) Brighton & Hove City Council

Subject:		**Mass Balloon Release : Extract from the proceedings of the Council Meeting held on the 20 October 2016**		
Date of Meeting:		**10 October 2018**		
Report of:		**Executive Lead for Strategy, Governance & Law**		
Contact Officer:	Name:	**Lisa Johnson**	**Tel:**	**29-1228**
	E-mail:	lisa.johnson@brighton-hove.gov.uk		
Wards Affected:	All			

FOR GENERAL RELEASE

Action Required of the Policy, Resources & Growth Committee To receive the item referred from the Council for consideration.
Recommendation: 1. That the Committee give consideration to the Deputation.

Deputation:

The mass release of balloons and sky lanterns released in Britain are killing birds and *sea life here and across the North Sea. Beaches in Europe are littered with thousands of deflated balloons – many from this country. So far more than 50 local councils have agreed to prevent the release of balloons and lanterns and I urge Brighton and Hove City Council to do the same. In the last few years it has grown in fashion to release balloons and sky lanterns at special event, funerals and memorials. In Brighton a number of schools and nursery's release balloons in parks at the end of the school year. The Marine Conservation Society has said that more than 53% of balloon related litter has been found on our beaches this year than in 2015.*

The release of balloons is intended to be beautiful and positive but, the reality is when the balloons make their way back down to earth or water, there are serious consequences. The only way to describe them is as litter. Unfortunately, plastic pollution is a real problem and balloons only add to this problem. Balloons are made up of two types of materials:

1. *Mylar balloons are composed of synthetic nylon with metallic coating and are non-biodegradable.*

2. *Latex is wildly considered a safe option; however, decomposition can take anywhere from 6 months to 4 years giving plenty of time to cause harm.*

Both marine and terrestrial animals mistake balloons as food. Whales, dolphins and seals often eat them as they look like food. Once ingested balloons cause stomach or intestinal blockages, leading to starvation.

Last year a whale that washed up in Norway had plastic waste in its stomach, some of which originated from the UK that had caused it to starve to death. Also, recently a pilot whale was found dying that had over 70 plastic bags in is stomach. The strings attached to balloons can be just as dangerous. Birds become entangled and sea creatures such as seals and dolphins have flippers and fins that get snared and restrict their movement and ability to feed. These entanglements can cause infections, amputations, starvation, drowning and death. The plight of a 3-year-old horse that died after choking on a balloon string was featured on BBC, and there was also a case where 2 swans were entangled together.

On Dutch coastlines campaigners say about 13,000 balloons are washing up every week. Many appear to have come from the U.K, with logos on the balloons which have Included the charity bike ride in Birmingham, a hospice in London and a car dealership in Southport, and thousands of McDonalds balloons which are given away daily.

The RSPCA and Civil aviation authority have also spoken out against the release of sky lanterns and balloons and the National Farmers Union have also been calling for a ban on sky lanterns for quite some time.

Spokesperson Theresa Fowler

Supported by:
Stella King
Denice Friend
Maria Marshall
Jane Clarke
Adam Englebright
Maureen Hawthorne

MINUTES FROM COUNCIL – 19 JULY 2018

BRIGHTON & HOVE CITY COUNCIL

COUNCIL

4.30pm 19 JULY 2018

COUNCIL CHAMBER - HOVE TOWN HALL

MINUTES

Present: Councillors Simson (Chair), Phillips (Deputy Chair), Allen, Atkinson, Barford, Barnett, Bell, Bennett, Bewick, Brown, Cattell, Chapman, Cobb, Daniel, Deane, Druitt, Gibson, Gilbey, Greenbaum, Hamilton, Hill, Horan, Hyde, Inkpin-Leissner, Janio, Knight, Lewry, Littman, Mac Cafferty, Marsh, Meadows, Mears, Miller, Mitchell, Moonan, Morris, Nemeth, A Norman, K Norman, O'Quinn, Page, Peltzer Dunn, Platts, Robins, Sykes, Taylor, C Theobald, G Theobald, Wares, Wealls, West and Yates.

16 DEPUTATIONS FROM MEMBERS OF THE PUBLIC.

16.1 The Mayor reported that one deputation had been received from members of the public and invited Ms. Fowler as the spokesperson for the deputation to come forward and address the council.

16.2 Ms. Fowler thanked the Mayor and stated that: “The mass release of balloons and sky lanterns released in Britain are killing birds and sea life here and across the North Sea. Beaches in Europe are littered with thousands of deflated balloons – many from this country. So far more than 50 local councils have agreed to prevent the release of balloons and lanterns and I urge Brighton and Hove City Council to do the same. In the last few years it has grown in fashion to release balloons and sky lanterns at special event, funerals and memorials. In Brighton a number of schools and nursery’s release balloons in parks at the end of the school year. The Marine Conservation Society has said that more than 53% of balloon related litter has been found on our beaches this year than in 2015.

The release of balloons is intended to be beautiful and positive but, the reality is when the balloons make their way back down to earth or water, there are serious consequences. The only way to describe them is as litter. Unfortunately, plastic pollution is a real problem and balloons only add to this problem. Balloons are made up of two types of materials:

1. Mylar balloons are composed of synthetic nylon with metallic coating and are non-biodegradable.

2. Latex is wildly considered a safe option; however, decomposition can take anywhere from 6 months to 4 years giving plenty of time to cause harm.

Both marine and terrestrial animals mistake balloons as food. Whales, dolphins and seals often eat them as they look like food. Once ingested balloons cause stomach or intestinal blockages, leading to starvation. Last year a whale that washed up in Norway had plastic waste in its stomach, some of which originated from the UK that had caused it to starve to death. Also, recently a pilot whale was found dying that had over 70 plastic bags in is stomach. The strings attached to balloons can be just as dangerous. Birds become entangled and sea creatures such as seals and dolphins have flippers and fins that get snared and restrict their movement and ability to feed. These entanglements can cause infections, amputations, starvation, drowning and death. The plight of a 3-year-old horse that died after choking on a balloon string was featured on BBC, and there was also a case where 2 swans were entangled together.

On Dutch coastlines campaigners say about 13,000 balloons are washing up every week. Many appear to have come from the U.K, with logos on the balloons which have included the charity bike ride in Birmingham, a hospice in London and a car dealership in Southport, and thousands of McDonalds balloons which are given away daily.

The RSPCA and Civil aviation authority have also spoken out against the release of sky lanterns and balloons and the National Farmers Union have also been calling for a ban on sky lanterns for quite some time.

16.3 Councillor Yates thanked Ms Fowler for the deputation and welcomed the opportunity to give further consideration to the matter of how plastics were harming the environment. He stated that a report was due to come to the Policy, Resources & Growth Committee in the autumn and he would ensure that the concerns raised in the deputation were taken into account within the report.

16.4 The Mayor thanked Ms. Fowler for attending the meeting and speaking on behalf of the deputation. She explained that the points had been noted and the deputation would be referred to the Policy, Resources & Growth Committee for consideration. The persons forming the deputation would be invited to attend the meeting and would be informed subsequently of any action to be taken or proposed in relation to the matter set out in the deputation.

Policy Resources & Growth Committee

10 October 2018

WRITTEN QUESTIONS

1. **Cllr Mac Cafferty:**

The government's Brexit contingency plans to manage lorry traffic in Kent would take 14 days to implement and cost around 30m to facilitate for up to six months. The National Audit Office has slammed government departments for their inadequate planning for Brexit, warning that they have put at risk billions of pounds in exports and damage to key industries. According to the Open University 3 in 5 firms say that the UK's skill shortage worsened in the last year; more than half of businesses expect the situation to deteriorate. The Governor of the Bank of England has warned that a no-deal Brexit could be as bad as the 2008 financial crash. A survey from the British Chambers of Commerce reveals that nearly two-thirds of businesses have yet to do any risk assessments of a no-deal outcome. While the Chartered Institute of Procurement and Supply has said a no-deal Brexit would bankrupt 1 in 10 UK firms and David Rutley MP has been appointed to oversee the protection of food supplies.

Last year the European Union invested £17m to support 601 farmers around Brighton; it has invested over £100m to support research projects and £1m to create jobs. Our city still has had absolutely no clarity about where any of the EU funds will come from in the future.

Will the Chair of the Committee urgently write to the Chancellor of the Exchequer, Secretary of State for Housing, Communities and Local Government and Secretary of State for Exiting the European Union asking them to share with the City Council the assessments their departments have written about how the city and the region's economy will be affected by Brexit; what assurances their departments will give to residents that everything is being done by their departments and the government to mitigate risks to jobs and livelihoods; and that in the absence of such mitigation they will aid and compensate city residents whose income is lost through Brexit.

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 52 (d) Brighton & Hove City Council

Subject:		**Charter Against Modern Slavery**		
Date of Meeting:		**10 October 2018**		
Report of:		**Executive Lead for Strategy, Governance & Law**		
Contact Officer:	Name:	**Lisa Johnson**	**Tel:**	**29-1228**
	E-mail:	lisa.johnson@brighton-hove.gov.uk		
Wards Affected:	All			

FOR GENERAL RELEASE

Action Required of the Policy, Resources & Growth Committee To receive the item referred from the Council for consideration.
Recommendation: 1. That the Committee give consideration to the Notice of Motion

Notice of Motion:

NOTICE OF MOTION

LABOUR AND CO-OPERATIVE GROUP

CHARTER AGAINST MODERN SLAVERY

This council resolves to ask for a report to the Policy, Resources & Growth Committee detailing:

(1) The implications of signing up to the Charter Against Modern Slavery, which will commit the council to 10 action points, including to:

- Train its corporate procurement team to understand modern slavery through the Chartered Institute of Procurement and Supply's (CIPS) online course on Ethical Procurement and Supply.
- Challenge any abnormally low-cost tenders to ensure they do not rely upon the potential contractor practising modern slavery
- Publicise its whistle-blowing system for staff to blow the whistle on any suspected examples of modern slavery.

(2) How to ensure staff are made aware and trained as appropriate in identifying possible instances of modern slavery.

Proposed by: Cllr Cattell Seconded by: Cllr Daniel

Supporting information

https://party.coop/policy/modern-slavery-charter/

The Cooperative Party campaign highlights that there were an estimated 13,000 victims of Modern Slavery in the UK in 2013.

Modern Slavery is a term used to cover many types of exploitation, including sexual exploitation, domestic servitude, forced labour and criminal exploitation, as well as other forms of exploitation including organ removal, forced begging, forced benefit fraud, forced marriage and illegal adoption.

"Traffickers and slave masters use whatever means they have at their disposal to coerce, deceive and force individuals into a life of abuse, servitude and inhumane treatment."

"The Co-operative Party's Charter Against Modern slavery goes further than existing law and guidance, committing councils to proactively vetting their own supply chain to ensure no instances of modern slavery are taking place."

Supporting this charter will be in line with the council's existing work to:

- Ensure social value from our procurement, and to ensure our procurement practices do not cause social harm
- Combat the exploitation occurring as part of County Lines drug-dealing.

MINUTES FROM COUNCIL – 19 JULY 2018

BRIGHTON & HOVE CITY COUNCIL

COUNCIL

4.30pm 19 JULY 2018

COUNCIL CHAMBER - HOVE TOWN HALL

MINUTES

Present: Councillors Simson (Chair), Phillips (Deputy Chair), Allen, Atkinson, Barford, Barnett, Bell, Bennett, Bewick, Brown, Cattell, Chapman, Cobb, Daniel, Deane, Druitt, Gibson, Gilbey, Greenbaum, Hamilton, Hill, Horan, Hyde, Inkpin-Leissner, Janio, Knight, Lewry, Littman, Mac Cafferty, Marsh, Meadows, Mears, Miller, Mitchell, Moonan, Morris, Nemeth, A Norman, K Norman, O'Quinn, Page, Peltzer Dunn, Platts, Robins, Sykes, Taylor, C Theobald, G Theobald, Wares, Wealls, West and Yates.

Charter Against Modern Slavery

23.1 The Notice of Motion as listed in the agenda was proposed by Councillor Cattel on behalf of the Labour & Co-operative Group and seconded by Councillor Daniel.

23.2 The Mayor then put the following motion to the vote:

This council resolves to ask for a report to the Policy, Resources & Growth Committee detailing:

(1) The implications of signing up to the Charter Against Modern Slavery, which will commit the council to 10 action points, including to:

- Train its corporate procurement team to understand modern slavery through the Chartered Institute of Procurement and Supply's (CIPS) online course on Ethical Procurement and Supply.
- Challenge any abnormally low-cost tenders to ensure they do not rely upon the potential contractor practising modern slavery
- Publicise its whistle-blowing system for staff to blow the whistle on any suspected examples of modern slavery.

(2) How to ensure staff are made aware and trained as appropriate in identifying possible instances of modern slavery.

23.3 The Mayor confirmed that the motion had been carried unanimously.

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 53 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2018/19: Month 5**		
Date of Meeting:		**11 October 2018**		
Report of:		**Executive Director of Finance & Resources**		
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel:**	**29-3104**
	Email:	**Nigel.manvell@brighton-hove.gov.uk**		
Ward(s) affected:		**All**		

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out an indication of forecast risks as at Month 5 on the council's revenue and capital budgets for the financial year 2018/19.

1.2 As set out in the General Fund Revenue Budget 2018/19 report to Budget Council, £9.268m was provided for in the budget for reinvestment in identified service pressures across social care and £3.616m for pressures in other services. These sums were expected to meet projected demand led pressures in 2018/19. As a result, maintaining a risk provision at £1.500m, as in previous years, was considered adequate to meet potential demand risks and/or any difficulties in delivering savings targets. Rather than being held as a recurrent budget, this risk provision is now held as a one-off "financial risk safety net" of £1.500m as part of general reserves. The report reiterated that the focus in 2018/19 would continue to be on strengthening budget accountability, managing demand effectively and localising risk management within services wherever possible.

1.3 The forecast risk for 2018/19 at Month 5 is a £3.078m overspend on the General Fund revenue budget. This includes a forecast overspend of £1.148m on the council's share of the NHS managed Section 75 services and is also after taking into account the available one-off Adult Care Support Grant of £0.768m. As noted above, the council set aside a £1.500m one-off financial risk safety net to mitigate identified risks if absolutely necessary. Taking this into consideration, the council's financial position is therefore in a manageable position at this point in the year where the accuracy of projections is inevitably more variable and where forecasts of potential underspending areas will be more prudent or unknown at this stage.

1.4 The report indicates that of the £12.678m savings package in 2018/19, approximately £9.821m is on track and either achieved or anticipated to be achieved. However, a significant element of savings are at risk (£3.394m) and are reflected in the overall service forecasts.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast risk position for the General Fund which indicates a budget pressure of £3.078m. This includes an overspend of £1.148m on the council's share of the NHS managed Section 75 services.

2.2 That the Committee note that the one-off financial risk safety net of £1.500m is available to mitigate the forecast risk if the risks cannot be completely eliminated by the year-end.

2.3 That the Committee note the forecast for the Housing Revenue Account (HRA), which is currently an underspend of £0.480m.

2.4 That the Committee note the forecast position for the Dedicated Schools Grant, which is an underspend of £0.150m.

2.5 That the Committee agree to create a Sports and Events Strategy Reserve as set out in paragraph 6.2.

2.6 That the Committee note the forecast outturn position on the capital programme and approve the variations and slippage in Appendix 5 and the new schemes as set out in Appendix 6.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Targeted Budget Management (TBM) Reporting Framework

3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Policy, Resources & Growth Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending through effective financial recovery planning together with more regular monitoring of high risk demand-led areas as detailed below.

3.2 The TBM report is normally split into 8 sections as follows:

i) General Fund Revenue Budget Performance
ii) Housing Revenue Account (HRA) Performance
iii) Dedicated Schools Grant (DSG) Performance
iv) NHS Controlled S75 Partnership Performance
v) Capital Investment Programme Performance
vi) Capital Programme Changes
vii) Implications for the Medium Term Financial Strategy (MTFS)
viii) Comments of the Director of Finance & Resources (statutory S151 officer)

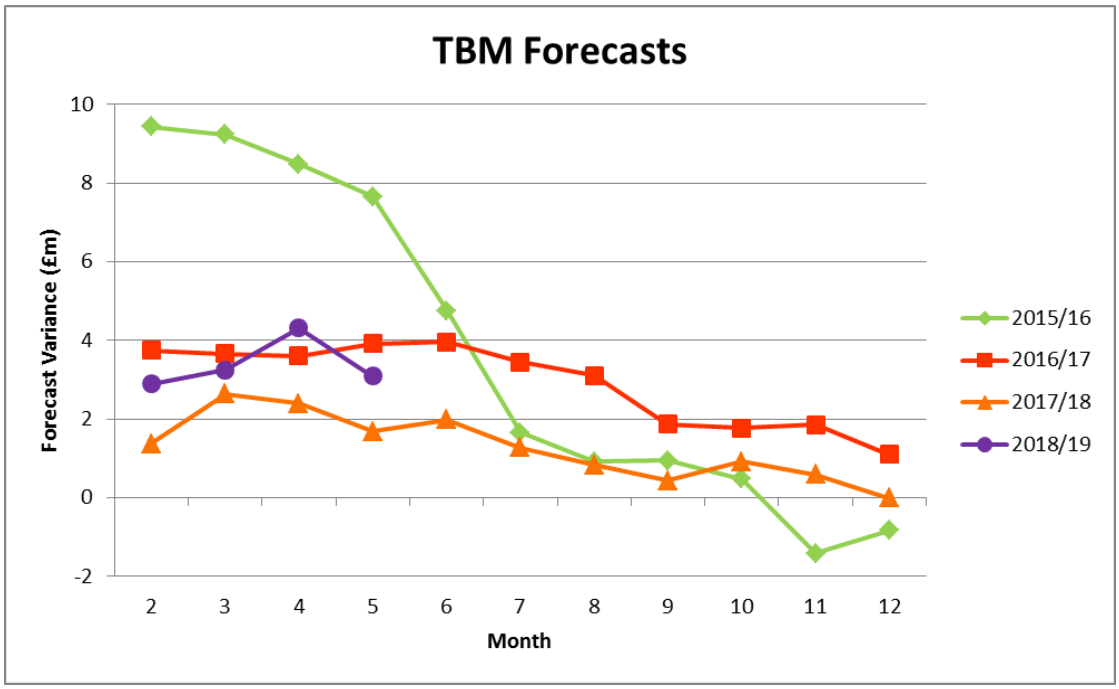
General Fund Revenue Budget Performance (Appendix 3)

3.3 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. These are budgets under the direct control

and management of the Executive Leadership Team. More detailed explanation of the variances can be found in Appendix 3.

Forecast Variance Month 2 £'000	Directorate	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
1,037	Families, Children & Learning	86,720	86,989	269	0.3%
989	Health & Adult Social Care	52,951	55,907	2,956	5.6%
1,056	Economy, Environment & Culture	35,333	35,943	610	1.7%
(90)	Neighbourhood, Communities & Housing	15,265	14,995	(270)	-1.8%
(39)	Finance & Resources	20,475	20,422	(53)	-0.3%
0	Strategy, Governance & Law	5,114	5,068	(46)	-0.9%
2,953	Sub Total	215,858	219,324	3,466	1.6%
(56)	Corporate Budgets	(533)	(921)	(388)	-72.8%
2,897	Total General Fund	215,325	218,403	3,078	1.4%

3.4 The General Fund includes general council services, corporate budgets and central support services. Corporate Budgets include centrally held provisions and budgets (e.g. insurance) as well as some cross-cutting value for money savings targets. Note that General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Note also that although part of the General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools). The chart below shows the monthly forecast variances for 2018/19 and the previous three years for comparative purposes.

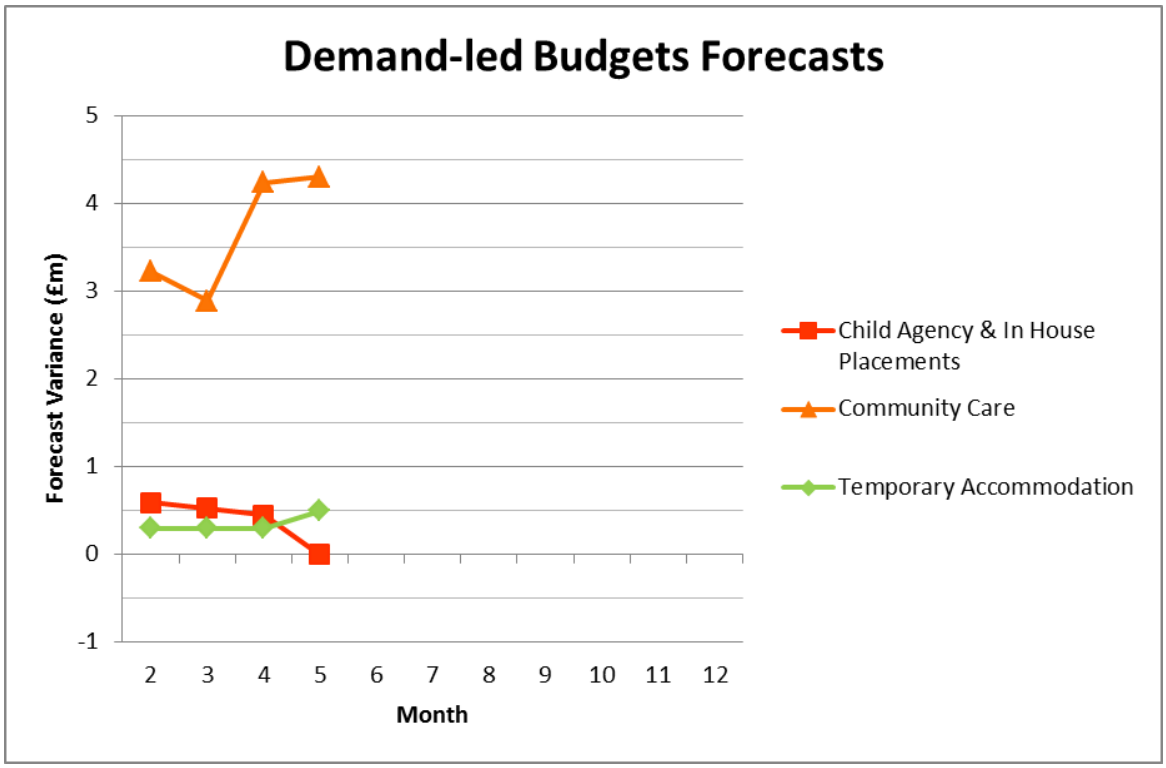


Demand-led Budgets

3.5 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are budgets of corporate significance where demand or activity is difficult to predict and where relatively small changes in demand can have significant implications for the council's budget strategy. These can include income related budgets. These therefore undergo more frequent and detailed analysis.

Forecast Variance Month 2 £'000	Demand-led Budget	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
588	Child Agency & In House Placements	22,448	22,444	(4)	0.0%
2,457	Community Care	58,507	62,810	4,303	7.4%
300	Temporary Accommodation	2,682	3,182	500	18.6%
3,345	Total Demand-led Budget	83,637	88,436	4,799	5.7%

The chart below shows the monthly forecast variances on the demand-led budgets for 2018/19.



Summary of the position at Month 5

The main pressures identified at Month 2 are across the Families, Children & Learning, Health & Adult Social Care, and Economy, Environment & Culture directorates but other pressures are also being contained as summarised below:

3.6 **Families, Children & Learning:** The initial forecast budget risk across Families, Children and Learning was £2.382m, primarily resulting from increased demand pressures on adults with learning disabilities, services for children leaving care and costs relating to adoption and social work. Subsequently the directorate has put together a financial recovery plan to address the financial risks. There still remain significant financial pressures on services for adults with learning disabilities and adoption. In addition there are a number of significant financial risks in supported employment, services for children with disabilities and legal fees. These are being closely monitored but have had an adverse impact on the Families, Children & Learning Directorate 2018/19 budget position.

The current projected position identifies potential cost pressures of £0.752m on Services for Adults with Learning Disabilities, £0.485m on Services for Children with Disabilities; £0.205m on Adoptions Services, and £0.197m on Able & Willing. However, there are services with significant forecast underspends such as Social work and legal costs (£0.446m) and Children's Placements (£0.201m). Together with other small variances (£0.238m), this results in a forecast risk of £0.754m as at Month 5. After taking into account the financial recovery measures of £0.485m the net position currently shows a projected overspend of £0.269m.

3.7 **Adults Services:** The service is facing significant challenges in 2018/19 in mitigating the risks arising from increasing demands from client needs, supporting more people to be discharged from hospital when they are ready and maintaining the provider market. This is alongside delivering a significant budget savings programme and developing integration plans through the Better Care Fund.

- The service is currently forecasting an overspend of £2.956m at Month 5 after the implementation of a number of initiatives to improve the financial stability of the directorate in previous years, which have helped to contain the forecast risk. The recovery measures focused on attempting to manage demands on and costs of community care placements across Assessment Services and making the most efficient use of available funds.

- There is focus nationally on improving rates of hospital discharge in preparation for winter that leads to increasing financial pressure. This pressure is expected to increase over the winter months. There are also continued potential forecast risks concerning increased complexity of need and pressures on the in house older people resource centres. Service pressure funding and improved Better Care funding have partly mitigated the risk for this financial year.

- The forecast includes the fee uplifts agreed at Health & Wellbeing Board on 30th January 2018 across care in the community and residential care. In

order to manage the local market and address the significant under-supply of providers in the city who will accept publicly funded residents, fee increases were essential.

- At this stage, £1.478m of the total approved budget savings of £3.416m are being forecast as unachievable in this financial year.

- Service pressure funding of over £4.000m, including the Adult Social Care precept, has been applied in 2018/19 and used to fund budget pressures resulting from: increased demands and complexity of need; Deprivation of Liberty Standards assessments; and national living wage and fee rates. In addition, the one-off Adult Social Care Support grant of £0.768m has been used to augment the pressure funding. However, £1.610m was needed to offset the reduction in iBCF funding, £1.000m to backfill the reduction in CCG funding contributions and £0.500m for the reduction in the Public Health grant. Over the last two years there has been an overall £2.900m reduction in CCG funding for social care services (excluding significant reductions in CHC funding agreements). In addition, there are ongoing discussions regarding a further potential reduction in CCG funding from 2018/19 of £1.1m which is not currently captured in the forecast.

The funding of all care packages is scrutinised for Value for Money, ensuring that eligible needs are met in the most cost-effective manner which will not always meet people's aspirations. This forms a key part of the savings implementation plan. Adult Services are also using benchmarking information to support the driving down of unit costs but are faced with increased complexity and demand (demographic) growth which is also a national picture. Through regional and other social care networks the service has been looking at best practice in delivering cost effective services in order to influence future direction - this includes demand management strategies and identifying opportunities through Housing provision.

3.8 **Housing Services and Temporary Accommodation:** The Temporary Accommodation 2017/18 outturn was overspent by £0.123m. This was a significant reduction on the 2016/17 overspend of £1.062m. This was a result of a combination of i) a focus on prevention of homelessness; ii) moving more homeless households into private rented accommodation, iii) the introduction of the new housing allocation policy and allocation plan which enabled more people to move from temporary accommodation and into social housing and iv) additional service pressure funding. All of which contributed to significantly reduce the cost and volume of spot purchasing and emergency accommodation in 2017/18.

The latest forecast for 2018/19, if no action is taken, is that Temporary Accommodation will overspend by £0.500m (compared to £0.300m at Month 2). This deterioration in the forecast is primarily due to increased numbers and costs of emergency placements. Six months post introduction of the more extensive requirements of the Homelessness Reduction Act, the service has reviewed its delivery model and is putting in place a range of measures which should halt and mitigate some of the forecast overspend. These measures include a pro-active focus on prevention and move-on's away from emergency placements. Additional staff have been recruited and will be in place to support this work shortly.

If these measures prove to be unsuccessful, the Flexible Homelessness Support Grant can be used, as a last resort, to mitigate any final in-year overspend.

The £1.300m trailblazer project is now fully underway and is changing the way the service identifies and responds to homelessness across the city.

The temporary accommodation service faces a number of challenges to this including, for example:

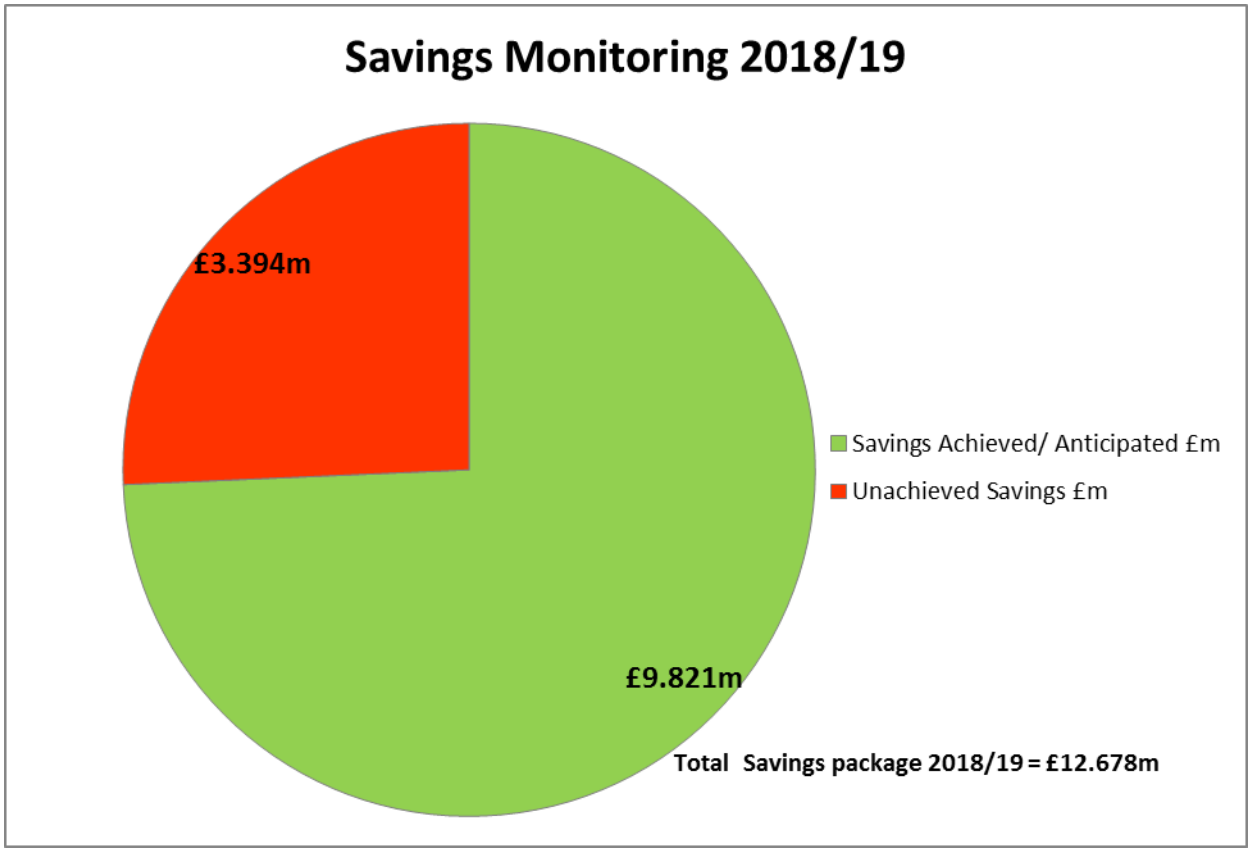
- the high cost local housing market;
- delays in recruiting staff able to support homeless households into permanent accommodation and manage void accommodation (due to a shortage of appropriately skilled local labour);
- the more intensive requirements of the Homelessness Reduction Act 2018 which came into force on 3rd April 2018 and;
- the on-going roll-out of Universal Credit (potentially placing more privately renting benefit claimants at housing risk and in need of support).

3.9 **Environment, Economy & Culture:** The directorate is experiencing a number of pressures across CityClean services and Property & Design. Pressures in CityClean concern higher non-contracted overtime and agency staffing to cover vacancies and sickness, increasing fuel costs and higher vehicle maintenance costs, as well as an income pressure on commercial waste operations. Property & Design is experiencing a shortfall in rental incomes due to market conditions and the structure of the commercial property portfolio. There are also some pressures from NNDR Business Rate revaluations leading to increased bills. The directorate is currently looking at all available options to mitigate increased costs and income shortfalls and has developed some successful financial recovery measures, the effects of which are included in the forecast. Further recovery measures are being developed and will be reported in the next TBM period.

Monitoring Savings

3.10 The savings package approved by full Council to support the revenue budget position in 2018/19 was £12.678m following directly on from a £21.367m savings package in 2017/18. This is very significant and follows 7 years of substantial packages totalling over £130m that have been essential to enable cost and demand increases to be funded alongside managing reductions in central government grant funding.

3.11 Appendix 3 provides a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 4 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 5. This shows that a substantial element is on track with £3.394m (27%) currently at risk. Mitigation of these risks is included in the development of services' financial recovery actions.



Note: Savings Achieved/Anticipated includes an overachievement of savings of £0.537m

Housing Revenue Account Performance (Appendix 3)

3.12 The Housing Revenue Account is a separate ring-fenced account which covers income and expenditure related to the management and operation of the council's housing stock. Expenditure is generally funded by Council Tenants' rents. The forecast outturn is currently an underspend of £0.480m and more details are provided in Appendix 3.

Dedicated Schools Grant Performance (Appendix 3)

3.13 The Dedicated Schools Grant (DSG) is a ring-fenced grant which can only be used to fund expenditure on the schools budget. The schools budget includes elements for a range of services provided on an authority-wide basis including early years education provided by the Private, Voluntary and Independent (PVI) sector, and the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school. The forecast outturn is an underspend of £0.150m and more details are provided in Appendix 2. Under the Schools Finance Regulations any underspend must be carried forward to support the schools budget in future years.

NHS Managed S75 Partnership Performance (Appendix 3)

3.14 The NHS Trust-managed Section 75 Services represent those services for which local NHS Trusts act as the Host Provider under Section 75

Agreements. Services are managed by Sussex Partnership Foundation Trust (SPFT) and include health and social care services for Adult Mental Health and Memory and Cognitive Support Services.

3.15 This partnership is subject to separate annual risk-sharing arrangements and the monitoring of financial performance is the responsibility of the respective host NHS Trust provider. Risk-sharing arrangements result in financial implications for the council where a partnership is underspent or overspent at year-end and hence the performance of the partnership is included within the forecast outturn for the Health & Adult Social Care directorate. An overspend of £1.148m is currently forecast and more details are provided in Appendix 3.

Capital Programme Performance and Changes

3.16 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast underspend of £0.624m at this early stage. More details are provided in Appendix 5.

Forecast Variance Month 2 £'000	Capital Budgets	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Families, Children & Learning	31,484	31,484	0	0.0%
0	Health & Adult Social Care	31	31	0	0.0%
0	Economy, Environment & Culture	79,376	79,376	0	0.0%
0	Neighbourhood, Comms & Housing	5,752	5,752	0	0.0%
(654)	Housing Revenue Account	40,125	39,501	(624)	-1.5%
0	Finance & Resources	944	944	0	0.0%
0	Strategy, Governance & Law	2,501	2,501	0	0.0%
0	Corporate Budgets	0	0	0	0.0%
(654)	**Total Capital**	**160,213**	**159,589**	**(624)**	**-0.4%**

(Note: Summary may include minor rounding differences to Appendix 5)

3.17 Appendix 5 shows the changes to the capital budget and Appendix 6 provides details of new schemes for 2018/19 to be added to the capital programme which are included in the budget figures above. Policy, Resources & Growth Committee's approval for these changes is required under the council's Financial Regulations. The following table shows the movement in the capital budget since approval at Budget Council.

Summary of Capital Budget Movement	2018/19 Budget £'000
Budget approved as at TBM Month 2	166,043
New schemes to be approved in this report (see Appendix 5)	296
Variations to Budget (to be approved)	(126)
Reprofiling of Budget (to be approved)	(6,000)
Slippage (to be approved)	0
Total Capital	**160,213**

3.18 Appendix 5 also details any slippage into next year. However, as normal, project managers have forecast that none of the capital budget will slip into the next financial year at this early stage.

Implications for the Medium Term Financial Strategy (MTFS)

3.19 The council's MTFS sets out resource assumptions and projections over a longer term. It is periodically updated including a major annual update which is included in the annual revenue budget report to Policy, Resources & Growth Committee and Full Council. This section highlights any potential implications for the current MTFS arising from in-year TBM monitoring above and details any changes to financial risks together with any impact on associated risk provisions, reserves and contingencies. Details of Capital Receipts and Collection Fund performance are also given below because of their potential impact on future resources.

Capital Receipts Performance

3.20 Capital receipts are used to support the capital programme. Any changes to the level of receipts during the year will impact on future years' capital programmes and may impact on the level of future investment for corporate funds and projects such as the Strategic Investment Fund, Modernisation Fund, Asset Management Fund and Digital First. The planned profile of capital receipts for 2018/19, as at Month 5, is £11.615m. To date there have been receipts of £0.520m in relation to a lease premium at Rowan Avenue, a parcel of land at Foxdown Road, Woodingdean and some minor lease extensions at the Marina. The capital receipts performance will be monitored over the coming months against capital commitments.

3.21 The forecast for the 'right to buy sales' in 2018/19 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 50 homes will be sold with a maximum useable receipt of £0.500m to fund the corporate capital programme and net retained receipt of £4.600m available to re-invest in replacement homes. To date 21 homes have been sold in 2018/19.

Collection Fund Performance

3.22 The collection fund is a separate account for transactions in relation to council tax and business rates. Any deficit or surplus forecast on the collection fund relating to council tax is distributed between the council, Sussex Police and

Crime Commissioner and East Sussex Fire Authority, whereas any forecast deficit or surplus relating to business rates is shared between the council, East Sussex Fire Authority and the government.

3.23 The council tax collection fund is forecast to be in deficit by £0.642m at year end. The main reason is that adjustments to prior year's liability from exemptions and discounts are forecast to reduce the council tax income. The council's share of the overall forecast council tax deficit is £0.551m.

3.24 The business rates collection fund is forecast to be in surplus by (£0.429m) at year-end. The main reason for the surplus is the level of appeals provision needed against the 2017 list is lower than anticipated in the NNDR1 return following an updated review of the 2017 appeals position undertaken at year end. Offsetting this since the last forecast is a £0.264m award of empty relief in respect of liquidation on a single property; increased cost of small business rates relief and section 31 grant funded reliefs. The council's share of the overall forecast business rates surplus is (£0.210m) and after allowing for the impact of timing differences relating to Section 31 grant funding this increases to (£0.480m).

3.25 The council's share of the combined collection funds is now a deficit of £0.071m which is a decrease in resources since Month 2 of £0.273m and this will be adjusted in the budget forecast for 2019/20.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The provisional outturn position on the General Fund is an overspend of £3.078m. This includes a forecast overspend of £1.148m on the council's share of the NHS managed Section 75 services. The one-off financial risk safety net of £1.500m is available to partially mitigate the position. Any overspend at the year-end would need to be funded from general reserves which would then need to be replenished to ensure that the working balance did not remain below the recommended level of £9.000m. Any underspend would release one off resources that can be used to aid budget planning for 2019/20.

5 COMMUNITY ENGAGEMENT & CONSULTATION

5.1 No specific consultation has been undertaken in relation to this report.

6 CONCLUSION AND COMMENTS OF THE DIRECTOR OF FINANCE & RESOURCES (S151 OFFICER)

6.1 The forecast risk at Month 5 represents 1.4% of the net General Fund (0.7% after taking into account the risk provision) and is potentially manageable but current demand trends are not favourable, particularly in Adult Social Care. The forecast also includes a number of financial recovery plans (exceeding £2.8m), some of which are higher risk than others, and the forecast assumes that the recent peaks in demand across Adult Social Care will stabilise and not worsen further. The 'gross' risks in existence are therefore very considerable and have therefore resulted in management action to ensure that the position does not escalate beyond manageable levels. The Executive Leadership Team therefore continue to focus on identifying and confirming appropriate

financial recovery measures and have implemented revised recruitment and spending controls from September 2018 to ensure an appropriate and consistent corporate response over the remainder of the financial year.

6.2 Turning to another matter, approval is requested (in accordance with sections B.3.1 and B.3.5 of Standard Financial Procedures) for the establishment of a Sports & Events Strategy Reserve. This is required to support future bids and costs incurred as a result of successful bids for major sporting and public events within the city. Many sporting events attract government-backed and partnership funding as well as generating national interest which benefits the economy of the city. The period between bidding and the events themselves can be over a number of financial years and require resources to support, amongst other things, event safety, traffic management, promotion, marketing and public engagement. Annual contributions from the council's Initiatives budget and income streams associated with Economy, Environment & Culture will support this reserve. The TBM forecast assumes that this approval is granted from the available budget provision. Initial contributions to the reserve are anticipated to be approximately £0.050m.

7 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

7.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Cross-Party Budget Review Group and the management and treatment of forecast risks is considered by the Audit & Standards Committee as part of its review of strategic risks.

Finance Officer Consulted: Jeff Coates Date: 17th September 2018

Legal Implications:

7.2 Decisions taken in relation to the budget must enable the council to observe its legal duty to achieve best value by securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The council must also comply with its general fiduciary duties to its Council Tax payers by acting with financial prudence, and bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts.

Lawyer Consulted: Elizabeth Culbert Date: 18th September 2018

Equalities Implications:

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

Sustainability Implications:

7.4 Although there are no direct sustainability implications arising from this report, the council's financial position is an important aspect of its ability to meet Corporate Plan and Medium Term Financial Strategy priorities. The

achievement of a break-even position or better is therefore important in the context of ensuring that there are no adverse impacts on future financial years arising from performance in 2018/19.

Risk and Opportunity Management Implications:

7.5 The Council's revenue budget and Medium Term Financial Strategy contain risk provisions to accommodate emergency spending, even out cash flow movements and/or meet exceptional items. The council maintains a recommended minimum working balance of £9.000m to mitigate these risks. The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

SUPPORTING DOCUMENTATION

Appendices:

1. Revenue Budget RAG Rating
2. Revenue Budget Movement Since Month 2
3. Revenue Budget Performance
4. Summary of 2018/19 Savings Progress
5. Capital Programme Performance
6. New Capital Schemes

Documents in Members' Rooms:

None.

Background Documents

None.

Appendix 1 – Revenue Budget RAG Ratings

RAG Rating Key:	RAG for Service Areas	RAG for Directorates[1]	RAG for General Fund
Red	Forecast overspend of 5% or more or £0.100m whichever is lower	Forecast overspend of 5% or more or £0.250m whichever is lower	Forecast overspend of 0.5% or more or £1.000m whichever is lower
Amber	Forecast overspend of less than 5% of budget or £0.100m, whichever is lower.	Forecast overspend of less than 5% of budget or £0.250m, whichever is lower.	Forecast overspend of less than 0.5% of budget or £1.000m, whichever is lower.
Green	Breakeven or forecast underspend	Breakeven or forecast underspend	Breakeven or forecast underspend

Service	2018/19 Budget Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %	RAG Rating Month 5
Director of Families, Children & Learning	283	0	0.0%	Green
Health, SEN & Disability Services	37,752	843	2.2%	Red
Education & Skills	7,278	229	3.1%	Red
Children's Safeguarding & Care	40,011	(787)	-2.0%	Green
Quality Assurance & Performance	1,396	(16)	-1.1%	Green
Total Families, Children & Learning	86,720	269	0.3%	Red
Adult Social Care	31,979	1,849	5.8%	Red
Integrated Commissioning	5,988	(45)	-0.8%	Green
S75 Sussex Partnership Foundation Trust (SPFT)	14,036	1,148	8.2%	Red
Public Health	948	4	0.4%	Amber
Total Health & Adult Social Care	52,951	2,956	5.6%	Red
Transport	1,832	(570)	-31.1%	Green
City Environmental Management	28,513	882	3.1%	Red
City Development & Regeneration	2,558	100	3.9%	Red
Culture	3,701	(193)	-5.2%	Green
Property	(1,271)	391	30.8%	Red
Total Economy, Environment & Culture	35,333	610	1.7%	Red
Housing General Fund	4,801	0	0.0%	Amber
Libraries	4,754	(50)	-1.1%	Green
Communities, Equalities & Third Sector	2,742	(30)	-1.1%	Green
Regulatory Services	1,505	(130)	-8.6%	Green
Community Safety	1,463	(60)	-4.1%	Green
Digital First	0	0	0.0%	Green
Total Neighbourhood, Communities & Housing	15,265	(270)	-1.8%	Green
Finance	4,652	104	2.2%	Red
Housing Benefit Subsidy	(901)	(325)	-36.1%	Green
HR & Organisational Development	730	0	0.0%	Green
IT&D	2,262	168	7.4%	Red
Business Operations	(162)	0	0.0%	Green
F&R Contribution to ORBIS	13,894	0	0.0%	Green
Total Finance & Resources	20,475	(53)	-0.3%	Green
Corporate Policy	713	0	0.0%	Green
Legal Services	1,346	0	0.0%	Green

Appendix 1 – Revenue Budget RAG Ratings

Service	2018/19 Budget Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %	RAG Rating Month 5
Democratic & Civic Office Services	1,739	0	0.0%	Green
Life Events	(23)	(50)	-217.4%	Green
Performance, Improvement & Programmes	660	0	0.0%	Green
Communications	679	4	0.6%	Amber
Total Strategy, Governance & Law	5,114	(46)	-0.9%	Green
Sub Total	215,858	3,466	1.6%	
Bulk Insurance Premia	3,133	0	0.0%	Green
Capital Financing Costs	6,998	(150)	-2.1%	Green
Levies & Precepts	201	(1)	-0.5%	Green
Unallocated Contingency & Risk Provisions	1,062	(147)	-13.8%	Green
Unringfenced Grants	(17,105)	(34)	-0.2%	Green
Other Corporate Items	5,178	(56)	-1.1%	Green
Total Corporate Budgets	(533)	(388)	-72.8%	Green
Total General Fund	215,325	3,078	1.4%	Red

Individual Schools Budget (ISB)	125,900	0	0.0%	Green
Early Years Block (inc delegated to Schools)	13,210	(280)	-2.1%	Green
High Needs Block (exc delegated to Schools)	19,441	85	0.4%	Amber
Exceptions and Growth Fund	4,016	45	1.1%	Amber
Grant Income	(162,366)	0	0.0%	Green
Total Dedicated Schools Grant (DSG)	201	(150)	-74.6%	Green

Capital Financing	32,302	(140)	-0.4%	Green
Head of Housing HRA	3,636	(40)	-1.1%	Green
Head of City Development & Regeneration	286	(60)	-21.0%	Green
Housing Strategy	762	(50)	-6.6%	Green
Income Involvement Improvement	(45,955)	(90)	-0.2%	Green
Property & Investment	7,050	(100)	-1.4%	Green
Tenancy Services	1,919	0	0.0%	Green
Total Housing Revenue Account	(0)	(480)	0.0%	Green

([1]) In the above tables the Dedicated Schools Grant and Housing Revenue Account are treated as Directorates for the purposes of RAG rating.

Service	Forecast Variance Month 2 £'000	Forecast Variance Month 5 £'000	Movement £'000	Explanation of Main Movements
Director of Families, Children & Learning	4	0	(4)	
Health, SEN & Disability Services	1,264	1,091	(173)	Improvements in in-house Adults LD provision, extended continuing health care funding for high cost clients
Education & Skills	251	229	(22)	Minor underspends from staff vacancies
Children's Safeguarding & Care	706	(550)	(1,256)	Forecast number of semi-independent placements have significantly reduced and realisation of some recovery measures
Quality Assurance & Performance	(4)	(16)	(12)	
Further Financial Recovery Measures	(1,184)	(485)	699	A number of recovery measures have been successful and are now included in the forecasts above.
Total Families, Children & Learning	1,037	269	(768)	
Adult Social Care	1,220	2,426	1,206	Due to unachievable savings and increasing demand pressures resulting from additional residential care. It is not clear if this is related to high summer temperatures.
Integrated Commissioning	0	(45)	(45)	Due to contract price management
S75 Sussex Partnership Foundation Trust (SPFT)	716	1,148	432	Due to a further increase to the number of high cost residential placements.
Public Health	161	4	(157)	In-year savings identified
Further Financial Recovery Measures	(1,108)	(577)	531	Financial Recovery Plan Adjusted to reflect part year effect of implementation
Total Health & Adult Social Care	989	2,956	1,967	

Service	Forecast Variance Month 2 £'000	Forecast Variance Month 5 £'000	Movement £'000	Explanation of Main Movements
Transport	(314)	(570)	(256)	An improvement in Parking Services mainly due to delayed recruitment to the new structure and new CCTV cameras for bus lane enforcement. Traffic Control and Highway review costs within Traffic Management (£0.115m) to carry out an in depth assessment of the Highway to identify where improvements and opportunities could be implemented. Payments to Bus Operators are forecast to exceed budget by £0.152m
City Environmental Management	767	882	115	Revised forecast for textiles income, Cityclean Operations salaries and commercial waste
City Development & Regeneration	130	100	(30)	
Culture	(3)	(193)	(190)	Backdated reduction in Royal Pavilion and Museums Business Rates £0.170m (recurrent element)
Property	476	391	(85)	Reduction in commercial property management fees and contribution toward the cost of fees incurred for the Royal Pavilion business rates reduction
Further Financial Recovery Measures	0	0	0	
Total Economy, Environment & Culture	1,056	610	(446)	
Housing General Fund	750	850	100	Forecast increased overspend on Temporary Accommodation (from £0.300m to £0.500m) reduced by forecast underspends on the rest of Housing General Fund
Libraries	0	(50)	(50)	Forecast underspend on staffing costs
Communities, Equalities & Third Sector	0	(30)	(30)	
Regulatory Services	(90)	(130)	(40)	Further forecast employee costs underspends
Community Safety	0	(60)	(60)	Forecast employee costs underspends
Digital First	0	0	0	
Further Financial Recovery Measures	(750)	(850)	(100)	

Service	Forecast Variance Month 2 £'000	Forecast Variance Month 5 £'000	Movement £'000	Explanation of Main Movements
Total Neighbourhood, Communities & Housing	(90)	(270)	(180)	
Finance	200	104	(96)	Supplies & Services underspends within Revenues & Benefits
Housing Benefit Subsidy	(390)	(325)	65	£0.179m additional subsidy loss in respect of a type of benefit for vulnerable tenants which does not receive full subsidy. Partially offset by an improvement of £0.125m on the net position on the recovery of overpayments
HR & Organisational Development	0	0	0	
IT&D	1,076	1,093	17	
Business Operations	0	0	0	
F&R Contribution to ORBIS	0	0	0	
Further Financial Recovery Measures	(925)	(925)	0	
Total Finance & Resources	(39)	(53)	(14)	
Corporate Policy	0	0	0	
Legal Services	0	0	0	
Democratic & Civic Office Services	0	0	0	
Life Events	0	(50)	(50)	Mostly income overachievement in Local Land Charges
Performance, Improvement & Programmes	0	0	0	
Communications	0	4	4	
Further Financial Recovery Measures	0	0	0	
Total Strategy, Governance & Law	0	(46)	(46)	
Bulk Insurance Premia	0	0	0	
Capital Financing Costs	0	(150)	(150)	Larger than anticipated cash balances resulting in greater investment income than budgeted
Levies & Precepts	0	(1)	(1)	
Unallocated Contingency & Risk Provisions	0	(147)	(147)	Releasing contingency no longer needed for planning appeals in 2018/19

Appendix 2 – Revenue Budget Movement Since Month 2

Service	Forecast Variance Month 2 £'000	Forecast Variance Month 5 £'000	Movement £'000	Explanation of Main Movements
Unringfenced Grants	0	(34)	(34)	Increased grant allocations announced in July and August
Other Corporate Items	(56)	(56)	0	
Further Financial Recovery Measures	0	0	0	
Total Corporate Budgets	(56)	(388)	(332)	
Total General Fund	2,897	3,078	181	

Families, Children & Learning

Revenue Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %	2018/19 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
4	Director of Families, Children & Learning	283	283	0	0.0%	15	15	0
1,264	Health, SEN & Disability Services	37,752	38,843	1,091	2.9%	1,245	385	860
251	Education & Skills	7,278	7,507	229	3.1%	276	216	70
706	Children's Safeguarding & Care	40,011	39,461	(550)	-1.4%	2,722	3,039	206
(4)	Quality Assurance & Performance	1,396	1,380	(16)	-1.1%	50	54	0
2,221	Total Families, Children & Learning	86,720	87,474	754	0.9%	4,308	3,709	1,136
(1,184)	Further Financial Recovery Measures (see below)	-	(485)	(485)	-	-	-	-
1,037	Residual Risk After Financial Recovery Measures	86,720	86,989	269	0.3%	4,308	3,709	1,136

Explanation of Key Variances *(Note: FTE/WTE = Full/Whole Time Equivalent)*

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Further Directorate Financial Recovery Measures		
(485)	Further Financial Recovery Measures projection	The directorate has developed an over-arching Financial Recovery Plan to address the above pressures. The Recovery plan includes the following measures:
		• Reducing the average unit cost of placements through improved commissioning and reviewing identified high cost placements;
		• Review of accommodation costs;
		• In-House Foster Care - aiming to move to 65% in-house carers by the end of the year;
		• Adult LD Community Care - contract savings on outsourced provision, reducing the need for use of contingency budgets, and potential application of Clinical Commissioning Group (CCG) NHS dowries grant;
		• Re-negotiation of Continuing Health Care contributions from the CCG.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Health, SEN & Disability Services		
565	Adults Learning Disabilities - Community Care	Complexity of clients is increasing and both the number (increase of 16.81 WTE over budget) and unit cost of placements (increase of 0.4% above budget) are in excess of budget for 2018/19.
175	Adults Learning Disabilities - loss of Continuing Health Care funding	Due to new high cost placements in 2018/19 both the number (increase of 1.1 FTE over budget) and unit cost of placements (increase of 19.8% above budget) are in excess of budget.
218	In-house Children's Learning Disability Provision	There is a significant budget pressure on Drove Road (£0.287m) being offset by small underspends in other areas of Children's in-house disability provision.
197	Children's Disability Agency Placements	Due to new high cost placements in 2018/19 both the number and unit cost of placements are in excess of budget.
(64)	Other	
Education & Skills		
89	Home to School Transport	The overspend is due to additional hired transport, recoupment and increased costs in 16-19 travel.
177	Skills and Employment	Mainly due to underachievement of income targets in Able and Willing.
(37)	Other	
Children's Safeguarding & Care		
405	Demand-Led - Residential Agency Placements	The projected number of residential placements (35.70 FTE) is broken down as 30.95 FTE social care residential placements (children's homes) and 4.75 FTE schools placements. The budget allowed for 30.20 FTE social care residential care placements and 5.30 FTE schools placements. The average unit cost of residential placements is higher than the budgeted level at £3,714.54 per week (£188.06 per week above budget). The combination of the number of children placed being 0.20 FTE above the budgeted level and the high unit costs results in the overspend of £0.405m.
469	Demand-Led - Independent Foster Agency (IFA) Placements	The number of children placed in Independent Foster Agency placements has decreased in recent years. During 2017/18 there were 118.68 FTE (compared with 132.14 FTE for 2016/17). The current projected number of placements in 2018/19 is 98.52 FTE, a reduction of 17%. The budget for IFA placements included significant levels of savings and was set at 86.30 FTE. The numbers being higher than the budget by 12.22 FTE results in a projected overspend of £0.469m.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
(280)	Demand-Led - Secure Accommodation	It is estimated that during 2018/19 there will be 0.50 FTE secure (welfare) placements and 1.06 FTE secure (justice) placements. The budget allowed for 1.40 FTE welfare and 1.10 FTE justice placements during the year. There are currently no children in a secure (welfare) placement and one in a secure (justice) placement resulting in a projected underspend of £0.280m.
(854)	Demand-Led - Semi-independent/Supported placements	The number of semi-independent and supported living placements is projected to be 28.11 FTE and this is 8.99 FTE below the budgeted level. The average unit cost of these placements had increased considerably last year but has now stabilised in line with the budgeted level. The lower forecast number of placements results in the underspend of £0.854m.
(724)	Demand-Led - In-House Fostering	As at the 31st August 2018 there were 138 children placed with 'in-house' foster carers and 151.98 FTE for the year. The budget, based on an increasing trend over the last few years and the drive to increase recruitment of in-house carers, was set at 171.60 FTE placements. This has resulted in the current projected underspend of £0.724m.
196	Demand-Led - Family & Friends placements, Child Arrangement Orders and Special Guardianship Orders	The budget allows for 314.40 FTE placements of these types. It is currently anticipated that there will be 324.28 FTE children in these placements during 2018/19 and this results in the overspend of £0.196m.
319	Demand-Led - Care Leavers	The projected number of care leaver placements in 2018/19 is 137.00 FTE. The budget allows for 114.40 FTE placements. The change in responsibilities for local authorities has seen a growth in the number of care leavers receiving financial support and has resulted in the overspend of £0.319m.
268	Demand-Led Unaccompanied Asylum Seeking Children (UASC) Grant	The numbers of unaccompanied asylum seeking children has increased considerably in the last two years. The costs of looking after these children is funded by a grant from the Home Office, however the increase in the number of asylum seekers has required additional staffing and there has been an increase in other, non-accommodation costs resulting in the overspend of £0.268m.
(81)	Legal Fees	The projected underspend of £0.081m at Month 5 is based on current spend/commitments and accounts for the fact that activity and associated spend are down significantly on the same period 2017/18 and whilst significant growth has been allowed within the projection a reduced year end outturn is anticipated. For 2018/19 the Special Assessment budgets (Medical, Psychological etc) have been transferred to the Clermont Service and will be managed there. Accordingly, the overspend is attributable in the main to Legal, Court and Counsel fees.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
205	Adoption Payments	The overspend in Adoption Payments is made up of two elements. An underspend of £0.046m in Adoption Allowances combined with a projected overspend of £0.251m against the Interagency Adoption budget.
(126)	Social Work Team (Pods)	The £0.078m underspend forecast variance accounts for current vacancies and assumed future staff turnover. The recruitment of a number of newly qualified Social Workers from September 2018 is built into the forecast on the basis of 'one in one out' of the Social Work Establishment.
(159)	Adolescent Service	Vacant posts and staff turnover following service restructure.
(135)	Preventive	Despite significant costs from families with no recourse to public funds, there have been reductions in spending on agency and sessional workers, rent and deposits, payments to relatives and assessment and treatments resulting in an overall underspend of £0.135m.
(53)	Other	
Quality Assurance & Performance		
(16)	Other	

Health & Adult Social Care (HASC)

Revenue Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %	2018/19 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
1,220	Adult Social Care	31,979	34,405	2,426	7.6%	2,130	652	1,478
0	Integrated Commissioning	5,988	5,943	(45)	-0.8%	120	120	0
716	S75 Sussex Partnership Foundation Trust (SPFT)	14,036	15,184	1,148	8.2%	340	340	0
161	Public Health	948	952	4	0.4%	826	826	0
2,097	Total Health & Adult Social Care	52,951	56,484	3,533	6.7%	3,416	1,938	1,478
(1,108)	Further Financial Recovery Measures (see below)	-	(577)	(577)	-	-	-	-
989	Residual Risk After Financial Recovery Measures	52,951	55,907	2,956	5.6%	3,416	1,938	1,478

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Further Directorate Financial Recovery Measures		
(577)	Further Financial Recovery Measures projection	The directorate has developed an over-arching Financial Recovery Plan to address the pressures detailed below across the various service headings.
		The Financial Recovery Plan includes: - a review of high cost placements; - revision of use of in-house provision; and - Re-directing the use of some in house home care staff.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Adult Social Care		
2,478	Demand-Led Community Care - Physical & Sensory Support	There are increasing numbers of 'new' older people being discharged from hospital requiring social care services for the first time, as well as increased community demand. This additional financial pressure is being partly met by the Adult Care Support Grant and Improved Better Care fund for 2018/19. The residential and nursing unit cost pressure for the 18-64 age band is due to 31 placements being made since January 2018 which were on average 55% over the budgeted unit cost. For the 65+ age band, the residential and nursing pressure is due to increasing client numbers. Placements made from the hospital have increased by 26%. There has also been a significant reduction in CHC contributions over the last 2 financial years where in 2016/17 £0.602m was received (26 clients at £564 per week on average) but this reduced to £0.174m in 2017/18 and £0.171m in 2018/19 to date (7 clients at £497 per week).
112	Demand-Led Community Care - Substance Misuse	There are relatively small numbers of clients within this service and this is in line with the expected demand. The average unit cost is higher than the budgeted unit cost resulting in the overspend of £0.112m.
226	In house provision	The saving of £0.326m set against in house provision (home care and residential) has been put at risk subject to further review. This is offset with temporary savings elsewhere in the service.
(390)	Assessment teams	This is due to a number of temporary vacancies across the Assessment teams.
Integrated Commissioning		
(50)	Contracts	In year underspends have been identified as a result of contract pricing management
5	Other	

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
S75 Sussex Partnership Foundation Trust (SPFT)		
248	Demand-Led - Memory Cognition Support	The unit costs are higher than had been anticipated resulting in the overspend projection of £0.272m. This is due to a current lack of affordable residential and nursing home placements within the city. The forecast number of residential & nursing placements is 296 WTE which is less than the budgeted level of 303 WTE placements. However, the average unit cost of residential placements is higher than the budgeted level at £456 per week (£30 per week above budget). The combination of the number of adults placed being 7 WTE less than the budgeted level and the increased unit costs result in the overspend of £0.373m (before applying the agreed risk-share with Sussex Partnership Foundation Trust).
915	Demand-Led - Mental Health Support	The average unit costs are higher than budgeted and this results in the overspend projection of £0.915m. There is an increasing need and complexity within this client group and the forecast number of residential & nursing placements is 146 WTE, which is above the budgeted level of 131 WTE placements. The average unit cost of residential placements is also higher than the budgeted level at £777 per week (£99 per week above budget). The combination of the number of adults placed being 15 WTE less than the budgeted level and the increased unit costs result in the overspend of £1.040m (before applying the agreed risk-share with Sussex Partnership Foundation Trust).
(15)	Other	
Public Health		
4	Other	

Economy, Environment & Culture

Revenue Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %	2018/19 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
(314)	Transport	1,832	1,262	(570)	-31.1%	1,243	1,093	150
767	City Environmental Management	28,513	29,395	882	3.1%	350	100	250
130	City Development & Regeneration	2,558	2,658	100	3.9%	221	221	0
(3)	Culture	3,701	3,508	(193)	-5.2%	282	282	0
476	Property	(1,271)	(880)	391	30.8%	243	178	65
1,056	Total Economy, Environment & Culture	35,333	35,943	610	1.7%	2,339	1,874	465
0	Further Financial Recovery Measures (see below)	-	0	0	-	-	-	-
1,056	Residual Risk After Financial Recovery Measures	35,333	35,943	610	1.7%	2,339	1,874	465

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Further Directorate Financial Recovery Measures		
		For Property, the service manager intends to reduce the service pressure by the investment of capital funding and implementation of measures that will reduce the revenue spend and also by reducing the spend on non emergency reactive maintenance as much as possible.
		For CityParks, the savings at risk have been mitigated by vacancy management within the Operations team.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Transport		
(547)	Parking Services	An underspend on salaries of £0.150m due to time to recruit following the Parking Services restructure which started on 1st April 2018. Some key roles have been covered by agency staff to safeguard income. An overachievement of penalty charge notice (PCN) income of £0.688m for bus lane enforcement following the installation of the new CCTV cameras. After an initial spike the PCN's issued are declining as compliance improves and this overachievement takes into account a 12 month forecast for 2018/19. Permit income is underachieving which may be partly a result of increases to visitor permit costs. However, Pay & display income is overachieving which suggests there are more users of short term paid parking as an alternative. Other net variances total an overspend of £0.318m. This includes additional CCTV camera maintenance costs. Maintenance requirements have been identified in a number of off-street car parks which has resulted in overspend of £0.043m Parking income is monitored on a monthly basis as there are a number of variable factors that can impact on parking activity. Minor variations in demand can result in significant financial implications.
(150)	Concessionary Fares	The concessionary bus fares budget is forecast to underspend by £0.150m due to lower than anticipated reimbursement.
206	Transport Projects and Engineering	Bus Shelter advertising income shortfall of £0.075m due to the tender for bus shelter advertising being delayed. Payments to Bus Operators are forecast to exceed budget by £0.152m.
(79)	Other Variances	
City Environmental Management		
736	City Clean Operations	Forecast overspend of £0.394m on salaries due to high demand during summer season due to the heatwave and outdoor events such as Pride, high sickness levels and weekend working in communal bin areas. A forecast breakeven position for the commercial waste service therefore the budgeted surplus of £0.325m is predicted not to be met in 2018/19.
138	Strategy & Projects	Savings at risk of £0.075m due to introduction of charging at 12 public conveniences sites not approved by July 2018 Policy, Resources and Growth committee. This income stream is dependent on the new operating model being re-considered in a report to this Committee.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
8	Other Variances	
City Development & Regeneration		
155	Development Planning	A forecast underachievement of building control income of £0.165m after consideration of the fee increase in July offset by £0.010m additional Planning Performance Agreement income.
(55)	Other Variances	
Culture		
(170)	Royal Pavilion & Museums	Reduction in Royal Pavilion and Museums Business Rates £0.170m.
(23)	Other Variances	
Property		
450	Rents	Although currently there is still a reduced forecast shortfall in expected rental income mainly associated with the Contracted Property Portfolio (CPP) and New England House, the transfer of contract from Cluttons to GVA will reduce overall annual mangement fees. Also Property are currently looking to sell some of the less profitable premises and reinvest for greater gain but this project has caused some short term income loss within Corporate Landlord for 2018/19 plus same vacant properties currently awaiting renovation and redevelopment. There are also some pressures from NNDR revaluations leading to increased bills.
(59)	Property Services	Staff shortages on the Technical Services Team have created a predicted shortfall in professional fee income for 2018/19 and there is still a large expected pressure of around £0.350m identified relating to the high demand for additional security provision. The service manager intends to reduce this pressure by the investment of capital funding and implementation of measures that will reduce the revenue spend and also by reducing the spend on non emergency reactive maintenance as much as possible.

Neighbourhood, Communities & Housing

Revenue Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %	2018/19 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
750	Housing General Fund	4,801	5,651	850	17.7%	364	186	178
0	Libraries	4,754	4,704	(50)	-1.1%	85	50	35
0	Communities, Equalities & Third Sector	2,742	2,712	(30)	-1.1%	35	35	0
(90)	Regulatory Services	1,505	1,375	(130)	-8.6%	129	109	20
0	Community Safety	1,463	1,403	(60)	-4.1%	40	20	20
0	Digital First	0	0	0	0.0%	0	0	0
660	Total Neighbourhood, Communities & Housing	15,265	15,845	580	2.8%	653	400	253
(750)	Further Financial Recovery Measures (see below)	-	(850)	(850)	-	-	-	-
(90)	Residual Risk After Financial Recovery Measures	15,265	14,995	(270)	-1.8%	653	400	253

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Further Directorate Financial Recovery Measures		
(850)	Further Financial Recovery Measures projection	Housing General Fund services have a challenging savings target which is only part met and a forecast overspend in Temporary Accommodation. There are a range of measures being put in place in temporary accommodation to deliver a balanced budget. If these measures are unsuccessful, the Flexible Homelessness Support Grant can be used, as a last resort, to mitigate any final in-year overspend.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Housing General Fund		
250	Housing General Fund savings	There are £0.250m of savings required of the Housing General Fund (some from 2017/18) still to be identified. There is further work underway to deliver more savings in-year. If these measures are unsuccessful, the Flexible Homelessness Support Grant can be used, as a last resort, to mitigate any final in-year overspend.
500	Temporary Accommodation	The forecast overspend is largely the result of higher void and repair costs driven by the current work to transform the service to reduce the reliance on temporary accommodation. The service underestimated the resources needed to support the volume of void turnover in all types of temporary accommodation and this resulted in a higher than forecast volume of spot purchase accommodation. However, the service is now in the process of recruiting more staff using the Flexible Homelessness Support Grant to support this activity. The service is also aiming to reduce the volume of households in temporary accommodation by focusing resources on earlier prevention of homelessness.
150	Seaside Homes	There is a forecast overspend driven substantially by the insurance costs which have in the past been covered by underspends on voids and maintenance budgets.
(50)	Travellers	There is a forecast underspend on travellers sites supplies and services.
Libraries		
(50)	Staffing	There is a forecast underspend against the staffing budget.
Communities, Equalities & Third Sector		
(30)		Variance less than £0.050m.
Regulatory Services		
(130)	Staffing	Net underspend forecast across Safer Communities, mainly as a result of the summer start date for Field Officers and staffing costs being less than originally budgeted.
Community Safety		
(60)	Staffing	There is a forecast underspend against the staffing budget.

Finance & Resources

Revenue Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %	2018/19 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
200	Finance	4,652	4,756	104	2.2%	137	137	0
(390)	Housing Benefit Subsidy	(901)	(1,226)	(325)	-36.1%	0	0	0
0	HR & Organisational Development	730	730	0	0.0%	25	25	0
1,076	IT&D	2,262	3,355	1,093	48.3%	62	0	62
0	Business Operations	(162)	(162)	0	0.0%	0	0	0
0	Contribution to Orbis	13,894	13,894	0	0.0%	681	681	0
886	Total Finance & Resources	20,475	21,347	872	4.3%	905	843	62
(925)	Further Financial Recovery Measures (see below)	-	(925)	(925)	-	-	-	-
(39)	Residual Risk After Financial Recovery Measures	20,475	20,422	(53)	-0.3%	905	843	62

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Further Directorate Financial Recovery Measures		
(925)	IT&D Contracts	A recovery plan is being developed to offset the pressure on IT&D contracts. This will be kept under review, along with the pressure itself, but currently includes the use of £0.230m unallocated funding following the disaggregation of Orbis budgets - this has mostly arisen from planned savings for the Orbis partnership being higher than those originally budgeted for. In addition it is intended to maximise the use of appropriate Modernisation Funding, other one-off and capital funding resources to mitigate the pressure by £0.695m.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Finance		
104	Revenues & Benefits	At Month 5 a net overspend of £0.104m is forecast. The main element of this relates to a shortfall of £0.243m in court costs and bailiffs income resulting from staff vacancies. This is partially offset by underspends in supplies and services of £0.086m (mainly reduced court costs expenditure); income from sale of cars of £0.032m and staffing vacancies of £0.021m.
Housing Benefit Subsidy		
(325)	HB Subsidy	There is a forecast surplus of £0.150m on the recovery of overpaid council tax benefits. This is unchanged from Month 2 and is based on the level of income in April to August. A detailed forecast has been made on the main subsidy budgets and this indicates a surplus of £0.175m. The net position on the recovery of overpayments is forecast to be £0.355m better than budget and this is partially offset by additional costs of £0.179m in respect of a particular benefit type for vulnerable tenants which is not fully subsidised by the DWP.
IT&D		
1,093	IT&D Contracts	At Month 5, IT&D are expecting a net pressure of £1.093m due to budget pressures in some areas, particularly IT&D contracts and savings targets (£1.076m). The service is working to identify funding to minimise these pressures including appropriate use of ICT Reserve and capitalisation of legitimate costs. It is also working to identify contract savings due to the Data Centre move but at Month 4 IT&D has had an additional unplanned spend of £0.017m for service transition improvements for the Revenues & Benefits service. A Financial Recovery plan is being developed to address this - see above.

Strategy, Governance & Law

Revenue Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %	2018/19 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
0	Corporate Policy	713	713	0	0.0%	20	20	0
0	Legal Services	1,346	1,346	0	0.0%	59	59	0
0	Democratic & Civic Office Services	1,739	1,739	0	0.0%	32	32	0
0	Life Events	(23)	(73)	(50)	-217.4%	20	20	0
0	Performance, Improvement & Programmes	660	660	0	0.0%	48	48	0
0	Communications	679	683	4	0.6%	46	46	0
0	Total Strategy, Governance & Law	5,114	5,068	(46)	-0.9%	225	225	0
0	Further Financial Recovery Measures (see below)	-	0	0	-	-	-	-
0	Residual Risk After Financial Recovery Measures	5,114	5,068	(46)	-0.9%	225	225	0

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Life Events		
(50)	Life Events	The service is now forecasting an underspend of £0.050m, compared to an on-target position at Month 2. There is a forecast £0.100m surplus for Land Charges income, due mostly to the continued high fees (and reduction of income target as part of the budget setting process) and also a £0.042m windfall of income received in respect of new burdens work. Registrars is expecting a £0.077m shortfall of income, mainly from reduced nationality checking fees. Elections are expecting an underspend of £0.021m this year in Electoral Registration costs. Other variances in the service amount to a further underspend of £0.006m.
Communications		
4	Communications	Minor variances.

Corporate Budgets

Revenue Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %	2018/19 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
0	Bulk Insurance Premia	3,133	3,133	0	0.0%	0	0	0
0	Capital Financing Costs	6,998	6,848	(150)	-2.1%	0	0	0
0	Levies & Precepts	201	200	(1)	-0.5%	0	0	0
0	Unallocated Contingency & Risk Provisions	1,062	915	(147)	-13.8%	0	0	0
0	Unringfenced Grants	(17,105)	(17,139)	(34)	-0.2%	0	0	0
(56)	Other Corporate Items	5,178	5,122	(56)	-1.1%	525	525	0
(56)	Total Corporate Budgets	(533)	(921)	(388)	-72.8%	525	525	0
0	Further Financial Recovery Measures (see below)	-	0	0	-	-	-	-
(56)	Residual Risk After Financial Recovery Measures	(533)	(921)	(388)	-72.8%	525	525	0

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Capital Financing Costs		
(150)	Capital financing costs	Larger than anticipated cash balances.
Levies & Precepts		
(1)	Levies & precepts	Minor variance.
Unallocated Contingency & Risk Provisions		
(147)	Contingency	£0.150m was held in contingency for a planning appeal - however a proportion of this was funded from the directorate budget in 2017/18 and only £0.005m spent in 2018/19.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Unringfenced Grants		
(21)	Department of Health - Local Reform and Community Voice grant	Allocation announced in July 2018 was higher than budgeted.
(13)	Department for Education - Extended rights for home to school transport	Additional grant allocation for Extended Rights for Home to School Transport announced in August 2018.
Other Corporate Items		
(56)	Corporate Pension Costs	On corporate pension costs there is a £0.041m underspend relating to overpayments identified in respect of 2017/18 and £0.015m in respect of an in year reduction.

Housing Revenue Account (HRA)

Revenue Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %	2018/19 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
(140)	Capital Financing	32,302	32,162	(140)	-0.4%	0	0	0
0	Strategic Director HRA	3,636	3,596	(40)	-1.1%	105	105	0
(60)	Head of City Development & Regeneration	286	226	(60)	-21.0%	0	0	0
0	Housing Strategy	762	712	(50)	-6.6%	0	0	0
0	Income Involvement Improvement	(45,955)	(46,045)	(90)	-0.2%	0	0	0
(150)	Property & Investment	7,050	6,950	(100)	-1.4%	550	550	0
0	Tenancy Services	1,919	1,919	0	0.0%	0	0	0
(350)	Total Housing Revenue Account	(0)	(480)	(480)	0.0%	655	655	0

Explanation of Key Variances

Key Variances £'000	Service Area	Variance Description
Capital Financing		
(140)	Capital Financing	Significant reprofiling of HRA capital expenditure from 2017/18 into 2018/19 has impacted on the timing of borrowing required to fund the expenditure. This has resulted in lower interest charges being incurred during 2018/19 compared to the original budget forecast.
Strategic Director HRA		
(40)	Employees costs	Net reduction in staff costs due to recent service redesign in Housing.
Head of City Development & Regeneration		
(60)	Employees costs	Staff vacancies and capitalisation of salaries are forecast to be higher than originally budgeted.
Housing Strategy		
(50)	Rents & Service Charges	Projected income is slightly more than budget assumptions for Temporary Accommodation.

Key Variances £'000	Service Area	Variance Description
Income Involvement Improvement		
(90)	Rents & Service Charges	Projected income is slightly more than budget assumptions.
Property & Investment		
(100)	Employees costs	Forecast underspend due to staff vacancies and mobilisation of resources identified to support forthcoming costs aligned to consideration of options for future delivery of the repairs & improvement service.

Dedicated Schools Grant (DSG)

Revenue Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Individual Schools Budget (ISB)	125,900	125,900	0	0.0%
78	Early Years Block (excluding delegated to Schools) *(This includes Private Voluntary & Independent (PVI) Early Years 3 & 4 year old funding for the 15 hours free entitlement to early years education)*	13,210	12,930	(280)	-2.1%
276	High Needs Block (excluding delegated to Schools)	19,441	19,526	85	0.4%
31	Exceptions and Growth Fund	4,016	4,061	45	1.1%
0	Grant Income	(162,366)	(162,366)	0	0.0%
385	Total Dedicated Schools Grant (DSG)	201	51	(150)	-74.6%

Explanation of Key Variances

Key Variances £'000	Service Area	Variance Description
Early Years Block (including delegated to Schools)		
78	Additional Support funding for 2, 3 & 4 year olds	Significant increase in the number of children receiving additional support funding and the impact of increased free entitlement available to working parents from September 2017.
0	Universal early years free entitlement for 2, 3 and 4 year olds	Early forecast based on summer term take-up and budgeted level of provision for autumn and spring terms.
(350)	Extended hours early years entitlement for working parents	Increase in DfE funding based on January 2018 census. This will be subject to a retrospective downward adjustment in 2019/20 if actual take-up is below January 2018 snapshot.
(8)	Other	Balance of variances on the other cost centres.
High Needs Block (excluding delegated to Schools)		
51	Inclusion Support Service	Vacancy control and plans to move the service to operate on a part traded basis in 2019/20.

Key Variances £'000	Service Area	Variance Description
125	High Needs top-up for mainstream schools	Additional top-up funding agreed at case review for pupils with high needs. Growth in top-up funding estimated at £0.300m in 2018/19.
102	High Needs top-up for Special schools	Additional support packages for several pupils to avoid more expensive agency placements and special schools numbers above commissioned places.
116	Educational agency placements and other external high needs provision	Special schools are above capacity, largely due to upward pressure from mainstream settings, and this is having knock-on implications for out of city placements.
90	Children with Medical Needs	The number of children with medical needs and private hospital charges.
(15)	Other	Balance of variances on other cost centres.
(384)	Unallocated balance of carry forward from 2017/18 DSG	Balance of funding available following retrospective adjustment made to the 2017/18 DSG by DfE in July 2018.
Exceptions and Growth Fund		
31	Historic pension costs	Historic pension liabilities.
11	Schools Contingency	Significant Valuation Office Agency (VOA) changes to rates bills due to school expansions.
3	Other	Balance of variances on other cost centres.

Savings Monitoring 2018/19

General Fund

Directorate	2018/19 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
Families, Children & Learning	4,308	3,709	1,136
Health & Adult Social Care	3,416	1,938	1,478
Economy, Environment & Culture	2,339	1,874	465
Neighbourhood, Communities & Housing	653	400	253
Finance & Resources	224	162	62
ORBIS	681	681	0
Strategy, Governance & Law	225	225	0
Corporate Budgets	525	525	0
Total Directorate Savings	**12,371**	**9,514**	**3,394**
Tax Base Savings	307	307	0
Total General Fund Savings	**12,678**	**9,821**	**3,394**

Housing Revenue Account

Directorate	2018/19 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
Housing Revenue Account	655	655	0
Total HRA Savings	**655**	**655**	**0**

Families, Children & Learning – Capital Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 TBM2 Budget £'000	Reported at other Committees £'000	New Schemes Appendix 6 £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Children's Safeguarding & Care	40	0	0	0	40	40	0	0.0%
0	Health & Disability Services	63	0	0	(63)	0	0	0	0.0%
0	Education & Skills	31,199	0	0	123	31,322	31,322	0	0.0%
0	Schools	122	0	0	0	122	122	0	0.0%
0	Stronger Families Youth & Communities	0	0	0	0	0	0	0	0.0%
0	**Total Families, Children & Learning**	**31,424**	**0**	**0**	**60**	**31,484**	**31,484**	**0**	**0.0%**

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£'000	Project	Description
Health & Disability Services			
Reprofile	(63)	Short Breaks for Disabled Children	Variation to budget of less than £0.100m.
Education & Skills			
Reprofile	63	New Pupil Places (Basic Need)	Variation to budget of less than £0.100m.

Detail Type	£'000	Project	Description
Variation	60	Capital Maintenance 2018/19	Variation to budget of less than £0.100m.

Health & Adult Social Care – Capital Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 TBM 2 Budget £'000	Reported at other Committees £'000	New Schemes Appendix 6 £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Adult Social Care	31	0	0	0	31	31	0	0.0%
0	Integrated Commissioning	0	0	0	0	0	0	0	0.0%
0	Provider Services	0	0	0	0	0	0	0	0.0%
0	Public Health	0	0	0	0	0	0	0	0.0%
0	**Total Health & Adult Social Care**	**31**	**0**	**0**	**0**	**31**	**31**	**0**	**0.0%**

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£'000	Project	Description
Health & Adult Social Care			
			No budget changes to report for TBM month 5.

Economy, Environment & Culture (excluding Housing Revenue Account) – Capital Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 TBM 2 Budget £'000	Reported at other Committees £'000	New Schemes Appendix 6 £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	City Development & Regen	38,338	0	140	6	38,484	38,484	0	0.0%
0	City Environmental Management	4,851	0	0	0	4,851	4,851	0	0.0%
0	Culture	14,629	0	0	(700)	13,929	13,929	0	0.0%
0	Planning & Building Control	0	0	0	0	0	0	0	0.0%
0	Property	5,980	0	0	(72)	5,908	5,908	0	0.0%
0	Transport	16,939	0	156	(892)	16,203	16,203	0	0.0%
0	**Total Economy, Environment & Culture**	**80,737**	**0**	**296**	**(1,658)**	**79,376**	**79,376**	**0**	**0.0%**

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£'000	Project	Description
Culture			
Reprofile	(700)	Saltdean Lido Replacement Library	The Saltdean Lido Community Interest Company have not yet managed to secure the required Heritage Lottery Fund or Coastal Communities Fund monies to enable the delivery of the new Saltdean Lido building.

Detail Type	£'000	Project	Description
Property			
Variation	(72)	Various	Variation to budget of less than £0.100m across the following schemes • Asbestos Surveys (0.037m) • Corporate Fire Risk Assessments (0.035m)
Transport			
Reprofile	(892)	Valley Gardens (LTP)	The Local Enterprise Partnership (LEP), the key funding body for the Valley Gardens project, has requested that their contribution to the capital grant is committed first. This is because the LEP has less flexibility to re-profile its grant funding. This means that the council's Local Transport Plan for this year will need to be re-profiled into next year.

Neighbourhood, Communities & Housing (excluding Housing Revenue Account) – Capital Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 TBM 2 Budget £'000	Reported at other Committees £'000	New Schemes Appendix 6 £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Communities, Equalities & 3rd Sector	0	0	0	0	0	0	0	0.0%
0	Community Safety	0	0	0	0	0	0	0	0.0%
(141)	Housing - GF	2,857	0	0	0	2,857	2,857	0	0.0%
0	Libraries	450	0	0	12	462	462	0	0.0%
0	Digital First	2,433	0	0	0	2,433	2,433	0	0.0%
(5)	Regulatory Services	0	0	0	0	0	0	0	0.0%
(146)	**Total Neighbourhood, Communities & Housing**	**5,740**	**0**	**0**	**12**	**5,752**	**5,752**	**0**	**0.0%**

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£'000	Project	Description
Libraries			
Variation	12	Hove Library Redevelopment	Variation to budget of less than £0.100m.

Housing Revenue Account (HRA) – Capital Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 TBM 2 Budget £'000	Reported at other Committees £'000	New Schemes Appendix 6 £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
(211)	City Development & Regen	9,925	0	0	(3,837)	6,088	5,861	(227)	-3.7%
(443)	Housing - HRA	34,740	0	0	(703)	34,037	33,640	(397)	-1.1%
(654)	**Total Housing Revenue Account**	**44,665**	**0**	**0**	**(4,540)**	**40,125**	**39,501**	**(624)**	**-1.5%**

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£'000	Project	Description
Environment, Economy and Culture			
Reprofile	(877)	Selsfield Drive	A complete redesign of the scheme was undertaken following feedback from a consultation with the members of Planning Committee and Design South East in 2016, leading to significant delays. A planning application for the new design was submitted in March 2018, with approval expected by September 2018. It is estimated that costs will be lower than anticipated in 2018/19, with the majority of the works taking place in 2019/20. The project is due to be completed by April 2020.
Reprofile	(2,960)	Estate Regeneration New Build	New schemes are unlikely to be on site in 2018/19 due to lead in times for developing and undertaking feasibility on new build schemes. It is therefore proposed to re-profile £2.960m to 2019/20 when new schemes are likely to be in a more advanced position to start on site.
Variance	107	Guinness Garage sites	Project costs are higher than anticipated mainly due to unforeseen

Detail Type	£'000	Project	Description
			works required for the 57 Party Wall agreements at the site. A successful Land Release Fund bid has been received to cover the additional costs.
Variance	58	Various	Variances of less than £0.100m across various schemes: - • Wellsbourne £0.038m • Findon Road £0.020m
Variance	(392)	Lynchet Close	Forecast expenditure is below Agreed Maximum Price (AMP) and so the scheme is forecast to underspend on budget for 2018/19.
Neighbourhood, Communities & Housing			
Reprofile	175	Structural Repairs	Forecast spend is higher than forecast at TBM month 2 against Major Projects and budget will be brought forward to 2018/19.
Reprofile	(175)	Roofing	Works at Sylvan Hall are not expected to commence until January 2019 and will be limited to 2 blocks, hence budget is being reprofiled to 2019/20.
Reprofile	(148)	Condensation & Damp works	Budget to be used against Unity Housing project, which is currently being tendered. There are 9 unity houses in our housing stock, this phase will attend to 6 of these with the remaining three being dealt with under phase 2 and therefore budget of £0.148m is being reprofiled into 2019/20. The 'Unity' house types are designated as inherently defective under the Housing Defects legislation. The works will help remove the defects and improve thermal efficiency.
Reprofile	(280)	Lifts	Programming changes for 2 lifts means that spend will now not take place until 2019/20.
Reprofile	(148)	Various	Reprofile of budget less than £0.100m across the following two projects: - • Minor Capital Works (£0.065m) • Cyclical Repairs (£0.083m)

Detail Type	£'000	Project	Description
Variation	(208)	Windows	Works at Sylvan Hall are to be limited to 2 blocks which will allow for structural repairs and new roofs only. The window budget originally allocated will now be used for structural repairs work as highlighted elsewhere in this report.
Variation	428	Cyclical Repairs	Budget variation to be utilised towards the major project at Sylvan Hall phase 1 (£0.208m) and additional Tyfoam properties (£0.200m). Tyfoam Ltd were a registered installer of sprayed foam insulation that was used in the 1980's. The issues with this are that where there have been repairs or voids left in the insulation during the installation, there are breaches of the insulation allowing moisture penetration causing damp to the properties. To overcome this, foam insulation is completely removed, which requires the removal and rebuilding of the external skin of brickwork and then an external wall insulation system is applied to the new external skin. This enhances the thermal qualities of the properties and eliminates any damp now and into the future.
Variation	(127)	Portslade Police Station	Options for the future use of this site are still being reviewed.
Variation	(220)	Doors	The council is continuing to work closely with East Sussex Fire & Rescue Service (ESFRS) in response to the latest Government information on fire doors. In light of this the council is temporarily halting its routine front door replacement programme in blocks of flats following a national agreement by manufacturers to suspend production of fire doors. Essential repairs to doors will not be affected.
Variance	124	Structural Repairs	The extent of the concrete repairs at Leach Court exceeded those originally envisaged leading to an overspend of £0.124m..
Variance	(144)	Home Energy Efficiency & Renewables	Budget is allocated as match funding for 2 EU funded projects (Solarise & Energiesprong) of approximately £0.220m, these projects will be delivered over the next 2-3 years. Further project planning is on hold whilst the Home Energy Efficiency

Detail Type	£'000	Project	Description
			Project Manager post is recruited to. There are a number of potential capital projects currently under consideration for the remaining budget to be delivered within the current and next financial years.
Variance	(123)	Door Entry Systems & CCTV	Expected costs from 2017/18 were less than anticipated.
Variance	(180)	Lifts	Programme review has resulted in a lower funding requirement for 2018/19.
Variance	(74)	Various	Variances of less than £0.100m across various schemes: - • Other M&E Service contracts £0.057m • Cyclical Decorations £0.022m • Converting Spaces existing buildings £0.053m • Empty Properties (£0.052m) • Doors £0.001m • Condensation & Damp works (£0.057m) • Fire Safety & Asbestos £0.001m • Capital Works Assessment (£0.011m) • Feasibility & Design £0.002m • Future Proofing Assets £0.002m • Stonehurst Court (£0.051m) • Communal & Domestic Rewire (£0.040m)

Finance & Resources - Capital Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 TBM 2 Budget £'000	Reported at other Committees £'000	New Schemes Appendix 6 £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Finance	0	0	0	0	0	0	0	0.0%
0	HR Organisational Develop	0	0	0	0	0	0	0	0.0%
0	IT&D	944	0	0	0	944	944	0	0.0%
0	**Total Finance & Resources**	**944**	**0**	**0**	**0**	**944**	**944**	**0**	**0.0%**

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£'000	Project	Description
Finance & Resources			
			No budget changes to report for Month 5.

Strategy Governance & Law - Capital Budget Summary

Forecast Variance Month 2 £'000	Service	2018/19 TBM 2 Budget £'000	Reported at other Committees £'000	New Schemes Appendix 6 £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Communications	0	0	0	0	0	0	0	0.0%
0	Legal Services	0	0	0	0	0	0	0	0.0%
0	Life Events	6	0	0	0	6	6	0	0.0%
0	Perf Improvement & Programmes	2,495	0	0	0	2,495	2,495	0	0.0%
0	Corporate Policy	0	0	0	0	0	0	0	0.0%
0	**Total Strategy Governance & Law**	**2,501**	**0**	**0**	**0**	**2,501**	**2,501**	**0**	**0.0%**

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£'000	Project	Description
Strategy Governance & Law			
			No budget changes to report for Month 5.

Note: There are currently no capital budgets to report on for Corporate Services.

New schemes to be added to the Capital Programme for 2018/19 to be approved

New Capital Project Approval Request					
Unit:	Transport				
Project title:	Residential Parking Schemes				
Total Project Cost (All Years):	£0.120m				
Purpose, benefits and risks:					
To provide capital budget for potential parking schemes in accordance within an agreed programme. As required, the capital budget is financed though revenue generated by each scheme. The most recent parking scheme timetable agreed at the Environment, Transport & Sustainability Committee in October 2017 outlined a programme of consultation in various areas across the city. The potential schemes within the proposed budget include the Surrenden area, Hove Park, South Portslade and reviews of the Event day parking schemes, the Hanover parking schemes and Area U (St Lukes area).					
Capital expenditure profile:					
Year	2018/19	2019/20	2020/21	TOTAL	
Unsupported Borrowing	£0.0120m	£0.000m	£0.000m	£0.120m	
Financial implications:					
Expenditure will include the cost of consultation, Traffic Regulation Orders, signing, lining and purchase and instalment of pay and display machines. The capital costs associated to the creation and extension of parking schemes are funded by unsupported borrowing, with appropriate repayments made over a 7 year period funded from the revenue income generated. Total costs are dependent on public acceptance of schemes following consultation. Any variation to the budget will be reported as part of the budget monitoring process.					

New Capital Project Approval Request					
Unit:	Traffic Control Centre				
Project title:	Purchase vans for The Parking Infrastructure Team				
Total Project Cost (All Years):	£0.036m				
Purpose, benefits and risks:					
The vans are essential in order for the service to carry out site work, transport cones and signs and for the general maintenance of controlled parking schemes. Without this, the service would be unable to implement or maintain parking schemes thus affecting parking income.					
Capital expenditure profile:					
Year	2018/19	2019/20	2020/21	TOTAL	
Revenue Contributions	£0.036m	£0.000m	£0.000m	£0.036m	
Financial implications:					
Operation and maintenance costs of these vehicles will be funded from the existing budget.					

New Capital Project Approval Request	
Unit:	Economic Development
Project title:	Immersive Tech Hub
Total Project Cost (All Years):	£0.140m

Purpose, benefits and risks:

The Immersive Tech Lab provides entrepreneurs and start-ups with opportunities to test, demonstrate, iterate, innovate and experience the latest immersive content and technology. It provides showcasing, networking and demo opportunities to those looking to use immersive technologies to create new products and services. This is one of 5 accredited national Labs, and is aligned with a national programme of activity to support the growth of the UK's VR/AR/MR sector.

Immersive technologies are at an early stage and have yet to deliver clear commercial models of exploitation. Coordinated support is therefore required to enable entrepreneurs to connect and adapt the technologies to market opportunities and to demonstrate their ideas and innovations to funders, large corporations, universities and others who can support early stage market-making. Brighton & Hove has been nationally recognised as having a growing immersive sector, on a par with larger cities such as Manchester and Bristol. Immersive tech is set to benefit significantly from the development of 5G and so co-locating it with the 5G testbed for SMEs delivers the prospect of further innovation.

This project represents a unique opportunity for the Coast 2 Capital (C2C) LEP to ensure that regional immersive businesses can start, scale and prosper, adding value to the regional economy.

The funding is required to undertake some repurposing of The FuseBox/Digital Catapult, where the Lab will be situated. It will provide appropriately enhanced light, sound and environment management, signage, the fit-out of a range of use areas for demo-ing and a secure access system to the Lab outside normal working hours. There are some risks in the project that will need effective management including potential delays in contracting a builder, delays in installation, tech becoming obsolete during the currency of the project, and low take-up by SME's.

Capital expenditure profile:

Year	2018/19	2019/20	2020/21	TOTAL
Grant - LGF from C2C LEP	£0.070m	£0.000m	£0.000m	£0.070m
External Contributions	£0.070m	£0.000m	£0.000m	£0.070m

Financial implications:

Capital grant funding has been approved as part of the C2C Local Growth Fund through the Local Enterprise Partnership. Match funding will be supplied through Wired Sussex in the form of National Digital Catapult match grant funding.

New Capital Project Approval Request	
Unit:	Communities, Equalities & 3rd Sector
Project title:	East Sussex Credit Union Loan
Total Project Cost (All Years):	£0.250m

Purpose, benefits and risks:

Policy & Resources Committee on 21st January 2016 approved a 5 year, subordinated interest free loan to the East Sussex Credit Union (ESCU) of £0.250m. The loan has helped ESCU to provide greater levels of safe, affordable, accessible financial products to some of the city's most financially excluded and at-risk residents. In particular, the loan has enabled ESCU to:

- Take the risk to extend their offer of small 'crisis loans' by 60%, making them core business and therefore engaging members and potential members affected by welfare reform;
- Target 2,100 existing members plus an additional 20% of residents from the most deprived neighbourhoods;
- Target the 'in work poor' to encourage saving via payroll deduction aimed at those on low incomes, people referred through Lloyds loan signposting, and those affected by welfare reforms;
- Provide a stimulus to the local economy by increased lending to local businesses.

ESCU is regulated and authorized by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) and savings are 100% guaranteed by the Financial Services Compensation Scheme. PRA requires ESCU to set aside funding to cover the loan repayment of 20% of the value of the debt each year and therefore the closer the debt is to repayment, less ESCU resources are available to lend.

It is proposed to extend the loan term from the existing repayment date of March 2021 to March 2026 to allow ESCU to further provide support to financially excluded residents.

Capital expenditure profile:

Year	2018/19	2019/20	2020/21	TOTAL
Temporary use of Waste PFI reserve	£0.000m	£0.000m	£0.250m	£0.250m

Financial implications:

The loan was funded from the temporary use of the Waste PFI reserve. This reserve will not require repayment of these resources until after 2026 and therefore it is proposed to continue using this source of funding to facilitate this extension. The loan is provided without interest and therefore there is an opportunity cost of approximately £2,500 per year over the five year period, depending on the council's average investment returns. This opportunity cost will be reflected in the council's financing costs budget.

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 54 Brighton & Hove City Council

Subject:		**The allocation of Basic Need funding to the city's secondary schools**		
Date of Meeting:		**11 October 2018**		
Report of:		**Pinaki Ghoshal – Executive Director of Families, Children & Learning**		
Contact Officer:	**Name:**	**Richard Barker**	**Tel:**	**01273 290732**
	Email:	**Richard.barker@brighton-hove.gov.uk**		
Ward(s) affected:		**All**		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The report details proposals to allocate a total of £16.3m of the Council's Basic Need grant and contributions from Section 106 to secondary schools in the city to support meeting the need for additional school places from housing development.

1.2 The report follows consideration of the Education Capital Resources and Capital Investment Programme 2018/2019 at the Children, Young People & Skills (CYP&S) committee on 5 March 2018, Policy, Resources & Growth Committee on 29 March 2018 and the urgent CYP&S Committee on 30 April 2018.

1.3 The report informs the committee of the purpose of the Basic Need grant, the initial proposals to allocate the funding, the work undertaken to assess the need in each school and the revised allocations recommended to each school and the methodology used.

2. RECOMMENDATIONS:

2.1 That the committee agree to the methodology and allocation of £16.3m of capital funding to the city's secondary schools as detailed in paragraph 3.51 in this report be included within the Council's Capital Investment Programme 2018/19

2.2 That the committee agree to the council working with the governing body of each school to identify and reach agreement on how the capital funding will be used.

2.3 That Committee agree to recommend to Policy & Resources and Growth Committee that they grant delegated authority to the Assistant Director of Property & Design to procure the works, as required, in accordance with Contract Standing Orders in respect of the entire Education Capital Programme.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 Basic need funding is the funding provided by central government to local authorities each year to help them fulfil their duty to make sure there are enough school places for children in their local area. This is un-ringfenced capital funding, providing

flexibility to manage capital programmes in the way council's deem fit and is not time-bound.

3.2 In the Capital Investment Programme for 2018/19, £15m of Basic Need funding was allocated to the provision of a new secondary free school; £2m of this has been set aside for the temporary work at Dorothy Stringer and Varndean schools.

3.3 The Council receives Section 106 funding, commonly known as developer contributions, provided by developers to contribute towards infrastructure requirements to support new development. Since 2007 the Council has sought education contributions for developments of more than 10 new dwellings in areas where there was a pressure on school places. The calculation of a contribution has always been based on the number of pupils the development is likely to generate and the cost of providing this number of places.

3.4 It is proposed that £1.3m of Section 106 contributions already received is also allocated alongside the available Basic Need funding.

3.5 When the notification of the Council's allocation of Basic Need funding for 2020/21 was received it was accompanied with correspondence regarding the efficient and effective delivery of capital projects.

3.6 The use of Basic Need funding is reported annually to the DfE who produce a cost per place metric on School Places Scorecards for each Local Authority. These can be found at: https://www.gov.uk/government/publications/local-authority-school-places-scorecards-2017

3.7 The correspondence confirmed that where there is a high cost to creating new school places the DfE will enquire if cost-effective ways are being implemented. In order to support this drive for capital efficiency, the DfE will be applying three conditions on the granting of basic need funding. These conditions will apply from the 2019-20 allocations onwards. On the basis of the work undertaken to increase the provision of primary school places, it is not anticipated that Brighton & Hove City Council will have conditions placed upon it. However this is not an indicator of future requirements.

3.8 The department or the ESFA may require local authorities to provide such information as they reasonably request relating to expenditure related to providing school places, so that they can understand cost drivers and measure efficiency. Under the second condition, the department or the ESFA may require local authorities to produce an action plan to improve the efficiency of capital spend on new school places, where LAs have been identified for engagement based on their spend data and are not able to demonstrate that higher costs are justified (e.g. due to constraints or external factors beyond their control). The third condition will provide a backstop sanction, which the department or ESFA would only consider using in circumstances where they are unable to agree an action plan with a local authority; or where they consider that authority to not be carrying out its action plan effectively. In such instances, the department may withhold basic need funding for a specified number of places and instead directly deliver construction of those places centrally.

3.9 Therefore if the Council's cost per place metric is high and a large amount of funding is used to create a small number of places, the DfE/ESFA may apply conditions on

future work. At present, the average cost per additional mainstream place from LA reported projects for 2015/16 and 2016/17 adjusted for inflation and regional variation is £21,448 for a permanent secondary school place and for a temporary secondary school place, £9,143.

3.10 Using the benchmark figures from the DfE, the £15m Basic Need allocation proposed to be allocated in this report could be expected to generate almost 700 permanent places. The table below shows how many additional places will be provided in future years.

School	Increase in places 2018	Increase in places 2019	Increase in places 2020	Increase in places 2021	Increase in places 2022	Total
Blatchington Mill School	30	30	30	30	30	150
Patcham High School	10	10	10	10	10	50
Varndean School	30	30	30	30	30	150
Dorothy Stringer School	30	30	30			90 (temporary places)
Total	100	100	100	70	70	440

3.11 It is expected that a future growth in pupil numbers will be met by the use of Basic Need funding at the appropriate time where, in the example of Hove Park School and Longhill High School, capital works will ensure the accommodation available can meet future growth in pupil numbers.

Initial proposal

3.12 Following the joint recommendation at the Policy, Resources and Growth Committee on 29 March 2018 and during the Easter holiday period a report was drafted to the Children, Young People & Skills Urgency Sub-Committee held on 30 April 2018 which included initial recommendations to distribute the Basic Need funding based on a high level analysis and without the opportunity to liaise with schools as shown in the table below.

School	**Allocation**
DS/V catchment area	£2.0m
Blatchington Mill	£0.5m
Hove Park	£5.0m
Varndean	£5.0m
Patcham High School	£1.0m
Longhill High School	£1.0m
Contingency	£0.5m
Total	£15.0m

3.13 Subsequent to the report's publication, clarification was provided as to the basis on which this proposed allocation was made.

3.14 Hove Park School is in the proximity to two major development areas as detailed in the City Plan, Toads Hole Valley and Hove Station/Conway Street. It will be admitting pupils who would previously attended the Blatchington Mill sixth form provision and it is operating at the top of its current capacity range.

3.15 Blatchington Mill School will no longer have a sixth form provision and undertook to increase its PAN without any Council investment. It was recognised that the remodelling of its accommodation will support the school's capacity to admit additional pupils in the future.

3.16 Patcham High School currently operates close to the top of its capacity range. Both anecdotal evidence and demographic figures indicate that more families are moving into this area of the city and having increased their PAN by 10 pupils from 2018 an investment of Basic Need funding will ensure that the school can accommodate future numbers of children needing a place at the school.

3.17 Longhill High School is in the proximity of the 'marina and gas works' major development area and is close to planned developments in Peacehaven, East Sussex. Whilst the Council is not responsible for accommodating pupils who live in neighbouring authorities, the Council does need to take account of the fact that pupils are likely to seek a place in the city's schools and pupils who had previously gained places outside of the city may be required to be admitted into city schools in the future as schools in the neighbouring Local Authority area fill with pupils who live closer. Similarly to the Patcham area, this area is also appearing to be more attractive to families moving out of other areas of the city. Being better able to meet the needs of the children in this part of the city will mean less demand led pressure for places elsewhere.

3.18 No allocation of Basic Need funding had been allocated to the city's remaining schools. None of these schools are increasing their PAN to take additional pupils, the previous expansion of PAN at Cardinal Newman Catholic School in 2013 was a decision of the school and the additional pupils are accommodated within the school's current capacity range. At the time of the admission consultation, the Diocese indicated that there was no intention for the school to admit greater numbers of pupils in the future.

3.19 King's School will be accommodated in its new building from September 2019 and will be operating a PAN of 150 pupils. The building is designed to accommodate a sixth form provision and this will mean the city has four school sixth forms in the Hove and Portslade areas. The Council has taken this accommodation and the anticipated recruitment rates into consideration when considering medium to long term accommodation needs.

3.20 PACA is the school in closest proximity to the Shoreham Harbour development area and dialogue is on-going with West Sussex about how the estimated number of pupils generated by this development will be accommodated. BACA is likely to be able to accommodate the impact of the developments along the upper parts of the Lewes Road, another major development area. No Basic Need allocation has been recommended for these schools.

3.21 Varndean School indicated that it would like to permanently increase its Published Admission Number (PAN) from 270 to 300. It was recommended that £5 million be

allocated to meet the cost of this permanent expansion subject to a final agreement on this matter.

Summary of views

3.22 The committee requested that further discussion took place with all of the city's schools. These meetings concluded on 4 June and a brief summary of the discussion follows.

3.23 Longhill High School

- The head teacher said it was important to stress that the admissions decisions made recently had made the school more vulnerable in all senses. In terms of additional accommodation in the city, the head teacher said that it was more appropriate to talk in terms of need rather than wishes. She said that it was important that there was a fair and consistent approach across the city in terms of facilities for pupils.
- The head teacher confirmed that there was no desire for the school to increase its PAN and that the school needed enhanced space rather than more space. This included remodelling of the library space and dining facilities as well as a space for science teaching for the community
- The priority for Longhill High School, as part of its vision, would be to provide facilities that would allow the school to provide a strong STEM offer assisting the school to offer space for science teaching to primary schools and the wider community.
- The head teacher also said that the criteria for determining the use of the £15million will need to take account of current capacity, potential PANs, future housing developments and existing facilities available at schools.

3.24 Blatchington Mill

- The head teacher said that the capital requirements to convert the school facilities from Post-16 use and to facilitate the safe accommodation of 330 students per year group are in three broad areas:
- improving transition/safe movement and accommodation
- upgrades and increased capacity for specific facilities in school that will have higher usage with the changed age range of the school
- alterations to the existing classroom usage to accommodate an appropriate curriculum offer
- The priorities were suitable toilet capacity, improved first aid provision, enhanced security measures and the schools IT provision where a move to a cloud based solution is proposed. Improving pupil circulation and accessibility for pupils with limited mobility has been identified alongside additional and revised curriculum spaces including the library and for practical subjects such as science and design. It was noted that the sixth form building needed modification to allow for the space to be used by the 11 – 16 age pupils.
- Whilst the school has modelled the ability to admit up to 360 pupils per year the school does not want to add capacity to the school that will not be fully utilised in the future and 330 is sustainable.
- The school still has planning consent for the remainder of their development and this could be implemented if required.

3.25 Dorothy Stringer

- The head teacher stated that the school did not want to increase to 360 pupils permanently but had been in discussion with governors about the implications of the

school being asked to take a bulge class over a number of years. Subsequently to the initial discussions, the school have confirmed that they do not wish to seek a permanent increase to the school's PAN.

- When considering the modifications needed to accommodate the additional pupils the most urgent need has been additional dining capacity, increased space in the main hall to accommodate a full year group and improvements to pupil circulation, with the addition of an external covered walkway.
- Alongside this the school believes that they would need additional general teaching accommodation and modifications to allow for some additional specialist accommodation.

3.26 King's School

- The head teacher said that her only real comment on the urgency report is that she would like to have seen some mention of the school in the report to acknowledge that it is part of the family of secondary schools in the city and that once the new build is complete they will be admitting 150 pupils per year. She said that the new build does not include a synthetic turf pitch, and although she realises that the facilities the school will have will be adequate and a marked improvement on current temporary facilities, a synthetic turf pitch would be a welcome addition.
- The head teacher also said that transport was an area of concern for the school and wondered if there could be any capital support for infrastructure such as bus shelters.

3.27 Patcham High School

- The head teacher stressed his commitment to working in conjunction with the LA and mentioned that in the future the school could look to increase the school's PAN to 240 and that this would require additional classrooms.
- In terms of additional accommodation the school felt it was more appropriate to talk in terms of need in the city rather than wishes and that the criteria needed to ensure a fair approach across the city – schools should all have comparable facilities which is not the case at the present time. It was stated that the LA needs to be fair to all schools and all pupils
- The head teacher said that the school was in need of additional dining facilities and enhanced/additional sports facilities. The implication of PFI was raised alongside discussion about previous investment levels under the initiative.

3.28 Varndean

- The school wished to permanently expand to a PAN of 300 and that to achieve this they would need additional science space and other specialist spaces within the school. The school is also short of dining space and this would need to be addressed.
- For the temporary solution temporary classrooms would be needed until the permanent extension could be provided.

3.29 Aldridge Education

- The executive head teacher commented that the secondary catchment areas are at the heart of the matter and that the city will continue to experience yearly issues unless this matter is addressed.
- With regard to the space issues at PACA, it was acknowledged that the school had been expanded and refurbished for a PAN of 240 but said that the school still had issues with social spaces such as the dining facilities, the hub space and the ability to function during exam periods. The executive head teacher said there was an

issue regarding the security at the front of the school, particularly for people leaving the site in the evenings. He also raised the matter of the cost of the sports provision which is £40k per year. The school would be able to save a considerable amount of this if they had their own sports hall.

- With regard to BACA he acknowledged that the school was a new build and well-appointed however the accessibility of the site was problematic especially the access route from the train station.
- The school's vocational offer required additional space which, whilst it could be basic in its build, would require bespoke equipment to be installed.
- Issues with the security of the synthetic turf pitch were also mentioned.

3.30 CNCS

- The head teacher expressed concern with the original proposals as to why CNCS had not featured and to understand the rationale for allocations to schools with current capacity. It was noted that CNCS had increased its PAN in 2013 and would be willing to take an additional 12 pupils per year for a temporary period until the current pressures dissipate. Any increase in pupil numbers as a result of housing developments will also impact on the demand for places at CNCS.
- The head teacher described that the school needed investment to meet medium and long term needs. There were two main areas requiring investment, PE facilities including changing areas and dining space. It was explained that the school is currently exploring the possibility of installing a synthetic turf pitch on the playing field to the front of the main school building and additional facilities would be needed to complement those proposals. In relation to dining facilities the seating area seats approximately 174 students and has not been expanded in over 14 years with an average of 1000 transactions per day over the three breaks.

3.31 Hove Park

- The head teacher expressed concerns about student numbers for this year as a consequence of other decisions. He suggested that the LA should consider the need for parity of provision across all schools in the city as well as taking account of the investment in schools over a period of time.
- The school plans to re-organise and offer a 3 year KS4 curriculum model from September 2019 and this should be taken into consideration when proposals are put forward. In September 2019 it is planned that the Valley campus would accommodate Years 7&8 plus the sixth form and the Nevil Campus would accommodate years 9, 10 and 11.
- Work needed to ensure current capacity has an equitable school experience in addition to potentially increasing capacity and supporting the planned re-organisation includes the creation of a sixth form common room on the Valley campus, a reasonable size sports hall, dining space and enhanced circulation space. At the Nevil campus the current sixth form provision could be remodelled to provide 13 – 16 year age group accommodation, a reasonable size sports hall, dining space and the creation of specialist teaching rooms as identified in the curriculum analysis that has been undertaken.

Proposed criteria

3.32 The following criteria were identified by the Council based upon the themes that had emerged during the individual meetings.

- Parity of facilities – Synthetic Turf Pitch/3-4 court sports hall
- Dining facilities

- Net capacity - now and if larger
- Net capacity – hall and PE space
- Future house building
- Current popularity
- Utilising current accommodation

3.33 These were shared with meetings of the secondary headteachers and the Chairs of Governors of the secondary schools. What emerged from these discussions were some particular categories by which to consider the allocation of Basic Need funding. These were:

- Housing development
- Net capacity
- Parity of provision
- No school left behind
- Agreed increase in pupil numbers
- Quality of provision

3.34 Both groups of stakeholders and the Cross Party School Organisation Working Group were asked to rank the importance of each category. Both groups considered their highest priority to be:

- Net capacity
- Parity of provision
- Quality of provision

Factors

3.35 Housing development – The Council calculated the child product that comes from new homes being built in the city. In other words, the number of additional primary, secondary and college aged children and young people that will be generated when new homes are occupied. The City Plan identified where 8 major planning areas will be sited and these areas have been assigned to the catchment area of a school.

3.36 The two schools without catchment areas, have been provided with a proportion of the overall child product to take account of them admitting pupils from across the city.

3.37 A number of new homes that feature in the city plan are not allocated to a particular development. In these cases the total amount has been split equally to all of the catchment areas.

3.38 The small number of students who attend a school sixth form have not been included in the calculations, otherwise the total number of children in each catchment area has been totalled and ranked.

3.39 Net capacity – the net capacity of a school is the number of pupils a school building can accommodate. It is calculated for secondary schools, based on the number, size and type of teaching spaces and the age range of the school. The net capacity calculation gives a lower and upper limit and ideally the PAN should fall between the two values to ensure that there is neither too much nor too little space available to support the core teaching activities. The method also allows some flexibility to suit the inclusion of pupils with special educational needs (SEN) and admission

arrangements. For academies and free schools, the final capacity of the school is taken as being as per the funding agreement, even if it is still filling up or based on a temporary site.

3.40 If the school has a sixth form the sixth form capacity is included in the total capacity figure.

3.41 The net capacity has been used in two measures, one compares the top of the range to the number of children recorded on roll in the January 2018 census and the other has compare the top of the range to the number on roll if the school was filled at its highest potential Published Admission Number.

3.42 The reason for these measures is firstly to reflect which schools at current pupil numbers have the least amount of capacity available and the second, to consider if full to a future PAN, the amount of capacity available.

3.43 Parity of provision – To ascertain how well a school's accommodation can meet the demands of its curriculum a curriculum analysis can be undertaken. In recent months these have taken place at both Varndean School and Hove Park School. Within the last 5 years they have also been undertaken at Dorothy Stringer school although there have been significant changes in the requirements of the curriculum since that time.

3.44 The Cross Party School Organisation Working Group asked Headteachers and Chairs of Governors if they would like an impartial and comprehensive curriculum analysis to better inform the allocation of funding. There was not a universal agreement but the majority of respondents did not wish to see the process delayed by the commissioning of an additional piece of work.

3.45 No school left behind – Consideration of the circumstances in which particular schools are operating in and ensuring that as a result of this process, factors such as where they are on their school improvement journey, their standing in the community are taken into account. This is more of a subjective category that is difficult to quantify with a discrete measure. It must recognise that, with an undertaking to have approximately 5-10% spare capacity on the system, current underutilised capacity should be used.

3.46 Agreed increases in pupil numbers – In January 2018 the Children, Young People & Skills committee determined admission arrangements for September 2019 and detailed agreements on pupil numbers that had been reached for September 2018. To take account of those schools where places were agreed prior to any consideration of Basic Need funding it has been noted which schools had agreements in place for September 2018 and 2019.

3.47 Quality of provision – A theme that emerged in the discussion with schools related to ensuring investment in the city's schools improved the quality of the accommodation available. This is not a substitute for maintenance funding, which schools are allocated separately, and to which primary and special schools would also have equal claim. Taking account of the current condition of buildings as detailed in the 5 yearly condition survey of the education accommodation provides an indication of the overall quality of the building stock. This is a surveyor led activity that produces an overall standard of accommodation.

Ranking and weighting

3.48 The rankings that each school achieved for each of these criteria are shown in the table below. No ranking was made for parity of provision following consideration of the work needed to be undertaken as detailed in Paragraph 3.44 and the total score was weighted with the greatest significance being upon the Council's responsibility to ensure sufficient school places thereby emphasising net capacity and housing developments.

3.49 Achieving agreement with all stakeholders has not been possible however within the broad consensus of what has been identified there is a need to weight the categories to identify their importance in achieving the overarching objective to ensure sufficient school places.

	BACA	Blatchington Mill	CNCS	Dorothy St	Hove Park	Kings Schoo	Longhill	PACA	Patcham	Varndean
Housing development (adjust CNCS and Kings)	4	1	7	2	1	7	3	6	5	2
net capacity based on NOR	7	6	1	5	3	8	9	10	4	2
Parity (requires curriculum analysis)										
No School left behind (subjective)	15	9	15	12	3	18	3	18	6	12
Agreed increases in places	9	9	9	3	9	9	9	9	6	3
Quality	12	4	8	10	2	12	6	12	10	10
TOTAL	47	29	40	32	18	54	30	55	31	29
Overall Ranking	7	2	6	5	1	8	3	9	4	2
Funding allocation £m	0.125	2	0.5	2	4.5	0.104	1	0.1	1.75	4

Section 106 funding

3.50 Receipts of Section 106 funding from qualifying developments have been totalled and allocated to the relevant catchment area. In the case of Cardinal Newman Catholic School and King's School, who do not have a catchment area, the projection of how many pupils from each catchment area are expected to attend these schools has been calculated based on the number of pupils from each school catchment area have attended either school and the equivalent proportion of funding has been assigned to each school.

Catchment area	CNCS	Blatchington Mill/Hove Park	Dorothy Stringer/ Varndean	Longhill	Kings	PACA	Patcham	TOTAL
Amount	£242,548	£354,186	£460,288	£109,755	£101,062	£15,239	£28,412	£1,311,490

Proposed allocations

3.51 Having considered these factors it is proposed that the following allocations are made. The table also displays the original allocation put forward to the urgent CYP&S committee on 30 April 2018 and any variation from that amount.

School	Previous Proposed Allocation	Proposal	Difference
Dorothy Stringer School	£2.000m	£2.000m (Section 106 and Basic Need)	0
Blatchington Mill	£0.500m	£2.000m (Section 106 and Basic Need)	+£1.5m
Hove Park	£5.000m	£4.500m (Basic Need	-£0.5m

		and Section 106)	
Varndean	£5.000m	£4.000m (Basic Need and Section 106)	-£1.0m
Patcham High School	£1.000m	£1.750m (Basic Need and Section 106)	+£0.750m
Longhill High School	£1.000m	£1.000m (Section 106 and Basic Need)	0
PACA	-	£0.100m (Section 106 and Basic Need)	+£0.100m
BACA	-	£0.125m (Basic Need)	+£0.125m
King's School	-	£0.104m (Section 106)	+£0.104m
CNCS	-	£0.500m (Basic Need and Section 106)	+£0.500m
Contingency	£0.500m	£0.221m (Basic Need)	-£0.229m
Total	£15.000m	£16.300m	+£1.300m

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 An original proposal to allocate Basic Need funding was taken to the urgent CYP&S committee on 30 April 2018 and additional consultation with all schools was requested prior to a further report being considered by the PR & G Committee.

4.2 Whilst it is not essential to allocate Section 106 contributions at this time, it is considered an efficient deployment of capital resource alongside Basic Need funding so that any works undertaken in schools could be maximised.

4.3 As Basic Need funding is not ringfenced capital grant it has been possible to propose allocation to schools where additional school places are not yet foreseen. This funding will enhance the accommodation beyond the maintenance funding separately allocated and detailed in the report to PR&G on 29 March 2018.

4.4 It is understood that agreement on the proposed allocation will not be universally accepted and alternative allocations could be proposed. However the report has detailed the extensive consultation and consideration which has been undertaken to determine the basis on which funding should be prioritised and amounts allocated.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The Cross Party School Organisation has been able to consider the responses received following the consultation events with secondary school headteachers and chairs of governors.

5.2 Officers met with each Headteacher individually and findings were shared and discussed at separate meetings with both Headteachers and Chairs of Governors.

6. CONCLUSION

6.1 It is proposed that the Council allocates a proportion of Basic Need grant and receipted contributions of Section 106 contributions to education to each secondary school in the city.

6.2 The capital funding will be able to ensure the delivery of 440 additional school places to help meet the increasing demand for secondary school places. It is expected that investment in schools where no additional places are being created in the next 5 years will facilitate additional places being offered without significant future capital investment.

6.3 A methodology has been developed to determine how the funding should be allocated and this has been weighted to ensure that the prime objective of the funding, to secure sufficient school places, is appropriately prioritised.

6.4 It is expected that, if the recommendations are agreed, officers will work with school leaders to reach agreement upon the exact nature of the future works that are cost effective and ensure additional school pupils can be taught in each school.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 The report sets out the Basic Need grant funding allocated between 2015/16 to 2017/18 that was previously earmarked for purchasing a site for a new secondary school within the city. Basic Need funding is provided to ensure that there are sufficient school places for every school age child in the city. The £15m Basic Need Funding has been reported to Budget Council and included within the Council's Capital Investment Programme. It is proposed that an additional £1.3m from Section 106 payments associated education contributions from developers be included within the capital allocations across the identified schools. The total allocation of capital funding is included within paragraph 3.51. A contingency of £0.221m is included within the allocations.

7.2 There will be implications of any additional build on schools day to day running costs, the biggest of which will be business rates. The cost of these will not be known for some time after the builds, when the VOA have re-assessed the valuations and produced an updated valuation. Given previous increases for increases in capacity, the likely cost will be between £10,000 and £25,000 per school per annum.

7.3 Any running costs such as business rates, utilities and maintenance associated with the new investment at each of the schools will be met from within the existing schools revenue budgets.

Finance Officer Consulted: Rob Allen *Date: 18/09/18*

Legal Implications:

7.4 The Government makes available to all Local Authorities capital funding annually to create new school places (basic need) and to carry out maintenance and repair work to existing maintained school buildings. However, the funding is not ring fenced for either basic need or maintenance and can be used for any purpose at the discretion

of the Local Authority as long as statutory duties (such as provision of sufficient school places) are met.

7.5 In deciding where to use basic need funding to provide additional places, Local Authorities are expected to consider fairly both their maintained schools and local academies, and where the additional places will be of greatest benefit to their children. The status of the school (Community, Faith, Academy etc) should not influence any decisions regarding allocation.

Lawyer Consulted: Serena Kynaston *Date: 12/09/18*

Equalities Implications:

7.6 No Equality Impact Assessment has been carried out in relation to this report. There are no equalities implications arising from this programme which would impact disproportionately on any defined groups. The council has a duty to provide sufficient school places for all pupils who require one. Using the Council's most recent projections, all pupils will be able to receive a place. All schools are expected to benefit from additional funding. New and refurbished buildings will conform to all relevant regulations and be fully accessible.

Sustainability Implications:

7.7 There are no direct environmental implications arising from this report. The detailed planning of projects at educational establishments will take account of the implications of Brighton & Hove's policies in relation to sustainability issues generally.

Crime & Disorder Implications:

7.8 The detailed planning of projects will take account of security issues.

Risk and Opportunity Management Implications:

7.9 The Council anticipates that sufficient school places will be available for all pupils who require one during the timescale to which the funding has been allocated.

Public Health Implications:

7.10 The proposals within this report do not impact upon the allocation of the Healthy Pupil Capital Fund previously determined.

Corporate / Citywide Implications:

7.11 The proposals will ensure that sufficient school places are available to all pupils living in the city who require one.

POLICY RESOURCES & GROWTH COMMITTEE	Agenda Item 55 Brighton & Hove City Council

Subject:		**i360 Loan Restructuring Update**		
Date of Meeting:		**11th October 2018**		
Report of:		**Executive Director for Environment, Economy and Culture**		
Contact Officer:	**Name:**	**Max Woodford**	**Tel:**	**01273 291666**
	Email:	**max.woodford@brighton-hove.gov.uk**		
Ward(s) affected:		**All**		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 This report updates the committee about the progress made in appointing consultants to work with the city council and all the other stakeholders on the i360 loan restructure.

1.2 The report also sets out the provisional list of options open to the city council as part of any restructure to reduce the financial and reputational risk to the council. This is not intended to indicate which option is the best for the city council and/or other stakeholders and does not preclude the potential for other options being recommended to December Policy, Resources & Growth Committee (PR&G) should they emerge.

2. RECOMMENDATIONS:

2.1 That members note the progress made to date in appointing the team who are working on negotiating the restructure of the loan to the i360.

2.2 That members note the provisional list of potential options that the advisors have put forward.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 A report sent to the 28th June 2018 Special PR&G meeting set out that the i360 opened to the public on 4 August 2016 and has since carried over 750,000 visitors. It has also generated approximately £2.4m net direct additional income for the council so far which has been or will be reinvested in the seafront; in particular in the landscaping of the council owned land around the i360, contributions towards the refurbishment of the Madeira Terraces and festoon lighting along the seafront.

3.2 However, that report also described that visitor numbers have been lower than anticipated and stood at the lower end of the long term financial viability modelled in the original business case. This meant that the i360 was not able to make the full anticipated 30 June 2018 payment to city council of both the loan repayment and the margin.

3.3 PR&G committee therefore agreed to defer £570k of the £1,492k due on 30 June 2018 until 31 December 2018. The basis for this is that the i360 paid the council £922k to enable the council to pay the PWLB the same amount in June. In doing so, the council also agreed not to take default action at that stage in relation to the failure to achieve the financial ratios set out in the loan agreement. This agreement was subject to a number of conditions, as set out in the full final decision text in **Appendix 1** (note: this is the text that takes account of all of the amendments agreed at the June meeting).

3.4 Resolution xi instructed officers to present a progress report to this Committee meeting, outlining a full range of restructuring options that seeks to reduce the financial and reputational risk to the Council.

Loan Restructuring Advice

3.5 Since June, officers have appointed GVA as specialist advisors as required by the committee decision. GVA have been commissioned to provide advice and options to the council for a long-term loan restructuring. They have a team of professionals including real estate bankers and accountants who specialise in sourcing equity and debt finance for large-scale real estate investments and developments. They also often act on behalf of companies and local and central government in assessing, structuring and implementing funding structures for investment. As such they have a broad mix of public and private sector experience and so are well placed to advise on whether the final restructuring meets the market economy operator principle.

3.6 The detail of the work now being pursued by GVA is as follows:

Work Stream 1 – Current Lending Structure, Stakeholder Objectives and i360 Business Plan Analysis:

In order to identify suitable restructuring options they have analysed the current lending structure and i360 business plan. The outcome of this work is the suite of loan restructuring options at **Appendix 2**. During this process GVA have been meeting with Coast to Capital (the LEP) and shareholders to determine their position. This has fed into the options analysis to determine those scenarios which will meet with the objectives of all stakeholders and that are therefore likely to be implemented.

Work Stream 2 – Recommended Loan Restructure

GVA will incorporate this committee's feedback into their reporting. They will then make a formal recommendation on the way forward. This will include their own opinion of the required returns for compliance with the State Aid Market Economy Operator Principle. As part of this they will conduct market testing of the lending structure (on an anonymous basis) with their funding partners to provide supporting evidence for the returns proposed.

Work Stream 3 – Implementation of Preferred Restructuring Option

It is intended that the preferred restructuring option is identified and agreed at the December PR&G Committee. That being the case, GVA will then work with our appointed legal advisors to assist with the implementation of the new lending structure. Osborne Clarke previously advised the council in relation to the i360

and will work with GVA and the council to ensure that the loan restructuring proposal complies with the Market Economy Operator Principle.

3.7 In summary GVA have set out the following options from the first work stream:

- Do Nothing
- Equity promoters (i360 consortium) invest additional equity into i360
- Restructure interest payments
- Upside Agreement
- Debt for equity swap
- Equity promoters (i360 Consortium) arrange refinance of Council loan
- Council sell their loan
- Buy out Junior Loan
- Council to restructure PWLB loans
- Consensual 'enforcement'
- Enforce Security

Their paper considers the wide range of options available but does not seek at this stage to make any recommendations and further work will be carried out in the coming weeks to narrow down the options before concluding on the optimum routes forward, including assessing any state aid implications of the options. The options outlined in Appendix 2 should not be seen as standalone options and GVA are of the view that the likely preferred solution will be a combination of options.

Commercial Advice

3.8 Leisure Development Partners (LDP) has been appointed to take on the specialist commercial advisor role. They have been appointed to act for the council to advise it on whether the i360 is taking all available steps to maximise income and enable it to meet its obligations to the council under the loan agreement. They have directly relevant knowledge and experience in the advising similar attractions globally, such as the Eiffel Tower and viewing wheels across Europe, but are also experienced in the Brighton & Hove market, having advised on Palace Pier. The work they are appointed to undertake includes:

- Review of performance to date, the development of detailed KPIs and comparison with other viewing attractions, regional attractions and relevant speciality attractions.
- Review of pricing and marketing strategies, and recommendations for future pricing.
- Review of existing spend opportunities and identification of any additions or strategies to enhance the performance.
- Review of the naming rights deal.
- Review of the catering offer and outsourced strategy, and recommendation of a future strategy.
- Review of the business case underpinning the construction of the attraction.
- In depth discussion with management and review of operations and consequent further recommendations.
- Careful testing of potential future attendance numbers including sensitivity analysis.
- Review of potential additional services or activities which could be added outside of the main viewing attraction, but on site, to supplement the business case.

- Development of a new 10 year business case integrating their recommendations with forecasts of profit and loss and cash flow and consideration of the obligations to its funders and equity partners as well as reinvestment; they propose to deliver two cases, one a continuation of the business 'as is', the second based around the implementation of the identified strategies.

3.9 The next step is for a further report to be brought to the December 2018 PR&G committee, making a recommendation on the preferred option for the restructure. This will also address the requirement specified in June that , as part of any restructuring deal, the council seeks receipt of 25% of ticket sales over an agreed level of visitor numbers.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 This report sets out the potential options open to the council and at this point does not recommendation a preferred option. The report to December 2018 PR&G committee will recommend which option is best to pursue.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The i360 has received a wide range of supportive statements from local businesses, charities and other organisations. Businesses have focussed on the beneficial impact on tourism to the city and the improvements made to a previously run down part of the seafront.

5.2 The council is due to receive 1% of ticket sales in perpetuity to spend on local initiatives with about 25% of this sum allocated to fund part of the landscaping works and discussions continue with local organisations about how to spend the remainder.

6. CONCLUSION

6.1 For the reasons set out above and in Appendix 2, it is proposed that members note the restructuring options available ahead of the final decision being taken in December.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 The i360 is due to make payments of £1.492m every 6 months until June 2041. The council pays borrowing costs of £0.922m relating to the loans to the i360 to the Public Works Loan Board on the same day as the payments are due from The Brighton i360 Ltd . At a special Policy Resources and Growth Committee on the 28th June 2018, £0.570m of the payment due from the i360 company was deferred until 31 December 2018.

7.2 The council has commissioned specialist advisors to support options for loan restructuring; commercial advisors to support the attraction in maximising income; and legal advisors to support state aid issues relating to the Market Economy Operator Principle. The estimated costs of these advisors is £0.050m

and is funded in the short term from the councils Strategic Investment Fund and is expected to be reimbursed by the Brighton i360 Ltd.

7.3 Appendix 2 sets out the loan restructuring options being considered with GVA and the report to this committee in December will recommend an option along with the financial implications for the council of that option.

Finance Officer Consulted: James Hengeveld Date: 01/10/18

Legal Implications:

7.4 Loan arrangements such as this comply with state aid law if they meet the market economy operator principle (MEOP). The means that the council is required to act in a similar manner to a commercial investor in the same circumstances. The council's legal advisors will work with GVA to ensure that the option which is ultimately recommended to this committee complies with this test.

7.5 The council's external legal advisors, Osborne Clarke, have drafted a reservation of rights letter for the council to send to the i360. This is not strictly necessary as the loan agreement is clear that the council does not waive its rights under the agreement by failing to take enforcement action if there is a default but the letter will ensure that this position is formally on record.

7.6 The report considered by this committee on 28 June 2018 set out the options available under the loan arrangements including enforcing the council's security over the shares or assets or appointing a receiver.

Lawyer Consulted: Alice Rowland Date: 01/10/18

Equalities Implications:

7.7 The i360 is accessible throughout to people with disabilities and has improved access to the seafront lower promenade by the building of a new lift to the east. Unisex toilets are open to members of the public who are not using the centre or visiting the attraction. The i360 has introduced a range of concessions for local residents and free tickets for local schools. The i360 is a living wage employer and does not offer zero hour contracts. There is an apprenticeship scheme in place and training opportunities for staff at all levels of the organisation.

Sustainability Implications:

7.8 The i360 is low energy use with energy recovery when the pod is descending. The installation of heat pumps provides air heating and cooling in the pod and main building and will provide an estimated 30% of the total thermal heating energy use. All electricity is purchased from renewable energy sources. Grey water and rainwater recycling has been included. Purchasing policies are based on sourcing environmentally friendly local products particularly the Sky Bar, café and restaurant.

Any Other Significant Implications:

7.9 All significant implications are dealt with in the body of the report.

SUPPORTING DOCUMENTATION

Appendices:

1. The final decision text from the PR&G Item on the i360 on 28th June 2018

2. Report from GVA: Brighton i360 Loan Restructuring Options

Documents in Members' Rooms

None

Background Documents

None

Appendix 1: The final decision text from the PR&G Item on the i360 on 28th June 2018

Decision:

RESOLVED: That the Committee:

(i) Noted the financial and commercial performance of the i360 to date.

(ii) Noted the action so far taken by the i360 to reduce costs, increase visitor numbers and increase revenue generating capacity.

(iii) Agreed to defer £570,007.73 of the £1,492,304.25 due on 30 June 2018 until 31 December 2018 on the basis that the i360 will pay the council £922,296.52 to enable the council to pay the PWLB the same amount on the same day.

(iv) Agreed not to take default action at this stage in relation to the failure to hit the financial ratios set out in the loan agreement.

(v) Noted that representatives of the council, LEP and i360 Board will meet regularly to discuss a long term restructuring of the loans and that a further report will be brought to PRG Committee on 6 December 2018, if it is anticipated that the debtor will default in making December's payment, that the Committee be fully appraised of the options as set out in Section 4 of this report, including that BHCC enforces its security.

(vi) Authorised the Executive Director Economy, Environment & Culture, in consultation with the Executive Director Finance & Resources, to commission a specialist commercial adviser to provide advice and options to the council for a long-term loan restructuring and advise on whether those proposals meet the market economy operator principle.

(vii) Authorised the Executive Director Economy, Environment & Culture, in consultation with the Executive Director Finance & Resources, after discussion with the i360 Board, to procure additional support (such as a commercial advisor with specialist experience of visitor attractions) for the i360 management and Board to help them improve the financial performance of the i360.

(viii) Allocated a sum of £50,000 from the Strategic Investment Fund to meet the costs of the recommendations at 2.1.6 and 2.1.7, and that these costs are recovered with interest from the Brighton i360 Ltd by adding this sum to their loan repayments.

(ix) Instructed Officers to seek to recover the full costs, detailed in 2.1.8, from the Brighton i360 Ltd and ensure that those costs are added to the debt.

(x) Requested that Officers seek to negotiate, as part of any restructuring deal, agreement that BHCC will receive 25% of ticket sales, over an agreed level of visitor numbers.

(xi) Instructed Officers to present a progress report to the October meeting of this Committee, which outlines a full range of restructuring options that seeks to reduce the financial and reputational risk to the Council.

(xii) Requested that should there be a material change of circumstances resulting in a significant departure from the assumptions contained in this report that an urgency PRG committee be convened.

Brighton i360 Loan Restructuring Options

September 2018

1. Background

1.1 GVA Real Estate Finance (GVAREF) has been procured by Brighton and Hove Council to undertake a review of the structure of the loan provided by the Council to the Brighton i360 consortium for the construction of the i360. GVAREF are not advising Coast to Coast Capital who are the junior lenders with subordinated rights to the Council.

1.2 Between 2014 and 2016 Brighton Council provided the Brighton i360 Consortium with development finance in the form of £34m senior debt to construct the visitor attraction with interest accruing during the construction phase. At practical completion the loan value was £36.2m. Alongside the Council, Coast to Capital Local Enterprise Partnership (C2C LEP) provided additional £4.06m funding in the form of a subordinated junior loan.

1.3 The Council loan to the consortium is effectively made up of two parts:

- Annuity payments to cover interest and capital repayments due under the Councils borrowing from the Public Works Loan Board (PWLB)
- An interest margin of 3.75%

1.4 Since opening in 2016, the visitor numbers have not been in line with forecasts and as such the revenue generated has not at all times been sufficient to meet the semi-annual loan repayments to the Council. Prior to June 2018 the i360 consortium were able to make the repayments to the Council through the revenue generated by the attraction or in the case of December 2017 with additional equity being injected by the partners. However in June 2018 the consortium informed the Council that they would be unable to meet the entire payment required. The consortium made a payment to cover the PWLB element of the loan and the Council agreed to defer the Interest margin to the next payment date in December 2018.

1.5 We understand that a reservation of rights letter (in respect of the deferred interest and not charging default interest) has been drafted by the Council and their legal advisors and GVAREF has advised that this should be issued as soon as possible.

1.6 Based on the summer trading figures it is unlikely the i360 consortium will be able to meet their full loan obligations in December 2018 and as such the Council has begun to consider options on restructuring the current debt to ensure that their investment is protected. GVAREF have been asked to look at the debt restructuring options while Leisure Development Partners (LDP) have been commissioned to advise on improving the performance of the attraction.

1.7 While the Council loan is made up of two parts the minimum the Council require in order to avoid revenue pressures to the Council budgets is the PWLB element of the payment due. Therefore any restructuring options need to ensure that as a minimum the PWLB loan can be serviced in full. Furthermore the Council

may have forecast the margin payable within their medium term financial strategy as income to help pay for services. If so any margin not payable would add an additional revenue pressure to the Councils budget.

1.8 This paper considers the wide range of options available but does not seek at this stage to make any recommendations and further work will be carried out in the coming weeks to narrow down the options before concluding on the optimum routes forward for the Council. This will include assessing any state aid implications of the options to ensure compliance to EU regulations.

2. Counterparties

2.1 In this section we have set out the Counterparties to the loan transaction and their respective positions at this stage on any restructuring options for the loan. The Counterparties in this loan investment are:

- Brighton and Hove Council
- Coast to Capital Local Enterprise Partnership
- Brighton i360 Consortium

Brighton and Hove Council

2.2 As set out above, the Council are the senior lender to the Brighton i360 with a loan of £36.2m due for full repayment by 2041.

2.3 The Councils interest in the success of the Brighton i360 is however twofold. As well as being a senior lender to the consortium in their function as local authority the Council have a vested interest in the securing the economic benefits that a successful tourist attraction will accrue for the local area.

2.4 Primarily the Council wishes to protect its financial interests with respect to the loan, ensuring that the principal loan repayment to the PWLB can be made on a semi-annual basis and the loan margin will be received as per the loan agreement. Where the full repayment cannot be made, the priority for the Council will be to ensure that the PWLB payment can be serviced with the margin potentially paid in a different profile.

2.5 The Council also wishes to minimise any further investment to be made under possible restructuring options and any restructuring options will need to be state aid compliant. While the Council have full step in rights as a the senior lender, this is not likely to be the Councils primary option, however should other options explored not be viable to protect their investment then this these rights may need to be enforced (subject to acceleration and enforcement advice from the Council's legal advisors).

Coast to Capital Local Enterprise Partnership

2.6 The LEP is a junior lender to the Brighton i360 consortium and their loan is subordinated behind the Council's senior loan. Their loan consists of an Interest only (3.75%) element payable semi-annually with plus PIK (Payment in Kind) interest (11.25%) rolled up. There is a bullet repayment at the end of the loan for the principal amount and accrued interest. The principal is due to be repaid in 2021. There is no early repayment fee for the loan agreement.

2.7 As with the Council the LEP's desire is to protect their financial investment and ensure that the interest accrued to date and the principal amount due is repaid in full when the loan expires in 2021. The LEP as a junior lender does not have step in rights and ranks behind the Council's senior loan repayments. Given the LEP loan expires earlier, there is a more immediate risk of the financial loss occurring as a result of a default if the i360 are unable to repay the debt in full by 2021.

Brighton i360 Consortium

2.8 The Consortium is made up a number of shareholders. The consortium operates the attraction internally and there is no third party operator currently on board. The consortiums primary objective is to continue to operate the attraction while improving the business plan. Alongside this the consortium is looking for the debt burden to be reduced to avoid default and have put forward their preferred options in this regard which was reported to the Councils Cabinet in June 2018. The current shareholders are reluctant to bring in a 3rd party equity investor which would dilute their interests and control.

3. Options

Current Position – Do nothing scenario

3.1 While the Council is exploring debt restructuring options, it is important to understand the current base case and the expected financial impact of the status quo. The Brighton i360 consortium has set out a revised business plan which forecasts the expected revenue and costs from July 2018 up to December 2043. This business plan sets out the 3 potential scenarios in relation to visitor numbers, with a base case, middle case and best case sensitivity. It should be noted that GVAREF has not made an assessment around the validity of these figures, which is a something that will be covered as part of the LDP work stream.

3.2 GVAREF have taken the current loan structure, repayment profiles and the revised business plan to model the potential shortfall in the debt repayments that the consortium has to make. The tables below set out the forecast to June 2021 of what the cash shortfalls would be for the consortium based on an expected visitor numbers on their business plan scenarios. Where a payment is not made in full, we have rolled that forward to the next period for the purposes of this analysis. The priority of repayments assumes that the Council interest is repaid first, followed by the LEP interest and then Council principal repayment.

Table 1: Indicative Cashflow Position - Forecast Visitor Numbers: 360,000

	31/12/2018	30/06/2019	31/12/2019	30/06/2020	31/12/2020	30/06/2021
Council Receipts	(1,680,001)	(790,999)	(1,401,892)	(610,639)	(1,483,368)	(646,128)
Expected Repayment	2,062,312	1,874,615	2,575,920	2,666,333	3,547,997	3,556,934
Shortfall/Surplus	**382,311**	**1,083,616**	**1,174,029**	**2,055,693**	**2,064,630**	**2,910,805**
PWLB	922,297	922,297	922,297	922,297	922,297	922,297
PWLB Shortfall	**-**	**131,298**	**-**	**311,657**	**-**	**276,168**

Table 2: Indicative Cashflow Position - Forecast Visitor Numbers: 412,400

	31/12/2018	30/06/2019	31/12/2019	30/06/2020	31/12/2020	30/06/2021
Council Receipts	(1,680,001)	(790,999)	(1,661,556)	(790,998)	(1,760,258)	(843,115)
Expected Repayment	2,062,312	1,874,615	2,575,920	2,406,668	3,107,974	2,840,019
Shortfall/Surplus	**382,311**	**1,083,616**	**914,364**	**1,615,670**	**1,347,715**	**1,996,904**
PWLB	922,297	922,297	922,297	922,297	922,297	922,297
PWLB Shortfall	**-**	**131,298**	**-**	**131,298**	**-**	**79,181**

Table 3: Indicative Cashflow Position - Forecast Visitor Numbers: 453,640

	31/12/2018	30/06/2019	31/12/2019	30/06/2020	31/12/2020	30/06/2021
Council Receipts	(1,680,001)	(790,999)	(1,991,667)	(934,789)	(2,120,481)	(1,000,022)
Expected Repayment	2,062,312	1,874,615	2,575,920	2,076,557	2,634,072	2,005,895
Shortfall/Surplus	**382,311**	**1,083,616**	**584,253**	**1,141,768**	**513,591**	**1,005,872**
PWLB	922,297	922,297	922,297	922,297	922,297	922,297
PWLB Shortfall	**-**	**131,298**	**-**	**-**	**-**	**-**

Note: Revenue split between the June/December revenue not available therefore we apportioned based on current available numbers - 70%/30% Dec/June respectively.

3.3 Due to the seasonal nature of the attraction the revenue projections fluctuate with higher revenue available to service the debt in December than in June. Under the base case visitor forecast provided by the i360 consortium, it can be seen in table 1 that over the next 3 years there is a shortfall in all periods, with the deferred payments each period causing the payment gap to increase significantly. Based on the estimates the cash shortfall payable to the Council would be c£2.9m at June 2021. The payments in December of each year cover as a minimum the PWLB repayment required in that period, while paying the Council an element of the Margin. However the June payments are not sufficient to meet either the PWLB or Margin,

3.4 In table 2 with a visitor forecast of c412,000 the overall payment shortfalls continue but a slightly lower level than the base case. At June 2021 the cash shortfall payable to the Council is forecast to be c£2m. The payments in December of each year cover as a minimum the PWLB repayment required in that period, while paying the Council an element of the Margin. However the June payments once again are not sufficient to meet either the PWLB or Margin.

3.5 Finally table 3 sets out the cashflow position forecast based on the most optimistic of the visitor numbers. Even at this level of visitors, the overall cashflow shortfall is significant and in at June 2021 it is forecast to be c£1m. However in this scenario there is only one period where the Council would not be able to service its PWLB payment based on the receipts from the i360 and that occurs in June 2019.

3.6 It should be noted that this analysis does not seek to calculate the default interest that the Council are entitled to charge the i360 consortium as per the original loan agreement. This would further increase the level of payments due to the Council and become an added debt burden to the consortium. It should also be noted that the Council should take advice from its legal advisors to confirm the relative repayment priority between the Council and Coast to Coast Capital under the financial agreements.

3.7 Critically, there is also a pinch point in June 2021, which is when the LEP loan becomes repayable in full. The i360 consortium will either have to find cash within the business to repay that debt (which based on the forecasts will not be available) or refinance the debt. In the current time it is unlikely that there will be sufficient value in the attraction to enable a successful refinance and therefore the overall debt package for the i360 may not sustainable going forward. GVAREF advise that LDP consider the value of the i360 attraction in the open market at key points in the future, this will enable GVAREF to consider the ability for a sale or refinance to repay the outstanding loan facilities.

3.8 Below we have outlined a number of options that are available to the Council when considering a restructure of the debt. We have included the do nothing scenario as option 1 however as set out above this option is not feasible within the confines of the forecast performance.

3.9 The options below should not be seen as standalone options and the likely preferred solution will be a combination of these options. A combination of measures to drive performance and ease the burden of debt on the consortium will need to be packaged to ensure that the i360 operation is sustainable in the long term and the Council's loan is able to be repaid.

3.10 The Council will need to consider the options with reference to their objectives, which at this stage we understand to informally include:

- Secure full loan repayment
- Maintaining the ability to service the Councils PWLB Loan
- Re-incentivise equity holders
- Minimise Reputational Risk
- Work in tandem with Coast to Coast Capital to minimise political fallout. This objective is outside GVAREF's control in advising the Council as senior lender.

3.11 The Council will need to agree the objectives when considering the preferred option. While some of these are competing objectives a balance will need to be established when assessing the preferred way forward.

	Restructuring Options	Advantages	Disadvantages
1.	**Do Nothing** The existing Council and LEP lending structure is retained.	• Equity promoter is motivated to maximise the returns from the asset. • Minimal Council intervention required.	• Initial modelling shows that revised business plan is insufficient to cover interest due as well as PWLB in all periods • Deferred (and thus rolled-up) interest exacerbates long-term problem. • Repayment of loan at risk.
2.	**Equity promoters (i360 consortium) invest additional equity into i360** The Council could request, or require as part of a loan restructure, the equity promoters investing additional cash or assets to either support the repayment of the loan or interest payment.	• Equity promoters have so far shown a willingness to contribute and work with the lenders. • Council receive the upfront capital repayment outstanding and debt or interest is paid. • Minimal changes to existing lending structure.	• LEP loan remains in place and can affect future repayments. • Likely to be a short term solution. • Reputational risk to the council. • Shareholders need to have cash or other assets to invest.
3.	**Restructure interest payments** The Council could agree to reduce or restructure the interest payments. There are variants to be considered: • Reduce interest rate to sustainable level (i360 promoter's proposal). • Defer interest due until cash-flow can sustain payment, either through waivers or "Payment In Kind" interest. • Agree stepped interest rate, with an increase in rate once the LEP loan repaid being most obvious.	• Keeps equity promoter motivated to maximise returns from the asset. • Minimal changes to existing lending structure.	• May require Councils senior position to be subordinated. • Future non-performance could result in subsequent default. • Council PWLB loan payment gap will be reduced. • Ideally LEP would agree to similar structure. • Repayment of loan at risk.
4.	**Upside Agreement** The Council could agree to restructure the interest payments in return for a share of any future equity returns. This would be structured as a fee which would be payable based on a future sale of the asset (part of the uplift in value	• Simpler to arrange than taking actual equity stake. • Having an upside agreement could return more to the council than originally agreed. • Promise of future equity return could allow the council to restructure the current	• Less control than taking actual equity stake. • No guarantee the asset will generate equity returns in the future. • If interest rate is reduced, reduction in immediate returns. • LEP loan remains in place.

	would be for the Council as a result of continuing to support the asset rather than taking enforcement action).	interest rate.	• Repayment of loan at risk.
5.	**Debt for equity swap** The Council agree to part of the loan being swapped for shareholding in the asset owning companies.	• Portion of loan that is swapped for equity will not carry an interest rate and thus reduce cash-flow burden on asset. • The council becomes a shareholder in the company and can have a seat at the table to have role in taking operating decisions. • Council has access to future profits above and beyond the amount of the loan (depending on the terms of the swap). • Potential for preferential shares to ensure first right to dividends.	• No guarantee of any returns under equity portion. • Added council resources required to be an active shareholder. • Council may need to consolidate shareholding within its group accounts. • Current shareholders stake diluted which they may not be receptive to, especially where valuation of shareholding today may show this being minimal. • LEP loan remains in place however this option could also apply to the LEP should this be acceptable to them. • Repayment of loan at risk, albeit reduced due to lower loan amount.
6.	**Equity promoters (i360 Consortium) arrange refinance of Council loan** The Council could require the equity promoters to refinance their loan with a third party lender.	• New lender would repay existing Council outstanding debt which could be used to repay the PWLB loans. • No future revenue risk will be borne by council.	• Nature of asset and level of loan vs. valuation may mean limited lenders available to refinance loan. Realistically, raising finance on a distressed asset will mean the Council may have to settle for a lower price than the loan amount. • LEP loan creates issue for new lender. • Council forgo future interest payments. • May be costs associated with breaking PWLB loans. • If buyout at less than loan amount then Council revenue pressure for remainder of PWLB loan.
7.	**Council sell their loan** The Council could market their loan for sale to a third party investor.	• New owner of loan would part repay Council outstanding loan. • No future revenue risk will be borne by council.	• Council likely to have to accept a discount to current loan amount outstanding. • LEP loan creates issue for new lender. • Council forgo future interest payments

			which could otherwise help to support revenue budgets. • May be costs associated with breaking PWLB loans. • If buyout at less than loan amount then Council revenue pressure for remainder of PWLB loan.
8.	**Buy out Junior Loan** The Council agree to purchase the LEP loan.	• LEP loan could be bought at a discount, or option value, Council then receives the full amount of both loans over an extended term if the asset becomes successful. • Council has significant control over the lending structure. • The Council could then consolidate the loans into one structure. • Council could buy the distressed loan at a discount	• Council increases its exposure to an underperforming asset. Repayment of loans at risk. • Immediate capital expenditure required to purchase the loan. • LEP may not want to exit the loan.
9.	**Council to restructure PWLB loans** The Council could restructure the existing PWLB loans, including taking out new longer term loans.	• Council could reduce the level of interest required to be paid under the PWLB loans by taking out a new longer PWLB loan. • Reduced periodic payment for i360 consortium but over a longer period.	• To restructure the length of the PWLB loan is lengthening the Council's risk profile and the Council takes all the risk. • Repayment of loan at risk. • May be costs associated with breaking PWLB loans.
10.	**Consensual 'enforcement'** The Council agree with the equity promoters that it takes more control over the asset with a view to increasing revenue and value of the asset. This might include: • Requirement for the consortium to appoint a new operator. • Operator to drive the performance targets with the board being more strategic • Agreeing a revised business plan to	• i360 Consortium consensually agree to appointing new operator. • Council take more control to drive performance – not through actual shareholding but a contractual obligation to have sight of operator reporting. • Value of asset likely to be higher than under enforcement scenario. • i360 consortium retain 'strategic' control and therefore are more incentivised, however the Council has the ability to approve board structure through business planning process	• Reputational risk of "repossession" and implication for sponsorship deal and land leases. • Ability to enhance revenue or value uncertain. • Additional costs and Council resource. • All partners to work together. • Less control than enforcement action. • Valuation uncertainty at present. • Market for asset on a sales scenario is uncertain.

	control expenditure and increase revenues	• Restructuring of loan could be dealt with in tandem.	
11.	**Enforce Security** The Council appoint a third party property or accountancy firm to take control of the asset with a view to trading or selling the asset.	• Council have full control (within restrictions of security provided and insolvency process) to drive performance or sell asset. • Ability to put in place a new operator and board members.	• LEP intercreditor provisions to be considered. • Reputational issues. • Costs associated with third party property or accountancy firm. • Market for asset on a sales scenario is uncertain. • Distressed sale of asset likely to result in lower value.

4. Next Steps

4.1 The Council will need to consider the options set out and agree which options will be taken forward for greater consideration. These options will then need to be worked up in more detail from both a quantitative and qualitative basis.

4.2 Detailed state aid legal advice will also need to be taken during the process of agreeing on the preferred options as it will be important that the Council is able to demonstrate that any restructuring option taken forward is market facing or at least evidence that the decisions taken are credible ones that a commercial entity in a similar situation would take.

4.3 Some of the options will need an assumption to be made around the valuation of the asset. This will help to conclude whether certain options are feasible to consider. The Council may want to consider either a formal valuation or a proxy valuation through the work that LDP are currently undertaking.

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POLICY RESOURCES & GROWTH COMMITTEE 11 October 2018	Agenda Item 56 Brighton & Hove City Council

Subject:		**Review of Ward Budget Scheme - Extract from the proceedings of the Neighbourhoods, Inclusion, Communities & Equalities Committee meeting held on the 2 July 2018**		
Date of Meeting:		**11 October 2018**		
Report of:		**Executive Lead Officer for Strategy, Governance & Law**		
Contact Officer:	Name:	**Penny Jennings**	**Tel:**	**01273 291065**
	E-mail:	penny.jennings@brighton-hove.gov.uk		
Wards Affected:	All			

FOR GENERAL RELEASE

Action Required of Policy Resources & Growth Committee
To consider the request from the Neighbourhoods, Inclusion, Communities & Equalities Committee.
Recommendations: That a similar ward budget scheme (to that referred to in the attached report) be funded and included in the budget setting process for 2019/2020.

BRIGHTON & HOVE CITY COUNCIL

NEIGHBOURHOODS, INCLUSION, COMMUNITIES & EQUALITIES COMMITTEE

4.00pm 2 July 2018

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillors Daniel (Chair), Nemeth (Opposition Spokesperson), West (Group Spokesperson); Cattell, Morgan, Marsh, A Norman, K Norman, Page (for Phillips) and Peltzer Dunn.

Invitees: Chief Superintendent Lisa Bell, Police Representative; Joanna Martindale; Hangleton & Knoll Project and Anusree Biswas Sassidharan, BME Police Engagement Group; Ian Wilson on behalf of Clinical Commissioning Group.

PART ONE

11 REVIEW OF WARD BUDGET SCHEME

11.1 The Committee considered a report of the Executive Lead Officer for Strategy, Governance & Law requesting that the Committee note the contents of the report detailing how ward budgets had been spent to date and requesting that they give consideration to whether they wished a similar ward budget scheme to be funded and included in the budget setting process for 2019/20.

11.2 The Head of Democratic Services explained that at its meeting on the 13 July 2017, the Policy, Resources & Growth Committee, following an amendment to the Provisional Outturn report had approved an allocation of 60k for a Ward Budget Scheme for 2017/18. It had been agreed that the scheme would be administered by the Democratic Services Team and that it would be allocated on a first come first serve basis. He also noted that at its meeting on the 17 September 2017, the Leaders Group had agreed that an initial allocation of £1,000 per Member should be made, although the option to use funds collaboratively was also available to enable wider support to various projects that were identified. The report before the Committee for consideration provided a breakdown of how the Members' Ward Budget Scheme was co-ordinated and funds used by Ward Members to support local communities (set out in appendix 1).

11.3 Councillor K Norman stated that this funding had been able to be used to good effect in his own ward and in addition to the projects set out that funding had made available to purchase and plant 25 lilac trees at Surrenden Field and for visual improvements (£1252.87) and for footpath safety improvements at Westdene Children's Playground and

Nursery. Councillor A Norman commended the report stated that having pulled together information from several sources it showed clearly what had been spent and how, showed that this initiative had been welcomed, with funding utilised for a variety of improvements across the city. She certainly supported the provision of a similar scheme in future.

11.3 Councillor Cattell, stated that this scheme had been valuable in her own ward in supporting works carried out in Preston Park, a much loved and well used facility.

11.4 Councillor West agreed that this scheme had been beneficial and it was amazing what had could be achieved in consequence of small sums of money being targeted towards a specific end. He considered that it would be helpful if a greater degree of advice/assistance given when putting funding bids together considering that in future greater use could be made of using “crowd funding” which gave communities, the public and businesses the opportunity to assist. Councillor West considered that it was unhelpful that in several instances it appeared that budgets had not been spent whereas in several instances they had been earmarked for particular schemes and were awaiting being spent. He considered that the appendix needed to be updated to reflect that.

11.5 Councillor Nemeth referred to the benefits to which funding made available under this scheme had been put in his own ward confirming that in his view if the Committee were in agreement that a ward budget scheme be reinstated for 2019/20 that should be put forward as a positive recommendation rather than that committee being requested to “consider” doing so. Councillor Peltzer Dunn stated that tangible positive improvements had been effected within local areas across the city out which were far greater than suggested by the relatively small sums involved. Local Ward Members were in tune with the needs of their local communities and it gave Members the opportunity to support them.

11.6 Councillor Page echoed all that had been said querying why it was proposed that implementation of any scheme should be held in abeyance until 2019/2010.

11.7 It was explained that that had been considered appropriate in the context that Council wide elections were due to take place in 2019 and there would be a number of newly elected members who would need to familiarise themselves with the manner in which the council operated.

11.8 **RESOLVED:**

(1) That the information as detailed in the report at Appendix 1 (including the additional information set out above) be noted; and

(2) That a similar ward budget scheme (to that referred to in the attached report) be funded and included in the budget setting process for 2019/2020.

NEIGHBOURHOODS, INCLUSION COMMUNITIES & EQUALITIES COMMITTEE	Agenda Item 11 Brighton & Hove City Council

Subject:		**Review of Ward Budget Scheme**		
Date of Meeting:		**2 July 2018**		
Report of:		**Executive Lead Officer for Strategy, Governance & Law**		
Contact Officer:	**Name:**	**Mark Wall**	**Tel:**	**01273 291006**
	Email:	**mark.wall@brighton-hove.gov.uk**		
Ward(s) affected:		**All**		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 At its meeting on the 13th July 2017, the Policy, Resources & Growth Committee, following an amendment to the Provisional Outturn report approved an allocation of 60k for a Ward Budget Scheme for 2017/18. The scheme was to be administered by the Democratic Services Team and was due to be allocated on a first come first serve basis.

1.2 At its meeting on the 17th September 2017, the Leaders Group agreed that an initial allocation of £1,000 per Member should be made, although the option to use funds collaboratively was also available to enable wider support to various projects that were identified.

1.3 This report provides a breakdown of how the Members' Ward Budget Scheme was co-ordinated and funds used by Ward Members to support local communities (see appendix 1).

2. RECOMMENDATIONS:

2.1 That the information as detailed in the report and appendix 1 be noted;

2.2 That consideration be given to recommending to the Policy, Resources & Growth Committee that a similar ward budget scheme be funded and included in the budget setting process for 2019/20 and future years.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 At its meeting on the 13th July 2017 the Policy, Resources & Growth Committee allocated funds following approval of the Provisional Out-turn report which included £60k for the Members Ward Budget Scheme. This scheme provided each councillor with £1,000 to support different projects and or community organisations within their Wards, totalling £54k. The remaining £6k was set aside to cover administrative costs for co-ordinating the scheme.

3.2 Members were encouraged to identify local projects and/or community groups who could be supported and to submit applications for these to the Head of Democratic Services for processing. Appendix 1 to the report outlines the various projects and groups that were supported by Ward Members and the allocations made to them. These ranged from improving areas with the planting of trees, bulbs and planting, to supporting community groups with activities and the installation of safety bollards to control traffic flow.

3.3 Local authorities have been experimenting with different ways of devolving control or influence over spending for many years and the drivers have predominantly remained the same. These include the desire to:

- Improve Neighbourhood well-being
- Enable locally-chosen initiatives or causes to be supported
- Support and build closer relationship between elected representatives and their constituents
- Increase relevance and impact of local democracy for residents
- Empower councillors to support and enable their communities; act as a catalyst for community action and champions of place
- Improve residents satisfaction of the council

3.4 These have all been true and valid drivers for the introduction of Ward Member budgets and in addition have been:

- Complimentary to the council's new modernised Third Sector Investment Programme and recent awards made through the third sector commission and new annual Communities Fund
- A route to delivery against the council's Communities and Third Sector Development Policy as well as key strategies for example, Health and Well-being Strategy
- The direct outcome of the LGA Peer Review

3.5 The budgets have been used to enable to support, contribute to or provide startup funding for local issues and priorities that matter most to residents.

3.6 The scheme was administered by the Democratic Services Team with applications being submitted by Members and where possible supporting documents from recipient organisations were included. This was to ensure that the budgets could be used effectively, avoided duplication and recipients were aware that it was one-off funding. Each application was then reviewed and an approval form signed by the Executive Director for Finance & Resources before payments were arranged.

3.7 The scheme was due to be concluded by the end of the financial year. However approval was sought to carry over the available funding to enable councillors to identify projects/organisations to support on the basis that all expenditure would be allocated by the 31st July, 2018. Any unallocated funds at the end of June would be reported to the Leaders of the respective Groups..

3.8 In order to enable consideration for a future ward budget scheme, it is intended to contact the various community groups to ascertain how the allocation of funds benefitted their activities/area.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The £60k funding provided was a one-off allocation which was identified as part of the allocation of resources resulting from the 2016/17 out-turn underspend and was set at a reduced level of support to that proposed in the report to the Policy, Resources & Growth Committee.

4.2 A similar allocation was not identified in the 2018/19 budget process.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 Ward Members have consulted with community organisations and various community groups in determining how they could be supported and to what level of funding should be allocated.

5.2 In some cases Ward Members have combined their budgets to provide funds to various groups and projects.

6. CONCLUSION

6.1 The Ward Budget scheme has provided additional support at a local level across a spectrum of projects and has been well received.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 If the Ward Budget Scheme were to be repeated in the future, the funding would need to be taken from any one-off resources identified during the budget setting process. Were it to be made a permanent arrangement then the budget requirement, and therefore any budget gap, would be increased accordingly.

Finance Officer Consulted: Peter Francis Date: 30/05/18

Legal Implications:

7.2 The General Power of Competence under section 1 of the Localism Act 2011empowers local authorities to do anything that a private individual can do where there is no express or implied statutory restriction on the power. This is wide enough to authorise local authorities to adopt schemes like ward budgets. This report is simply updating Members on the outcome of the application of ward budgets and, as such, there are no legal implications arising from the report.

Lawyer Consulted: Abraham Ghebre-Ghiorghis Date: 23/05/18

Equalities Implications:

7.3 Councillors have sought to support a number of local community groups and organisations within their wards and as such allocated the funding available where it was felt it would provide the greatest benefit.

Sustainability Implications:

7.4 There are no direct sustainability implications arising from the report, although some projects that have been supported have meant that improvements to the local environment have been facilitated.

SUPPORTING DOCUMENTATION

Appendices:

1. Break down of Ward budget allocations.

Documents in Members' Rooms
None

Background Documents
1. TBM report to Policy, Resources & Growth Committee on the 13th July, 2017.

Ward	Councillor	Party	Amount Spent	Amount Remaining	Project
Brunswick & Adelaide	Mac Cafferty	Green	£ 900.00	£ 100.00	Harvesting Rainwater – Norfolk Sq.
	Sykes	Green	£ 993.00	£ 7.00	Harvesting Rainwater – Norfolk Sq. Brighton in Bloom – Lansdowne Sq. Norfolk Sq. Bulbs
Central Hove	Moonan	Labour	£ 1,000.00	£ -	George Street Improvements
	Wealls	Conservative	£ 1,000.00	£ -	Event at Hove Museum George Street Improvements Support to Albanian Business Community Forum
East Brighton	Mitchell	Labour	£ 1,000.00	£ -	East Brighton Park Run
	Morgan	Labour	£ 1,000.00	£ -	
	Platts	Labour	£ 1,000.00	£ -	
Goldsmid	Horan	Labour	£ 1,000.00	£ -	St Anne's Well Gardens improvements
	Knight	Green	£ 1,000.00	£ -	Purple Playhouse
	O'Quinn	Labour	£ 1,000.00	£ -	St Anne's Well Gardens improvements
Hangleton & Knoll	Barnett	Conservative	£ 1,000.00	£ -	Fencing for Hove Medical Centre
	Janio	Conservative	£ 1,000.00	£ -	
	Lewry	Conservative	£ 1,000.00	£ -	
Hanover & Elm Grove	Daniel	Labour	£ 1,000.00	£ -	Fairlight School Tantrum May Road Residents Assoc
	Gibson	Green	£ 1,000.00	£ -	Blooming Hanover Highden Westmount Enhancements Clear up Event May Road Queens Park Community Assoc
	Page	Green	£ 999.99	£ 0.01	Brighton Bike Hub Elm Grove School Hanover Action Group
Hollingdean & Stanmer	Hill	Labour	£ 1,000.00	£ -	CASE Hollingdean Development Trust Moulsecoomb Forest Garden Ward Schools award
	Inkpin-Leissner	Ind.	£ 1,000.00	£ -	St Magdalen Church Activities
	Penn	Labour	£ 1,000.00	£ -	CASE Hollingdean Development Trust Moulsecoomb Forest Garden Ward Schools award

Ward	Councillor	Party	Amount Spent	Amount Remaining	Project
Hove Park	Bennett	Conservative	£ 500.00	£ 500.00	Traffic Order
	Brown	Conservative	£ 500.00	£ 500.00	Traffic Order
Moulsecoomb & Bevendean	Marsh	Labour	£ 1,000.00	£ -	Bevendean Chomp Chomp Moulsecoomb Farm Green
	Meadows	Labour	£ 1,000.00	£ -	
	Yates	Labour	£ 1,000.00	£ -	
North Portslade	Atkinson	Labour	£ 1,000.00	£ -	Trees for Chalky Road Photographic History Project
	Gilbey	Labour	£ 1,000.00	£ -	Graham Ave Bollards Trees for Chalky Road Photographic History Project
Patcham	Theobald, C	Conservative	£ 1,000.00	£ -	Old Boat Corner Patcham Community Centre Patcham LAT University of the Third Age Woodbourne Meadows
	Theobald, G	Conservative	£ 1,000.00	£ -	
	Wares	Conservative	£ 1,000.00	£ -	
Preston Park	Allen	Labour	£ 1,000.00	£ -	Southdown Rise Blakers Park Booth Museum Downs Junior School Prestonville
	Cattell	Labour	£ 1,000.00	£ -	
	Littman	Green	£ 1,000.00	£ -	
Queen's Park	Barford	Labour	£ 1,000.00	£ -	Friends of Queen's Park St James Court Gate Order Tarner Community Project
	Chapman	Labour	£ 1,000.00	£ -	
	Morris	Labour	£ 1,000.00	£ -	
Regency	Druitt	Green	£ 1,000.00	£ -	Harvesting Rainwater, Norfolk Sq Art & Believe Norfolk Sq Lighting
	Phillips	Green	£ 1,000.00	£ -	
Rottingdean Coastal	Hyde	Conservative	£ 1,000.00	£ -	Rottingdean Clock Tower
	Mears	Conservative	£ 1,000.00	£ -	
	Miller	Conservative	£ 1,000.00	£ -	
South Portslade	Hamilton	Labour	£ 1,000.00	£ -	East Hill Planting
	Robins	Labour	£ 1,000.00	£ -	

Ward	Councillor	Party	Amount Spent	Amount Remaining	Project
St Peter's & North Laine	Deane	Green	£ 1,000.00	£ -	West Hill Community Assoc North Laine Community Assoc
	Greenbaum	Green	£ 974.40	£ 25.60	
	West	Green	£ 1,000.00	£ -	Oxford Court Gate Order
Westbourne	Bewick	Labour	£ 1,000.00	£ -	West Hove Seafront Action Plan
	Cobb	Conservative	£ -	£ 1,000.00	
Wish	Nemeth	Conservative	£ 1,000.00	£ -	Blooming Boundary Campaign Friends of Hove Lagoon Friends of Stoneham Park Rose Garden
	Peltzer Dunn	Conservative	£ 1,000.00	£ -	
Withdean	Norman, A	Conservative	£ 1,000.00	£ -	Lilac Planting Improvements to children's playground.
	Norman, K	Conservative	£ 1,000.00	£ -	
	Taylor	Conservative	£ 770.50	£ 229.50	TWEACK Withdean LAT Newsletter for Withdean
Woodingdean	Bell	Conservative	£ 1,000.00	£ -	Woodingdean Tenants Assoc
	Simson	Conservative	£ 1,000.00	£ -	

Total	**£ 54,000.00**	Amount Spent	Amount Remaining
Labour	£ 22,000.00	£ 22,000	£ -
Conservative	£ 20,000.00	£ 17,770.50	£ 2,229.50
Green	£ 11,000.00	£ 10,867.40	£ 132.60
Ind.	£ 1,000.00	£ 1,000.00	£ -
		£ 51,637.90	**£ 2,362.10**

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 57 Brighton & Hove City Council

Subject:		**CHARGING PROPOSAL FOR EMPTY HOMES**		
Date of Meeting:		**11 October 2018**		
Report of:		**David Kuenssberg, Executive Director, Finance & Resources**		
Contact Officer:	**Name:**	**James Hengeveld**	**Tel:**	**01273 291242**
	Email:	**james.hengeveld@brighton_hove.gov.uk**		
Ward(s) affected:		**All**		

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1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 This report outlines new regulations that allow local authorities to apply further charges to domestic tax payers based on the length of time that properties are left empty.

1.2 It considers the case for applying these charges to properties in Brighton & Hove.

2. RECOMMENDATIONS:

2.1 That Committee notes the background and context to the new regulations on Empty Homes.

2.2 That Committee agrees to recommend to council to apply the charges permitted under the new regulations to the owners of empty domestic properties in Brighton & Hove once legislation is in place.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 Since 2013, councils have had the powers to charge a 50% premium on the council tax bills of owners of homes empty for two years or more.

3.2 On 13 December 2012 the following recommendation at Council was agreed to introduce the 50% Empty Homes Premium from 1 April 2013.

"That the Council introduces an Empty Home Premium at the maximum 50%, meaning that those liable for empty dwellings will have to pay 150% Council Tax after two years of the dwelling remaining empty…"

3.3 The table below shows the Brighton & Hove element of the premium charged in each financial year:

Financial Year	Premium £000
2013/14	58
2014/15	48
2015/16	60
2016/17	63
2017/18	82
2018/19 estimate	108

3.4 On 18 July 2018 the government announced stronger powers for councils to tackle empty homes.

https://www.gov.uk/government/news/james-brokenshire-provides-stronger-powers-for-councils-to-tackle-empty-homes

3.5 It is anticipated that councils will be able to charge 100% premiums from April 2019, 200% premiums from April 2020, and 300% premiums from 2021 based on the length of time a property has been empty:

Length of time empty	Current	From April 2019	From April 2020	From April 2021
2 years + to 5 years	50%	100%	100%	100%
5 years + to 10 years	50%	100%	200%	200%
10 years +	50%	100%	200%	300%

3.6 Once the legislation has gained Royal Assent (date yet to be announced) the council will have the freedom to increase the premiums up to the legal maximum for 2019/20. This is likely to be a report to Council in December 2018 assuming the legislation is in place, and confirmed in the Council Tax base report which is presented to Policy Resources and Growth Committee in January 2019 to enable any additional resources to be included in the 2019/20 budget.

3.7 As of 31 July 2018 there were 153 empty homes premiums in place and the split for each band into the proposed years of being empty is as follows:

Empty	A	B	C	D	E	F	G	H	TOTAL
2yrs – 5yrs	40	19	22	8	19	12	3		**123**
5yrs – 10yrs	9	6	3			1	1		**20**
10yrs +	5	2	2			1			**10**
	54	**27**	**27**	**8**	**19**	**14**	**4**	**0**	**153**

3.8 291 councils across England introduced the premium. Based on government council tax returns, Brighton & Hove has a relatively low proportion of long term empties (based on 2 years +) ranking 259th with 0.11% of properties. Burnley has

the highest proportion at 1.14%. Southwark is the highest London Borough with the 4th largest proportion.

3.9 Brighton & Hove's relatively low proportion of empty homes is largely down to a long-established and effective Empty Property Strategy. The council was one of the first in the country to establish a service to specifically deal with empty properties in the private sector in recognition of the housing constraints in the city.

3.10 The Empty Property Team works to a standard process of identify – encourage – enforce, working closely with other relevant teams as needed, bringing an average of 150 properties back into use each year. Owners are made aware of the responsibilities that go along with ownership of property in the city and are offered advice and guidance including details of any schemes in operation through other partners – such as Housing Associations or Housing Co-ops. Enforcement action is pursued in cases where there is no move to return a property to use and/or the property is causing local nuisance. The 150% Empty Property Premium has so far proved an extremely effective tool for the Empty Property Team in concentrating owners' attentions on bringing their properties back into use more quickly.

3.11 In the past ten years 1,621 have been brought back into use through the actions of the Team. The majority of these provide additional homes in the private sector, but 254 (16%) of these properties were returned through leases to the council to use for those in recognised housing need.

3.12 In 2018/19, 205 properties have at some point been charged the premium. Below is a breakdown of the numbers by Ward and by type of ownership.

Brunswick and Adelaide	34	Portslade South	5
Rottingdean Coastal	30	Moulsecoomb and Bevendean	5
Goldsmid	24	Hollingbury and Stanmer	5
Hanover and Elm Grove	18	Hove Park	5
Regency	17	Withdean	3
Queens Park	17	Wish	2
Central Hove	12	Portslade North	2
St Peter's and North Laine	7	East Brighton	1
Westbourne	6	Patcham	1
Preston Park	6	Hangleton & Knoll	0
Woodingdean	5		

3.13 The majority of properties are owned by individuals, as shown by the table below:

	01/06/2018			01/08/2018	
Type of Ownership	**No. of Properties**	**%**		**No. of Properties**	**%**
Company Ownership	37	28%		40	26%
Housing Associations	11	8%		21	14%
Public Bodies (NHS & BHCC)	3	2%		3	2%
Executors	5	4%		5	3%
Individual ownership	76	58%		84	55%
Total	**132**	**100%**		**153**	**100%**

3.14 Based on the assumption that the current spread of property bandings continues, the maximum BHCC element of additional premium that would be raised is as follows (based on 18/19 council tax levels):

Year	Additional Premium £'000	Current Premium £'000	Total Premium £'000
2019/20	107	108	215*
2020/21	146	108	254*
2021/22	158	108	266*
Total	**311**	**324**	**635**

*this makes no allowance for reductions in long term empty properties as a result of the increased premium. Any reduction in numbers will reduce income.

3.15 It is not anticipated that there will be increased administrative costs as a result of taking the proposed measures. The current collection rate of the premium is very high and this is expected to continue.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The council could choose not to implement the new charging regime. This would result in the extra income not being available to the council, and potentially miss out on incentivising domestic property owners to bring properties back into use.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 There is no statutory requirement to consult although consultation took place prior to introducing an additional charge for long term empties. This proposal is a variation to the level of premium rather than introducing a new premium. Existing actions as outlined in paragraph 3.10 will remain in place with the aim of bringing properties back into use, rather than simply prioritising extra revenues from the increased premium.

6. CONCLUSION

6.1 The council has the opportunity to extend charges for empty properties. This will increase income and potentially incentivise more homes being brought back into use.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 Additional income of up to £0.300 million may be secured over the next three financial years. However as outlined in paragraph 3.14. This does not take account of the impact of the higher charges on the number of empty properties. Any additional income will be reflected in Council Tax base projections for future years.

7.2 The additional cost of administration and revenue collection are not material.

Finance Officer Consulted: James Hengeveld Date: 21/09/2018

Legal Implications:

7.3 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill is yet to receive Royal Assent and is currently awaiting House of Commons debate of the amendments made in the House of Lords. Once enacted, the proposed changes to enable the empty property premiums as set out in the report will be required to be approved by full Council pursuant to the Local Government Finance Act 2012 prior to 1 April 2019 for the financial year 2019/20.

Lawyer Consulted:Elizabeth Culbert Name Date: 21/09/18

Equalities Implications:

7.4 We will review and update the Equalities impact Assessment that was produced in 2012 to ensure that it remains fit for purpose.

Sustainability Implications:

7.5 Homes that are brought back into use are more likely to be maintained appropriately and less likely to contribute to urban decay and social problems in the communities affected.

Any Other Significant Implications:

7.5 None.

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 58 Brighton & Hove City Council

Subject:		**Options for Future Delivery of Housing Repairs, Planned Maintenance and Capital Works**		
Date of Meeting:		**11 October 2018**		
Report of:		**Executive Director for Neighbourhoods, Communities & Housing**		
Contact Officer:	Name:	**Caroline De Marco**	**Tel:**	**29-1063**
	E-mail:	Caroline.demarco@brighton-hove.gov.uk		
Wards Affected:	Patcham			

FOR GENERAL RELEASE

Action Required of the Committee:
To receive the item referred from the Housing & New Homes Committee for approval:

Recommendation: That the following be referred to the Committee for consideration:

That Housing & New Homes Committee recommends to Policy, Resources & Growth Committee that it:

Customer service and quality assurance

(1) Agrees that the customer service and quality assurance services are brought in-house and delivered by the council following the expiry of the current contractual arrangements;

Responsive repairs and empty property refurbishments

(2) Agrees that responsive repairs and empty property refurbishments works to council housing stock are brought in-house and delivered by the council following the expiry of the current contractual arrangements;

(3) Approves a 'set-up and mobilisation' budget of £0.112m for 2018/19 funded by an in-year virement transferring this budget from the capital financing costs budget in the Housing Revenue Account (HRA) and the creation of an earmarked 'set up and mobilisation' reserve of £0.982m for use in 2019/20 funded from HRA general reserves;

Planned maintenance and improvement programmes

(4) Approves the procurement of at least one contract for the provision of planned maintenance and improvement programmes to council housing stock with a term of five years with the option to extend for up to a further two years;

Major capital projects

(5) Approves the procurement of a multi- contractor framework agreement for major capital projects with a term of four years;

Specialist works

(6) Notes that the specialist works will continue to be delivered through individual contracts, with reports coming back to committee for authority to procure and award such contracts if required in accordance with the council's Constitution;

Delegation

(7) Grants delegated authority to the Executive Director Neighbourhoods, Communities & Housing to:

(i) commence the procurements and award the contracts required to implement the recommendations;
(ii) use the 'set-up and mobilisation' budget to create and appoint to new roles to enable these recommendations to be delivered;
(iii) award call-off contracts under the major capital projects framework agreement; and
(iv) take any other steps necessary to implement the recommendations in this report.

BRIGHTON & HOVE CITY COUNCIL

HOUSING & NEW HOMES COMMITTEE

26 SEPTEMBER 2018

COUNCIL CHAMBER, HOVE TOWN HALL

Present: Councillor Meadows (Chair) Councillor Hill (Deputy Chair), Councillor Mears (Opposition Spokesperson), Councillor Gibson (Group Spokesperson), Councillors Atkinson, Barnett, Cattell, Druitt, Lewry and Miller.

DRAFT MINUTE

PART ONE

33 OPTIONS FOR FUTURE DELIVERY OF HOUSING REPAIRS, PLANNED MAINTENANCE AND CAPITAL WORKS

33.1 The Committee considered a report of the Executive Director, Neighbourhoods, Communities & Housing which set out the recommendations for the future delivery of responsive repairs and empty property refurbishments, planned maintenance and improvement programmes and major capital projects to council housing stock following the expiry of the current contractual arrangements in March 2020. The report was presented by the Head of Housing Strategy, Property and Investment, accompanied by the Business & Performance Manager, and the Business and Performance Project Manager.

33.2 The Chair stated that all councillors had been offered briefings on the report, including substitute members. An addendum with officer's amendments to the report had been circulated and published.

33.3 The Head of Housing Strategy, Property and Investment explained the structure of the report and highlighted the main elements. Officers had engaged with members through the Members' Procurement Advisory Board. There had also been a dedicated Members' workshop. There had been a series of workshops for tenants and leaseholders as detailed in Appendix 10 & 11 of the report and an independent door to door survey across the city as set out in Appendix 12. The feedback from stakeholders had enabled the council's programme team to develop a set of clear strategic objectives for the future delivery of the services and works as set out in paragraph 1.7 of the report. The recommendations in the report were based on this feedback. The report also set out the risks and benefits of the proposals. An independent report from Savills detailing the breakdown, methodology and requirements for setting up an in-house service was detailed in Appendix 9. Alternative options were set out in Section 4 of the report.

33.4 The Chair stated that she would hear all the amendments first and then have a general discussion.

33.5 Councillor Mears set out the Conservative amendment as follows:

"That the Housing & New Homes Committee recommends to Policy, Resources & Growth Committee that it:

Customer service and quality assurance

2.1 Agrees that the customer service and quality assurance services are brought in-house and delivered by the council following the expiry of the current contractual arrangements;

Responsive repairs and empty property refurbishments

2.2 ~~Agrees that responsive repairs and empty property refurbishments works to council housing stock are brought in-house and delivered by the council following the expiry of the current contractual arrangements;~~ ***Approves the procurement of one contract for the provision of responsive repairs and empty property refurbishment works to council housing stock with a term of five years and the option to extend for up to a further two years.***

2.3 ~~Approves a 'set-up and mobilisation' budget of £0.112m for 2018/19 funded by an in-year virement transferring this budget from the capital financing costs budget in the Housing Revenue Account (HRA) and the creation of an earmarked 'set up and mobilisation' reserve of £0.982m for use in 2019/20 funded from HRA general reserves;That the agreed allocation of funding as shown in Appendices 3 and 4 be approved for inclusion within the council's Capital Investment Programme 2018/19;~~ ***That funds (£1.094m) previously earmarked for set up and mobilisation of an in-house service are spent on purchasing or developing additional council housing stock to be rented at social or living rent levels in the financial year 2019/20. And that the ongoing revenue savings of £0.618m by taking the decision at 2.2 are spent year on year on increasing the Estates Development Budget and the proposed in-house clerk of works and surveyor service so the team has sufficient capacity to check the work undertaken."***

33.6 The amendment was seconded by Councillor Barnett, who stated that the amendment showed commitment to local residents and tenants.

33.7 Councillor Druitt set out the following Green amendment:

"To amend the recommendation 2.4 as shown below in ***bold italics***

Planned maintenance and improvement programmes

2.4 Approves the procurement of at least one contract for the provision of planned maintenance and improvement programmes ***(excluding kitchen and bathroom replacement programmes)*** to council housing stock with a term of five years with the option to extend for up to a further two years;

Approves the procurement of one contract for kitchen and bathroom replacement programmes to council housing stock with a term of three years;

Notes that a report considering the business case for the in-house delivery of bathroom and kitchen replacement programmes to council housing stock will be brought back to committee for a decision prior to the end of the three year contract."

33.8 The amendment was seconded by Councillor Gibson.

33.9 Councillor Druitt stated that the Green Group believed that the amendment would improve the contracts as it allowed the council to take a more long term view. An in-house service for kitchen and bathroom replacement would provide greater value, greater flexibility and take the profit margin out of the process. Councillors had correspondence from residents who had had work carried out by Mears. Some of the short term decisions around materials had demonstrated why taking the service in-house was a good idea. The report stated why the repairs service should be taken in house. He believed that the same argument applied to bathrooms and kitchens.

33.10 Councillor Gibson set out the following Green amendment:

"To add recommendation 2.8, as shown below in ***bold italics***

2.8 Affirms its intention to review whether further elements of the services and works may be brought in-house in such a way that any timescales would ensure thorough preparation and a smooth transition."

33.11 The amendment was seconded by Councillor Druitt.

33.12 Councillor Gibson stated that the reason for the amendment was to demonstrate the intention of bringing more services in-house. Councillor Gibson made the following points to support his view that the council was more likely to get a better contract if it was an in house service.

- There was no contractual profit funded by rents.
- The social value benefits were greater (Reference was made to page 31 of the report showing social value framework principles).
- Better working conditions for staff. Valuing staff was likely to lead to a better service.
- Greater flexibility. In a contractual arrangement there was a danger that it could become more adversarial. If the council managed its own workforce, it was easier to monitor.
- It was more accountable. There would only be one body to deal with responsive repairs.

33.13 At this point in the proceedings members moved to questions and debate on the report's recommendations and the amendments.

33.14 Councillor Miller raised the following comments/questions:

- Quality Assurance: Reference was made to the number of quantity surveyors, mentioned in the current recommendations. Councillor Miller could not find an

explanation of how many would monitor the in-house service and those who would be monitoring both the planned and specialist work. Councillor Miller would not like to see all the quantity surveyor working on the external works and the council not quality assuring its internal work.

- Officers were asked to provide clarity with regard to the wording of the planned works recommendation and why it was not a framework.
- Officers were asked to outline the financial implications of the Green Group amendment proposed by Councillor Druitt, to bring more services in-house.
- Officers were asked to outline whether there was likely to be some pension implications as a result of increased pension liabilities.
- There was a need to understand the risks of TUPE for management and workers.
- The financial implications outlined that the estimated costs from Savills could be as low as 7.1M if the council contracted out and the upper limit for the in-house was 7.866M. On the estimates presented Councillor Miller asked for clarification that the maximum potential cost of bringing the service in-house would be £868,000 a year x 5 which was £4.3M. plus the £1.1M additional mobilisation costs which was closer to £5.4M than the £4.2M set out in the report. He stressed that the cost could be closer to £7M if the council had a 5 plus 2 contract that would be closer to £8M over the course of the contract by bringing the service in-house.

33.15 The Business & Performance Manager replied as follows:

- Quality assurance: The best comparative was the current service for monitoring the contracted element. That was made up of 1 general building manager, 3 surveying contract manager staff and 3 quantity surveyors. There was also a Major Projects Manager and a temporary quality assurance member of staff. They would be deployed around the contracted works. In terms of the in-house service there were approximately 17 staff that were responsible for supervising works. (quality assurance on the in-house repairs and empty properties service). This was a combination of supervisors and quality assurance staff.
- Planned works: The recommendation set out that there would be at least one contract for planned works. The lotting and number of contracts was set out in more detail on page 23 of the report. The report recommended that the contract was split into smaller lots based on work type. This would mean that small to medium contractors would be able to bid for individual lots. Paragraph 3.80 sets out that it would be possible for contractors to win multiple lots if they submitted a winning bid when they bid for each of those lots. That might open the opportunity for the council to benefit from reduced prices due to the economies of scale and deliver some efficiencies through managing a fewer number of contractors.

33.16 The Executive Director, Finance & Resources referred to the financial implications of Councillor Druitt's amendment. The implications were set out in the body of the report at paragraph 4.19, with potential benefits and risks at 4.25 & 4.26. There was a potential impact that the amendment might reduce the number of bidders and/or increase the costs as a three year contract would not be as attractive as the original proposal for five plus two, but that was speculation. There could be additional expense.

33.17 Councillor Miller asked if members could make a sound recommendation on that amendment without having the full financial implications. The Senior Lawyer stressed

that the Executive Director had stated that it was not possible to provide the Committee with the full financial implications. It was only possible to make a guess. The Committee could make a decision in the knowledge that it would never have the full information.

33.18 The Executive Director, Finance & Resources referred to the question about pensions. The pension calculations were built into the calculations set out in table 2 on page 16 of the report. This was not an exact science as officers did not know the exact pension arrangements of the current staff members. It was assumed that they would end up receiving the employer contributions based on what Brighton & Hove paid as a council. However, the future lump sum payments for new joiners of the scheme could in theory be smaller.

33.19 The Principal Accountant referred to the question about the difference between the in house proposal and the contracted out service for responsive repairs and empty properties. Officers had taken the higher estimate from Savills of that contracted price and compared it with the higher estimate of the council's cost. It was felt that this was a good reflection of the difference. If the council were to take the lower estimate that would add another 250 for each of the years (£250,000). For five years that would be £1.25M extra difference between the two. The Executive Director, Finance & Resources stated that in the final two years (the plus 2) it was hoped that the council would be in a position to deliver efficiencies.

33.20 The Executive Director, Neighbourhoods, Communities and Housing agreed that there was a risk around TUPE, however she stressed that that was not only a risk for transferring to an in-house service. There was a risk in doing anything other than keeping the current contractor.

33.21 Councillor Atkinson thanked officers for the comprehensive report and made the following points.

- He agreed with all the recommendations in the report, but did have some concern about timescales which were ambitious. He noted in some of the examples from other authorities that a three year lead in period was needed to ensure safe processes were in place.
- He supported bringing customer service, quality assurance services back in-house. He further supported bringing responsive repairs and empty property refurbishment back in house. This received the lowest satisfaction rate in the ARP report and in the survey.
- There needed to be experienced and competent managers in place to make the in-house service effective and to monitor all the other contracts.
- Planned maintenance should go to external contractors but using the Preston model, using local firms and staff. It was not realistic to expect council managers to take on such a huge piece of work. The same approach could apply to major capital projects.
- Value for money needed to be demonstrated for leaseholders. The first report from Savill in April 2018 had noted this concern.
- There appeared to have been widespread engagement with tenants, leaseholders, staff and the unions. This was to be applauded. Hopefully the extensive feedback set out on pages 201 and 219 of the report from tenants and leaseholders could help inform the drawing up of all services and contracts.

- The importance of quality assurance was stressed for both in-house and contracted work.
- The apprenticeship scheme was an absolute priority and Councillor Atkinson had a question around Savill's recommended BHCC training agency. Was this the action referred to under paragraph 3.70 on page 21. It was important to grow the council's own work staff.

33.22 The Business & Performance Manager referred to mobilisation and timescales. Extensive site visits and research had seen examples of authorities mobilising similar services within 12 months or less. The resourcing and mobilisation set up budgets indicated in the report reflected the importance of mobilising the new service in an effective way. That included funding within the 2018/19 year. The planned works lotting and the frameworks options would provide opportunities for smaller contactors to bid and enable the council to engage with a wider range of providers. In terms of the apprentices, paragraph 3.70 did relate to the observations in the Savill's report. Elsewhere in the report it was identified that for the in-house service the council would seek to deliver apprenticeships to the same ratio as the current arrangement with Mears. The apprenticeship scheme co-ordinator post set out in Paragraph 3.70 would facilitate apprenticeship placements across the diverse range of contractors.

33.23 Councillor Mears made observations and raised questions as follows:

- Reference was made to granting delegation to the Executive Director Neighbourhoods, Communities & Housing as stated in recommendation 2.7 (iv). This could not be supported until there was a clear report as to what this meant.
- Reference was made to the poor management of the Mears contract by the council. She stressed the importance of good management in the future.
- The Conservative Group were listening to tenants. They did support customer service and quality assurance being brought in-house.
- Councillor Mears stressed that she was not in any way connected to Mears Ltd.
- The Conservative Group did not support the figure for set up costs as set out in the report. Councillor Mears believed it would be nearer to £5M plus. Management costs would reach £1.5M yearly. This was to manage 58 staff.
- There was little detail regarding the number of small businesses in the city. Local businesses employed local people and supported the local economy. By having an in-house contract, local people could lose their jobs as small businesses closed. Unfortunately some small businesses would not fit into the procurement framework.
- Reference was made to the Green amendments. There was no way of knowing what Councillor Druitt's amendment entailed financially. The Conservative Group could not support Councillor Gibson's amendment as reviews were already in place.
- Breaking down contracts into smaller and smaller lots would make them more expensive.
- Tenants would be paying for all these recommendations through the HRA, when all they wanted was a good service and their homes kept to a good standard. The whole report was about spending millions of pounds of tenant's money.
- Mention was made of a serious fraud in the old Brighton Borough Council.
- Councillor Mears was concerned that the council would be paying more and would receive far less.
- The council should be looking to achieve best value for money.

33.24 Councillor Gibson raised the following points/questions:

- The Conservative amendment referred to funds of £1.094m. How many homes was that estimated to achieve? In terms of the £0.618m, how much was earmarked for the Estate Development Budget.
- Officers were questioned about the satisfaction with repairs as reported in the last Star Survey.
- A question was raised about the estimated annual value of kitchens and bathrooms planned maintenance.
- A question was raised about the value of a training agency. Officers were asked to confirm that Islington Council had set up their own workshops.
- Officers were thanked for their work on the report.

33.25 The Business & Performance Manager replied as follows:

- The distribution of the £1.094M would depend on the method of delivery.
- It was confirmed that Islington had joinery on their site.
- Officers would come back to Councillor Gibson on the level of satisfaction with repairs in the Star Survey.
- The spend on kitchen and bathrooms was £1.5M a year at the moment. Kitchens were more expensive than bathrooms but the council gave residents a choice between kitchens and bathrooms and residents tended to choose a kitchen.

33.26 The Executive Director Neighbourhoods, Communities and Housing confirmed that the question relating to the breakdown of the £0.618m was not for officers to answer.

33.27 Councillor Druitt thanked officers for the report. He was generally in favour of the direction of travel. He also thanked staff who worked for Mears. The main concern had related to management and not the quality of work. Councillor Druitt made the following points:

- With regard to the Conservative amendment, the Green Group could not support the amended 2.2. Councillor Druitt found amendment 2.3 to be interesting and its intention commendable and something he would like to support. However, as it could not be tied with 2.2, he suggested bringing it back to a future Housing & New Homes Committee and Budget Council.
- The report gave good opportunities for small businesses wanting to tender for work. Councillor Druitt was in favour of the small lots approach to procurement which did enable smaller businesses in the city to bid for work.
- Councillor Druitt's amendment would create greater social value.
- It was clear in the officers' briefing that after five years there was the potential of financial savings in the future. For example, there was no profit requirement, there was greater ability to plan longer term, and use more durable materials, and there was no incentive to carry out unnecessary work. There were incentives to do the whole job the first time. It would not be necessary for two organisations to carry out quality assurance. There was the potential in the long term for the council to save money.

33.28 The Business & Performance Manager replied as follows:

- The Savill's report on pages 198 to 199 set out some of the potential efficiencies that could be delivered over the longer term.
- The report itself compared costs on a five year basis for comparison with contractual lengths.
- When the last Star Survey was completed in 2016, 77% of residents were satisfied with the repairs service overall. 81% were satisfied with the last repair they received. 93% were satisfied with the process for reporting a repair and 81% were satisfied with the planned maintenance service.

33.29 Councillor Miller made the following points:

- With regard to small businesses, by bringing the service in-house the council would reduce the number of sub-contractors that it would be able to use. A framework arrangement for one large contract would help that as it would have smaller lots within lots which would help small businesses.
- Councillor Miller thanked officers for their work on the report.
- It was important to write into the contracts and the council's plan going forward that element of quality assurance.
- Concern was raised at the financial implications of the Green amendments.
- The proposals if agreed would mean the council was paying significantly more for less.
- The Conservative Group were happy with Customer Service and quality assurance services being brought in-house.
- Tenants were happy with the repairs service. The problem was with planned and major works.
- Reference was made to page 21 & 22 of the report (paragraphs 3.72 and 3.73). Councillor Miller had never seen officers recommending a course of action with so many risks. Significantly fewer risks were listed on page 36 (paragraph 4.8) under possible options that are not recommended.
- Estimated costs were not a reflection of reality. The private sector costs would be at the lower end and the council costs would be at the upper end. The cost of the post of Assistant Director (£102,000) had not been set out in the ongoing costs in the report. This was now set out in the addendum. This would be £510,000 more expenditure over the five years than it would have been.
- The estimated costs in the officer's report would be £4.184 higher but Councillor Miller considered that it could be closer to £8M. It would be higher if the 5 plus 2 model was chosen. There were exceptional costs with IT, risks with TUPE and operational risks.
- Concerns were raised that the HRA would be used as a 'cash cow', and that apprenticeships would not be as good as in the individual contract.
- The proposals would lead to a City Clean service with tenants paying more for less. The service would cost £1M more for less of a service and tenants would have less value for money.

33.30 The Executive Director stressed that the recommendations were her recommendations and she & her officers had not been put under any political pressure. The methodology for the recommendations was i) Across the housing world more and more councils and associations were beginning to bring services in-house. ii) Tenants were saying that

they wanted more from a repairs contract than just repairs (e.g drying areas) An in-house service would provide flexibility. iii) The recommendations were about flexibility to put resources where they were needed. iv There was broadly cross party support when officers had spoken to individual councillors around the idea of some services coming in-house. The Executive Director agreed that staffing costs would be increased. However, Mears and any other contractor would have a Director, an Assistant Director and managers that ran each of the individual parts. Whatever decision the council took there would management costs. The staff costs had all been discussed and looked at by finance colleagues, legal colleagues and procurement colleagues and had been deemed to be reasonable for the services the council would be providing.

33.31 Councillor Mears stated for clarity that she was saying that the council had a procurement framework and some small businesses within the city would not fit into that criteria and would not be able to bid for contracts. Meanwhile, Mears Ltd now had a contract for Lewes District Council and Eastbourne Borough Council which could mean skills could be lost for the city.

33.32 Councillor Hill made the following points:

- There had been dissatisfaction with Mears and this was partly due to the size and length of the contract Mears was given. This had led to the perception that the contract was not very competitive. It made sense to break up the contract and deal with the types of work in different ways and to decrease the length of the contract.
- There were risks associated with the proposals and these were outlined in the report. There was a perception that if a service was brought in-house it would automatically save money because the cost of what was being done was going to be exactly the same as the cost the contractor had but without their profit margin. That was a simplistic way of looking at things and this was borne out in the report.
- The benefits of the proposals outweighed the risks and the views of tenants were being acknowledged when it came to the proposal.
- The properties belonged to the council and the council should be able to manage them. There was a need for good managers in place for the proposals to be a success.
- The Labour Group would not support the Conservative Amendment. Although it was accepted that the proposals could cost more money Councillor Hill did not know how the Conservative Group had reached the figure of £8M and 40 units. Councillor Hill stressed that most of the figures in the report were estimates.
- Councillor Hill was minded not to support the Green amendment relating to kitchens and bathrooms. The council would be reviewing the situation after three years.

33.33 Councillor Druitt made the following points:

- All the figures in the report were officer’s best guess with the information that was available
- Apprenticeships were one of the social value reasons why it was better to carry out as much work in-house as was possible. The Council could run as many apprenticeship schemes as it wanted, whereas the opportunity for apprenticeships was limited if the contracts were outside the council
- Financially it was likely that an in-house service in the long term would be cheaper to deliver and offer better value to residents.

33.34 Councillor Cattell made the following points:

- Staff were thanked the staff for the astonishing amount of work carried out.
- Councillor Cattell thought the proposals were the right course of action, particularly as many local authorities were moving towards bringing services back in-house. The proposal was a mix of having a DLO and something that would benefit many small to medium size businesses.
- It was noted that one of the local authorities visited was Preston. The Preston Model was being held up as a near ideal way of placing money in the local economy and making sure that smaller businesses would benefit.
- Councillor Cattell stated that it was time to bring back civic pride to workers in local government and she supported every recommendation in the report.
- Councillor Cattell did not support the Conservative and Green amendments.

33.35 Councillor Gibson responded to points made in the debate as follows:

- There was a debate around cost versus quality. The Green Group argued that an in-house service had a greater potential for quality and that the cheapest was not always the best.
- The first part of the Conservative amendment could not be supported and the second part of the amendment depended on supporting the first part. However, there was something admirable within the second part of the amendment, which could be separated from the first part. Councillor Gibson looked forward to discussing further how the council could extend the principles contained in that amendment. This was saying if the council could find resources and savings they could be used to subsidise rents. That principle was interesting and Councillor Gibson suggested that the council should look to see how this could be achieved in a way which did not jeopardise bringing the responsive repairs and empty properties service in-house. Councillor Gibson suggested that the best way to achieve this was to use the existing and significant programme. Savings identified could be used to lower rents as many people in the city could not afford the so called affordable rents and LHA rents. There was a need for social rents and living rents.
- The other admirable element of the second part of the Conservative amendment was to ensure sufficient resources for the Estate Development Budget. He stressed that the Green Group had proposed an increase in the Estate Development Budget at Budget Council and received no support. The tenants were saying that the cuts were too severe. There was a need for everyone to work together with the tenants to identify what was needed and then look to identify the resources and prevent the erosion of the Estate Development Budget.
- In terms of satisfaction it was clear a better service was possible in-house if it was well managed. An in-house service would allow more control and flexibility to improve.
- The Green amendments would allow the work to move more quickly. The amendments had been discussed with the officers and the same action had been taken in Islington and other councils. The amendments would provide benefit in terms of social value and make a difference in terms of having control and accountability.

33.36 At this point in the proceedings members voted on the amendments as follows:

Members voted on the Conservative amendment. The amendment was not carried (4 votes in favour and 6 votes against.

Members voted on the Green amendment 2.4. The amendment was not carried (2 votes in favour and 8 votes against).

Members voted on the Green amendment 2.8. The amendment was not carried (2 votes in favour, 4 votes against and 4 abstentions).

33.37 Members voted on the substantive recommendations as follow:

2.1 was unanimously agreed.
2.2 and 2.3 and were carried (6 votes in favour and 4 votes against).
2.4 was unanimously agreed.
2.5 was unanimously agreed.
2.6 was unanimously agreed.
2.7 (i, ii, iii, & iv) was carried (6 votes in favour and 4 abstentions).

33.38 **RESOLVED:-**

That Housing & New Homes Committee recommends to Policy, Resources & Growth Committee that it:

Customer service and quality assurance

(1) Agrees that the customer service and quality assurance services are brought in-house and delivered by the council following the expiry of the current contractual arrangements;

Responsive repairs and empty property refurbishments

(2) Agrees that responsive repairs and empty property refurbishments works to council housing stock are brought in-house and delivered by the council following the expiry of the current contractual arrangements;

(3) Approves a ‘set-up and mobilisation’ budget of £0.112m for 2018/19 funded by an in-year virement transferring this budget from the capital financing costs budget in the Housing Revenue Account (HRA) and the creation of an earmarked ‘set up and mobilisation’ reserve of £0.982m for use in 2019/20 funded from HRA general reserves;

Planned maintenance and improvement programmes

(4) Approves the procurement of at least one contract for the provision of planned maintenance and improvement programmes to council housing stock with a term of five years with the option to extend for up to a further two years;

Major capital projects

(5) Approves the procurement of a multi- contractor framework agreement for major capital projects with a term of four years;

Specialist works

(6) Notes that the specialist works will continue to be delivered through individual contracts, with reports coming back to committee for authority to procure and award such contracts if required in accordance with the council's Constitution;

Delegation

(7) Grants delegated authority to the Executive Director Neighbourhoods, Communities & Housing to:

(v) commence the procurements and award the contracts required to implement the recommendations;
(vi) use the 'set-up and mobilisation' budget to create and appoint to new roles to enable these recommendations to be delivered;
(vii) award call-off contracts under the major capital projects framework agreement; and
(viii) take any other steps necessary to implement the recommendations in this report.

POLICY RESOURCES & GROWTH COMMITTEE	Agenda Item 58 Brighton & Hove City Council

Subject:		**The future delivery of responsive repairs and empty property refurbishments, planned maintenance and improvement programmes and major capital projects to council housing stock**	
Date of Meeting:		26th September 2018 – Housing & New Homes Committee **11th October 2018 – Policy, Resources & Growth Committee**	
Report of:		**Executive Director for Neighbourhoods, Communities & Housing**	
Contact Officer:	**Name:**	**Glyn Huelin** **Martin Reid** **Sharon Davies**	**Tel:** **01273 293306** **01273 293321** **01273 291295**
	Email:	**Glyn.Huelin@brighton-hove.gov.uk** **Martin.Reid@brighton-hove.gov.uk** **Sharon.Davies@brighton-hove.gov.uk**	
Ward(s) affected:		**All**	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 This report sets out recommendations for the future delivery of responsive repairs and empty property refurbishments, planned maintenance and improvement programmes and major capital projects to council housing stock following the expiry of the current contractual arrangements in March 2020.

1.2 The council's Housing department currently operates a ten year term partnering contract with Mears Limited under which the following services and works are provided for the council's housing stock:

- Responsive repairs and empty property refurbishments
- Planned maintenance and improvement programmes
- Major capital projects

1.3 The services and works detailed in this paper are predominantly delivered to the council's housing stock of approximately 11,550 tenanted homes and 2,900 leasehold properties. They are also delivered to properties managed by Brighton & Hove Seaside Community Homes and to properties leased by the

council to provide temporary accommodation. A detailed list of the council's current housing stock is attached as Appendix 1.

1.4 A report initiating the programme to explore the options available for the future delivery of services and works to the council's housing stock ('the programme') was taken to Housing & New Homes Committee and Policy, Resources & Growth Committee in March 2018. A further report setting out delivery options and providing further detailed information was provided to both committees in June 2018.

1.5 Both reports identified that in order for the services and works to be effectively delivered from April 2020 a decision on the preferred option or options for their future delivery is needed from the Housing & New Homes Committee in September and from Policy, Resources & Growth Committee in October 2018.

1.6 Regular engagement with members has also been undertaken through the Members Procurement Advisory Board (PAB) with the additional attendance of lead members for Housing from each political party.

1.7 Feedback from numerous stakeholders has enabled the council's programme team to develop a set of clear strategic objectives for the future delivery of the services and works as follows:

- Excellent customer service including the ability to self-serve and greater direct customer access to services
- A strong focus on pro-active maintenance of existing assets
- Increased transparency, control and accountability around cost, programme information and quality assurance
- Demonstration of value for money combined with the inclusion of social value requirements in order to secure added economic, social or environmental benefits for the local area.

1.8 For consistency this report uses the terms "responsive repairs and empty property refurbishments", "planned maintenance and improvement programmes" and "major capital projects" to describe the three main areas of services and works provided to council housing stock. A list of the current services and works included under each area and approximate annual expenditure is detailed in Appendix 2. This report set out recommendations for the future delivery of all the services and works currently carried out.

2. RECOMMENDATIONS:

That Housing & New Homes Committee recommends to Policy, Resources & Growth Committee that it:

Customer service and quality assurance

2.1 Agrees that the customer service and quality assurance services are brought in-house and delivered by the council following the expiry of the current contractual arrangements;

Responsive repairs and empty property refurbishments

2.2 Agrees that responsive repairs and empty property refurbishments works to council housing stock are brought in-house and delivered by the council following the expiry of the current contractual arrangements;

2.3 Approves a ‘set-up and mobilisation’ budget of £0.112m for 2018/19 funded by an in-year virement transferring this budget from the capital financing costs budget in the Housing Revenue Account (HRA) and the creation of an earmarked ‘set up and mobilisation’ reserve of £0.982m for use in 2019/20 funded from HRA general reserves;

Planned maintenance and improvement programmes

2.4 Approves the procurement of at least one contract for the provision of planned maintenance and improvement programmes to council housing stock with a term of five years with the option to extend for up to a further two years;

Major capital projects

2.5 Approves the procurement of a multi- contractor framework agreement for major capital projects with a term of four years;

Specialist works

2.6 Notes that the specialist works will continue to be delivered through individual contracts, with reports coming back to committee for authority to procure and award such contracts if required in accordance with the council’s Constitution;

Delegation

2.7 Grants delegated authority to the Executive Director Neighbourhoods, Communities & Housing to:

(i) commence the procurements and award the contracts required to implement the recommendations;
(ii) use the 'set-up and mobilisation' budget to create and appoint to new roles to enable these recommendations to be delivered;
(iii) award call-off contracts under the major capital projects framework agreement; and
(iv) take any other steps necessary to implement the recommendations in this report.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 Strategic Context

3.2 A number of Corporate, Citywide and Housing strategies are relevant to this programme. Key priorities within these strategies which have been taken into account in order to inform the recommendations set out in this report are detailed below:

3.3 The Housing Strategy
This strategy details the vision and priorities for the housing service across the council. Key to this programme is priority two - Improving Housing Quality, and specifically to continue to improve council housing sustainability standards.

3.4 The Housing Asset Management Strategy
This strategy details how the council ensures that it aligns its assets with the current and future needs of residents. Key to this programme is priority one – Investing in Homes and Neighbourhoods. This includes the following:

- Commitment to a high quality and affordable repairs and maintenance service
- Ensuring health and safety for residents, visitors and staff
- Commitment to improving energy efficiency, health and wellbeing
- Adapting homes to help enable residents to continue to enjoy them
- Achieving value for money and social value
- Reviewing assets to ensure long term viability

3.5 The HRA Energy Strategy
This strategy details our commitment to improving energy efficiency, health and wellbeing for residents and staff.

3.6 Current contract arrangements

3.7 The council entered into a Term Partnering Contract with Mears Limited in April 2010 to provide repairs, refurbishments and improvements for the council's Housing Revenue Account stock across the city (the 'TPC'). The TPC includes requirements in relation to meeting the government's Decent Homes standard, improving service delivery and generating savings for the council.

3.8 During the term of the TPC achievements have included the following: 100% of the council's homes reaching the government's Decent Homes Standard; significant investment has been made in the council's housing stock through programmes of planned and major works; and, savings have been delivered for the council.

3.9 The main objectives of the TPC are five-fold:

- Improved Value for Money: reduce unit repair and planned maintenance costs and consultancy fees delivering significant financial savings;
- Improving residents' homes: ensuring that residents' homes are well maintained and meet the Brighton & Hove Standard (exceeding the Decent Homes Standard);
- Improved service delivery: providing excellent customer service, getting repairs 'right first time' and demonstrating high levels of customer satisfaction;
- Improved sustainability: a service which has minimal impact on the environment, and improves the energy efficiency and sustainability of the housing stock; and
- Community regeneration and added value: bringing additional benefits for local communities (e.g. apprenticeships & community initiatives) and supporting established local businesses.

3.10 In June 2018 a report to the Housing & New Homes committee detailed the outcomes of an independent review of the TPC carried out by consultants 31ten. The review identified that "it is widely acknowledged that the partnership worked very well in the early years and that an improved service was being provided, at a reduced cost and that Decent Homes standard was exceeded across the housing stock."

3.11 The future delivery of services and works to council housing stock will build on the positive aspects of the current contractual arrangements and retain positive practices that are currently delivered whilst also evolving from the learning gained from residents, key stakeholders and the independent review detailed above.

3.12 The current contract is operated from the 'Housing Centre' on Eastergate Road, Brighton. The council leases this building and provides space for both Mears and K&T Heating (the council's gas partner) to run the council contracts from. When the current contractual arrangements with Mears expire they will be required to vacate the Housing Centre. It is expected that the council's responsive repairs and empty property refurbishment services will continue to operate from the Housing Centre. Further information has been provided to the Procurement Advisory Board and is attached as Appendix 3.

3.13 Member and committee engagement

3.14 A report initiating the programme was taken to Housing & New Homes Committee (H&NHC) and Policy, Resources & Growth Committee (PR&G) in March 2018. This report detailed:

- The structure of the programme and the programme board put in place and led by the Executive Director, Neighbourhoods, Communities and Housing.
- Arrangements for engaging members through Procurement Advisory Board (PAB) with additional attendance by lead members for Housing.
- The commissioning of consultants to develop an initial options and market research report.
- The high level timetable for the programme and any resulting procurement activities.
- Arrangements for engaging with residents and keeping both residents and members informed of progress with the programme.
- High level risks associated with the programme.

3.15 A further report was taken to H&NHC and PR&G in June 2018 which updated on:

- Progress with the programme
- Resident engagement activities being delivered in July and August 2018
- Staff engagement activities
- Matrix of options available for future delivery – June 2018 (attached as Appendix 4)
- Executive summary of options report – June 2018 (attached as Appendix 5)
- Options report for the delivery of responsive repairs services, planned maintenance and improvement programmes and large capital projects - produced by Savills and Trowers & Hamlins – April 2018 (attached as Appendix 6)

3.16 There has been regular engagement with members through the Members Procurement Advisory Board (PAB) with additional attendance of lead

members for Housing. Officers have briefed at PAB in January and March 2018 and attended with consultants to discuss the options in detail at PAB meetings in April and June 2018. A further meeting was held with PAB members in July 2018 to review the options available and identify any which should be discounted. The options discounted and the grounds on which they were discounted are detailed in section 4 of this report. The meeting also considered a supplementary report produced by consultants to answer questions raised by the board. This included details about the council's market position and risk statement. A copy of the report is attached as Appendix 7. Officers also met with PAB in September 2018 to provide information on tenant and leaseholder engagement and the site visits undertaken by the programme team.

3.17 PAB members fed back that they appreciated the work carried out by officers in producing the in-depth reports across the five meetings held to consider the options.

3.18 All members were invited to an open question session which was held on 21st August 2018. A detailed discussion took place with those in attendance covering the following areas:

- Tenants and leaseholder engagement and feedback
- The remaining timeline
- The delivery options available, costs and contract terms

3.19 Tenant and leaseholder engagement, staff and union engagement

3.20 The programme team has carried out a range of early engagement actions with tenants, leaseholders, staff and union representatives. These are detailed in full in section 5 of this report.

3.21 Site visits

3.22 In order to develop market knowledge about the types of delivery of services and works to social housing stock which are currently used the programme team researched and/or visited the following Councils and Housing Associations to gain insight and best practice advice:

- Adur and Worthing Borough Council
- Greenwich Council
- Harlow District Council
- Islington Council
- Portsmouth District Council
- Preston City Council
- Sheffield City Council

- Slough Borough Council
- Tower Hamlets Homes
- Wealden District Council

3.23 A detailed breakdown of the various arrangements used by these organisations is attached in Appendix 8 of this report for information.

3.24 Strategic objectives for the future delivery of services

3.25 Feedback from numerous stakeholders has enabled the council's programme team to develop a set of clear strategic objectives for the future delivery of the services and works as follows:

- Excellent customer service including the ability to self-serve and greater direct customer access to services
- A strong focus on pro-active maintenance of existing assets
- Increased transparency, control and accountability around cost, programme information and quality assurance
- Demonstration of value for money combined with the inclusion of social value requirements in order to secure added economic, social or environmental benefits for the local area.

3.26 Recommendations for future delivery

3.27 The following sections of the report set out in detail the recommendations for the future delivery of each area of the services and works which are currently delivered to council housing stock.

3.28 The recommendations in this report have been made following consideration of the potential risks, expected benefits and estimated costs of the wide range of options, including consideration of the value for money and social value aspects offered by each option. They have been developed in line with the balance of opinion among members who have had the opportunity to assist with early stage option appraisals.

3.29 The recommendations are summarised in table 1 below.

Table 1 – Report Recommendations

Both capital and revenue expenditure	Revenue expenditure	Capital investment			Specialist works
Customer service and quality assurance	**Responsive repairs and empty property refurbishments** (Approximate value - £8m)	**Planned maintenance and improvement programmes** (Approximate value - £11m)	**Major capital projects** (Approximate value - £7m)		**Specialist works** (Mechanical & electrical contracts, adaptations and works outside of current partnership) (Approximate value - £5m)
Recommendation: Directly delivered by the council (in-house team)	Recommendation: Directly delivered by the council (in-house team)	Recommendation: Planned works programmes let by the council under a contract(s) split into multiple contracts (lots) by work type	Recommendation: Major capital projects let by the council on a competitive basis through an over-arching framework of multiple contractors		Recommendation: Contract and project management in-house; specialist works contracts procured as appropriate for each specialism (as currently delivered)

3.30 Customer Service and Quality Assurance

3.31 This report recommends that the customer service and quality assurance services for the areas of responsive repairs and empty property refurbishments, planned maintenance and improvement programmes and major capital projects to council housing stock are brought in-house and directly delivered by the council following the expiry of the current contractual arrangements.

3.32 The council's in-house customer service and quality assurance service would deliver the following:

- A call centre function (operating within working hours for receiving and managing repair calls)
- A customer service team to handle complaints and queries
- A surveying team to check the quality of works carried out and test value for money (quantity surveyor, surveyor and clerk of work type activities)
- Project managers and specialists who would undertake commissioning of specifications and contract management activities
- Administrators and support staff

3.33 Quality assurance would be delivered directly by the council through checking a sample of works across responsive repairs and empty property refurbishments. This would be combined with the council directly collecting satisfaction information on completed works from residents.

3.34 It is likely that staff employed by Mears currently carrying out these functions/services would transfer into the council's employment in accordance with Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) regulations. There may also be TUPE implications for staff responsible for the management and supervision of the services that transfer to in-house delivery.

3.35 There is a risk, albeit not considered significant at this time, that the Mears employees who currently manage the service may not transfer. The TUPE regulations may not be applicable to them as they may not form part of an organised grouping which primarily undertakes the activities on behalf of the council. This would be due to the fact that they may manage a number of other contracts. If they are covered by TUPE, those staff affected could decide not to transfer, although as a consequence they are likely to be made redundant by Mears. Council officers will continue to work with Mears to establish which staff will transfer if this option is chosen. Council officers will also develop an action plan with Union representatives to communicate effectively with staff affected by any transfer proposals.

3.36 The council would also need to procure and award contracts for systems and support in order to directly deliver the services. This would include contracts for:

- ICT solutions alongside the Housing Management ICT system which is currently being procured
- Handheld technology for surveying and quality assurance work

3.37 The key benefits of this recommendation are:

- Through the call centre and customer service team the council would deliver the initial interaction with residents creating a direct connection
- Similar services are currently delivered by the council so mobilisation and delivery of these services could be achieved without significant risk to service quality or costs.
- The council would have the opportunity to link repairs services more effectively with other programmes carried out by the council
- It would ensure that decisions around delivery and scope of responsive repairs and empty property refurbishments, planned maintenance and improvement programmes and major capital projects are in line with council objectives.
- It would separate out the identification, specification and quality assurance for works from the delivery of the works which is in line with stakeholder feedback

3.38 The key risks of this recommendation are:

- A procurement process for a new housing management system is being delivered separately to this programme and so any procurement for a new IT solution for this programme will need to be scoped carefully for interdependencies and to avoid duplication.
- There may be some duplication of functions. For example, in relation to the planned maintenance and improvement programme and major capital projects contractors will need to have in place their own methods of supervision and quality assurance for their works which is likely to be duplicated to a degree by the quality assurance undertaken by the council.
- That staff will not transfer to the council and the council will not be able to recruit suitable staff.

3.39 The total direct cost of the contact centre is estimated as £0.246m including staffing and telephony costs. The staffing costs of bringing this service in-house are broadly comparable with the current costs included within the HRA budget. However, there would be extra running costs estimated as £0.014m for telephony and support service costs of £0.040m. As described above,

there is also a risk of further costs as a result of TUPE which are not quantifiable at this time.

3.40 Responsive repairs and empty property refurbishments

3.41 This report recommends that an in-house service is established to directly deliver responsive repairs and empty property refurbishments.

3.42 These works cover the following key areas:

- Day to day repairs to the council's housing stock
- Out of hours repairs to the council's housing stock (out of hours repairs operate from 5pm – 9am and at weekends)
- Empty property refurbishments

3.43 **Approximate annual cost to deliver in-house service:**

3.44 Table 2 below details approximate costs of running an in-house service for responsive repairs and empty property refurbishments based on delivering 39,199 repairs jobs and delivering £1,801,394 per annum of empty property work. The detail provided is independently drawn together by industry experts Savills to support the council in costing and planning the shape of an in-house team to deliver a responsive repairs and empty property refurbishments service.

3.45 A full independent report detailing the breakdown, methodology and requirements for setting up an in-house service is detailed in Appendix 9 and provides context to this recommendation.

3.46 The following table includes details of the estimated costs to deliver the in-house service.

Table 2 – Estimated costs to deliver an in-house responsive repairs and empty property refurbishments service

Key element costs	Information	In-house annual costs (58 operatives)
Labour	Based on delivery of 31,200 responsive repairs jobs per annum (3.3 jobs per day 216 days) Empty properties refurbishment works inc. Seaside and Temporary Accommodation	£2,139,000
Subcontractor costs	20% responsive repairs 50% empty properties	£1,800,000

Materials	Expected that purchasing power is significantly less than a private contractor	£1,425,000
Salary and Management Prelim costs	Please see page 13 in Appendix 9 for proposed structure.	£1,380,000
Service delivery prelim costs	i.e. vehicles, uniforms, tablets, mobile telephones, vehicle tracking, tools etc.	£678,000
Out of hours call centre function	Estimated based on receiving 350 calls per month	£20,000
Project specific ICT costs	This is a standalone system that will enable the in-house service to be fully operational to raise, appoint and order materials to complete a repair	£54,000
Central Office Overhead	This is the addition contribution the in-house service would pay for support services (i.e. finance, HR, legal, communications, ICT etc.)	£380,000
Contingency and TUPE risk allowance		£236,000
Total		£8,112,000
Adjusted to exclude call centre costs	These costs are deducted as they cover the services detailed in 3.30	(£246,000)
Revised total:		**£7,866,000**
Adjusted to include cost of Assistant Director role		**£102,000**
Further revised total:		**£7,968,000**

3.47 Based on the volume of works indicated in the table above the council would need to employ approximately 58 operatives and 34 management and administrative support staff for the delivery of responsive repairs and empty properties refurbishments. The works would include the delivery of plumbing repairs, electrical repairs, carpentry, roofing repairs, building works, plastering, decorating and other repairs carried out by multi-trade operatives.

3.48 The council would still need to procure contracts for “specialist” services such as asbestos management, larger repairs identified, drainage, glazing repairs, scaffolding etc. It is expected that these works would make up 20% of responsive repairs and 50% of empty properties works.

3.49 Following the establishment of the in-house service it may be possible for the council to reduce the level of subcontracting so that specialist areas are directly delivered by the in-house team, where feasible and service requirements allow. However it should also be noted that subcontracting will provide flexibility for managing high periods of demand on the service.

3.50 It is likely that TUPE will apply to those Mears employees who are currently assigned to an organised grouping which primarily delivers services to the council. Those employees who are affected by TUPE and who do not object to transferring, will transfer on their existing terms and conditions of employment.

3.51 If the recommendation is agreed, the council will formally request TUPE information from Mears under the existing contract. However Mears are already voluntarily assisting the council and discussions to date have led to Mears sharing approximate estimates of staff that may transfer together with salaries and costs. The information provided by Mears so far is based on their current workforce and structure and may vary up to the date of transfer.

3.52 There is a significant risk that the Mears employees who currently manage the service may not transfer. The TUPE regulations may not be applicable to them as they may not form part of an organised grouping which primarily works for the council. This would be due to the fact that they may manage a number of other contracts. If they are covered by TUPE, those staff affected could decide not to transfer, although as a consequence they are likely to be made redundant by Mears. The council does not currently have managers with experience of managing services of this nature and would have to recruit. It is likely to be difficult to attract managers with the necessary skill set from the private sector within the council's current pay structure. Council officers will continue to work with Mears to establish which staff will transfer if this recommendation is chosen. Council officers will also develop an action plan with Union representatives to communicate effectively with staff affected by any transfer proposals.

3.53 It is proposed to carry out a comprehensive review of the service after three and five years of operation to assess value for money, investment and growth opportunities, performance and satisfaction.

3.54 The service would also be reviewed for expansion opportunities; this could include in-house delivery of kitchen and bathroom replacements. Any expansion would need to be effectively planned for and assessed against budgets and investment plans, to ensure appropriate levels of resources, supply chain management and consistency.

3.55 Mobilising an in-house team and supply chain

3.56 The council would need to undertake some additional procurement activity in order to provide systems and support for the delivery of the works by an in-house team in time for 'go-live' following the expiry of the current contractual arrangements. This would include procurement of contracts for the following:

- Sub-contractor arrangements for works delivered outside of the in-house team
- Materials, supply chain arrangements and implementation
- Service delivery preliminary costs (e.g. vehicle leases, uniforms, tool purchase, waste management etc.)
- ICT system for works management
- ICT equipment for operatives
- Consultancy and additional project resources for mobilisation
- Out-of- hours call centre services

3.57 In order to set-up the in-house service in time to 'go-live' following the expiry of the current contractual arrangements a temporary mobilisation team would need to be employed. This would likely involve:

- ICT Project manager (included in ICT project specific costs above)
- Consultancy support for market knowledge (included above)
- Mobilisation team including a new permanent post of Assistant Director, from December 2018 to reflect the significant addition of an in-house provision to the overall Housing service.

3.58 Costs for set-up and mobilising the in-house team are set out in table 3 below.

Table 3 – Set-up and mobilisation costs

Key element of cost	One-off or year one cost
Project specific ICT costs	£316,000
Procurement and Legal Fees	£100,000
Consultancy support to assist in mobilising and implementing new service	£150,000
Contingency	£30,000
Potential TUPE allowance	£200,000
Mobilisation project team	£298,000
Total	**£1,094,000**

3.59 Therefore the total cost of set-up and mobilisation is estimated to be £1.094m ('the set-up and mobilisation budget') which will be funded from HRA reserves. This includes setting up a mobilisation team from December 2018 estimated to cost £0.112m in 2018/19 and £0.186m in 2019/20 as well as further mobilisation consultancy support of £0.150m. This is needed to ensure that the council is ready and is able to mitigate some of the risks outlined in paragraph 3.73 below.

3.60 Supplementary revenue budgets

3.61 It should be noted that there are additional costs that are currently paid for from the revenue budget that are not accounted for in the estimates set out in table 3. These include:

- Estate development budget delivery
- Concessionary Gardening Scheme
- Concessionary Decoration Scheme

3.62 Whether the responsive repairs and empty property refurbishments service is delivered by an in-house team or contracted out, it is assumed that these supplementary services will continue. Therefore members should note that for the purposes of obtaining a like for like comparison of the in-house service with a contracted service, the costs of the supplementary services have been excluded.

3.63 Apprentices

3.64 The current contract includes a commitment from Mears to provide 200 apprenticeship opportunities over the term of the contract, based on the delivery of one apprenticeship per million pounds of expenditure. To date Mears have delivered 152 apprenticeships (this does not include apprentices for 2018/19).

3.65 Currently Mears employs 26 apprentices working within the various trades and an additional six apprentices in office administration. Apprentices will be at different stages of their qualification and are not currently guaranteed a permanent contract with Mears at the end of their apprenticeship. It is likely that TUPE will apply for apprentices; however, at this stage the number of apprentices that would transfer at the end of the current contract arrangements is unknown.

3.66 Whilst the costs of the current apprenticeship scheme are included in the relevant HRA budgets, the financial modelling for both the set-up of an in-house service and the comparative estimates for a contracted service do not include an allowance for a future scheme. Therefore Members should note that for the purposes of obtaining a like for like comparison of the in-house service with a contracted service, the costs of the apprentices have been excluded.

3.67 If the current number of apprentices transfer at the end of the current contract arrangement it is estimated that this will add £0.500m to the cost of the in-house service as detailed in section 4.5 of Appendix 9.

3.68 For the in-house service the council could seek to deliver apprenticeship opportunities on the basis of a similar ratio to the current contract

arrangements (one apprentice per million pounds of expenditure). Similarly to the current arrangements apprenticeship opportunities will not automatically result in permanent employment.

3.69 In relation to the planned maintenance and improvement programmes and major capital projects recommendations, a requirement to deliver apprenticeships could be sought as part of the social value criteria for the proposed contracts. There is a risk that this will deliver a reduced ratio of apprentices compared to the current contract arrangements.

3.70 In order to effectively deliver an apprenticeship scheme through a number of different delivery arrangements an apprentice scheme co-ordinator post is likely to be required at a cost of approximately £0.040m per annum.

3.71 Risks and benefits of the in-house responsive repairs and empty property refurbishment service

3.72 The key benefits of this recommendation are:

- The council would have direct control of the works enabling strong alignment with the priorities and the values of the council.
- The council would have a reduced reliance on subcontractors to deliver the works and would have direct control of any subcontractors engaged.
- There are service benefits if operatives are directly employed by the council who can reflect the council image and behaviours adopted by the organisation.
- Greater accountability for the delivery of works to residents enabling resources to be focused directly on the priorities and issues identified in a flexible way that could improve customer satisfaction.
- Well run in-house services can offer opportunities to improve service delivery and productivity post mobilisation stages.
- Opportunities to expand the scope of the in-house delivery team at review points if the council would like to do so (i.e. to consider kitchens and bathrooms).
- Development of a more positive connection between residents and the council service carrying out repairs to their homes.
- The potential for delivery of efficiency savings in the medium term and enabling consistency in service delivery over a longer term.
- Works costs and resources will not be affected by contractor arrangements and commercial changes in the market place (i.e. insolvency, resources placed on other contracts etc.)
- There are opportunities to improve long term employment offers by the council in the local area.

3.73 The key risks of this recommendation are:

- Initial costs estimated as £1.094m associated with the establishment of a new in-house service.
- The council will need to procure contracts for fleet vehicles, supply chains, ICT systems, van and store stock, consultancy as well as recruit additional staff to mobilise the service
- Higher ongoing costs of the service relative to contracting to one contactor as detailed in full in Appendix 9 (section 4.6). If a contract for these works and services was let for five years, the estimated cost difference could be **£4.184m** including the set-up costs of £1.094m detailed above.
- Risk that this will deliver fewer apprenticeship opportunities than the current contractual arrangements. In addition the cost of administering an apprenticeship scheme is estimated at £0.040m per annum.
- Challenges in fully establishing the service in the time available. Particular risks are around the development of ICT systems and support, handheld and stock management solutions and the range of additional procurements that would be needed to support the service.
- Risk that management staff will not transfer and the council will not be able to recruit the necessary set of skills required to mobilise and manage the in-house service thereby risking a poor quality service initially.
- Lack of established ways of working in relation to health and safety and carrying out construction works on site, method statements for operating in a safe way and the ability to tap into organisational experience of delivering services.
- Provision is currently set up as a contract management service with limited experience of managing an in-house service so this may present challenges around management of productivity which could lead to extra costs and present risks to the budgets of the service.
- The council is not experienced at managing staff carrying out the same roles on different terms and conditions and this may present operational challenges in managing the workforce.
- Exposes the council to more direct risks of market fluctuation such as materials cost increases and labour shortfalls which are currently protected to an extent through contract arrangements.
- The council does not have an established supply chain in place and is unlikely to be able to achieve similar economies of scale as a national contractor.
- Uncertainty around workforce levels prior to completion of TUPE transfer may mean increased cost with provision of additional staff/operatives in order to ensure services are delivered around transition period.
- There is a risk that staff restructuring will be required incurring redundancy costs if the number and skill mix of the staff being transferred is not as required.
- The in-house service will have to undertake procurements in compliance with the public procurement regime; this is more resource intensive than

the type of procurement which a private contractor would undertake and is therefore likely to be more expensive.

- Employment processes tend to be more complex in a local authority which can incur additional costs and management time.
- The council will need to develop a compliant method of demonstrating the cost of works to leaseholders in order to recover expenditure. This will require the council to develop new processes for service charges to leaseholders.

3.74 Further opportunities and risks related to the establishment of an in-house service are set out in section 5 of the consultants report attached at Appendix 9.

3.75 Planned maintenance and improvement programmes

3.76 This report recommends that the council procures a contract in the form of separate lots with a term of five years with the option to extend for up to a further two years for the provision of planned maintenance and improvement programmes to council housing stock. The contract would be split into lots and the lotting strategy will be determined by officers who will consider the best way of dividing the contract to achieve the strategic objectives.

3.77 The planned maintenance and improvement programmes delivered by the contract would include the following:

- Cyclical works and maintenance programmes
- Kitchen and bathroom replacements
- Windows
- Doors
- External and internal repairs and decorations
- Rewiring
- Roof replacements

3.78 A full list of the works which would be covered is included in Appendix 2.

3.79 Council officers would be responsible for commissioning specifications and issuing a programme of works to the contractor(s) each year and closely contract managing the contractor(s) to ensure the programmes are delivered effectively.

3.80 Under this recommendation it would be possible for contractors to win multiple lots if they were to submit winning bids in multiple work types. This raises the possibility that one contractor could win all the lots which would benefit the council as it would only have to manage one contractor. If the council wanted to prevent this and attract small to medium sized local businesses it could

stipulate that one contractor could only win, for example, two lots. The council could also encourage small to medium enterprises to bid as consortia so that small contractors who cannot on their own meet the council's financial standing requirements could submit a bid with other partners.

3.81 The key benefits of this recommendation are:

- The council will directly manage the contract (rather than there being sub-contractor arrangements) which will give it greater control over the works being carried out on site.
- Lots tendered in this way should enable specialist contractors to bid directly for works and may be attractive to small to medium local businesses therefore enhancing social value and investment in the local economy.

3.82 The key risks of this recommendation are:

- If the number of lots that a bidder can win is limited, the council may lose some economies of scale which could be achieved by working with one contractor. This could have a cost implication.
- It may be more difficult to ensure consistency of works delivery, customer service and financial processes across multiple contractors than with one contractor.
- The cost of managing multiple contractors is potentially greater than managing one single contract. It may be possible to absorb such costs within the current client function but, if not, this will increase revenue costs for the HRA.
- Leaseholders would not have the right to nominate contractors for any of these contracts which are of a value that require a public notice in the Official Journal of the European Union.

3.83 Under this recommendation it is possible that TUPE will apply and that Mears employees will transfer to a successful contractor(s). However this will be dependent on how the council divides the existing contract into lots and whether the same activities which are currently undertaken by an organised grouping will be carried out after the termination of the existing contract. Once the lotting strategy has been determined, the council's legal advisors will work with HR and Mears to determine whether TUPE is likely to apply. If TUPE does not apply, Mears may be able to redeploy its staff or they may need to make redundancies.

3.84 Major capital projects

3.85 Major capital projects include the design and delivery of larger projects for the council's housing stock, using the council's capital investment for example

refurbishments of blocks, cladding, structural works or whole estate works. These projects are typically over £0.500m in value.

3.86 This report recommends that the council procures a multi contractor framework agreement for major capital projects with a term of four years. Individual contracts for each major capital works project would be awarded to a contractor on the framework following a mini competition process.

3.87 Housing & New Homes Committee will be asked to consider the budget for any call off contracts awarded under the framework agreement as part of the annual HRA budget setting report. Policy, Resources & Growth Committee will then be asked to approve the budget which will be monitored and updated through the council's Targeted Budget Monitoring process as it is currently.

3.88 The council would identify the need for a major capital works project through its Asset & Sustainability team and undertake detailed condition surveys through a separate consultant ahead of commissioning any work specifications. The council would then consider what works are required and engage with tenants and leaseholders on potential works. Following consultation with tenants and/or leaseholders on the nature of the works the council would develop a specification of works and competitively tender each project by way of a mini competition under the framework.

3.89 The council would be responsible for the contract management of all major capital works projects, the procurement processes, quality assurance, quantity surveying and associated contract management.

3.90 The key benefits of this recommendation are:

- Value for money would be tested on a project by project basis.
- The council would develop relationships with a number of contractors leading to good understanding of requirements and consistency of service delivery to the council and customers.
- Opportunities for the local supply chain to tender for a place on the framework agreement.
- Maintains contractor performance due to incentives to remain competitive for mini competitions.
- No commitment from the council to actually place any work through the framework.
- Once in place, the framework agreement should be quick and relatively simple to use through mini competitions to award contracts for each discrete project.

3.91 The key risks of this recommendation are:

- There is a risk that the framework may become stale with contractors losing interest in bidding if they do not win competitions leading to a reduction in the competitive process if one bidder is consistently winning competitions.
- A full EU procurement process would be needed to award the framework agreement (due to anticipated value). This will be resource intensive initially in terms of scoping and specifying as well as evaluation of bids due to likely high interest.
- There is a risk that if there are too many/too few contractors on the framework this could cause lack of work or capacity issues.
- It may be more difficult to ensure consistency of works delivery, customer service and financial processes across multiple contractors than with one contractor.
- The cost of managing multiple contractors is potentially greater than managing one single contract. It may be possible to absorb such costs within the current client function but, if not, this will increase revenue costs for the HRA.
- Leaseholders would not have the right to nominate contractors for any of these contracts which are of a value that require a public notice in the Official Journal of the European Union.

3.92 Under this option it is highly unlikely that Mears employees will transfer to a contractor who becomes a party to the framework agreement. The nature of major capital projects is that staff are engaged in relation to a specific project, often on a sub-contracting basis. There is unlikely to be an organised grouping which carries out activities for the council which are fundamentally the same as those which will be carried out after the transfer. These projects are short term in nature so the activities will not be continued by new contractors on the framework – Mears will finish the projects they are working on and the council will let new contracts to suppliers on the framework. Even if there is an organised grouping and the activities are similar to those carried out by Mears employees at the moment, there is likely to be a delay between projects which will mean that TUPE will not apply. Mears may be able to redeploy staff who are currently engaged on the councils major capital works or they may be made redundant.

3.93 **Leasehold implications**

3.94 As detailed in section 5 of this report the programme team have sought to engage with leaseholders (both resident and non-resident). This follows a period of significant engagement with leaseholders across the city and through the Leaseholder Action Group.

3.95 In June 2018 Housing & New Homes Committee received a report on improving leaseholder engagement, the principles established in that report

have been used throughout the early engagement process adopted for this programme with a focus on transparency, early discussion on options and reflection of tenant and leaseholder objectives for the future in this report.

3.96 Alongside this engagement the council will undertake formal consultation with leaseholders where required. The following information regarding leasehold consultation regulations are highlighted to the committee:

- Statutory leaseholder consultation is required by Section 20 of the Landlord and Tenant Act 1985 as amended by the Commonhold and Leasehold Reform Act 2002; the procedure is set out in the Service Charges (Consultation Requirements) (England) Regulations 2003.
- The council is required to undertake Section 20 consultation in two situations:
    - Prior to entering into a qualifying long-term agreement (QLTA) under which the service charge to any leaseholder may exceed £100 in any year;
    - Prior to carrying out qualifying works which may result in any leaseholder being charged more than £250.
- Thus if qualifying works are to be carried out under a QLTA, two consultations are required (one for the agreement, one for the works).
- Statutory consultation requirements would apply to any elements of the service which the Council decides to contract out to an external provider rather than directly deliver itself.
- Contracts of employment are excluded from qualifying agreements under the consultation regulations and as such entering into one does not require leaseholder consultation. This is relevant for the in-house option detailed in this report.
- Works that will cost over £250 per leaseholder for an in-house service have the same consultation requirements as if in a QLTA, i.e. the same as under the current arrangements.
- The costs of works need to be calculated as the actual cost to the council and include staff costs, parts, supplies, services, overheads etc.
- There are different ways of accounting to evidence these costs. This could include using Schedule of Rates based on appropriate calculations or labour and material costings.
- Materials supply arrangements would not appear to be caught by any consultation requirements. The only consultation requirement being on works over £250 per leaseholder in a building.
- For major capital projects carried out under a framework the council would need to consult on the setting up of the framework, as a QLTA, and then on the cost of any particular projects that are awarded through the framework.

- Leaseholders do not have the right to nominate contractors for contracts which are of a value that require a public notice in the Official Journal of the European Union.
- As detailed in this report the framework would include a competitive process ahead of the award of any works.

3.97 Following a decision on the recommendations set out in this report further work will need to be undertaken on leaseholder implications ahead of any statutory consultation.

3.98 Maximising social value

3.99 In accordance with the Social Value Act 2012, the council has a duty to have regard to economic, social and environmental well-being in connection with public services contracts.

3.100 The council abides by the principles set out in the Brighton & Hove Social Value Framework which has been developed by a multi-agency action learning group. Social value outcomes from the Framework will be identified and consideration will be given as to which one/s would be relevant and proportionate for use in any procurement process to award contracts for the future delivery of services and works to council housing stock. The principles are:

1. Working together across sectors to achieve shared priorities and provide social value outcomes (economic, social and environmental).
2. Being inclusive – improving equality, diversity and inclusion of people in the way we work.
3. Supporting local and positive employment experiences – creating work and training opportunities for local people, supporting people it secure work and paying the Living Wage.
4. Building community capacity for prevention and early intervention.
5. Taking a community-led approach to social value by supporting communities with resources and expertise to build capacity.
6. Supporting volunteering as part of delivery.
7. Buying local – supporting the Brighton and hove economy by choosing suppliers close to the point of service delivery.
8. Ensuring ethical standards of purchasing and delivering services.
9. Implementing sustainable policies – reusing, reducing waste and carbon footprint

3.101 The council's programme team is committed to seeking social value either through a procurement process or through an in-house service. Social value could be achieved in various ways, for example:

- Keeping tenants' homes warm, safe and in good condition

- Investing in the local economy and support the local supply chain
- Supporting services in tackling fuel poverty
- Providing a high quality and trusted service to residents
- Providing targeted employment or training opportunities
- Reducing the environmental impacts in service delivery
- Community involvement
- Working in partnership with local services and charities

3.102 Essentially the Framework principles can be used in relation to all recommendations. When procuring contracts the council can set out it's social value requirements and bidders can be scored on their social value offers through the tender process. The social value requirements should be proportionate to the contract and the council will be responsible for monitoring their delivery.

3.103 Table 4 provides a high level example of how the principles from the Brighton & Hove Social Value Framework could be delivered in the future provision of the services and works to council housing stock through the various options. The table represents a desk top exercise only and the inclusion of social value requirements will need to be considered further once the recommendations are agreed.

Table 4 – Social value chart

Social Value Framework Principles	1. Working together	2.Being inclusive	3.Supporting local and positive employment experiences	4.Building community capacity for prevention and early intervention	5.Taking a community-led approach	6.Supporting volunteering as part of delivery	7.Buying local	8.Ensuring ethical standards	9.Implementing sustainable policies
Recommendations - these are as detailed in section 3 of this report									
1. Customer Service and Quality Assurance delivered in house	●	●	●	●	●	●	●	●	●
2. Repairs and empty properties - Directly delivered by an in-house service	●	●	●	●	●	●	●	●	●
3. Work programmes let by the council under multiple contracts (lots) split by work type	●		●		●		●	●	●
4. Projects let by the council on a competitive basis through an over-arching framework of service providers	●		●		●		●	●	●
5. Specialist works tendered as appropriate	●		●				●	●	●

Social Value Framework Principles	1. Working together	2.Being inclusive	3.Supporting local and positive employment experiences	4.Building community capacity for prevention and early intervention	5.Taking a community-led approach	6.Supporting volunteering as part of delivery	7.Buying local	8.Ensuring ethical standards	9.Implementing sustainable policies
Options that are considered possible but are not recommended – these are detailed in section 4 of the report									
Responsive Repairs and Empty Properties									
1. Repairs and empty properties services carried out on site by one contractor	●		●			●	●	●	●
2. Interim repairs and empty properties services contract with purpose to move to an in house service after	●	●	●	●	●	●	●	●	●
3. Completely delivered by one contractor (through one contract including customer service and quality assurance functions)	●		●			●	●	●	●
Planned maintenance and improvement programmes									
4. Deliver all possible planned programmes through an in house service (with exception of specialist works)	●	●	●	●	●	●	●	●	●

Social Value Framework Principles	1. Working together	2.Being inclusive	3.Supporting local and positive employment experiences	4.Building community capacity for prevention and early intervention	5.Taking a community-led approach	6.Supporting volunteering as part of delivery	7.Buying local	8.Ensuring ethical standards	9.Implementing sustainable policies
5. Work programmes completely delivered by a contractor (through one contract)	●		●			●	●	●	●
6. Work programmes let by the council through an over-arching framework of service providers	●		●		●		●	●	●
Major Capital Projects									
7. Projects tendered by the council on a competitive basis project by project	●		●		●		●	●	●
8. All projects delivered by one contractor (through one contract)	●		●			●	●	●	●

Key to table

Bullet points represent where the social value principle could be achieved

Shaded cells represent where the social value principle could be achieved through a procurement process

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The following table indicates alternative options that are available for the delivery of the services and works to council housing stock. This is not intended to be an exhaustive list but sets out the options which officers have given serious scrutiny to. These options are not recommended for the reasons detailed in each subsection below.

Table 5 – Possible options that are not recommended

Revenue expenditure	Capital investment	
Responsive repairs and empty property refurbishments	**Planned maintenance and improvement programmes**	**Major capital projects**
Repairs and empty property refurbishment works carried out on site by one contractor	Deliver all planned programmes directly through an in-house team (with exception of specialist works)	Projects tendered by the council on a competitive basis project by project
or	or	or
Interim repairs and empty properties contract with purpose to move to an in-house service	Work programmes completely delivered by a contractor (through one contract)	All projects delivered by one contractor (through one contract)
or	or	
Completely delivered by one contractor (through one contract including customer service and quality assurance functions)	Work programmes let by the council through an over-arching framework of contractors	

4.2 Possible options that are not recommended

4.3 Responsive repairs and empty property refurbishments

4.4 <u>Procure a contract for the provision of responsive repairs and empty properties refurbishment works and services</u>

4.5 This option would see the competitive tender and award of a contract to deliver the "on site" elements of these works. This is in line with typical contracting arrangements in the repairs and maintenance sector where a client orders work through a contractor and operates a quality assurance function to ensure that works are carried out and charged appropriately.

4.6 It is estimated that this option would cost between £7.100m and £7.350m per annum (paragraph 4.6 of Savills report at Appendix 9). Using the higher of these costs, this is **£0.618** lower than the estimated cost of the in-house service recommended in this report **when the permanent Assistant Director post is included**. If the contract were for five years, the total cost difference over a five year contract period is therefore estimated at an additional **£4.184m** including set-up and mobilisation costs of £1.094m.

4.7 The key benefits of this option are:

- This option is likely to cost less than setting up an in-house service. Estimated costs for this option are detailed in section 4.6 of Appendix 9.
- Working with one contractor across the entire program may deliver efficiencies in terms of reduced overheads, economies of scale, supply chain advantages and establishment costs.
- Contractor delivered services under this model are in line with the market's expectation and experience which should put the council in a strong position to attract competitive bids for the externally delivered part of this service.
- The council is experienced at contract management and the delivery of this option would be in line with others that have been successfully managed including the current gas service and maintenance contract.
- The contractor will be responsible for working safely on site and the associated risks and method statements that are required.
- A contractor will be able to use experience and their established protocols to deliver the repairs and maintenance.
- The council is protected financially for service failures such as works not being carried out to specification, compensation claims and associated warranty claims.

4.8 The key risks of this option are:

- Works costs and resources are affected by contractor and commercial changes in the market place (i.e. resources placed on other contracts or loss of contracts for the contractor)
- The council would have lower levels of control over repairs and maintenance as well as sub-contractors. This may mean that there is a reduced ability to manage the customer service standards on site.
- There is a risk of contractor insolvency and the associated risk of the council needing to implement interim measures if this should occur.
- There is some cost associated with the mobilisation of a contract arrangement including the development of IT interfaces, branding.
- This option would see a degree of duplication of functions, for example a contractor would need to have in place their own methods of supervision and quality assurance which would, to a degree, be duplicated by council quality assurance functions.
- Smaller, locally based contractors may not be able to deliver a contract of this size as a main contractor though it is likely they will still be employed as sub-contractors. The procurement process could also mitigate this risk by encouraging consortia bids.

4.9 There has been feedback from all stakeholders that a long term contract would not offer the flexibility being sought going forward. The market research undertaken and advice obtained from consultants suggests that ten year partnerships are not as common in the market as they were when the current arrangements were developed.

4.10 However in order to deliver a contract effectively, a term should be considered with time to establish and incentivise bidders to invest in the services they are delivering. For this model a five year contract is recommended with the potential for a two year extension subject to performance and at the council's discretion.

4.11 <u>Tender for interim contract with intention to move to an in-house service after contract term ends</u>

4.12 This option would see the responsive repairs and empty properties element of the service operate as part of a contract. The service would be tendered competitively and it would be specified in the tendering processes and specification that one of the main objectives of the contract would be to prepare the service for transitioning to an in-house service at the end of the contract.

4.13 The key benefits of this option are:

- Additional time to prepare organisation for strategic change

- Additional time to prepare service for delivery change

4.14 The key risks of this option are:

- Limited available research on this style of approach suggests it has only been used in unique circumstances that do not apply to the council.
- Incentive to contractors, to assist the organisation to prepare for in-house delivery, would be different and would be likely to affect the market position.
- This may be unattractive to the market as it will not deliver a long term opportunity for service providers.
- In order to increase the attractiveness to the market contract length may be longer than will be required to set up the in-house service.

4.15 <u>Completely delivered by one contractor (through one contract including customer service and quality assurance functions)</u>

4.16 This option would see the responsive repairs and empty properties element of the service continue to operate in the same way as it does at the moment as part of the contract delivered by Mears. The repairs desk call centre, quality assurance and other functions would also continue to operate in the same way. The service would be tendered competitively.

4.17 The key benefits of this option are:

- Potential economies of scale with all services delivered by one contractor.
- Minimal change to current service delivery.
- Consistency of service delivery and management through one contractor.
- The council has acquired valuable experience in contract management and the shape of this service would be in line with others that have been successfully managed including the current gas service and maintenance contract.
- Mobilisation and delivery should be achieved without significant risk to service quality or costs.
- The contractor will be responsible for working safely on site and the associated risks and method statements that are required. A contractor will be able to use experience and their established protocols to deliver this.
- The council is protected financially for service failures such as works not being carried out to specification, compensation claims and associated warranty claims.

4.18 The key risks of this option are:

- Feedback from key stakeholders who would prefer to deliver quality assurance services and customer services functions via an in-house team.

- Not common in industry for call centre functions to sit with the contractor.
- Reduces opportunities for the client side function to increase expertise and align to other customer contact centres across the council.
- This option gives the council lower levels of control of the works element of the service compared to the recommendations. This may mean that there is a reduced ability to manage the customer service standards on site.
- There remains a risk of contractor insolvency and the associated risk of the council needing to implement interim measures if this should occur.
- Works costs and resources can be affected by contractor and commercial changes in the market place (i.e. resources placed on other contracts or loss of contracts for the contractor).
- This option could see a degree of duplication of functions, for example a contractor will need to have in place their own methods of contract management and surveying which could be duplicated by the current council quality assurance functions.

4.19 **Planned maintenance and improvement programmes**

4.20 <u>Deliver all possible planned maintenance and improvement programmes through an in-house service (with exception of specialist works)</u>

4.21 Establish an in-house team to deliver (where economically viable) the planned works programme for example the kitchen and bathroom replacement programmes.

4.22 This option would see the creation of a directly employed delivery team of approximately 15 staff to deliver this service. This would include the delivery of kitchen and bathroom planned programmes. This would be supported by some contracting for “specialist” services for example asbestos removal, roof replacements, window replacements, some external repairs etc.

4.23 Following the establishment and settling of the direct delivery service the level of subcontracting could decrease with specialist areas being directly delivered by the in-house team in the future where feasible.

4.24 Staff employed by Mears currently carrying out these functions may transfer into the council in accordance with TUPE regulations.

4.25 The key benefits of this option are:

- The council would have direct control of the service enabling strong alignment with the priorities and the values of the council.
- Greater accountability for the delivery of services to residents enabling resources to be focused directly on the priorities and issues identified in a flexible way that could improve customer satisfaction.

- Development of a positive connection between residents and the council service carrying out works to their homes.
- Works costs and resources not be affected by contractor and commercial changes in the market place (i.e. resources placed on other contracts or loss of contracts for the contractor).
- Development of in-house skills enabling growth of the in-house service.

4.26 The key risks of this option are:

- Small and medium enterprises (SMEs) would be unable to tender for programmes and will lose subcontracting opportunities.
- Consultant advises that the council can offer a competitive attractive package of planned programmes to the market providing opportunities that would not be achieved by delivering these works in-house (e.g. commercial supply chain advantages).
- Capital investment programmes are subject to change and risk would sit with contractor in other options
- Significant one off initial costs associated with the establishment of a new service. These may include investments in fleet, ICT systems, van and store stock as well as recruitment of additional staff to mobilise direct delivery staff alongside existing staff managing contract arrangements.
- Challenges in fully establishing the service in the time available. Particular risks are around the development of ICT systems and support, handheld and stock management solutions and the range of additional procurements that would be needed to support the service.
- Lack of established ways of working including of carrying out construction works on site, method statements for operating in a safe way and the ability to tap into organisational experience of delivering services could expose the council to greater health and safety risks.
- Service is currently set up as a contract management service with very limited experience of managing in-house service this may present challenges around management of productivity and present risks to the budgets of the service. Exposes council to more direct risks of market fluctuation such as material cost increases and labour shortfalls which are currently protected through contract arrangements.
- Uncertainty around workforce levels prior to completion of TUPE transfer may mean increased cost with provision of additional staff/operatives in order to ensure services are delivered around transition period.

4.27 <u>Deliver all planned maintenance and improvement programmes through one contractor (through one contract rather than breaking it into lots)</u>

4.28 Council officers would be responsible for issuing a programme of works to the contractor each year and closely contract managing the contractor to ensure the programmes are delivered effectively.

4.29 The key benefits of this option are:

- Consistency of service delivery and management.
- Clear accountability for the delivery of services to residents.
- Working with one contractor across the entire program may deliver efficiencies in terms of reduced overheads, economies of scale, supply chain advantages and establishment costs.
- A single contractor will enable the delivery of a consistent approach in terms of resident engagement with the contractor able to lead in some areas.
- A simpler contract management approach with a reduced number of contract meetings, performance and finance reporting requirements.

4.30 The key risks of this option are:

- Works costs and resources likely to be affected by contractor and commercial changes in the market place (i.e. resources placed on other contracts or loss of contracts for the contractor).
- Working with one main contractor will mean that a large proportion of the works on site will be delivered by sub-contractors meaning that the council is further separated from the delivery of works to customers.
- Additional layers of contracting may mean duplication of overheads and profit margins, diverting money from the carrying out of works and meaning a risk to the quality of service and work carried out.
- This contract may not be deliverable by smaller locally based contractors.
- Risk of insolvency of contractor
- Less aligned to resident feedback.

4.31 <u>Planned maintenance and improvement programmes let by the council through an over-arching framework of service providers</u>

4.32 The council would tender a framework arrangement for a number of contractors to enter into. Once this was in place the council would run a competitive process within the framework to identify which contractor would carry out different programmes of work.

4.33 The key benefits of this option are:

- There would be competition on a work type/ geographical basis.
- The council would develop relationships with a number of contractors leading to good understanding of requirements and good performance driven through the framework.
- Opportunities for local supply chain to work directly with the council.

- Maintains contractor performance due to incentive to remain competitive for call offs.
- No commitment from the council to actually place any work through the framework.

4.34 The key risks of this option are:

- Consistency of materials and service delivery would be difficult to ensure with the potential for multiple contracts delivering one planned programme.
- Impact on future maintenance and asset management costs if materials deployed are inconsistent.
- More management costs for the council for running competitive tenders from the framework.
- Multiple contractors will need to be managed at the same time therefore increasing resources required on the client side.
- Contractors would not have long term guarantees of programmes of works even though we would be in a position to tender longer term contractual arrangements using asset data.

4.35 Major capital projects

4.36 <u>Projects tendered by the council on a competitive basis project by project</u>

4.37 The council would identify requirements, undertake detailed condition surveys and develop any work proposals. The council would then engage with tenants and leaseholders on potential proposals.

4.38 The council would then develop a specification of works and competitively tender each project subject to the necessary approvals in compliance with the council's contract standing orders. The council would be responsible for the management of all projects.

4.39 The key benefits of this option are:

- Value for money is tested on a project by project basis.
- Projects will be ready for delivery ahead of identification of the preferred contractor being identified.
- Individual procurements of varying values may present more opportunities for small to medium enterprises which may not have capacity to take on larger projects.
- Leaseholders will have the right to nominate contractors to be invited to tender providing the project value is below the EU financial threshold for public works contracts.

- Separation of scoping of works, delivery of works and quality assurance functions gives a strong control environment for the service.
- Each project will be subject to market conditions at the time.

4.40 The key risks of this option are:

- Resource intensive across Housing, Procurement, Legal teams and contractors due to the increased complexity of procurement processes.
- Increased time required for leaseholder consultation requirements.
- Contractors may not have long term investment in the city.
- May be challenging to develop consistency across multiple contracts and there may be duplication of process and documentation for each project.
- May not produce a strong value for money outcome due to the loss of some economies of scale.
- Increased time for contractor learning curve with the council's ways of workings.
- Each project will be subject to market conditions at the time
- Full EU tender exercise will still be required for major projects over £4,551,413.

4.41 <u>All projects delivered by one contractor (through one contract)</u>

4.42 The council would identify requirements, undertake detailed condition surveys and develop any work proposals. The council would then engage with tenants and leaseholders on potential proposals.

4.43 The council would then tender one contract with one contractor to manage and deliver all major capital projects on site. The council would then check the quality of projects delivered.

4.44 The key benefits of this option are:

- Potential economies of scale with all services delivered by one contractor.
- Minimal change to current service delivery.
- Consistency of service delivery and management thought one contractor.
- The council would deliver the initial interaction with customers creating a greater connection and the opportunity to link projects more effectively with other programmes carried out by the council and ensures that decisions around delivery and scope of projects are in line with council objectives.
- Separating the specification/identification of works and quality assurance from the carrying out of works will create a stronger control environment for the service.
- The contractor will be responsible for working safely on site and the associated risks and method statements that are required. A contractor

will be able to use experience and their established protocols to deliver this.

- The council is protected financially for service failures such as works not being carried out to specification, compensation claims and associated warranty claims.

4.45 The key risks of this option are:

- Value for money and market testing would be difficult to evidence over time.
- Leaseholders' ability to engage in delivery limited outside of section 20 consultation.
- Not common in the industry for all major capital projects to sit with one contractor.
- There remains a risk of contractor insolvency and the associated risk of the council needing to implement interim measures if this should occur.
- There is some cost associated with the mobilisation of a contract arrangement including the development of IT interfaces, branding, etc.
- This option would see a degree of duplication of functions, for example a contractor will need to have in place their own methods of supervision and quality assurance which would, to a degree, be duplicated by council quality assurance functions.
- Risk of contractor insolvency.

4.46 Further options for delivery that were considered

4.47 As detailed the programme team has identified and considered a range of options for the future delivery of services. Through the process of engagement with the Procurement Advisory Board the following options have been discounted enabling officers to present the remaining options summarised in this report which meet the objectives of the council.

4.48 <u>One contract covering works and services within the same scope as the current contract</u>

4.49 This option is to deliver services within the same or a similar arrangement to the current contract. This option was discounted due to the following considerations:

- The current contract was awarded in 2009 with clear objectives around saving money and achieving the government's Decent Homes Standard. The economic situation for the HRA is different at this point in time.
- The independent review of the current contract carried out by 31ten in 2017 identified that the contract has delivered a number of benefits but its full potential has not been realised. For example the report indicates that

the contract has not performed as well on longer term capital works compared to the excellent delivery of the day to day repairs and maintenance service.

- That the delivery of the works and services would benefit from increased client side focus on quality assurance and client led specification of projects as well as more direct control of works.
- The other options detailed in this report are likely to address the feedback from tenants and leaseholders more effectively than one contract covering all works.
- The other options for major capital projects will be able to more clearly demonstrate value for money on a project by project basis.

4.50 Joint Venture partnership

4.51 This option would involve the establishment of a joint venture partnership with a selected partner to jointly deliver works or functions through a jointly owned entity. This model has operated well in some locations and was identified as a potential option through the independent review carried out by 31ten in 2017.

4.52 The model was set out in full in the options paper presented to Housing & New Homes Committee in June 2018 and included as Appendix 6.

4.53 This option was discounted due to the following considerations:

- The model did not meet objectives about clear and simple relationships between client and contractor.
- It may take 12 – 18 months to identify a preferred partner in an area where there are only a limited number of providers.
- Very high start-up costs in terms of officer resource and legal work to support competitive dialogue and the implementation of the Joint Venture.
- There would also be ongoing costs of supporting the Joint Venture.
- The model did not seem to offer as many benefits to the council as the other options detailed in this paper.

4.54 Wholly Owned Subsidiary Model

4.55 This is an innovative option where employees are engaged by the council but treated as part of a contractor's supply-chain and managed by the contractor. This model has been used in cases where clients have engaged multiple contractors that have become insolvent and have wanted to protect against this occurring in the future. Should a partner become insolvent the client is protected by retaining the workforce delivering the repairs service. This model was identified as a potential option through the independent review work undertaken by 31ten in 2017.

4.56 The model was set out in full in the options paper presented to Housing & New Homes Committee in June 2018 and included as Appendix 6.

4.57 This option was discounted due to the following considerations:

- The model did not meet objectives about clear and simple relationships between client and contractor.
- The relationship between employees and the council is complex and potentially difficult to navigate as direction would be given by the contractor.
- Key benefits available to other types of entities choosing this option in terms of VAT savings on labour cost would not be applicable for the council.
- High cost of establishing and administrative costs of supporting the board operating the Wholly Owned Subsidiary.

4.58 Other considerations

4.59 Other options considered for responsive repairs, empty property refurbishments and planned maintenance programmes were using multiple contractors for each service/works area and procuring contracts based on geographic location.

4.60 The option to use one contractor for each type of service/works rather than multiple contractors is supported by learning from previous contract arrangements and the current service. Splitting works geographically presents significant risks in terms of lack of consistency in service levels, reduced economies of scale and increased pressure on resources within the council. In addition, consultancy advice has indicated this would be less attractive to the market and would result in higher unit costs.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The programme has undertaken a number of engagement exercises to ensure that stakeholder's views are considered in determining the preferred option for the delivery of works and services in the future.

5.2 <u>Tenant and leaseholder engagement</u>

5.3 Programme officers initially attended the following meetings to provide an initial brief of the programme and next steps for tenant and leaseholder engagement:

- Area Panels

- Home Service Improvement Group
- Leaseholder Action Group – Annual General Meeting
- Business and Value For Money Service Improvement Group

5.4 Area Panel meetings provided some initial feedback around the current contractual arrangements and raised some questions about delivery methods moving forward - feedback was included in the March 2018 report to Housing & New Homes Committee.

5.5 Representatives at the Home Service Improvement Group were keen to be updated at future meetings of the progress of the programme and noted the scale of the programme.

5.6 The programme team presented on the programme at the Leaseholders Action Group (LAG) – Annual General Meeting in April 2018 and have worked with the newly elected LAG representatives to engage with leaseholders and collect feedback on the current arrangements.

5.7 Leaseholders fed back that they welcomed the opportunity to be engaged in the programme alongside the work being undertaken to improve engagement with leaseholders. Other feedback included that the council should ensure value for money is being delivered through major capital projects and that there should be a stronger focus on planned maintenance programmes through future delivery arrangements.

5.8 The programme team have now completed the following engagement activities:

- Running four workshops for tenants and leaseholders to share their views on what works well with the current service, what doesn't and what we should change in the future.
- Carrying out over 1,000 door to door surveys of tenants and leaseholders across the city.
- Running an online and postal survey for tenants and leaseholders to feedback their views.

5.9 The workshops were promoted in "Homing In", the council's website and social media channels, by email to resident groups and in a letter to Tenants and Residents Associations across the city. Tenants and leaseholders who attended these workshops were highly engaged and gave detailed feedback about how the service could be delivered in the future.

5.10 The full feedback from the workshops is included as Appendix 10.

5.11 Leaseholders particularly identified the following areas for future services:

- Leaseholders felt that investment into managing warranties, developing maintenance programmes and regular reviewing of assets, should be a key focus to prevent deterioration of homes and blocks.
- Leaseholders felt that ‘major capital projects’ should not sit with the repairs and empty property refurbishment works moving forward and should be specified and tendered separately from this function.
- Value for money was a key driver for leaseholders and testing and value for money though tender processes for major capital works was a key consideration.
- Quality assurance and surveying functions were highlighted by leaseholders as essential client side functions that should be independent of any contractual arrangement.
- Leaseholders felt that increased communication, transparency and online access to cost information would improve services going forward.

5.12 The Leaseholder Action Group also provided written feedback which is included as Appendix 11.

5.13 Tenants particularly identified the following areas for future services:

- Tenants felt that estates as a ‘whole’ could do with better maintenance and investment for example the look of doorways, clearing guttering, grounds maintenance, the look and feel of blocks and neighbourhoods could be better invested in and maintained.
- Tenants discussed the importance of communication from the council and contractors, more consideration around disabilities or vulnerabilities, better communication for missed appointments, ID for subcontractors and more discussion with tenants when jobs cannot be completed first time.
- Tenants discussed the importance of a localised, visible service including locally employed staff, apprentices and a ‘patch’ type approach to neighbourhoods for repairs.
- Tenants wanted to see more appointment times with more defined time slots. Including evenings and weekends by the hour rather than AM/PM.
- Tenants felt the apprenticeship scheme is positive and should continue to be a priority to the council.
- Tenants felt that the use of subcontractors should be reviewed to improve performance for example cleaning up after repairs, parking issues and requirements to carry identification.
- Tenants felt that the kitchens and bathroom replacement programme (Brighton and Hove standard) is positive and would like to see it continue and expand.

5.14 The results of the door to door surveys and the online and paper surveys were analysed by ARP Research and full results are included as Appendix 12.

5.15 Some key feedback from surveys showed that tenants and resident who took part in the consultation were generally very satisfied with the repairs and maintenance services that they currently received. This was typified by the responsive repairs service, where satisfaction was high at 89%, including two thirds that were ‘very’ satisfied.

5.16 Similarly, 85% rated the repairs reporting system as good, whilst satisfaction with internal improvements was very high at 96%.

5.17 The vast majority of customers felt that the best way to improve the repairs and maintenance service would be to increase the opportunities for feedback and consultation rather than any specific technical or service level changes.

5.18 Nevertheless, an online reporting system received high levels of support with over three quarters saying it would make reporting repairs easier for them. In fact, when asked in their how the service could be improved, 43% of respondents specifically mentioned an online option, including a quarter that suggested an ‘app’.

5.19 Through this process the programme team have been keen to engage with residents proactively and in sessions that suit residents. As such the team have been invited to meet with residents at the Business & Value for Money Service Improvement Group and the Resident Inspectors group. Feedback from these groups is included in Appendix 13.

5.20 In September 2018 members of the programme team attended the four Area Panel meetings and the Leaseholder Action Group to feedback on the resident engagement activities undertaken and update residents on the next steps for the programme. These meetings gave similar feedback to the workshop sessions detailed in this report. This included:

- Some residents felt works should be tendered separately rather than through one large contact as is currently delivered.
- Contract terms should be shorter than the current ten year term.
- The repairs service should focus on completing repairs in one visit
- There should be a stronger focus on quality assurance
- Some Area Panel representatives indicated support for bringing services in-house

5.21 As well as formal leaseholder consultation and continued engagement with groups it is also of note that a smaller group of tenants and leaseholders (representative of the demographic profile) will be engaged in any tender evaluation process.

5.22 Programme team members will update tenants and leaseholders across the city following Policy, Resources & Growth Committee in October 2018 and through the Citywide Conference in the autumn as well as through future area panel meetings.

5.23 Staff and union engagement

5.24 Staff have received regular updates on the programme through the initial phase. The programme team have presented on progress with the programme at the regular all staff meetings held for the Property & Investment team. In addition the team have received email briefings alongside the development of reports and the release of any public reports on the programme.

5.25 Staff workshops have been held as part of the engagement work undertaken on the project. These have included:

- Two workshops for Property & Investment staff and unions
- Workshop for other housing staff

5.26 These workshops provided an opportunity for staff to feedback on both the current arrangements and how services might be delivered in the future. Key themes identified through these sessions were:

- Better IT systems should be sourced.
- Co-location is a positive aspect of the current arrangements.
- There should be clearer distinction between client and contract quality assurance functions.
- More services should be delivered in-house.
- The council should make better use of asset data.

5.27 Staff working in Property & Investment and Mears also had the opportunity to feedback through an online survey. The headline feedback from this survey was:

- There should be a greater investment in cyclical maintenance and planned works rather than responsive works
- The council should have a greater role in specifying works
- The council should check a higher proportion of work
- Positive feedback on the contact centre
- Positive feedback on the responsive repairs service

5.28 At Policy, Resources & Growth on the 14 June 2018, the Committee delegated authority to the Executive Director, Finance & Resources, after consultation with the Procurement Advisory Board, to take all steps necessary

for the implementation of the Unite Construction Charter provided those steps are consistent with the advice or recommendations of the Procurement Advisory Board.

6. CONCLUSION

6.1 This report sets out a series of recommendations and alternative options for the delivery of responsive repairs and empty property refurbishments, planned maintenance programmes and major capital projects to council housing stock following the expiry of the current contractual arrangements.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 In-house functions for Customer Service and Quality Assurance

7.2 Recommendation 2.1 is to establish in-house functions for customer service and quality assurance. The current arrangements are that the council pays Mears to provide the customer contact centre as well as some quality assurance functions for responsive, planned and major works. There is also a quality assurance function and customer service function within the Property and Investment team. Therefore, should the council take all of these functions in-house, the staffing costs should be broadly comparable, assuming the same level of service.

7.3 As outlined in the body of the report, the costs associated with the TUPE transfer of staff from Mears are currently unknown and could be considerable. There is a risk that staff restructuring will be required incurring redundancy costs if the number and skill mix of the staff being transferred is not as required.

7.4 There are potential risks related to equal pay that could develop over time if staff continue to be employed on different terms and conditions to other staff in the council doing work of equal value, or if the council seeks to equalise the pay and conditions of any new staff doing the same work with those staff who have transferred.

7.5 Also, if more skilled staff are required at short notice, this could be expensive with the possibility of having to use agency staff.

7.6 There will also be extra running costs associated with delivering this function in-house consisting of telephony costs estimated at £0.014m per year. The costs of handheld devices for a few quality assurance staff is estimated to

cost a few hundred pounds and can therefore be met from current HRA resources.

7.7 Current estimates are that the contact centre would consist of eight customer service operatives and one contact centre manager and the expectation is that these staff would TUPE transfer from Mears. Other staff may also TUPE transfer from Mears to the quality assurance function. This may increase the number of Full Time Equivalent (FTE) staff in the HRA by 9-11 staff (although see TUPE risks above). Therefore, this will increase the amount of support service costs payable by the HRA (for IT, and HR support in particular), estimated at £0.040m.

7.8 Therefore to summarise, the cost to the HRA of recommendation 2.1 as a stand alone recommendation over and above current budget resources is estimated as £0.054m. There is also a further potential cost in relation to staffing and TUPE transfer which is not quantifiable at this stage.

7.9 <u>Responsive Repairs and Empty Property Refurbishment Works to Council Housing Stock are brought in-house and delivered by the council</u>

7.10 Recommendation 2.2 relates to the setting up of an in-house service for responsive repairs and empty properties refurbishment. As the report outlines, this would require a new multi-trade team of operatives, and management and administrative support staff to be employed directly by the council. The number of staff is estimated as 92 FTE. The report highlights the risks and benefits of this option in section 3.

7.11 The council commissioned advice from Savills on the costs associated with the setting up an in-house service for the council. At this early stage in the process, Savills and council officers have had to make a wide range of assumptions including the number of staff required, pay costs, materials costs and IT costs. Council officers have reviewed the advice from Savills including various cost assumptions and have estimated the set-up costs as £0.796m with annual costs of between £7.538m and £7.866m (excluding the contact centre which is separately costed above). The set-up costs include an allowance of £0.150m for consultancy support for mobilisation. However, further resources will be required to mobilise the in-house service from December 2018 in order to mitigate the risks outlined in the body of the report. The extra cost is estimated as £0.112m in 2018/19 and £0.186m for the full year 2019/20 - a further £0.298m in total. Therefore the total set-up and mobilisation costs of the in-house service are estimated to be £1.094m.

7.12 Under this option there would be a different cost structure to the service. The current contractor will have different overhead costs, procurement costs, pension scheme costs, as well as the need to ensure viable profit margins. The council is a much smaller organisation and is expected to incur additional

overhead and procurement costs as a result and also has a significantly higher cost pension scheme. On cost terms alone, this will make the in-house option more expensive. However, while economic considerations are a very important aspect of value for money considerations, value for money must also take into account the quality of service, customer satisfaction and the service's effectiveness in meeting council objectives including social value.

7.13 Officers have worked with advisers, Savills, to compare the cost of providing responsive repairs and empty property refurbishment in-house with a contract arrangement whereby services would be tendered and provided by one contractor. Other than the cost of procurement, there would be no additional up-front costs relating to re-tendering the service. The estimated cost of a tendered contract would depend on the market conditions at the time of procurement and how many contractors bid. Based on advice from Savills and using the same assumptions on volumes of jobs etc. in order to make a direct comparison to the in-house option, it is estimated that contracting out such a contract would cost between £7.100m and £7.350m per annum (paragraph 4.6 of Savills report at Appendix 9). Using the higher of these costs, this is £0.516m lower than the estimated cost of the in-house service with 58 operatives excluding the call centre costs. **However, adding in the annual cost of a permanent Assistant Director post to the costs of the in-house service, means that the estimated cost of the contracted out service is £0.618m lower.** If the contract were for 5 years, the total cost difference **of the in-house service** over a 5 year contract period is therefore estimated at an additional **£4.184m** when the estimated set-up costs of £1.094m are included.

7.14 The one-off set-up costs and the difference in annual costs would need to be met from the HRA which represents an 'opportunity cost' to the council (as Landlord) and the council would therefore be required to forego this level of spend (**£4.184m** over a five year period) on current tenants' homes and/or building new homes.

7.15 As mentioned, the above estimates have been provided by Savills and reviewed and agreed by council officers. Savills have experience with many local authorities and registered providers with responsive repairs functions. In drawing together these figures, many assumptions have necessarily been made. The main financial risks of setting up an in-house repairs and empty property refurbishment service are considered to be:

- **IT costs** – this is the cost of implementing of the new maintenance management system to manage appointments and the ordering of materials using handheld devices. It is assumed that initially this system would be stand alone and would not integrate with the council's housing management system or financial system. This is partly due to timescales but also because the new housing management system is also due to go

live at the same time, April 2020. The estimated IT set-up cost is £0.316m. This is based on Savill's experience with other local authorities and the current cost of IT specialists. However, the costs of implementing a maintenance management system within the very tight timescales could be greater as it is possible that IT consultants will be required on day rates to secure implementation by the deadline.

- **TUPE risks** – the number of staff transferred under TUPE and the mix of trades and skills of these staff may not match what is required for the in-house service. The estimated number of staff transferring for this recommendation is 92. However, if excess staff were transferred compared to requirements or skill mix, staff restructuring would be necessary with the possibility of redundancy costs. If staff are transferred on enhanced pay rates or bonus schemes, then this may lead to the council incurring compensation costs while negotiating new employment contracts, in particular to avoid future equal pay risks. If more skilled staff are required at short notice, this could be expensive with the possibility of having to use agency staff. The set-up costs therefore include a prudential sum of £0.200m for a staffing and TUPE risk allowance.
- **Operational risks** – running an in-house service will require operational management skills that are not traditionally found within local authority client teams. There is therefore a risk that the service could be inefficient, especially in the early phases. This could lead to cost increases if productivity is ultimately lower than expected and may impact customer satisfaction.
- **Supply chain risks** – the cost of materials in this contract is estimated as £1.425m which includes a prudential 12% uplift on the estimated materials cost to allow for the substantially lower purchasing power of the in-house service. However, this may not be sufficient; a further 5% uplift, for example, would cost another £0.064m per annum.

7.16 The report recommends at 2.3 that a budget of £1.094m (£0.122 for 2018/19 funded by in-year underspends within the HRA and £0.982m for 2019/20 funded from HRA general reserves, is set up to enable the Executive Director to commence procurement and the mobilisation of the agreed options. The expenditure on set-up and mobilisation is expected to commence in December 2018 but the majority of spend will be in the financial year 2019/20. HRA general reserves are currently £7.853m.

7.17 <u>Recommendation to Procure a Contract(s) for the Provision of Planned Maintenance and Improvement Programmes</u>

7.18 Regarding recommendation, 2.4 relating to the procurement of planned maintenance and improvement programme – capital works, this recommendation means that contracts are let separately for each different work stream. Under the current arrangements, this work is programmed by

Mears and council staff and Mears generally use their sub-contractors to undertake this work. This report recommends that under the new arrangements the programming and quality checking of work will be carried out by council staff. Letting this contract to multiple contractors should minimise the need to sub-contract. The main financial risks of this method of procurement when compared to tendering one contract for planned works (current situation) are:

- The procurement costs may be higher as a result of having to split the work into different lots and evaluate each lot separately. It is considered that any extra cost could be met from current HRA procurement resources. The 2018/19 HRA budget includes £0.250m to support this whole procurement process.
- Procuring in smaller lots may mean the overall contract price could be higher because any economies of scale of having one contractor will not be realised. This cannot be quantified with any accuracy.
- The client costs of managing these multiple contracts will be higher when compared to the management of one contract for planned maintenance and improvement works.

7.19 Recommendation to procure a multi- contractor framework agreement for major capital projects with a term of four years.

7.20 Recommendation 2.5 relates to the procurement of a multi-contractor framework agreement for major capital projects with a term of four years. This is currently undertaken by Mears who tender works to various sub-contractors. This arrangement allows for individual contracts for each major capital works project to be awarded to a contractor on the framework following a mini competition process. The risks and benefits of this option are highlighted in the body of the report. The cost of managing multiple contractors is potentially greater than managing one single contract. It may be possible to absorb such costs within the current client function but, if not, this will increase costs for the HRA.

7.21 The budget for any call off contracts awarded under the framework agreement will need to be considered by Housing & New Homes Committee and approved by Policy, Resources & Growth Committee. This budget will be set out in the annual HRA budget setting report and be monitored through the council's Targeted Budget Monitoring process.

7.22 General financial implications

7.23 The implementation the recommendations may increase the costs of operating an apprenticeship scheme due to additional administration required

as outlined in the body of the report. This is estimated to cost £0.040m per annum.

7.24 The council is a Best Value authority under the Local Government Act 1999 and is under a general Duty of Best Value which requires it to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.” Under the Duty of Best Value, therefore, authorities should consider overall value, including economic, environmental and social value, when reviewing service provision. Before deciding how to fulfil their Best Value Duty authorities are also under a Duty to Consult representatives of those who use or are likely to use services provided by the authority, and those appearing to the authority to have an interest in any area within which the authority carries out functions. The report sets out the potential risks and benefits of the various options alongside comparative costs, social value implications and feedback from consultation to enable the authority to fulfil its Duty of Best Value.

Finance Officer Consulted: *Monica Brooks*
Nigel Manvell *Date: 17/09/18*

Legal Implications:

7.25 In its role as landlord, the council has statutory and contractual obligations to maintain its housing stock. It is entitled to do anything incidental to the discharge of its functions, including employing staff and entering into commercial contracts.

7.26 The Public Contracts Regulations 2015 encourage contracting authorities to divide their contracts into lots. In relation to the procurement for planned maintenance and improvement programmes, the council may choose to limit the number of lots to be awarded to one tenderer.

7.27 The maximum permitted duration of a framework agreement is four years, except in exceptional circumstances. The council is required to appoint at least three contractors to the major capital projects framework and will carry out a mini-competition prior to letting a call-off contract for each project.

7.28 Call off contracts under the framework agreement for major capital works may be valued at over £500,000 and this report therefore seeks a delegation of authority so that the Executive Director Neighbourhoods, Communities & Housing can procure and award such contracts without the need to return to committee.

7.29 In procuring the contracts necessary to implement the recommendations in this report the council is required to comply with its Contract Standing Orders, public procurement legislation and the Social Value Act 2012.

7.30 The TUPE implications are as set out in the body of the report. The council's obligations to consult with leaseholders are set out in the body of the report.

Lawyer Consulted: *Isabella Sidoli* *Date: 17/09/18*

Equalities Implications:

7.31 None of the options identified involve reducing or altering the nature of service provided to residents. It is therefore not anticipated that any of the options would have a detrimental impact on any group with a protected characteristic. An equalities impact assessment will be carried out on the preferred option and a further report will be presented to this committee if any detrimental impacts are identified.

7.32 Assessments are carried out in relation to any work carried out under the current contract arrangements. It is anticipated that a similar process will be appropriate here.

7.33 It is possible that options identified as a result of this programme will involve transfer of staff from the existing contractor. There will be an equalities impact assessment to consider the impact of the transfer on various groups.

7.34 The staff engagement carried out so far is detailed in section 5.23 – 5.27.

Sustainability Implications:

7.35 The work carried out under the existing contract arrangements contribute significant improvements to the council owned stocks energy performance. For future arrangements, potential providers will be assessed on their ability to deliver services in a sustainable and energy efficient manner in line with the council's HRA energy strategy.

Any Other Significant Implications:

7.36 Risk and Opportunity Management Implications:

7.37 The programme includes a detailed risk management plan and register which is being maintained throughout the programme

7.38 Corporate / Citywide Implications:

7.39 A number of Corporate, Citywide and Housing strategies are relevant to this programme. These are set out in full in the 14th March 2018 Housing & New Homes Committee report initiating the programme

SUPPORTING DOCUMENTATION

Appendices

1. Details of housing stock
2. List of services and works included under each area
3. Housing Centre Lease Information
4. Matrix of options available for future delivery
5. Executive summary of options report
6. Options report for the delivery of responsive repairs services, planned maintenance and improvement programmes and large capital projects
7. Supplementary options report from consultants
8. Details of research and site visits undertaken
9. Consultants report - Creating an in-house responsive repairs and empty properties service
10. Feedback from tenant and leaseholder workshops
11. Feedback from Leaseholder Action Group
12. Repairs & maintenance service consultation report 2018
13. Feedback from Business & Value for Money Service Improvement Group

Documents in Members' Rooms
None

Background Documents
None

Appendix 1 – Details of housing stock

Table 1 – Housing stock by stock type and dwelling type

Stock type	Studio	Flat	Maisonette	Bungalow	House	Total
General HRA	603	6,471	163	249	4,064	**11,550**
Leasehold	81	2,345	31	0	0	**2,457**
Brighton & Hove Seaside Community Homes	43	348	6	1	101	**499**
Temporary Accommodation (HRA)	2				10	**12**
Temporary Accommodation (Leased)	13	553	40	30	358	**994**
Total	**742**	**9,717**	**240**	**280**	**4,533**	**15,512**

Table 2 – Summary of blocks

Stock type	Number of blocks
Conversions and street properties	141
Duplexes	584
Low rise	201
Medium rise	366
High rise	43
Total	**1,335**

Appendix 1 – Details of housing stock

Table 3 – Dwellings by block type

Stock type	Council	Leaseholder	Seaside Homes	Council owned Temporary accommodation	Total
Conversions and street properties	206	125	91	2	**424**
Duplexes	714	506	15	0	**1,235**
Low rise	886	184	20	0	**1,090**
Medium rise	3,624	1,101	143	0	**4,868**
High rise	1,780	481	128	0	**2,389**
Total	**7,210**	**2,397**	**397**	**2**	**10,006**

Table 4 – HRA stock by number of bedrooms

Stock type	Studio	Maisonette	Flat	Bungalow	House	Total
Studio	580	0	2	25	0	**607**
1 bedroom	25	0	3,431	172	22	**3,650**
2 bedroom	0	98	2,835	28	1,411	**4,372**
3 bedroom	0	59	204	23	2,353	**2,639**
4 bedroom	0	6	0	1	237	**244**
5 bedroom	0	0	0	0	46	**46**
6 bedroom	0	0	0	0	5	**5**
7 bedroom	0	0	0	0	1	**1**
Total	**605**	**163**	**6,472**	**249**	**4,075**	**11,564**

Table 5 – HRA Owned car parks and garages

Type	Number
Car Park Spaces	1,527
Garages	1,078
Total	**2,605**

Appendix 2 – List of the current services and works included under each area

Customer service and quality assurance

- Repairs desk call centre
- Complaints handing and customer satisfaction collection
- Quality assurance

Responsive repairs and empty property refurbishments

Approximate annual value - £8m

- Day to day repairs to housing stock
- Out of hours repairs to housing stock
- Asbestos surveys
- Fire safety (revenue)
- Empty property refurbishments
- Cleaning and disinfestation
- Electrical testing
- Mutual exchange surveys
- Concessionary decorating scheme
- Concessionary gardening scheme
- Estate Development Budget

Planned maintenance and improvement programmes

Approximate annual value - £11m

- Roofing
- Windows
- Doors
- Kitchens and bathrooms
- External repairs and decorations
- Internal repairs and decorations
- Main entrance doors
- Environmental improvements
- Communal rewires
- Domestic rewires
- Condensation and damp works
- Fencing
- Asbestos removal
- Fire safety (capital)

Appendix 2 – List of the current services and works included under each area

- Insulation
- Car parks and garages
- Minor capital works
- Empty properties

Major capital projects

Approximate annual value - £7m

- Structural repairs to blocks
- Block refurbishments
- Estate based programmes
- Upgrading, renewal of insulation
- Converting properties
- Hidden homes
- Loft conversions and extensions

Specialist works (continuing to be delivered outside of these arrangements)

Approximate annual value - £5m

- Gas servicing and maintenance
- Lifts
- Door entry systems
- Fire alarms
- Ventilation
- Aerials
- Legionella assessment and control
- Warden call systems
- Adaptations

Appendix 3

Title	**Housing Centre Lease Information**
Authors	Glyn Huelin, Business & Performance Manager, Housing
Date	July 2018

1. Summary

This document summarises the Housing Centre lease information as requested by Procurement Advisory Board members in April 2018. The Housing Centre is located at Unit 1 Fairway Trading Estate, Eastergate Road, Moulsecoomb.

2. Housing centre lease information

2.1. The Housing Centre currently acts as the hub of the delivery for our housing maintenance services.

2.2. Mears, K&T Heating and council Housing teams are based here. The building is leased to the council.

2.3. The current approach has been for contracts to be let with a requirement that contractors co-locate with the council in the Housing Centre and consequently do not charge for local office space. This has allowed the council to benefit in the following ways:

- Ensure close working and problem solving with main contractors
- Smooth mobilisation of contracts by providing office space to contractors
- Ensure contractors have a local operation
- Maximise use of Housing Centre space
- Take financial risk and influence of local commercial space provision away from key contracts
- Avoid contract preliminaries and overheads and profit being applied to office space

2.4. The lease for the housing centre began on 2nd July 2010. It runs for 20 years until 1st July 2030.

2.5. There are two break causes in the lease 2nd July 2020 and 2nd July 2025.

2.6. 7 months' notice is required to act on a break clause.

Emerging client functions

- Programme management
- Overarching quality assurance
- Customer service
- Specification and identification of works
- Cost management
- Effective, proactive maintenance

Proposed service objectives

- Excellent customer service (including the ability to self serve, improved customer engagement)
- Transparency
- Enhanced client side management
- Enhanced value for money
- Maximise social value

Current service provider functions

Revenue works

- Responsive repairs
- Empty property refurbs
- Estate Development Budget
- 18/19 - £7 million

Planned works (capital)

- Kitchens, bathrooms, doors, windows replacement
- Internal and external decs
- Roofing replacements
- 18/19 – £10.5 million

Major works (capital)

- Larger whole estate works
- Refurbishments of blocks
- Cladding/structural works
- 18/19 - £12 million

Future delivery options

Direct Delivery → Extension into planned works would need to be supplemented by outsourcing

Outsourced to one provider

Outsourced to one provider

Outsourced to one provider

Limited outsource model

- Customer contract – in house
- Works delivery – outsourced
- Quality assurance – in house

Outsourced through smaller lots

Outsourced through own framework for lots with ongoing competition*

Outsourced through own framework for lots with ongoing competition

Outsourced through project by project tendering*

* Could also support business as usual delivery through contract end period

Wholly owned subsidiary → Extension into planned works would need to be supplemented by outsourcing

Joint Venture → Extension into planned works would need to be supplemented by outsourcing

Executive Summary of Options[i]

Option	Advantages	Disadvantages
Direct delivery i.e. no separate organisation – council provides services	Council in control No private profit extracted Staff receive benefits of working for the council – likely to have union and staff support No risk of contractor insolvency No procurement necessary for DLO Ability to ensure positive relationships with tenants	May not be realistic if incumbent's management employees are not caught by TUPE or opt out of TUPE (council does not currently employ staff with the necessary experience) Significant start-up costs e.g. vans, IT as there is currently little/no infrastructure DLO will find it more difficult to meet fluctuating demands than a national contractor who can flex their workforce across geographic areas Lack of established ways of working and corporate experience of delivering services Significant resources required to undertake multiple procurements e.g. vans, IT, sub-contractors Will have to procure sub-contractors etc. in compliance with EU regulated public procurement regime and Contract Standing Orders Will need to procure some planned repairs and major works where the DLO does not have the capacity / skills
Outsourcing – either via a partnership contract, term contract or framework agreement	Successful bidder will supply vans and IT and will absorb start-up costs (though will be reflected in pricing) Likely to have established ways of working/procedures in place to deliver services Council will receive a contractor warranty in relation to the works Existing contract has worked well for responsive repairs. Separate tailored procurements e.g. for responsive repairs and major works would ensure right contract and contractor for different	Risk of contractor insolvency (but this risk can be reduced by robust consideration of financial standing in selection stage of procurement) Incumbent will have advantage in procurement process over other suppliers as no start-up costs and in-depth knowledge of councils requirements (though the council is under a duty to try and level the playing field if possible during the procurement process) Procurement process encourages low bids which may lead bidders to plan to reduce wages (despite constraints of TUPE) May not work as well for customer contact

	aspects of service	where more control and interaction with tenants would be beneficial
Wholly owned subsidiary	Council in control in relation to staff	If contractor appointed to manage – will extract some profit High cost of establishing and administrative costs of supporting board etc Potentially difficult to navigate as staff employed by council but taking direction from contractor
JV	May be able to win other work and benefit from economies of scale	Competitive dialogue takes 12- 18 months. Incumbent has advantage Very high start-up costs e.g. legal work to support competitive dialogue and establish JV Ongoing costs of supporting board etc.

[i] This executive summary does not include all the advantages and disadvantages set out in the Trowers & Savills report but is intended to capture the most significant ones.

dated 19th April 2018

Brighton & Hove City Council

Options Report for the delivery of responsive repairs services, planned maintenance and improvement programmes and large capital projects

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Options Report for the delivery of responsive repairs services, planned maintenance and improvement programmes and large capital projects

1 Introduction

1.1 This document has been produced by Trowers & Hamlins LLP and Savills (UK) Limited and has been prepared for use by Brighton & Hove City Council (**BHCC**) with the aim of providing further detail on each appraised option and supporting information.

1.2 This document seeks to be an overall guide to each Option detailed below, and seeks to explore the key elements of each option.

2 Executive Summary

In compiling this Report, we have explored all of the delivery options current in the market-place. No option has been discounted at this stage and we have endeavoured to set out all of the advantages and risks of each option.

It is recognised in this Report that it is unlikely that one option will provide a perfect "fit" with all of BHCC's re-procurement priorities and it is more likely that, going forward, BHCC will need to explore a mixed-market approach: adopting two, or maybe three, of the Options discussed below across its responsive and planned works programmes. The key element of success will be the implementation by BHCC of a strong clienting-function, enabling it to manage, monitor and direct whichever delivery Option(s) it selects.

Value for money is a key priority for BHCC and we have indicated the advantages and risks of each of the Options discussed below in this respect. The report is based on the assumption that the splitting of responsive from planned works into two discrete programmes of works will not undermine the achievement of value for money; this is due to the approach taken by bidders to the pricing and delivery of such works: responsive being undertaken primarily through direct labour, versus planned works being delivered through sub-contracts and supply-chain arrangements.

3 Terms of Reference

3.1 BHCC requires an options appraisal of potential suitable delivery models which best align with its aspirations for its mid- to long-term requirement for the delivery of its repairs and maintenance programme to its current and future homes.

3.2 The delivery of an efficient maintenance service to its stock is an essential part of BHCC's overall objectives. Our approach to this options appraisal is with the key aim of maintaining and building on the benefits BHCC has achieved through its current relationship with its outsourced contractor, whilst addressing the identified areas of concern and improving contract performance.

3.3 In compiling this options appraisal, we have had the benefit of a wide-ranging discussion held at BHCC's housing office on 20th February 2018, attended by Sharon Davies and Glyn Huelin of BHCC and a further discussion on 29th March 2018 at Hove Town Hall, attended by Sharon Davies, Glyn Huelin, Martin Reid and Monica Brooks of BHCC. As discussed at those sessions, we have considered the options against a consistent set of requirements, including:

(a) Increased contract/budget management;

(b) Increased control and oversight of the works instructed (via control of the call-centre and quality-control audit checks); and

(c) Attraction and commitment of the market-place; and

(d) Integration of a wide variety of work types that form part of the overall maintenance package, broadly those comprising a series of planned projects (planned works) and those comprising tasks ordered cyclically or responsively (responsive works).

3.4 Throughout this options appraisal, we have assumed the following as givens for any options considered:

(a) State Aid compliance (funding covenants etc); and

(b) Governance compliance (vires and regulation); and

(c) Legislative compliance (EU procurement, leaseholder consultation, tax, TUPE and pensions, etc); and

(d) Policy and regulatory compliance (efficiency drivers).

3.5 Each Option will need to be considered further in light of BHCC's aspirations concerning IT and communication systems required to manage resident and officer information, stock archetypes, location and future potential growth. We note on this point that BHCC is currently undertaking a significant IT procurement which will result in an updating of all its current IT systems and packages. This will mean that its current housing management IT package will change. The IT procurement is scheduled to finish in September 2019, with any identified solutions being put in place during 2020 and beyond.

3.6 Primary Options (each an **Option**) addressed are as follows:

1 Direct delivery of the services (**Option 1**); and

2 Outsourcing (**Option 2**); and

3 Wholly-Owned Subsidiary/Managed Service model (**Option 3**); and

4 Joint Venture company (**Option 4**)

3.7 Each Option needs to provide BHCC with flexibility and choice in its re-procurement Options in the long-run and be deliverable (eg procured and mobilised) by April 2020. We also note that, while the current contract covers both responsive and planned/major capital works, it is possible that the future delivery could split the responsive from the planned/major works.

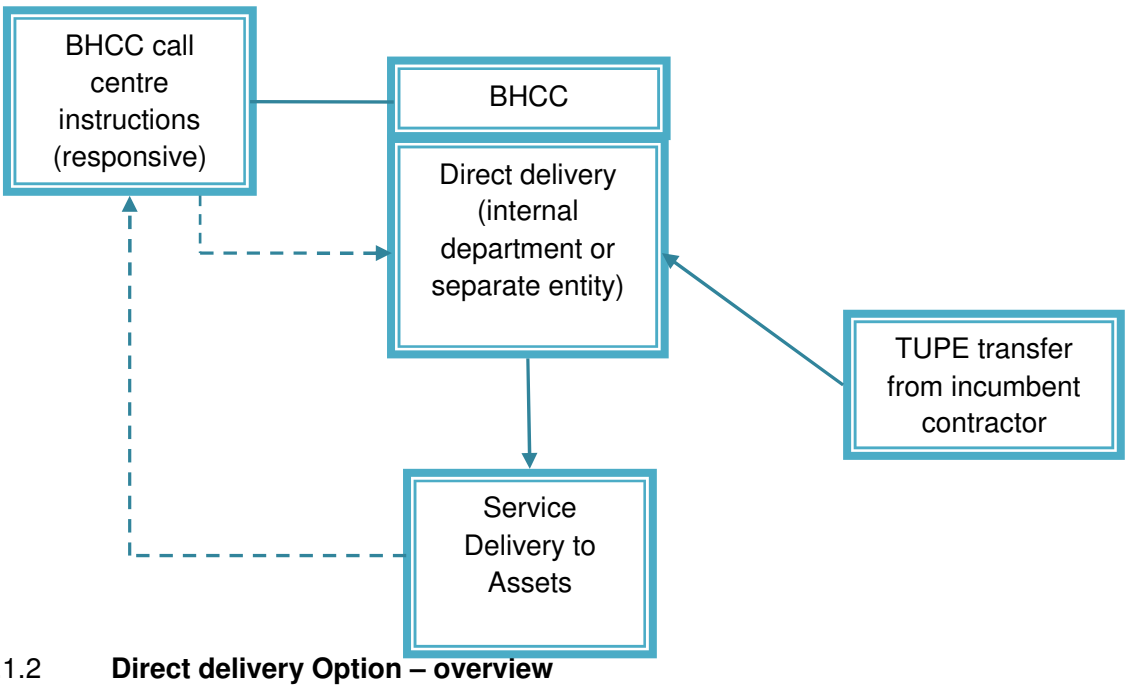
4 Option Appraisal

Noted below is each of the Options explored in this Report. We have set out a diagram showing the corporate/contractual/delivery structure of each Option and noted beneath each diagram the perceived advantages/concerns/issues for each Option.

4.1 Option 1: Direct delivery of services

Establishment of an entirely new direct works department or organisation (referred to as a **DLO**) to serve all of the responsive repairs needs of BHCC, or a significant part of those needs, through self-delivery, engaging second-tier supply-chain members (subcontractors/suppliers/sub-consultants) as required. For clarity we have assumed that this model will not involve the creation of a new legal entity.

4.1.1 Diagram



4.1.2 Direct delivery Option – overview

4.1.3 Key advantages

- Establishes DLO as a dedicated resource.
- Values of the DLO mirror those of BHCC.
- Mitigates risk of contractor default/insolvency through greater use of in-house resources.
- Saves contractor profit margin.

4.1.4 Variant Options

- DLO undertakes only limited work types (eg., responsive repairs only).
- Support DLO with EU procurement of insourced private sector expertise.

4.1.5 **Key concerns**

- Expense of setting up the DLO from scratch (see Section 12 for further information on current gaps and costs for establishing direct delivery service).
- Absence of contractor warranty of work.
- EU procurement of subcontractors/suppliers limits flexibility and supply-chain savings.
- Limited efficiency savings without commercial motivation of contractors.
- Limited commercial incentives/remedies of improved performance/ productivity.

4.1.6 **Additional Considerations**

- **Administration** – Opportunity for simple administration of ordering/payment, but complex administration of DLO itself.
- **Client controls over cost/time** - limited contractual controls at first tier level, so efficient cost/time management is wholly dependent on DLO management, including integration of multiple second-tier supply-chain members.
- **Financial/managerial commitments** – Significant direct investment required, particularly if establishing new "from scratch" (ie BHCC has not had an internal workforce before in relation to the wider repairs and maintenance works) and in resourcing this with appropriate management.
- **Budget management -** Significant demands on BHCC as regards all aspects of contract and budget management subject to obtaining external consultancy support, either permanently or during transitional process.
- **Flexibility** – Flexible redeployment of employees according to needs of BHCC, subject to employee rights and agreement of needs/priorities, but no flexibility to award work according to performance.
- **Improved Sustainability** - Limited opportunities to improve sustainability through re-engineering of contracts awarded, as subcontractors/suppliers/sub-consultants will need to be engaged direct by DLO under EU-compliant processes.
- **Opportunities to drive improved sustainability** dependent on internal management and through establishment of long-term relationships with second-tier supply-chain members.
- **Innovative/tried and tested** – Varied client experience of DLOs, heavily dependent on strength of DLO management. Potential for

innovation in the structure of the DLO to integrate provision with any external contractors appointed for planned works. Potential for further innovation in the DLO second-tier supply constrained by need for series of EU procurement exercises.

- **Integration and consistency** – Requires integration of new management structure that will be required by BHCC and workforce inherited from current contractors, plus procurement of current DLO supply-chains.

- **Market response** – DLO Option means no engagement of first tier contractors. Second tier subcontractors/suppliers/sub-consultants will be accustomed to dealing with DLOs and should respond positively to appropriately packaged works and services. Potential for improved engagement with/increased responsiveness from some second-tier subcontractors/suppliers/sub-consultants to opportunities under long-term contracts.

- **Number of contractors** – No first tier contractors. Significant number of second-tier subcontractors/suppliers/sub-consultants.

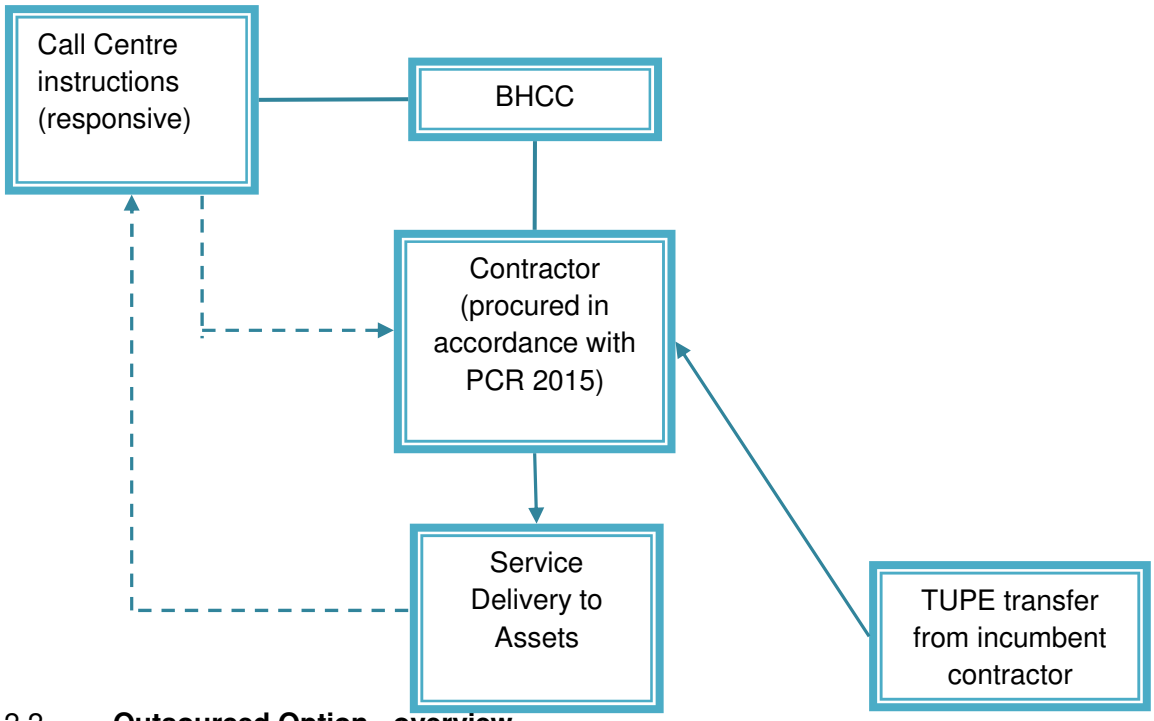
- **Responsibility for employees** – Full client responsibility for employees including those inherited from current contractors.

- **Warranty of work** – Partial warranty available only from second-tier supply-chain members, and therefore fragmented.

4.2 Option 2: Outsourcing

This Option involves the appointment of external contractors for the works under arms-length contracts, according to agreed scope as successors to the current contract. Variants on a theme would comprise a form of partnering contract or an amended form of standard contract to include partnering provisions or a more "traditional" form of standard term contract. The key differences between the partnering and traditional approaches are explained and discussed below and are highlighted in **Annex 3** (Comparison of standard forms of Term Contract).

4.2.1 **Diagram**



4.2.2 **Outsourced Option - overview**

- EU procurement of one, two or more contractors, divided on basis of scope (to be confirmed).
- All planned/cyclical/responsive works undertaken by contractors.
- Subcontractors/suppliers procured by contractors (non-EU) and reviewed/shared as appropriate.
- Current contractor staff TUPE transferred to new contractors.
- Potential co-operation of contractors through alliance with ability to award more/less work according to capacity/performance.
- Performance-based extension of contract.

4.2.3 **Key Advantages**

- Full contractor warranty of work ("single point responsibility").
- Commercial incentives for contractor to improve performance/ productivity.
- Commercial motivation and potential for supply-chain savings/ efficiencies – compatible with open-book pricing approach.
- Investment/commitment of contractors to large-scale contracts.

4.2.4 **Variant Options**

- Different contractors appointed for planned works and for cyclical/ responsive works.

- Potential later evolution to establish Joint Venture or to bring workforces into Wholly-Owned Subsidiary.

4.2.5 **Key Concerns**

- Alignment of contractor values with those of BHCC (eg profit versus performance).

- Capacity/capability of contractors to undertake large-scale contracts and deliver promises.

- Less direct influence over resident opportunities/achievement of added value.

4.2.6 **Additional Considerations:**

- **Administration** – Contract management will be required in respect of each external provider. The larger the numbers of contractors appointed, the greater the challenges for integrating management of their performance.

  Extent of contract administration will also depend on the cost model adopted. Administration of a schedule of rates or a full open-book approach is much more intensive than, for example, a price per property or annual price approach.

- **Client controls over cost/time** – The extent of the controls available to BHCC will depend on the contract type and duration. If contractors have invested in a long-term contract in line with BHCC's delivery model, then controls can be created through regular performance reviews and measurement of performance against clear targets. Thereby, there is a contractual incentive for contractors to improve performance and deliver agreed goals.

  Additional controls can be exercised through choice of particular types of contract and these are particularly prevalent in "partnering" type contracts (such as BHCC's current contract with Mears), for example those that require:

  - Programmed processes that BHCC can monitor over the duration of the contract.

  - Early warning of problems and reference to a core group of client attendance.

  - Advance evaluation of change.

- Advance evaluation of risk management.
- Transparency of prices.
- Client access to second-tier supply-chain arrangements.
- Alternative dispute resolution.

- **Financial/managerial commitments by BHCC** – There is no capital investment required in contracts with external contractors or delivery partners, nor any client management input to a vehicle through which the works are delivered. BHCC's commitment will be linked directly to the extent of contract management and the coordination and integration of the contracts awarded to different contractors according to work type.

- **Flexibility** – Flexibility can be achieved through capacity and performance-based reallocation of work and other contractual processes, for example under an alliance agreement signed by all contractors (eg planned and responsive).

- **Innovative/tried and tested** - Appointment of external contractors is a tried and tested approach with opportunities for innovation. The marketplace will expect to respond to this model, although it is arguable that contractors have become complacent as to their obligation to deliver promises made at tender stage.

- **Integration and consistency** – Whatever the number and range of contractors appointed, BHCC will have the opportunity to develop its own standard as the basis for procurement and to seek consistent specifications across new-build and existing homes. The extent to which there are variations from this standard to reflect the requirements of particular stock or other variable requirements will be a function of contract management. Management of these variables will be important so as to maintain the benefits of a common supply-chain across the appointed contractors and the economies that will come with the increased buying power that this creates.

- **Market response** – Contractors are familiar with mid- to long-term contracts and the responsibility they will assume on a long-term basis. They are sometimes not familiar with the requirement for programmed improvements over the life of a long-term contract, and the machinery necessary to drive this and maintain motivation will need to be carefully considered and communicated during the procurement exercise and the formulation of the relevant contracts.

- **Number of contractors** –The optimum number of contractors will attract maximum investment in/commitment to the Programme, while maintaining some element of ongoing competition to incentivise improved performance.

- **Responsibility for employees** – Under external delivery, the contractor will be wholly responsible for its employees, including those inherited from the outgoing contractors.

- **Tax**– we would expect that the VAT currently charged by the contractor is fully recoverable by BHCC if it falls within the following HMRC guidance: "providing domestic accommodation to people seeking housing (normally on a list maintained by the authority) or dispose of properties under the 'right to buy' legislation.... This is regardless of circumstances and whether they are acting under any special legal regime applicable to them".

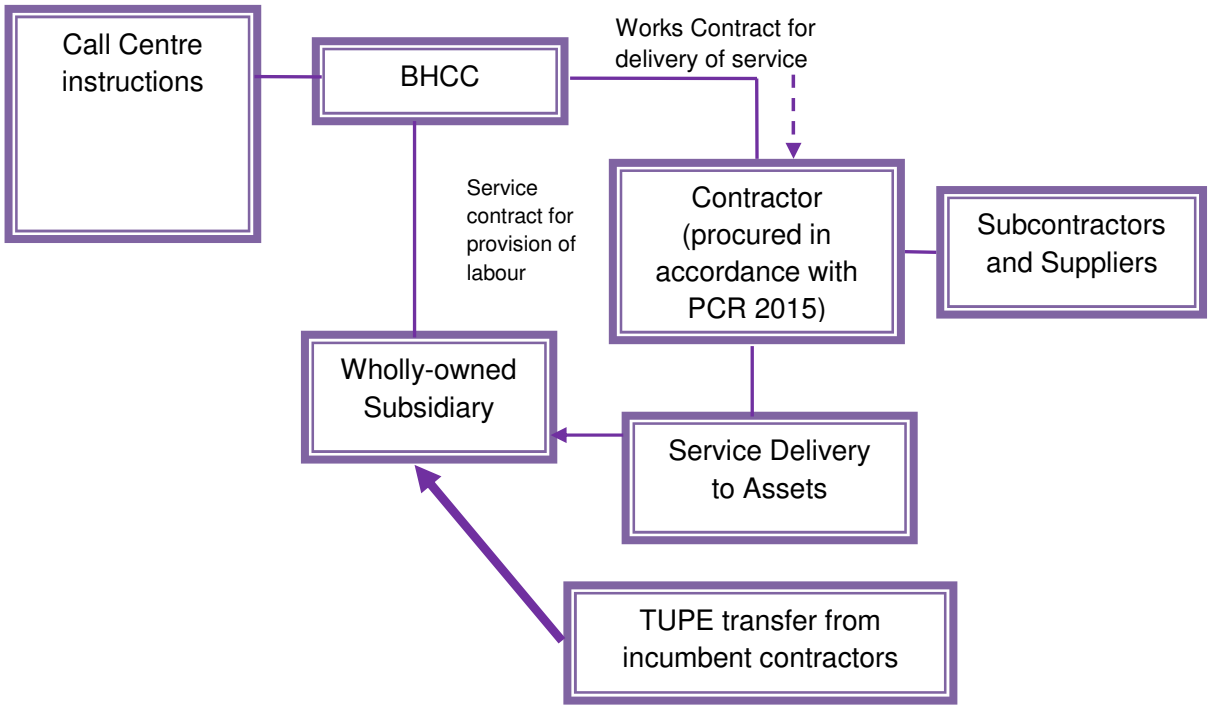
- **Warranty of work** – The strength of the contractor warranty will be dependent on the terms of the relevant contracts. This model does not involve any dilution of that warranty.

4.3 Option 3: Wholly-Owned Subsidiary (and Managed Service)

This is an innovative option where employees are engaged by BHCC but treated as part of contractor's supply-chain and managed by the contractor. This Option is established in the competitive market as a means to improve employee loyalty and client controls, to minimise impact of contractor insolvency and to preserve the contractor's warranty of the workforce (which is more limited under the Managed Service Option).

The key difference between the Wholly-Owned Subsidiary Model and the Managed Service model tends to be the limited contractor warranty and liability under the latter model: under the Managed Service Option, the contractor will not assume "single point responsibility" and will generally not be responsible for the productivity levels of the Subsidiary employees/cost overruns etc.

4.3.1 Diagram



4.3.2 Wholly-owned Subsidiary Option - overview

- Creation of Wholly-owned BHCC Subsidiary to provide workforce for all planned/cyclical/responsive works.
- Current contractor staff TUPE transferred to Wholly-owned Subsidiary.
- EU procurement of external contractor(s) to undertake all planned/cyclical/responsive works using Subsidiary workforce.
- Subcontractors/suppliers procured by contractors (non-EU) and reviewed/shared as appropriate.
- Performance-based award/extension of contracts.

4.3.3 Key Advantages

- Maintains full contractor warranty of work (NB: this would be diluted under the managed service model).
- Commercial incentive for contractors to improve performance/ productivity (again, this would be diluted under the managed service model).
- Mitigates risk of contractor default/insolvency by bringing workforce "into" BHCC.
- Commercial motivation and potential for supply-chain savings and efficiency savings (more limited under the managed service model).
- Investment/commitment of contractors to a large-scale contract.
- Scope to create resident opportunities through subcontractors/suppliers and direct influence over the same.

4.3.4 Variant Options

- More than one Wholly-owned Subsidiary for workforces of different work types (eg one for responsive repairs one for planned works).
- Wholly-owned Subsidiary only for cyclical/responsive workforce.

4.3.5 Key Concerns

- Alignment of contractor values with those of BHCC.
- HR responsibility for Subsidiary employees will require robust management and incentivisation.
- Capacity/capability of contractors to undertake large-scale contracts and deliver promises.

4.3.6 Additional Considerations

- **Client controls over cost/time** – Offers cost transparency as to employee costs, but need for clear contractor incentive to ensure productivity of Subsidiary employees.

- **Financial/managerial commitments** – Capital investment in Subsidiary should not be significant as it can share existing systems of BHCC (although note above regarding direct delivery and IT requirements). Need to align with BHCC's financial structure. Managerial commitment should also be relatively limited as Subsidiary does not involve shared management with private sector partner (as with the JV Model).

  Most significant BHCC resource will be from HR in managing the interface between Subsidiary responsibilities as "employer" and contractor responsibilities for operational management.

- **Flexibility** – Potential flexibility in redeployment of BHCC Subsidiary employees if contractor agrees to supplement workforce as required and/or take secondments for other purposes, subject to employee rights.

  Greater flexibility in event of contractor breach/insolvency as workforce remains within BHCC group.

- **Improved Sustainability** - Access via contractor to re-engineering of second-tier supply-chain to drive further savings/efficiencies and to address improvements in sustainability beyond those established at tender stage.

- **Innovative/tried and tested** - Previously seen as an innovative model but now accepted as a bona fide delivery Option in the current marketplace (although reduced number of contractors with demonstrated experience of this model). It addresses the risk of contractor insolvency, creates transparent structures that enable cost savings and preserves strong contractor warranty.

- **Integration and consistency** – Requires coordinated approach to integrate the workforces engaged by current contractors. More than one Subsidiary (eg one for planned and one for responsive) would impact on consistency (see below for "number of contractors").

- **Market response** – Will not be familiar to all contractors, but significant number of medium and major players are willing to adopt this approach. Extent of contractor commitment can be tested through procurement under Competitive Dialogue (NB. The Restricted Procedure is unlikely to be appropriate).

- **Number of contractors** – Subsidiary can serve more than one contractor, but would create tensions as to priorities in deployment of workforce and would need careful management.

Not advisable to create multiple Subsidiaries unless justified on delivery grounds (eg due to work splits).

- **Responsibility for employees** – Employees are engaged and paid by Subsidiary, but contractual arrangements can establish operational responsibilities of contractor that include a wide range of employee matters.

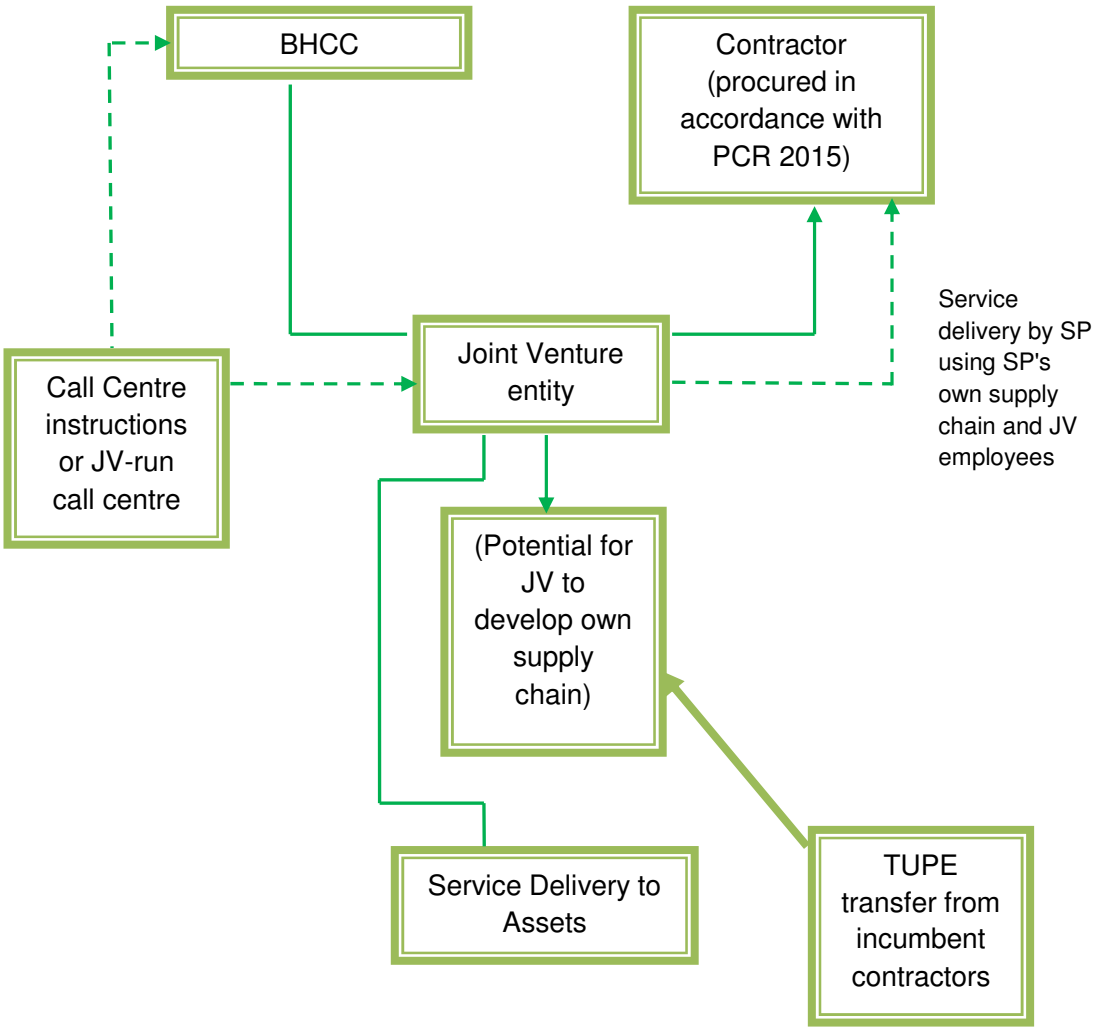
- **Tax** – the overall VAT position would be the same as under Option 2. There is the likelihood of some corporation tax payable as the Subsidiary would be deemed to receive an arm's length price for its services which would be subject to corporation tax. The Subsidiary may be able to claim mutual trading status which would mean no corporation tax is payable. If BHCC was leasing office space to the Subsidiary then we would expect that the Subsidiary would be able to claim SDLT group relief if it is a company limited by shares.

- **Warranty of work** – Contractor's administration of separate contracts between BHCC/Subsidiary would enable BHCC to expect contractor to preserve full warranty of work as if employees were part of its own supply-chain.

4.4 Option 4: Joint Venture Option

This is an innovative option whereby BHCC and its appointed contractor would jointly deliver works or certain resources through a jointly-owned entity. This Option is effective as a means to improve employee loyalty and client controls, to minimise impact of contractor insolvency and to preserve the contractor warranty of the workforce.

4.4.1 **Diagram**



4.4.2 **Option 4: Joint Venture Option - overview**

- EU procurement of private sector Joint Venture partner.
- All planned/cyclical/responsive works undertaken by Joint Venture.
- Current contractor staff TUPE transferred to Joint Venture.
- Performance-based award/extension of Joint Venture contract.

4.4.3 **Key Advantages**

- Aligns contractor values with those of BHCC.
- Commercial incentive for Joint Venture to improve performance/ productivity.
- Mitigates risk of contractor default/insolvency by bringing workforce and supply-chain into BHCC control (depending on shareholding of JV).
- Investment/commitment of contractor to Joint Venture.

- Opportunities for third party business.

4.4.4 **Variant Options**

- More than one Joint Venture reflecting different types of work awarded.

4.4.5 **Key Concerns**

- Mixed Joint Venture (BHCC and contractor) warranty of work.
- Management expertise/resource required for Joint Venture (by both BHCC and contractor).
- EU procurement of subcontractors/suppliers limits flexibility and supply-chain savings.
- Capacity/capability of contractor to undertake Joint Venture and deliver promises.

4.4.6 **Additional Considerations**

- **Administration** – Increased administration of the Joint venture entity, given BHCC's involvement in the ownership and management of the Joint Venture. In terms of contract administration: reduced client administration depends on the cost model. For example, price per property or maximum price per annum models significantly reduce client administration and can be integrated with the Joint Venture model, if contractor is willing to take responsibility for cost of Joint Venture employees.
- **Client controls over cost/time** – Cost transparency as to employee costs, but need for clear incentives as to employee productivity.
- **Financial/managerial commitments** – Capital investment in Joint Venture could be significant dependent on range of business to be undertaken. Managerial commitment could also be significant in view of shared management with private sector partner. Significant resource will be from HR in managing the interface between Joint Venture responsibilities as employer and contractor responsibilities for operational management.
- **Flexibility** – Potential flexibility in redeployment of Joint Venture employees if contractor agrees to supplement workforce as required and/or take secondments for other purposes, subject to employee rights. Greater flexibility in event of contractor breach/insolvency as workforce remains within the direction of BHCC (assuming a BHCC-led Joint Venture).
- **Improved Sustainability** - Access via contractor to re-engineering of second-tier supply-chain to drive further savings/efficiencies and to address improvements in sustainability beyond those established at tender stage (flexible over lifetime of contract).

- **Innovative/tried and tested** – An innovative model that is being refined to reflect offers emerging in the marketplace, addresses client concerns as to risk of contractor insolvency, creates transparent structures that enable cost savings and shared contractor warranty (in support of Joint Venture). Also enhances the opportunities for third party business.

- **Integration and consistency** – Joint Venture structure would operate across BHCC's stock to support consistent integrated approach.

- **Market response** – Will not be familiar to all contractors, but significant number of major players will be willing to adopt this approach. Extent of contractor commitment can be tested through procurement under Competitive Dialogue (NB: the Restricted Procedure would not be appropriate here).

- **Number of contractors** – Due to initial cost and investment, not advisable to create multiple Joint Ventures unless justified on commercial grounds, but is possible, if desired (eg if BHCC wanted separate JVs to cover .

- **Responsibility for employees** – Employees are engaged and paid by Joint Venture, but contractual arrangements can establish operational responsibilities of contractor that include a wide-range of employee matters.

- **Tax** – the tax position is the same as under Option 3 although there is no possibility of claiming mutual trader status and no possibility of claiming SDLT group relief if BHCC owns less than 75% of the shares of the Joint Venture.

- **Warranty of work** – Shared warranty of work by BHCC/contractor through Joint Venture.

4.5 Mixed-market economy

Given the mix of work to be procured by BHCC, it may be that it seeks to adopt a mixed-market economy and seeks to (for example) use a direct-delivery solution for the client function for the planned works (eg. strengthen the current client capability in-house so that BHCC can survey homes, scope planned works programme, compile a programme budget, consult tenants and leaseholders, establish and monitor value for money etc.) and/or for a portion of the repairs and maintenance works to be undertaken (eg on particular estates or in well-defined areas of the City), alongside an outsourced solution (either via Options 2, 3 or 4) for the remainder of the repairs and maintenance works and planned works. It should also be noted that framework agreements can be set up with one or many contractors, with the latter bringing the benefit of BHCC being able to move work around its framework contractors in the case of non-performance.

A mixed-market economy would allow BHCC to implement works-specific procurement solutions. It is unlikely that the achievement of an overall value for money solution would be undermined by adopting a mixed-market approach. Potentially, splitting out repairs and maintenance works from planned works could improve VFM if the planned work is properly programmed over a longer term, allowing economies of scale and efficiencies of delivery

to be achieved. The relevant contractor marketplace will deliver and price those works accordingly and will not cross-subsidise (eg) the repairs and maintenance works (delivered via TUPE'd and directly employed staff) through the planned works (usually delivered via sub-contractors and arms-length supply-chains) at the point of tender.

5 Vires issues

This section of the report explores vires considerations for each of Options 3 (Wholly Owned Subsidiary/Managed Service models) and 4 (Joint Venture model), where either a company limited by guarantee or limited by shares will need to be considered. A full analysis of vires issues in relation to Options 3 and 4 is set out in **Annex 1** of this Report.

6 Tax position

6.1 As a general comment, the tax position is broadly comparable across all of the Options and therefore we would not expect tax to heavily influence which Option is chosen.

6.2 In relation to VAT, the VAT should be fully recoverable if it relates to the provision of domestic accommodation to people seeking housing (normally on a list maintained by the authority). Therefore, if that is the case, BHCC should be able to recover VAT charged by the contractor under Option 2, by the Subsidiary under Option 3 and by the joint venture company under Option 4. Under Option 3, the Subsidiary should be in a full VAT recovery position as should the joint venture company under Option 4 and so we would not expect VAT to be an absolute cost under any of the Options. If VAT is not fully recoverable by BHCC then the VAT cost will be broadly the same under each of the Options.

6.3 In relation to corporation tax under Option 3, we would not expect this to be a material cost which would prevent this Option from being implemented, but advise that some modelling should be undertaken. The Subsidiary would be deemed to receive an arm's length price for the services it provides to BHCC and this would form part of its taxable profit for corporation tax purposes. The Subsidiary would be able to deduct various costs in calculating its taxable profit (e.g. staff costs, any rent). The corporation tax rate is currently 19% (reducing to 17% from 1 April 2020). It may be possible to claim mutual trader status which means no corporation tax would be payable although this can be commercially restrictive and is unusual. It would be difficult if the Subsidiary was a company limited by shares. Therefore, we would advise that clearance from HMRC is sought before relying on mutual trader status being available.

6.4 In relation to corporation tax under Option 4 (Joint Venture), the position is the same as under Option 3 (WOS and Managed Service) although there would not be any possibility of claiming mutual trader status.

6.5 In relation to stamp duty land tax (**SDLT**) under Option 3, we would expect SDLT group relief to be available on any land transactions between BHCC and the Subsidiary (e.g. leasing warehouse space) if the Subsidiary was a company limited by shares (but not if it was a company limited by guarantee). It would also not be available under Option 4 if the joint venture company was less than 75% owned by BHCC.

6.6 Under Options 3 and 4, the Subsidiary (in the case of Option 3) and the joint venture company (in the case of Option 4) would have various tax compliance obligations. This would include filing corporation tax returns, VAT returns and PAYE returns.

7 HR/Employment issues arising

7.1 The existing repairs and maintenance service is delivered by one contractor. Whichever of the proposed Options is adopted, it is likely that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (**TUPE**) will apply to those employees of the existing contractor where there is an organised team delivering those services and the employee are assigned to that group of employees whose principal purpose is the delivery of the services to BHCC.

7.2 Those employees who are subject to TUPE, and who do not object to transferring, will transfer to any BHCC direct labour entity (DLO), newly appointed contractor, wholly owned subsidiary or joint venture vehicle. The employees will transfer on their existing terms and conditions of employment, and with the benefit of all rights and obligations associated with their employment, other than in connection with an occupational pension scheme, except in certain circumstances where employees have membership of a public sector pension scheme. Changes to transferring employment terms will only be permissible in limited circumstances. The cost of transferring employment costs will be critical to the contract price that BHCC will need to pay to the new contractor. That new contractor will inherit all liabilities under the contract, whether known or not, and this risk will be priced for. In addition a tender may be predicated on changes being made to transferring terms, but if so it is likely that the associated risks of legal challenge would be factored into the price. For this reason although a private sector partner will be able to offer more competitive labour costs than BHCC itself could offer if it required to accept significant legal risk the savings may be less than expected. It is worth considering if there are indemnities from the existing contractors which could be relied upon by the new contractor which could help mitigate these risks and reduce costs. This may influence tender prices submitted during any tender process, or negotiated afterwards.

7.3 Depending upon the manner in which the current services are delivered, there may be circumstances in which TUPE does not strictly apply by operation of law, even though the employees of the existing contractors are engaged in delivering services for BHCC. This may arise if employees have been deployed over several contracts and this may also be relevant if more than one new contractor is appointed, when it may be possible to show that a service has fragmented so that it is impossible to map where any one employee's role has transferred to. This is unlikely to be relevant here however, unless within the leisure procurement a decision is taken to individually contract elements of the service.

7.4 There are restrictions imposed by TUPE on the ability of any new contractor, whether an outsourced third party or a wholly owned subsidiary/joint venture entity, to make changes to employees' terms and conditions or to dismiss employees by reason of a TUPE transfer. There is an exception in circumstances where there is an economic, technical or organisational (**ETO**) reason entailing a change in the numbers of function of the workforce. In the absence of such a reason, changes are likely to be unenforceable, and dismissals will be automatically unfair. Significantly the fact that current pay and benefits are not competitive in terms of the local market is not an ETO reason in most cases because there is no change to the numbers or functions of the workforce. A new contractor may be able to take on new staff on different terms and conditions but it is important to be wary of the savings which may be readily achievable in terms of transferring employees.

7.5 It should be noted that a new employer will also inherit trade union recognition and where there is both a recognised trade union and collective agreed terms incorporated into employees contracts, for example green/red book terms, there can be further hurdles to achieving any change of contract terms in light of the protection for collective agreements found in trade union legislation. Accordingly if a new contractor bases a tender on achieving significant employment cost savings it is appropriate to assess the feasibility of the legal and HR assumptions underpinning that tender, especially if it is the tender is based on risk sharing with BHCC.

7.6 If there is an ETO reason entailing a workforce change, or if changes are not by reason of the transfer, they may be implemented under normal principles. This would require employees either to have agreed to the new terms (but note comments above), or to have been dismissed and re-engaged. In the latter case, employees may be able to advance claims of unfair dismissal. (However, such a dismissal may trigger pension strain if the employee is over 55 and pensions costs must be considered). Any such claims may be capable of being defended if there is a legitimate business reason for the changes, and employees have been fully consulted with.

7.7 Furthermore, the full and fair consultation process which must be undertaken may include statutory obligations in relation to timing. If the proposals affect 20 or more employees within one establishment, collective consultation must begin at least 30 days before the first dismissal is to take effect; 45 days before if there are more than 100 affected employees. Consultation can now commence before transfer if certain conditions are met, but notice of dismissal must not be served until after transfer.

7.8 If employees transfer to a wholly owned subsidiary or joint venture entity (rather than an independent third party contractor), BHCC must be mindful of the potential for equal pay comparisons to be drawn between employees of BHCC and the new entity.

7.9 The law on equal pay is set out in the Equality Act 2010. A cross employer comparison is possible under the Equality Act if services are to be delivered by a wholly owned subsidiary if the employees are to be employed on the same terms and conditions (in a broad sense) to BHCC employees employed, quite likely if the employees transferred out of BHCC and terms and conditions have been preserved. In any event running in parallel to the UK Equal Pay Legal Framework is Article 157 of the Treaty on the Functioning of the European Union (formerly Article 141 of the EC Treaty) which has direct effect and which sets out the principle of equal pay for male and female workers if there is a single body is responsible for the inequality which can restore equal treatment. This is complex area and more detailed legal advice may be required but at this stage it is important to stress that there can be hurdles to achieving more market based terms and conditions of employment beyond simply TUPE. The law on equal pay is designed to prohibit differences in pay and benefits because of sex. If employees identify appropriate comparators, who are treated differently, it will necessary for the employer to advance a "genuine material factor" defence to an equal pay claim. Such a defence will need to demonstrate that the difference in pay is not by reason of the difference of sex, or, if the reason is tainted by discrimination, that it is objectively justified. Where differences in terms arise because of protection under TUPE, such a defence can ordinarily be advanced.

7.10 BHCC can manage the risk of an equal pay comparison arising out of the differences in terms and conditions between BHCC and any subsidiary by giving the subsidiary or JV

vehicle complete authority (subject to complying with TUPE) to make decisions about its respective terms and conditions for their employees so that BHCC does not have the power to "rectify" any differences in terms should one arise. This will provide the basis for a defence to any claim arising out of a "single source" argument and ensure that any changes to terms and conditions are supported by a fully developed business case with reasons which are not gender or gender-related.

8 **Pensions issues arising**

Each of the Options will require BHCC to consider any pensions liability in relation to the employees engaged in providing the services. A full analysis of the pensions implications for each Option is set out in **Annex 2** of this Report.

9 **Form of Delivery Contract**

9.1 To deliver the proposed programme via an external contractor, BHCC has two main options in terms of the type of contract:

9.1.1 Term Contract: This would involve BHCC and the selected service provider entering into a form of term contract, probably based on one of the industry standard forms. Term Contracts can be entered into for an unlimited period of time, subject to BHCC being able to demonstrate best value and any other requirements of its standing orders or internal procurement policy; or

9.1.2 Framework Agreement: This would comprise BHCC and one or more selected service providers entering into a framework agreement, which would establish the terms and conditions and prices under which BHCC could award individual works contracts to a selected service provider during a 4 period. Framework Agreements need to contain details of how contracts could be awarded: this is usually by direct selection of the service provider who ranked 1st in the tender exercise to set up the Framework Agreement, or via re-opening competition to all service providers who are capable of performing the works. It would also need to contain the terms and conditions of any delivery contract entered into, and the service provider's tendered prices for delivering the works. Framework Agreements are limited under the Public Contracts Regulations 2015 to 4 years' duration, though it is possible to award contracts that extend beyond the four year term.

9.2 If BHCC chose to select a Framework Agreement for the repairs and maintenance works too, this would mean that Options 3 (Wholly Owned Subsidiary/Managed Service) and 4 (Joint Venture) would be difficult to achieve.

9.3 Regardless of the choice of Term Contract or Framework Agreement, it will be important for BHCC to ensure that the specifications and prices governing the responsive repairs can be called off by BHCC by way of a "*menu*" of specific works (i.e. that BHCC can instruct both the responsive and planned works by reference to quoted and agreed prices) rather than by a further iterative process necessary to develop the brief and price for each project/task/element of work. Where a term contract is used, if there is insufficient clarity in that contract as to the nature of the works and their prices, then the new contracts would be treated legally as framework agreements and potentially subject to a 4 year limit and/or a challenge in respect of any attempt to create a longer term contract.

9.4 Under outsourcing (Option 2) or in a Joint Venture (Option 4) or Wholly-owned Subsidiary (Option 3), the contractor will invest significantly in its relationship with BHCC. In Option 4, the contractor is likely to forego a significant proportion of its profit so as to satisfy the structural requirements. It will therefore be fundamental to the contractor to have a long-term relationship with BHCC and the duration of the contract and related break clauses should reflect this. Clearly, once the maximum duration of that contract has expired, BHCC will need to undertake a further regulated procurement exercise and the contractor/Joint Venture partner will be put back into competition.

9.5 To facilitate effective contract management and control, the contracts used to implement the responsive and planned works under any Option should include the features set out below. It should be noted that these features are primarily associated with a "partnered" approach to contracting, although all or any of these features could be added to more traditional approach or form of term contract. The suggested features are:

9.5.1 a mobilisation period under which the contract is awarded on a conditional basis while the selected contractor prepares its workforce and equipment so as to be ready to take over on a designated date from the outgoing contractor (this assists in TUPE/IT and other practical arrangements);

9.5.2 an open communication system with a "*core group*" of key individuals monitoring performance and troubleshooting problems, linked to an early warning system bringing issues to the notice of BHCC at the earliest opportunity;

9.5.3 clear and simple KPIs with systems for measuring/reviewing performance linked to incentivisation so as to reward improved performance such as cost savings, reduced time on site, reducing accidents, reduced defects and improved resident satisfaction (whether by extension of the contract term and/or by additional payment);

9.5.4 provisions for advance evaluation of change and exclusion of profit and overhead from any change claims so as to avoid misunderstandings and disputes;

9.5.5 provisions governing development of improved working practices so as to minimise BHCC's need to commit its own resources to the programme;

9.5.6 systems for non-adversarial problem-solving and dispute avoidance; and

9.5.7 A contractually binding timetable governing deadlines for both mobilisation activities and ongoing implementation of the Programme including measures to achieve improved processes.

9.6 Prior to any procurement process proceeding, we would recommend that BHCC identifies its preferred form of contract(s) for both the responsive and planned works. The selected form of contract will need to be set out to bidders as part of the procurement procedure and will need to be aligned with both the agreed specifications and the chosen cost model.

9.7 In **Annex 3** of this Report, we have enclosed a comparison of forms of contracts to provide BHCC with an overview of the features of the different suites of standard form contracts (adopting both a partnered and a traditional approach).

9.8 Once any form(s) of Term Contract have been adopted, BHCC staff will need to be fully trained in the selected forms in order to achieve a single approach to contract management, in-depth awareness of all the client controls provided by the contract and all of the processes set out in the documents, even if they are familiar with the selected form(s) in order to achieve a standardised approach to the relevant works. If Option 1 (Direct Delivery) is selected, we would recommend that the service level agreement also adopts the key features of the selected form(s) of contract (or the SLA is in the form of the contract itself) so that the client-side asset management team is dealing with all contractors on an identical basis.

10 ICT, call centres and data governance issues

10.1 General comments

10.1.1 ICT can broadly be split into a requirement to support three functions:

i Works ordering and completion: The systems to support the diagnosis and logging repairs, reporting of works, logging of work completions and processing of payments; and

ii Stock information: The systems to hold stock records and identify future work requirements and completions; and

iii Works management: The systems to support the logging of repair details, dynamic work scheduling, resource allocation, mobile working and progress updates, capture pricing information and invoicing.

10.1.2 In addition there is a requirement for systems to support HR and Finance needs. These are likely to be present within the existing client operation so we do not focus on these requirements in this Report.

10.1.3 Under Option 1 there will be a requirement for BHCC to have the ICT systems to support all three functions listed above. This is likely to result in a significant ICT investment if Option 1 is selected. We are aware that there is a project underway to replace the core housing ICT systems but it seems unlikely that this would cover the works management function at this stage. Consideration would need to be given to the extent to which the procurement of the new housing ICT system could provide the necessary works management functionality. Whilst such functionality is available in some core housing systems it does not always meet the full requirements of maintaining an efficient DLO.

10.1.4 In outsourced models the works management systems will be contractor-owned and typically the data and works ordering systems will be client owned. That said, there are a number of outsourced models where contractor systems are utilised, either in full or in part, to support these requirements. We understand that this is the case for the current BHCC contract.

10.1.5 For Option 3 (Wholly Owned Subsidiary/Managed Service) and 4 (Joint Venture) there is no typical approach and the use of ICT systems should be dependent upon finding the solution that best meets objectives. In any model where there is the involvement of an external contractor it is likely that that

contractor will have ICT to support some or all of the functions identified above. The use of existing contractor systems can help to reduce mobilisation and overhead costs. However, care needs to be taken to ensure that the systems are fit for purpose and that BHCC has appropriate access. There also needs to be appropriate mitigation of the risks associated with losing access to the systems at the end of the term. There are a number of issues around data in third party systems and some of these are discussed further below.

10.1.6 In our experience, while contractors often have strong works management systems, the quality of systems for works ordering and stock data is more varied. Where stock data, and particularly stock condition data, is held externally the risks associated with a single party identifying work requirements and subsequently undertaking them are amplified. Where external works ordering systems are utilised there is a risk that social objectives, including digital inclusion and the ability to access services electronically, become more difficult to achieve.

10.1.7 Whatever the ownership of the ICT systems it is essential that BHCC maintains the ability to interrogate and extract appropriate data from them. This is discussed further in the data section below.

10.2 Call Centres

10.2.1 There are a number of options for the handling of calls. These include a client hosted generic call centre, a client-hosted repairs specific call centre, a contractor hosted call centre or a third party call centre. We understand that under BHCC's current arrangement the call centre function is managed by the contractor.

10.2.2 There are a number of advantages to such an arrangement. These include:

(a) Greater repairs specific skills and experience;

(b) Co-location with works planning and trades teams; and

(c) Better understanding of the contract requirements.

10.2.3 However, there are also a number of risks including:

(a) Focus on the contractor's commercial objectives;

(b) Resource conflict between multiple contracts;

(c) Failure to embrace the clients service ethos; and

(d) Inability to deal with wider customer requests.

In our experience, clients need to work very closely where there is an external contact centre in place in order to ensure that service meets the required standard. It therefore should not be assumed that an externalised call centre function is free from client involvement or management.

10.2.4 The use of a generic call centre to handle repair requests is common in the sector. The key advantages of such an approach are around cost and efficiency. Smaller providers in particular may find that a repairs specific call centre could not achieve critical mass. The risks associated with generic call centres centre around lack of specialist knowledge resulting in unnecessary or inaccurate repair requests. The impact of this can be additional cost or poor customer service. In our experience, generic call centres that successfully handle repairs requests are usually backed up by strong technical support. This can be delivered through a combination of access to skilled technical resource and appropriate ICT systems.

10.2.5 In our experience it is important that, regardless of which party takes responsibility for the contact centre, there is an element of co-location between the works planning functions and the call centre. Where there are no or ineffective relationships between call centre and works planning functions, the risk of misdiagnosis and missed appointments are increased. This can result in increased costs and reduced customer satisfaction.

10.3 Data

10.3.1 The data impact of ICT and call centre decisions need to be carefully evaluated. Whilst not the topic of this Report, it is also essential that BHCC meets its requirements in respect of data protection.

10.3.2 Where ICT or call centres are provided externally, the risk of clients losing visibility of key data is increased. In terms of repairs, information around work value, volume, content and type are important to enable the client to understand cost and service drivers and challenge efficiency. In addition it may be difficult for a client to competitively retender the service at the end of the term as they will not be able to give the market insight into the requirements.

10.3.3 In respect of planned works, information on work completions, warranties and certification is also vital. Where stock condition data is held externally it is critical that BHCC maintains access to this and can export the data to incorporate into an alternative system at the end of the term. In a scenario where stock condition data is held externally, it is particularly important that the risks associated with a single party identifying requirements and subsequently undertaking works are very carefully managed. We have seen examples where providers have effectively lost control of work requirements/programmes as a result of outsourcing without maintaining effective governance.

10.3.4 Wherever the data is held, BHCC needs to be able to validate and interrogate it. In our experience this is a common problem where data is held externally. There is a particular risk where data used to calculate performance indicators that measure contractor performance against the contract is held by the contractor. The risk is perhaps greatest where there are incentives linked to those performance indicators.

11 Section 20 (leaseholder consultation) issues

11.1 Leaseholder consultation is an area of risk for BHCC in assessing Options insofar as any Option neglects such consultation or risks leaseholder challenge, for example by reason of insufficient cost information at the point of contractor selection.

11.2 Section 20 of the Landlord & Tenant Act and the provisions of the Service Charges (Consultation Requirements) (England) Regulations (the **Service Charges Regulations**) relate to consultation of any tenant whose variable service charges are affected by the costs incurred under the proposed agreements. BHCC is already aware that if it wishes to recover variable service charges from those affected residents it will need to issue appropriate notices to leaseholders, any assured tenants whose variable service charges are affected by the works or services and any recognised tenants' association that represents any of those leaseholders or assured tenants.

11.3 Moving forward, if BHCC decides to split the responsive repairs and planned works between two different contracts, it may decide that it does not need to consult on the former contract, if it is not seeking to recover costs for those works via the variable service charge.

11.4 Given that any procurement undertaken by BHCC will likely:

i be procured by BHCC; and

ii be procured pursuant to the Regulations; and

iii be for an agreement for more than 12 months; and

iv have a value over the OJEU thresholds,

We expect that the form of consultation will be that prescribed by Schedule 2 of the Service Charges Regulations.

11.5 Schedule 2 avoids nominations of contractors by tenants (because the OJEU notice invites bids from any EU contractor) and allows the creation of a long term agreement ("Qualifying Long Term Agreements" (**QLTA**s)). The advantage of a QLTA is that the landlord does not have to provide more than one estimate for the costs of the works each time a new piece of work is carried out, because the price has been consulted upon at the time the agreement was entered into.

11.6 The Service Charges Regulations require that the initial service charges notice (the notice of intention to enter into a qualifying long term agreement) must be issued before the OJEU notice and this will need to be taken into account in the procurement programme.

12 Market Research and Peer Review

12.1 General comments

12.1.1 In this section we have considered how each of the Options identified at section 4 is being adopted in the sector. We have also provided some observations on the key opportunities and challenges facing organisations under each delivery model.

12.1.2 Based on our experience across the sector we would highlight a number of factors that are common to successful delivery regardless of the chosen delivery method:

(a) A strong client- in particular clearly defining and articulating requirements and performance management.

(b) Detailed understanding of future works requirements derived from up to date stock information.

(c) Effective packaging of works for efficient delivery.

(d) A forum for regular communication between key players who are empowered to make decisions to meet objectives.

12.1.3 Innovative work has been done in recent years to establish systems for clients and their contractors to work more closely with second-tier supply-chain members comprising suppliers, subcontractors and sub-consultants. Although the client has no direct contractual relationship with these organisations (unless, in practice, it has an "in-house" DLO performing its Programme rather than a DLO that is a subsidiary of the client), they are responsible for a great deal of the works delivered and related supplies/services and have direct contact with residents and a significant impact on resident satisfaction.

12.1.4 Second tier supply-chain members also have the capacity to develop more sustainable products and solutions, as well as to generate employment and training opportunities for residents and others in the local area of the client.

12.1.5 Accordingly, systems have been developed through engaging with contractors so as to "*re-engineer*" supply-chain relationships under open-book systems whereby the main contractor/subcontractor relationships are reviewed after the main contractor has been appointed so as to seek savings or additional efficiencies or other added value.

12.1.6 Opportunities for working more closely with the supply-chain can generate not only savings and improved efficiencies, but also significant community benefits by way of employment and training and also the nurturing and encouragement of SME businesses in the relevant region and this links in directly to increasing the social value outcomes for BHCC's residents, staff and stakeholders alike.

12.1.7 In our view social value objectives can be met effectively under any of the delivery models. In terms of adding social value we would note that clarity around aims and objectives and effectively targeting and monitoring outcomes are more important than the delivery model. That said, there is an argument that contractors in outsourced models have often failed to evidence delivery against social value commitments made at tender stage. Clearly the models where there is most direct control will allow the client the most control over meeting social value goals.

12.1.8 It is common to see different delivery models adopted for different work streams, particularly where the volume of work can support a split without impacting on operational delivery. A number of providers of a similar size to

BHCC are effectively delivering services through a range of approaches and can effectively demonstrate the value from each approach. Those considering a move away from an outsourced model are predominantly doing so for repairs and maintenance works. Outsourcing remains the predominant model for the delivery of planned/capital works.

12.1.9 The service could be procured on a basis that would allow the option to progress between delivery models. Typically the contract would commence under Option 2 (Outsourced) with the option to move to Options 3 (Wholly Owned Subsidiary/Managed Service) or 4 (Joint Venture) during the term.

12.1.10 The table below shows the high level cost centres associated with works procurement, mobilisation and delivery. While BHCC will ultimately bear all of the cost it is useful to note how the individual responsibilities vary between the delivery options. Also included is a range of typical set up costs for each model. In our experience set up costs vary greatly. The variation is primarily driven by the extent to which existing infrastructure can be utilised or adapted and the need to restructure the transferring workforce. The examples below are indicative and should be treated with caution at this early stage.

Activity/Cost centre	**1) Direct**	**2) Outsourced**	**3) Wholly Owned Subsidiary/ Managed Service**	**4) JV**
Restructuring	Client	Contractor	Client	JV
Premises Fit Out	Client	Contractor	Contractor/ Either	Either
Premises Rent	Client	Contractor	Contractor/ Either	Either
ICT	Client	Contractor	Contractor/ Either	Either
Vehicles	Client	Contractor	Either/Client	JV
Supply Chain Procurement and Management	Client	Contractor	Contractor/ Client	Either
Procurement and Mobilisation Consultancy (Legal, Technical, Marketing)	Client	Client	Client	Client/JV
Branding	Client	Contractor	Client	JV
Uniform	Client	Contractor	Either/Client	JV
Materials (van stock) & Plant	Client	Contractor	Contractor/ Client	JV
Insurance	Client	Contractor	Both/Client	JV

Staff- Direct	Client	Contractor	Client	JV
Staff- Management	Client	Contractor	Client/Contractor	JV
Staff/Services- Overhead	Client	Contractor	Both	JV
Typical Client Set Up Cost	£1m-1.5m	£100k-£200k	£250k-£500k	£500k-£1m

12.2 **Option 1**

12.2.1 The use of DLOs has grown within the sector over recent years, particularly amongst larger housing providers. Among housing associations, the potential VAT saving available on labour has been a key factor in decisions to establish a DLO. For BHCC this is unlikely to be a consideration as VAT should be largely or fully recoverable.

12.2.2 There are a number of other reasons supporting the establishment of a DLO and a number of our clients highlight the value from having directly employed staff (who consider themselves part of the organisation delivering the service) as the primary benefit. In addition mitigation of the risk of contractor default/insolvency is another common driver.

12.2.3 In our experience the DLOs that have mobilised efficiently in recent years have made appropriate investment in staff and infrastructure at the outset and have often adopted a phased approach to mobilisation.

12.2.4 Operating a DLO requires different skills than those typically found in many public sector contract management teams. Where these commercial management skills do not exist, it is common to see ineffective productivity and time management. This is one of the key risks associated with this model. In our experience it is not uncommon to see examples of delivery costs inflated by 20% to 30% in organisations that fail to manage cost and productivity appropriately. Maintaining effective productivity management is therefore a fundamental requirement for successful delivery under this model. Although staff transferring via TUPE should ensure that the new DLO is adequately resourced, the lack of infrastructure and experience places this option in a high risk category as far as performance is concerned.

12.2.5 Generally speaking only the most efficient and commercial of DLOs will deliver works at or below current market rates. Amongst the DLOs that do, it is not unusual to see a conflict develop between delivery of service benefits and managing productivity and cost. It is therefore essential that realistic priorities and targets are agreed at the outset.

12.2.6 Generally in-house teams incur higher overhead costs than an equivalent private sector contractor as they do not have the same opportunity to spread those costs over a number of contracts.

12.2.7 Establishing a supply chain for materials and sub-contractors will require a parallel procurement at the same time as establishing the new DLO and this can prove quite challenging.

12.2.8 Responsive repairs remain the most common work stream for delivery via a DLO. It is less common, although not unusual, to see capital works delivered through this route. A clear understanding of requirements is necessary in order to ensure that workflow is adequate to keep the workforce productive. Where there is limited understanding and no regular workflow the result is often increased non-productive time and cost.

12.2.9 If BHCC chose to establish a DLO to deliver repairs work then the delivery of the capital programme would still need to be procured. In our experience a concurrent mobilisation can place a strain on resources and increase the likelihood of the risks associated with poor mobilisation materialising.

12.2.10 A summary of the gaps that we typically see when a provider moves to a direct delivery model are below:

(a) Management staff - typically there is little or no experience of direct delivery management amongst existing teams and management staff do not always transfer.

(b) Delivery staff - again not all of the required resource may transfer. In addition the resource that does transfer may not fit future delivery plans.

(c) ICT - existing ICT systems rarely support direct works management effectively. In the case of BHCC this gap may be bigger as a result of some of the existing ICT being outsourced to the contractor.

(d) Supply chain - supplier and subcontractor arrangements are required and will need to be procured. An OJEU compliant process will likely be required.

(e) Premises - existing Council premises are unlikely to be able to support the direct works delivery.

(f) Vehicles and plant - these are unlikely to be in place and will need to be procured. An OJEU compliant process will likely be required.

(g) Processes and procedures - delivery processes and procedures (including risk assessments) will need to be developed. Whilst some may already be in place (for example lone working procedures) the majority are likely to need to be developed.

12.2.11 Owing to the extent of the existing infrastructure that could be used, it is difficult to establish the likely investment in mobilising a DLO with great accuracy at this stage. In our experience investment of between £1m and £1.5m are typical to effectively support the establishment of a medium size DLO. ICT investment is typically the largest cost item followed by external support (technical, procurement, legal, financial, marketing). Restructuring costs incurred following

any transfer of staff from the incumbent Service Provider can also be a major cost item but is commonly the most variable.

12.3 **Option 2**

12.3.1 Outsourcing, through either partnering or traditional approaches, remains a very common and well understood approach. We continue to see a large volume of works procured and delivered in this way.

12.3.2 In our experience the client organisations that provide greatest clarity around requirements/objectives, and have clear and simple performance monitoring systems continue to get the best out of outsourced arrangements. In addition clear pricing frameworks and appropriate incentivisation are common ingredients of approaches that deliver value of money.

12.3.3 Where an ongoing element of competition is maintained in an outsourced agreement, this is typically a strength, and can effectively support the delivery of performance improvements and value for money. However care needs to be taken that any mechanism for ongoing competition does not adversely impact the contractor's ability to invest in the relationship and mobilisation.

12.3.4 We see a number of outsourced arrangements which suffer as a result of failure to adequately resource mobilisation. In our experience this risk is particularly acute in relation to responsive repairs delivery and the provision of appropriate ICT. It is therefore essential that there is clarity around requirements at tender stage and that the duration of the contract reflects the need for the initial investment. We often observe operations suffering as a result of underdeveloped infrastructure leading to strained relationships.

12.3.5 There remains a split in the sector over the extent to which opportunities are divided in to lots. Single service provider models are not uncommon and we have recently worked with a number of providers who have procured works and services on this basis. However, in recent years our experience is that medium to large providers have more often split responsive and planned works under the outsourced delivery model. The expenditure forecasts and size and geography of BHCC's housing stock indicates that a split into Lots would be viable.

12.3.6 Whilst not the only option (and we understand in the past BHCC has engaged more than one contractor to deliver responsive works across the city), typically a single contractor model would be quite appropriate for a responsive works contract of this size/geography. The volumes of work orders and scale of work naturally fit into a bracket that would appeal to both national and larger regional contractors, all of whom would be expected to have the right infrastructure to manage such a contract.

12.3.7 At an estimated £88.9 million over the first 5 years it appears that the volume of planned works would support a multi contractor approach. The opportunity could be split in to lots (by work type) and, where appropriate, more than one contractor could be appointed a lot. Multi contractor frameworks remain a common mechanism in the sector and have been used effectively to maintain competition and contractor performance whilst providing the Client with more

flexibility than a term contract. Under this model, BHCC would need to ensure that the successful contractor(s) have an appropriate volume/term of work to invest appropriately in delivering the opportunity. Additionally, splitting works into specific lots that reflect the tenant/leaseholder mix can help ease leasehold consultation and aide recovery of costs.

12.4 **Option 3 (Wholly Owned Subsidiary/Managed Service)**

12.4.1 The Wholly Owned Subsidiary/Managed Service model is perhaps the least common of the approaches outlined in this Report. There is, however, a growing interest amongst providers. This is driven primarily by the potential tax benefits and mitigation of the risks associated with contractor default/insolvency. Whilst the tax benefits are unlikely to be a key issue for BHCC (given the likely ability to largely or fully recover VAT) the potential to achieve some of the benefits of having a DLO, without all of the infrastructure and commercial management requirements, can be particularly attractive. As a result of recent high profile contractor failures the potential to mitigate the risks associated with contractor insolvency is regularly cited as a key consideration.

12.4.2 The Managed Service model has been considered by a number of providers-typically either to strengthen the management of or expand an existing DLO or as part of ensuring that a newly established DLO has the appropriate commercial management skills. Its application in the sector has been limited which, in our view, is primarily due to concerns over fragmented ownership/responsibilities. The contractor managing the service will have more limited responsibility than they would have in an outsourced model and this may create additional risk for the client. However, the contractor managing the service can be incentivised to help manage risks around service delivery, quality and productivity/cost control.

12.4.3 There is a growing interest in the Wholly Owned Subsidiary model on the basis that it has the potential to mitigate some of the risks of the managed service model. This is because the contractor warranty can be more akin to the outsourced model and the contractor has more of an incentive to effectively manage productivity. A key concern includes the potential for conflict between the HR role in managing the employees in the subsidiary and the contractor role in operational management. Additionally, it is difficult for contractors to retain existing management teams for their own projects with considerable movement of staff between contractors in recent years, let alone employ good teams to manage these types of model that offer only a limited return from the contractor's perspective.

12.4.4 Whilst a lack of familiarity may limit market response there are no obvious barriers to suggest that contractors would be unwilling to adopt the approach. There are however, only a limited number of contractors experienced in these models which in itself creates a risk for any provider and potentially reduces the scope of any procurement exercise. We are only aware of only one contractor currently marketing/operating under the Managed Service model.

12.5 **Option 4 (Joint Venture)**

12.5.1 The establishment of joint ventures to deliver day to day maintenance and major repairs has become more common since BHCC last procured the service. Notwithstanding this, there have been numerous instances in the last 2 years of relatively long standing JV's being disbanded and services brought in house (as per Option 1 above).

12.5.2 The primary drivers for housing providers choosing this approach is the potential VAT saving and increased control. The JV option can allow these to be achieved whilst retaining the commercial management strengths of a contractor. That said we have seen a number of JVs where the RP has failed to achieve the control, cost or service benefits they desired. The challenges of partner selection and maintaining appropriate management of the partnership should not be underestimated.

12.5.3 JVs with contractors can be an effective way to achieve many of the benefits of establishing an in-house function. Key advantages over the establishment of a DLO include lower setup costs as a result of being able to leverage the partner's delivery infrastructure, and the commercial and operational management skills that come from the contractor. That said, it is our experience that initial investment will be required to mobilise an effective service. Failure to invest at the outset, or reliance on contractor infrastructure that is not suitable, presents a risk to successful operation.

12.5.4 In our experience, a key success factor is a client that is active in the management of the JV. It is too easy to play a relatively 'hands-off' role thus effectively giving control to the contractor partner. In addition, clarity about objectives, the agreeing of commercial incentives for the partners, and an appropriate governance structure are all critical to JV successful models.

12.5.5 There may be a smaller number of potential JV partners than there would be bidders for a traditional outsourced arrangement. This is often as result of perceived complexity and resource issues. It is therefore typical for larger contractors to be the primary players in this space.

13 **Procurement and mobilisation recommendations**

13.1 The successful re-procurement of the contract will depend upon many factors, one of the most important being the comprehensive scoping and packaging of the works such that the market is clear about BHCC's requirements and is able to accommodate these within the tender submissions.

13.2 Our understanding of the current contract is that the response, void and cyclical aspects are delivered to high levels of customer satisfaction and are cost effective when analysed through the latest Housemark 2017 benchmark report. This side of the contract is delivered via the Nat Fed Schedule of rates and overall, costs are very competitive when compared against current tender levels. Notwithstanding this, the number of repairs per property is less than benchmark yet the expenditure proposed on capital planned works is higher than our expectations when compared to other social landlords (bearing in mind the extensive investment over the last 10 years). There is a possibility that the revenue pricing does not fully reflect the cost of service delivery and is partly subsidised by planned works.

13.3 The planned works are split between planned preventative maintenance and large scale major capital works. The former operates under bespoke composite rates for specific work items whilst the latter operates under a 'cost +' arrangement whereby Mears invite tenders from selected sub-contractors for all packages of the programme and subsequently manage the delivery, charging their agreed overhead and profit levy. This cost is then established as an Agreed Maximum Price. The capital works programme does not appear to operate as effectively as the revenue works and struggles to demonstrate value for money. There are high charges levied on leaseholders, which in some cases are as much as £30-40,000 with some cases at tribunal. Consideration of the type of cost model for the new contracts is vital to ensure that appropriate leaseholder cost recovery can be achieved.

13.4 Whilst a number of Local Authorities (LB Hammersmith and Fulham, Slough Borough Council) have recently procured all inclusive 'asset management' type contracts covering revenue and capital work similar to the current contract, we believe that this type of contract structure is unlikely to be suitable for BHCC going forward. The most common arrangement within the social housing sector splits revenue and capital work (as discussed in paragraph 4.5 and Section 12 above) and due to the respective volumes of work in these 2 categories, this is likely to deliver best value for BHCC whilst reducing its risk exposure.

13.5 The volume of capital work is extensive at £88.9 million (based on BHCC figures and subject to review) over the next 5 years and by careful packaging to suit market capabilities and capacity, we believe BHCC will be able to satisfy all its social and economic agenda requirements whilst also delivering better value for BHCC and leaseholders. To achieve this however, we recommend that a full investment plan is developed and used to inform construction of a new pricing model rather than a repeat of the existing.

13.6 The R&M (revenue) work would therefore form a separate procurement and there needs to be clarity over whether this would be the same as the current contract or also incorporate gas servicing and other cyclical maintenance works. Additionally, there will be a requirement for much greater digital inclusion in the new contract. Further consideration of this is required.

13.7 This will also be influenced by the delivery route chosen by BHCC. If an outsourced model is preferred, then it is possible to include all work requirements, either in one package (with single service provider) or a small number of providers that are simultaneously put out to tender (depending on specialisms). However, if an in-sourced solution is adopted, the full scope of the service delivered by the new DLO will need to be carefully considered and reflect the capability of the new organisation. Work sitting outside this capability will need to be outsourced through a tender until such time that it is capable of being delivered by the DLO. This applies to whichever DLO model is chosen – fully in-sourced, WOS or Managed Service.

13.8 Clear scoping of the procurement requirement is therefore essential before the actual process can even be determined. Based on our experience, this is likely to take about 3-4 months to achieve for the planned works, although will be dependent on the extent of consultation adopted with tenants, leaseholders, elected members and officers. However, clear scoping in advance requires robust data and will place greater programming responsibility on the client team. In order to achieve this, we believe significant

enhancement of current stock condition information is needed . For the R&M works, scoping the level of service delivery is more based on consulting and agreeing with members, residents, officers as to the agreed levels of service and could potentially be achieved in 2 months.

13.9 While it is possible to prepare some tender documentation in parallel, full documentation including pricing model will likely take a further 2 months to develop. The current BHCC Project Plan reflects the embryonic stage that the re-procurement project is at and is hence quite generic and high level. As the procurement model is further developed and refined, the Project Plan will need to be updated to reflect the agreed approach and the fact that there may be multiple and parallel timescales.

13.10 For the R&M contract it is imperative that the start date is 1st April 2020. The current project plan allows for successful contractor notification in late July 2019 which provides 8 months for mobilisation and this ought to be sufficient assuming a more traditional or partnered contract is adopted. This period would even facilitate a short competitive dialogue tender process as described elsewhere in this report as a shorter mobilisation period could form part of the dialogue. We believe that there are some advantages to this procurement route compared to the restricted procedure. This outsourced model would require the new contractor to bring a fully operational IT platform that would be up and running from day one, irrespective of BHCC's IT project, with IT integration between the 2 systems taking place at a time that suits BHCC's new IT platform.

13.11 For the planned/capital works, we consider that the pre tender phase is therefore likely to require an additional 1-2 months with a consequential extension of the tender timetable, assuming the restricted procedure as outlined. Whilst this has a knock-on effect to the actual contractor appointment date and start of the mobilisation phase, we believe BHCC still has sufficient time to plan and implement the contract mobilisation for planned works between September 2019 and contract start in April 2020 (in our experience, 3-4 months is usually adequate). It is also accepted practice that the first years planned capital works is at a reduced volume to allow for new processes and procedures to get established and trialled.

13.12 However, the current project plan does not reflect the alternative procurement solutions. Whilst a managed service/WOS or JV solution could most probably be delivered in a similar timeframe, establishing an in-house DLO would require a different approach. Under this scenario, none of the labour will be available until the TUPE process has been completed and the current contract ends – day 1 of the new contract. In the meantime, BHCC would need to undertake the following headline activities:

13.12.1 Establish a fully operational IT platform for repairs and compliance, including call centre.

13.12.2 Develop all operational processes and procedures

13.12.3 Establish the contract admin regime, HR/employment etc

13.12.4 Establish a performance management regime

13.12.5 Procure all sub contractors and materials suppliers – OJEU compliant

13.12.6 Recruit a management team assuming they do not all transfer from Mears.

13.12.7 Arrange transport and all accommodation – depending on current arrangements

13.13 BHCC has experienced a number of challenges in managing the existing contract. The initial TUPE involved transfer of most of BHCC's in house technical and professional resource to Mears. This was common practice at the time but places extreme reliance and trust on the contractor to deliver without interference by the client. Over time this trust can break and the current situation is that there is mistrust between Mears and BHCC such that BHCC has employed additional staff to check work carried out by Mears, albeit still at a relatively modest level compared to most of our other projects.

13.14 This means that BHCC has a limited technical and professional resource available to have an involvement in the procurement and implementation of these new contracts. The mobilisation phase of any new contract is absolutely vital to its successful operation and it is preferable to be over resourced rather than under-resourced and BHCC will need to engage additional resource to deliver this. An example partnering timetable, including typical mobilisation and ongoing contract management tasks, is included for reference at **Annex 4**.

13.15 Whichever Option is chosen, BHCC will need to establish a fully resourced client team to manage both revenue and capital works. The size of the team will need to reflect the final contractor combination and will also differ between the various procurement models. In the case of setting up a DLO, the staff will TUPE back to BHCC and therefore provide an instant resource, albeit not potentially the right resource to meet BHCC's new requirements. For any of the managed solutions, the additional resource will need to reflect the extent of client engagement in managing the contracts and degree of trust placed in the managing party.

13.16 Option 2 (outsourced model) will require BHCC setting up a full client team to project manage the contracts which will need to again reflect the final contractor combinations and work scope. However, each of these scenarios requires further detailed consideration and development of a resource plan.

13.17 In **Annex 5**, we have set out a summary of the Restricted Procedure and Competitive Dialogue Procedure, which we consider would be the two most suitable procedures under the Public Contracts Regulations 2015 to use in a reprocurement exercise.

14 Disclaimer and contact details

14.1 This options appraisal Report has been prepared by Trowers & Hamlins LLP and Savills (UK) Limited for Brighton and Hove City Council for the purpose of considering procurement options for the delivery of BHCC's responsive repairs services, planned maintenance and improvement programmes and large capital projects. No liability is intended or should be inferred to any third parties or for any other purpose.

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Trowers & Hamlins LLP/Savills (UK) Limited
19th April 2018

Annex 1

Vires considerations

1 Option 3 - Powers to establish 'NewCo'

1.1 Legislative regime

1.1.1 Section 1 of the Localism Act 2011 (the **2011 Act**) provides local authorities with the power to do anything an individual may do, subject to a number of limitations. This is referred to as the general power of competence. BHCC may exercise the "general power of competence" for its own purpose, for a commercial purpose and/or for the benefit of others.

1.1.2 In exercising this power, BHCC is still subject to its general duties (such as the fiduciary duties it owes to its rate and local tax payers) and to the public law requirements to exercise the general power of competence for a proper purpose.

1.1.3 Section 2 of the 2011 Act limits the exercise of the general power of competence where it "overlaps" with a power which pre-dates it. This includes BHCC's trading powers under Section 95 of the Local Government Act 2003 (the **2003 Act**). When BHCC relies on the general power of competence and/or the power in Section 95 of the 2003 Act to trade, it is prudent for it to comply with the requirements and limitations to which Section 95 is subject. These are set out in Regulation 2 of the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 (the **2009 Order**) which effectively requires a business case to be prepared and approved by BHCC before a company starts trading.

1.1.4 Section 4 of the 2011 Act requires that where BHCC exercises/uses the general power of competence, then if it does so for a commercial purpose it must do this through a company.

1.1.5 It is our view therefore that BHCC can, subject to the matters referred to below rely upon the general power of competence to form a Wholly-owned Subsidiary for the purpose of it operating a business to provide the proposed planned and responsive works and repairs and maintenance services.

1.2 Powers to trade

1.2.1 As stated above, Section 95 of the 2003 Act gives BHCC the power to trade, but is subject to restrictions contained within the 2009 Order.

1.2.2 Regulation 2 of the 2009 Order states that a best value authority (such as BHCC) is authorised to do, for any commercial purpose, anything which it is authorised to do for the purpose of carrying out its ordinary functions. The 2009 Order contains two important provisions:

(a) before exercising the power, BHCC is required to prepare a business case in support of the proposed exercise of the power which must be approved by BHCC; and

(b) if BHCC provides the Wholly-owned Subsidiary with assistance in the way of accommodation, supplies, staff, etc., BHCC must recover these costs.

1.2.3 Reviewing both the power in the 2009 Order and the 2011 Act, we would recommend that the general power of competence under Section 1 of 2011 Act is used, establishing a Wholly-owned Subsidiary in accordance with Section 4 of the 2011 Act. Whilst the requirement for BHCC to approve a business case before establishing a trading company is specific to the 2009 Order, it would be prudent for BHCC to prepare this in advance of setting up the Subsidiary to show that BHCC has given due regard to its duties.

1.3 Company structures

1.3.1 Where BHCC exercises its general power for a commercial purpose then it will be required to do so via a company (or alternatively via a community or co-operative benefit society). Although the provision of repairs and maintenance to BHCC properties is arguably not a commercial purpose, if the Subsidiary's business case is (even in part or in the long run) predicated on generating revenue from third parties, such activities would be, without doubt, commercial.

1.3.2 A company could be set up as either a company limited by shares (**CLS**) or a company limited by guarantee (**CLG**). We have discounted the use of a Limited Liability Partnership (**LLP**) or (not for profit) Community Benefit Society for the Wholly-owned Subsidiary as these corporate forms respectively raise additional vires issues or are not suitable for a profit distributing entity.

1.4 A company limited by shares

1.4.1 A company limited by shares (**CLS**) is the type of company which most people (and the private sector) are familiar with. The corporate structure is tried and tested and is underpinned by an established body of law and practice.

1.4.2 In terms of overall control and also financial and tax planning, the structure of a limited company provides considerable flexibility through the creation of different types of share and loan capital. It is also simple to admit new shareholders if BHCC wishes in the future to make the company a joint venture vehicle (for example, to introduce another local authority to create a joint company capable of providing similar services to that second authority or to enter into a joint venture with an outsourced contractor (as per Option 4)).

1.4.3 Key features of CLSs include:

(a) A CLS can have very wide objects (unless these are limited in the company's articles);

(b) A CLS is usually formed for the purpose of making and distributing profits to its shareholders;

(c) As a separate legal entity, a CLS can own and deal in assets, sue and be sued, and contract in its own right;

(d) A CLS has limited liability. The circumstances in which shareholders could be held legally liable for a company's debts (beyond their unpaid capital contribution) are extremely limited. This means that the liability of the shareholders of the CLS would be limited and protected;

(e) Shares can be held by BHCC, employees, the private sector, equity investors and/or service users and the holding of shares is fluid and flexible. Shareholdings can change in order to take account of a change in circumstances and/or in accordance with the parties' requirements;

(f) The shareholders' agreement would set out the relationship between BHCC and the Company in more detail.

(g) In a CLS, the decision-making power of an organisation rests primarily with its board of directors, but some matters may be reserved to the shareholders (BHCC if any owned);

(h) A CLS is intended to generate a commercial profit and distribute profits, and it is the most suitable form of vehicle for this purpose;

(i) The administration process of a CLS is primarily governed by the Companies Act 2006 and the company's articles of association. This will involve holding board and general meetings and preparation and submission of accounts. CLSs are registered at Companies House, but there is no ongoing regulation by Companies House. Tax computations and returns would need to be filed within the required deadlines in addition to any payments of tax;

(j) A CLS is subject to tax on any profits or gains generated from its activities;

(k) For Corporation Tax purposes, all transactions with 'connected parties' would need to be undertaken on an arm's length basis;

(l) Mutual trading status (see the Wholly Owned Subsidiary Option below) would be difficult to achieve therefore all income and gains would likely be taxable where a CLS is used;

(m) To the extent that the CLS has any 75% owned subsidiaries, they would form a group for group relief purposes, allowing the sharing of tax losses between companies in the same accounting period.

1.5 **A company limited by guarantee**

1.5.1 A company limited by guarantee (**CLG**) is a company where the general members do not hold shares, but instead each member undertakes to pay a nominal figure (usually £1) in the event of the company becoming insolvent. If the company is to be a wholly-owned subsidiary, BHCC would initially be the sole member; but a company limited by guarantee can have many members

and different categories of members with different voting rights. Changing from a single member company to one with many members is also straightforward.

1.5.2 This form of company is often adopted for charitable or community interest activities. In our experience it is rarely used as a vehicle for undertaking commercial activity.

1.5.3 Key features of CLGs include:

(a) As with a CLS, a CLG may have wide objects unless its member guarantors wish to limit them in the company's constitution. For example, BHCC may wish to limit the objects to certain purposes only;

(b) CLGs are usually not for profit organisations but they do not have to be;

(c) In the same way as a CLS, a CLG is a separate legal entity and has limited liability. However, instead of a capital contribution each member guarantor undertakes to pay a nominal figure (usually £1 (one pound)) in the event of any insolvency on the part of the company;

(d) a CLG is similar in structure to a CLS except that its member guarantors do not hold shares in the company;

(e) in constitutional terms a CLG has the benefit of similar levels of flexibility as a CLS;

(f) if a CLG is established as a "for profit" organisation then it is possible to include a provision in its constitution which will describe how profits will be distributed to its member guarantors;

(g) It is relatively inflexible and cannot be used to attract investment or external equity funding later in its life. This may limit the funding options available for a CLG, particularly in relation to funding working capital;

(h) In the first instance, a CLG would be subject to tax on any profits or gains generated from its activities;

(i) The main benefit over a CLS is that Mutual Trading Status may apply which would exempt from Corporation Tax any trading profits arising from services provided to BHCC;

(j) The benefits of Mutual Trading Status will depend on the nature and role of the Company and, therefore, its level of profitability. It can only apply in relation to profits arising from services provided to BHCC and therefore could be outweighed by the commercial and operational disadvantages of a CLG set out above;

(k) Tax computations and returns would need to be filed within the required deadlines in addition to any payments of tax;

(l) To the extent that the Subsidiary has any 75% owned subsidiaries, we would expect that they would form a group for group relief purposes.

1.6 **Propriety Controls**

There is an extensive legal framework governing local authority companies, currently set out in Part 5 of the Local Government and Housing Act 1989. However it should be noted that section 216(1) of the Local Government and Public Involvement in Health Act 2007 does include a provision that would repeal Part 5 – section 216(1) is not yet in force, and there currently is no date set for when or if this will happen, but BHCC should be aware that the current regime may be subject to change. Any revised regime would be implemented by Statutory Instrument and would require prior consultation by the Secretary of State.

1.7 **Conclusion on the form of corporate body**

Based on the above analysis, we believe a company limited by shares is likely to be the most appropriate vehicle for the Subsidiary Company. A company limited by shares could be established within a week, using an 'off the shelf' articles of association, with BHCC as its sole shareholder. The articles can then be tailored to reflect BHCC's requirements in due course.

2 **Option 4 – Powers to establish a joint venture**

2.1 The vires position in relation to Option 4 is more complicated. And will depend, to a large extent, on BHCC's justification for establishing a joint venture relationship.

2.2 On the face of it, it would seem most likely that BHCC would chose to go down a joint venture route if the primary motivation for the project were to establish a commercial business which would then seek to trade (as a joint venture) with third parties - for example other councils or Registered Providers.

2.3 In this case, it would seem to us that it would be probable that BHCC would again seek to rely on section 1 of the 2011 Act and, as explained above, where BHCC exercises its general power under the 2011 Act for a commercial purpose then it is required to do so through a company.

2.4 As such, the most probable corporate form for a joint venture would be a joint venture company limited by shares.

2.5 However, we are aware that a number of providers in the market for repairs and maintenance services are keen to establish joint venture limited liability partnerships and, were this to be an Option which BHCC and potential contractors wish to pursue, a detailed consideration of BHCC's vires position would need to be considered.

2.6 Broadly, the Options would be to participate in an LLP structure via an intervening Wholly-owned Subsidiary of BHCC (so that BHCC's participation on the LLP was through its own company); in which case the difficulty presented by the restrictions on BHCC's use of the general power of competence under the 2011 Act fall away.

2.7 Alternatively, (and this depends heavily on BHCC's motivations for participating in the joint venture) it may be possible to arrive at a position where BHCC could participate directly in the LLP (with the obvious tax advantages that this brings) but this would require careful consideration; that said the judgement in the recent *Haringey* case sanctioned the direct involvement of Haringey in its JV with Lendlease as an LLP on the basis that Haringey's

purpose in entering into the LLP was *not* commercial. It had carefully articulated in various reports leading to the establishment of the JV, the socio-economic and other non-commercial public benefits the JV was established to achieve. As Haringey's participation was not for a commercial purpose it was permissible for it to be a direct participant in the LLP using the general power of competence under the 2011 Act.

Annex 2

Pensions considerations

1 Option 1: Direct delivery of services

As employees of a Direct Delivery of services, those staff will be entitled to remain as members of the Local Government Pension Scheme (**LGPS**). The advantages of a Direct Delivery of services are consistent with those applicable to a Wholly-Owned Subsidiary or Managed Service Model (Option 3). The main disadvantage associated with the creation of a Direct Delivery of services is the potential additional cost for BHCC, in that, unlike other models of service delivery, new joiners are also required to be provided with LGPS membership. A further disadvantage of this model, which is also the same as for a Wholly-Owned Subsidiary is that an exit payment could arise in the (albeit highly unlikely) event that the last active LGPS member ceases membership of the LGPS.

2 Option 2: Outsourcing

2.1 Statutory requirements

BHCC is obliged to follow the Best Value Authorities Staff Transfers (Pensions Direction) 2007 (the **Direction**). Broadly, this requires that staff that were originally local authority staff and are transferred under a contract for services to a service provider retain rights to membership of an arrangement that is the same as or broadly comparable to their pension prior to their TUPE transfer. The obligation would be satisfied by staff remaining as LGPS members.

2.2 Outsourcing

Generally, the position is that where a council is the commissioning body and enters into a contract for services with a provider to perform those services, as envisaged under Option 2, the staff transferring to the contractor should be afforded pension protection under the Direction. The terms of the Direction only 'bite' and oblige a 'Best Value Authority' to ensure that protection is enshrined within the contract terms. This protection extends to require BHCC to oblige the contractor to secure pension provision that is the same as or 'broadly comparable' to the pension provision provided by the incumbent contractors in circumstances where the contractor undertakes the services and staff transfer from the incumbent contractors. We have assumed, for the purpose of this report that the incumbent contractors are admitted to the LGPS.

2.3 Contractor risk-sharing policy

2.3.1 Where BHCC and the contractor comply with the requirements of the Direction and the contractor seeks admission to the LGPS, BHCC will need to prepare a commercial stance on where pensions risk should sit between the parties.

2.3.2 It is likely that the contractor will want to enter into a form of risk sharing arrangement to manage employer contribution rate volatility under the LGPS.

2.3.3 BHCC will need to be aware of the relevant considerations attributable to a risk sharing approach. Broadly, this is where the contractor will request that BHCC allocates and retains responsibility for certain risk factors considered to be within BHCC's control. This can have a direct impact upon pricing and affordability for contract provision.

2.3.4 There are a number of relevant considerations that would need to be addressed. These would include:

(a) Apportioning responsibility for any historic LGPS underfunding in relation to transferring staff;

(b) Risk sharing of LGPS employer contribution rate variance throughout the term of a contract. This can for example take the form of a 'capped' rate for the contractor or a 'pass through' of increases to the employer contribution rate so that the 'net effect' is for the contractor to pay a consistent employer contribution percentage;

(c) How matters such as ill-health dismissal and redundancy risk should be treated;

(d) Considering the requirement for a pension bond or guarantee from the contractor.

(e) Determining how any funding 'shortfall' under the LGPS should be dealt with and by which party when the contractor's admission agreement comes to an end;

2.3.5 In all of the above matters, it is generally our experience that contractors will initially adopt a risk-averse approach to assuming these responsibilities and liabilities. It is usually the case that detailed negotiation will be required to assert that matters falling within the 'control' of the contractor should be retained by it as part of any risk sharing approach.

2.3.6 The terms of the Direction place the obligation upon BHCC to ensure that pension protection is included within the terms of the contract for services. In circumstances where BHCC takes a decision not to apply the terms of the Direction, there would be a considerable risk that transferring staff (or where represented, their trade union) would seek to review the basis of that decision. Whilst dis-applying the operation of the Direction would allow BHCC to relax the pension provision provided to staff by the contractor (with the associated cost reduction which could flow from that decision), in our experience local authorities have acknowledged the perceived and real risk of adopting that approach and have complied with the terms of the Direction.

3 Option 3: Wholly-Owned Subsidiary/Managed Service models

3.1 Any Wholly-Owned Subsidiary entering into a contract for the provision of services (which could include a management contract arrangement) with BHCC would, applying the Direction, need to provide an arrangement broadly comparable to that provided by the incumbent contractors. As noted in the preceding paragraph, it is open to BHCC to not

incorporate the terms of the Direction into any contract arrangement, but there are potential and material risks in not doing so.

3.2 It is likely that an organisation structured as a Wholly-Owned Subsidiary of BHCC could participate in the LGPS as a Designated Body. The qualifying criteria are set out in Part 2 of Schedule 2 of the Local Government Pension Scheme Regulations 2013 (the 2013 Regulations). Broadly, a company that is 'connected with' a body such as a local authority will be a Designated Body. We have set out the 'connected with' test in greater detail below.

3.3 We have explained below in greater detail how the "connected with" test under Part 2 of Schedule 2 of the 2013 Regulations can be met:

3.3.1 An entity is "connected with" a local authority if:

(a) it is an entity other than the local authority; and

(b) according to the proper practices in force at that time, financial information about the entity is included in the local authority's statement of accounts.

3.4 On the assumption that the statement of accounts for BHCC confirms that the "connected with" test is satisfied, the Wholly-Owned Subsidiary will be capable of securing Designated Body status.

3.5 **Wholly-Owned Subsidiary and LGPS participation**

3.5.1 The advantages of the Wholly-Owned Subsidiary being admitted to the LGPS as a Designated Body is that the process is straightforward – it does not require an admission agreement to be entered into and there is no requirement to assess the risk for a pension bond. It also provides security for employees to remain members of the LGPS.

3.5.2 However, when the Wholly-Owned Subsidiary ceases to be a Designated Body for the purposes of the 2013 Regulations, either because it no longer meets the criteria set out above or because it ceases to employ active members of the LGPS, a calculation of the Wholly-Owned Subsidiary's "exit liability" under the LGPS would still need to be carried out in accordance with the LGPS legislation. Where the assets in the fund attributable to the Wholly-Owned Subsidiary are insufficient to meet its liabilities, then it would be obliged to make a payment to the LGPS fund equal to any pension deficit calculated.

3.5.3 An advantage of Designated Body Status arising from the exit liability is that the LGPS funding strategy statement on the calculation of that liability may not be as onerous compared to other admission bodies. This can mean that any liability amount is valued by the actuary to produce a smaller exit amount. By the same token, if any exit liability is ultimately subsumed as part of any funding obligations between BHCC and the Wholly-Owned Subsidiary, then the less conservative actuarial valuation basis would be a beneficial cost consideration for BHCC.

3.5.4 Unlike an admission body, the 2013 Regulations do not require a Designated Body to enter into a pension bond or guarantee. To that degree, the extrinsic documentation and actuarial costings required to facilitate LGPS membership are less onerous.

4 Option 4: Joint Venture Option

4.1 Similar considerations to those set out in the preceding paragraphs for the contractor arise for BHCC where it opts for a Joint Venture partner. Any Joint Venture entity entering into a contract for services with BHCC would, applying the Direction, need to provide an arrangement broadly comparable to that provided by the incumbent contractors.

4.2 In addition, it is likely that the private sector partner to the Joint Venture will wish to introduce 'risk sharing' mechanisms into any contract for services it enters into with BHCC. The relative 'pros and cons' of the risk sharing approach is the same for a Joint Venture Option as it would be for a service provider, with one possible exception.

4.3 Where a pension bond is being considered, BHCC may look more favourably on dispensing with the need for a pension bond. The current 2013 Regulations also provide that an alternative form of security (such as a guarantee or indemnity) can be entered into in place of a pension bond in certain circumstances. The alternative guarantee can be from a person who funds the admission body in whole or in part or who owns or controls the exercise of the functions of the admission body. Depending on how the Joint Venture Option is established and structured, BHCC may be able to act as guarantor so as to alleviate the need for a pension bond. This in turn would help drive a value for money approach as the cost of securing pension bond premiums could be removed from any service provision cost.

4.4 That said, BHCC would need to act very carefully to avoid 'state-aid' issues, particularly where the JV company was bidding against other contracting service providers.

4.5 BHCC would also need to keep in mind the variant LGPS 'exit liability' positions negotiated with its incumbent contracting providers for current services such as street lighting. BHCC would need to consider its commercial strategy in light of any exit liability it has assumed under previous contracts and consider how it wishes to address any historic underfunding.

5 Incumbent Contractor's position

5.1 One issue which is a relevant consideration to all Options is the pensions risk that materialises when staff transfer from the incumbent contractor. On the basis that those staff are members of the LGPS, we would recommend that the current contract for services is reviewed to determine whether a risk-sharing model operates to allocate risk when an admission agreement comes to an end.

5.2 When a contract for services comes to an end or there are no remaining active LGPS members in the contractor's employment, an admission agreement comes to an end. At that point the administering authority instructs the Fund actuary to calculate what is known as a 'termination valuation'. Broadly, if the LGPS fund is underfunded, a capital payment will normally be requested from the provider to the Fund. The 2013 Regulations now afford some flexibility as to how these exit payments are recovered. Staged payments for example are now possible. It may be that BHCC has already entered into a contractual

mechanism with the provider to deal with such termination liabilities so that it remains liable to reimburse the contractor for any exit payment falling due.

Annex 3

Comparison of standard forms of Term Contract

1 Introduction

The form of contract to be selected by BHCC will clearly depend on the Option selected for the procurement of repairs and maintenance programme following consideration of the issues raised in this Report and BHCC's own decision-making process.

2 Published forms of contract

We set out below the key features of the following published forms of contract commonly used by local authorities for repairs and maintenance programmes. In our experience, bidders are likely to welcome the use of a standard form contract with which they will be familiar, though is possible to adopt an entirely bespoke form of contract to suit the specific needs of the procurement. Even where standard forms of contract are used, it is likely that BHCC will need to prepare to prepare a set of amendments to address any matters not adequately covered by the published provisions or to establish a more advantageous commercial position. Any amendments should be undertaken with care to ensure that there are no inconsistencies between the contract terms and the specification and technical documents, which may undermine the objective of the procurement or create inconsistencies that bidders may exploit.

The standard form Term Contracts that we have compared are:

2.1 JCT Measured Term Contract 2016 ("JCT")

The JCT is part of the JCT 2016 suite of contracts published by the Joint Contracts Tribunal. The JCT suite comprises a complementary set of main contracts and sub-contracts, and includes a separate Pre-Construction Services Agreement to provide for pre-commencement activity. There is a form of Consultancy Agreement for public sector employers. The JCT Measured Term Contract is the form that is most suitable to instruct responsive repairs and maintenance programmes.

2.2 The New Engineering Contract 4th Edition ("NEC")

The NEC 4th Edition contracts, which include the NEC4 Term Service Contract, are well-established and used by a significant number of local authorities for the procurement of responsive repairs and maintenance programmes. The NEC4 suite comprises a complementary set of main contracts, sub-contracts and professional services appointments.

2.3 The ACA Standard Form of Term Alliance Contract ("TAC")

The TAC-1 was published in 2017, part of a suite of contracts published by the Association of Consultant Architects and based on a partnered approach to construction. TAC-1 replaces and updates the TPC2005 Term Partnering Contract, which was first published in 2005 and is currently used by BHCC for its contract with Mears for the delivery of responsive and planned works. TAC-1 comprises a multi-party form of contract which allows consultants and key sub-contractors to be integrated into the team as parties to the same contract where appropriate. It also provides for the parties to operate a strategic

alliance to identify and develop collaborative activities to share best practice and improve the efficiency of programme delivery.

2.4 The National Housing Federation Schedule of Rates Contract Revision 4 (2016) ("NHF")

The NHF Schedule of Rates are widely used in the construction industry to provide a comprehensive schedule of works activities that tenderers can price as part of a construction contract, with variations for responsive repairs and maintenance and planned works programmes. The NHF Contract was first produced by the National Housing Maintenance Forum in 2011 to support the use of the NHF Schedule of Rates and was most recently updated in 2016. The NHF Contract includes a template Invitation to Tender document. The contract documents themselves comprise Articles of Agreement, Contract Conditions, Preliminaries, a Specification, Price Framework and a KPI Framework, in addition to the Schedule of Rates.

3 Criteria for selecting a form of Term Contract

3.1 General comments

It is important to note that the appropriateness of a standard form of contract will depend on the procurement Option selected and BHCC's strategic procurement objectives. It is clearly important that BHCC should select and adopt a form of contract that is most appropriate to its needs and can be effectively integrated to establish continuity and stability in procurement/contracting practices, so as to obtain the maximum benefits in terms of efficiency, economy and streamlined programme implementation.

3.2 Efficiency criteria

Any procurement arrangement designed to lead to increased efficiency should incorporate as core features:

i Timely engagement of all key players in the works and services programme, particularly in the pre-commencement phase,

ii Mutual clarity between all parties regarding allocation of roles, responsibilities, risks and rewards,

iii A collaborative approach to developing and managing the programme,

iv Open and effective communication between the parties, and

v Strategies for continuous improvement.

The form of contract used should support these objectives and also provide for BHCC's preferences relating to practical issues of procurement and contract administration, including:

i The contractor's input into (but not necessarily control of) all key processes;

ii Flexible pricing arrangements that allow BHCC maximum certainty and clarity as to prices paid;

iii Volume supply arrangements with the supply-chain;

iv Financial sanction;

v Depot facilities and leasing arrangements;

vi Dispute resolution;

vii Storage facilities;

viii Developing efficient processes for resident liaison;

ix Employment issues including TUPE;

x Pensions issues including LGPS;

xi Development of proposals to deal with Health & Safety;

xii Analysing and managing risk including procuring appropriate insurance;

xiii Programming and phasing of the works or services to be undertaken;

xiv Change management;

xv Ability to terminate the contract for sustained poor performance; and

xvi Ability to instruct third parties to undertake uncompleted works.

3.3 Comparison of standard forms of contract

In this section, we have indicated why we consider each issue is an important criterion in selecting an appropriate form of contract, and how each of the evaluated standard forms deals with the issue. Specific points that may assist in forming a view on the most suitable contract form for their purposes are listed in the Table below, where each of the 4 standard forms of contract are assessed against each criterion.

The assessment in the table is indicative only, and reference should also be made to the explanatory notes that follow.

Table – Summary of criteria for assessing standard forms of contract

		JCT	NEC	TAC	NHF
1	Contractual pre-commencement/mobilisation process	[✓]	[✓]	✓	[✓]
2	Clear definition of roles of delivery team	[✓]	[✓]	✓	[✓]
3	Involvement of residents and other key stakeholders	**X**	**X**	✓	[✓]
4	Options for allocating design responsibility	**X**	✓	✓	**X**
5	Integration of supply-chain	[✓]	✓	✓	[✓]
6	Collaborative management of risk	**X**	✓	✓	**X**
7	Performance measured against KPIs	[✓]	✓	✓	✓
8	Management group of key players	**X**	✓	✓	✓
9	Incentive Options	[✓]	✓	✓	[✓]
10	Option for 'open book' pricing	[✓]	[✓]	[✓]	**X**
11	Option for fixed price	✓	✓	✓	[✓]
12	Contractual programme for the works/services orders	**X**	✓	✓	**X**
13	Prior evaluation of change	**X**	✓	✓	✓
14	Early warning of problems	✓	✓	✓	✓
15	Exclusion of profit from contractor's claims for delay/disruption	**X**	**X**	✓	**X**
16	Remedies in respect of breach of contract	✓	✓	✓	✓
17	Ability to terminate the contract with notice	✓	✓	[✓]	[✓]
18	Ability to instruct third parties to undertake uncompleted works	✓	[✓]	✓	✓
19	Alternative Dispute Resolution	✓	✓	✓	✓
20	Forms of sub-contract, collateral warranties and guarantees	✓	✓	[✓]	**X**

Key

✓	Specifically provides for this point in the main form of Term Contract
[✓]	Provides for this point in part measure or through use of other compatible forms
X	Does not provide for this point

3.3.1

4 Detailed commentary

4.1 Pre-commencement/Mobilisation process

Contractual provisions covering the mobilisation process are a convenient and effective means of handling any transitional provisions. The client has the advantage of having the contractor committed to the contract and can ensure that any preparatory activities or processes required before the start of the programme can be completed before commencement. In turn, the contractor has the benefit of being "in contract" and not working "at risk" while they undertake the pre-commencement activities. For maintenance or services programmes a pre-commencement phase is particularly important to ensure adequate coverage of TUPE obligations and the appointment of sub-contractors both of which should be completed before commencement.

Provision of a pre-commencement phase allows the client to activate the performance and payment obligations when the pre-commencement activities are complete. In this way, the contract can be used as a management or process tool, to ensure that all parties fulfil their obligations and to avoid delays or problems when the programme commences.

JCT	The JCT Pre-Construction Agreement can be signed as a separate document to cover the pre-commencement/mobilisation period. The Pre-Construction Agreement does not deal with transitional arrangements from mobilisation to commencement phases and would need extensive amendment and integration with the main form of contract used.
NEC	The NEC4 Engineering and Construction Contract (ECC) now includes as a secondary Option the clauses for early contractor involvement (ECI) previously published by NEC in 2015. ECI is a method of appointing a Contractor at an early stage, to participate in the development of designs and proposals. It enables the Contractor's input to the design at a stage when significant improvements and innovation can be introduced.
TAC	Provides for preconditions to implementation of Term Programme, also provides Options as regards treatment of TUPE and pensions and as regards treatment of client assets to assist in transitional provisions.
NHF	Provides for the parties to form a contract by exchanging a Letter of Acceptance, ahead of executing the formal contract documents.

4.2 Clear definition of roles of delivery team

For a maintenance or services delivery team to be set up on a fully integrated basis and to function effectively, it is essential that the roles and responsibilities of each team member are clearly and compatibly defined and mutually recognised. To the extent that all appointments are not made from a fully integrated set of terms and conditions, mutual clarity is achieved only by each party having knowledge of all other parties' contracts and agreeing an integrated set of programmes and responsibilities.

JCT	Two party contract which specifies the roles of the client and the main contractor. Separate agreements required for the appointment of suppliers or sub-contractors.
NEC	Two party contract which specifies the roles of the client and the main contractor. Separate appointment required for Service Manager and sub-contractors. However, NEC4 now provides for separate collateral warranties to be secured in favour of 3rd parties and from the supply-chain in favour of the Client (NEC3 would need Z-Clause).
TAC	Multi-party contract which specifies the role and responsibilities of client, service provider and key sub-contractors with mutual duties of care between team members.
NHF	Two party contract which specifies the roles of the client and the main contractor. Separate appointment required for Client's Representative and Service Provider's Contract Manager and sub-contractors.

4.3 Involvement of residents and other key stakeholders

Effective capture and use of contributions from residents and other stakeholders who are not party to the contract will be an important element of a successful programme. Acknowledging this within a Term Contract lends form and discipline to the process.

JCT	Does not refer to other stakeholders.
NEC	Does not refer to other stakeholders.
TAC	Requires members of the delivery team to establish involvement of Interested Parties (a defined term).
NHF	Refers to postholders listed in the Contract Details who can be members of the Core Group.

4.4 Options for allocating design responsibility

In modern construction practice, responsibility for design and the related risk is frequently assumed by the main contractor and increasingly by suppliers and specialist sub-contractors. It is important that BHCC have the opportunity to allocate any design responsibility, particularly in relation to the selection of surfacing materials and processes for any given task.

JCT	Does not provide for contractor's design.
NEC	Provides for main contractor design and design of its items of equipment.
TAC	Provides flexibility in the allocation of design responsibility
NHF	Does not provide for contractor's design.

4.5 Integration of the supply-chain

It is widely recognised that to achieve best value in delivery of a programme, it is essential that all influential members of the supply-chain, in particular key suppliers and specialist contractors, are effectively integrated into the procurement process. This requires recognition of their potential roles, particularly in relation to any design work and the key processes, and usually implies their early appointment.

In addition, for effective integration, all key members of the supply-chain should be recognised as equal partners in the programme, be included in decision-making processes, and be involved in finalising price.

JCT	No specific provisions for supply-chain partnering. Client able to consent to any sub-contractors.
NEC	Includes compatible forms of subcontract; suppliers and subcontractors can be named as partners in Option X12 and become members of the Core Group. Provides for notification of the Core Group prior to sub-contracting. However, decisions of the Core Group are not required to be implemented under the contract.
TAC	Includes specific provisions for supply-chain partnering and for client approval of subcontractors and suppliers.
NHF	No specific provisions for supply-chain partnering. Client able to suggest and consent to appointments of any sub-contractors.

4.6 Collaborative risk management

The systematic identification, assessment, allocation and mitigation of risk is essential for successful programme delivery, and is most effective if all parties are involved in and committed to the process.

JCT	Does not provide for main or sub-contractor or supplier involvement in risk management.
NEC	X12 Partnering Option may assist in collaborative risk management. Provides for development and maintenance of a risk register with risk reduction meetings for cooperative response to risks.
TAC	Provides for joint risk management activities as described in a Risk Register.
NHF	Does not provide for main or sub-contractor or supplier involvement in risk management.

4.7 Performance measured against KPIs

Measuring performance is fundamental to improving performance; this applies within a programme but is particularly important for long term maintenance programmes where clients are focusing on continuous improvement. Formalising this requirement within the Term Contract commits members of the delivery team to the process.

JCT	General reference to measuring performance against agreed KPIs.
NEC4	Provides for measuring performance against agreed KPIs.
TAC5	Provides for measuring performance against agreed KPIs.
NHF	Provides for measuring performance against agreed KPIs.

4.8 Management group of key players

A management group comprising the key individuals in the delivery team can play a valuable role in a number of areas, as follows:

(a) An information hub at the centre of a communications strategy,

(b) Monitoring and taking forward progress in the pre-commencement/ mobilisation phase,

(c) Evaluating proposed changes notified in advance,

(d) Receiving warnings of potential problems and overseeing the response.

Such a group can function most effectively in relation to the due processes of the contract if it is specifically provided for in the Term Contract. The group's roles and responsibilities must be clearly defined, in particular its scope and authority to take decisions for implementation by the parties.

JCT	Does not provide for a management group.
NEC4	The NEC4 contracts introduce a requirement for the Contractor to prepare and issue a quality management system and plan.
TAC	Provides for a Core Group able to take decisions within the scope of its

	agreed functions as set out in the contract.
NHF	Provides for a Core Group to manage the contract and the delivery of the works.

4.9 **Incentive Options**

Financial incentives are widely recognised as effective in securing commitment to improving performance and achieving best value in programme delivery. For clarity and effective operation they should built into the contract.

JCT	Provides for contractor to receive some of the financial benefit of any cost saving or value improvement it proposes which is implemented.
NEC	Includes provisions for bonuses on early completion and payments relating to KPIs.
TAC	Provides for incentives to be agreed.
NHF	No express contractual provision for incentives to be agreed. Separate KPI Framework in NHF suite has provision to agree incentives.

4.10 **Option for 'open book' pricing**

Genuinely collaborative working implies openness and trust and this should extend through to the financial management of the Term Contract. Accordingly 'open book' pricing, where the contractor declares its profits and overheads and allows the Client access to its financial records to monitor how prices for the services are developed is widely advocated. For successful application, its meaning, scope and operation should be clearly defined in the Term Contract.

JCT	Does not provide for open book pricing.
NEC4	Does not expressly refer to open book pricing but separate identification of profit and overheads is implied in the target cost and cost-reimbursable Options.
TAC	Provides for Open-book pricing with separate identification of profit and overheads but can be used with a variety of pricing Options.
NEC	Does not provide for open book pricing.

4.11 **Option for fixed prices**

BHCC may prefer the discipline and risk allocation delivered by fixed prices from the contractor prior to starting work on site. In many circumstances, seeking fixed prices from the contractor at tender stage will be difficult to reconcile with the principles of collaborative working, including early appointment of the contractor. However, this may be an Option BHCC wish to have available.

Each of the four contract suites compared in this note provides this Option through:

JCT	Reference to a Schedule of Rates.
NEC	Provides for priced contract with Activity Schedule (Option A) and priced contract with bill of quantities (Option B)

TAC	Task Prices calculated in accordance with Price Framework.
NHF	Reference to a Schedule of Rates.

4.12 Contractual programme for the works/services orders

A contractually binding programme for issuing and completing of orders or tasks under a Term Contract clarifies and confirms each party's commitment to timely delivery. If used effectively, a contractually binding programme can function as a programme management tool, and provides clear definitions of each party's obligations. The offer of a clear long-term programme by BHCC should secure greater efficiency from the programme.

JCT	Does not provide for a contractually binding programme.
NEC	Provides for an 'Accepted Programme' and new provisions which provide ‘treated acceptance’ of the Contractor’s programme where the Project Manager does not respond to a programme issued by the Contractor for acceptance, or to a reminder. This is to unlock the impasse which otherwise prevails.
TAC	Provides for the Partnering Timetable as a contractually binding programme, including provisions for the timetable to be updated as required.
NHF	Does not provide for a contractually binding programme.

4.13 Prior evaluation of change

Effective change management requires that whenever possible proposed changes are notified in advance to allow evaluation of the full time, cost and quality implications and consideration of appropriate responses.

JCT	No provision for advance evaluation of change.
NEC	Provides for advance notice of change in the context of Compensation Events (a defined term).
TAC	Provides for advance evaluation of change.
NHF	Provides for advance evaluation of change.

4.14 Early warning of problems

Early recognition of an emerging problem considerably improves the opportunities for the parties to manage the issue before delays are caused to the programme. Inclusion in the contract of a clear duty on the parties to warn of a potential problem will reinforce their commitment to do so.

JCT	Includes a basic early warning system.
NEC4	Includes an early warning system.
TAC	Includes an early warning system.
NHF	Includes an early warning system.

4.15 Exclusion of profit from contractor's claims for delay/disruption

BHCC might take the view that in the context of a long-term collaborative relationship it is equitable for the contractor to recover costs in a claim for delay and disruption but not additional profit and overheads. If so, this should be explicit in the contract.

JCT	Does not exclude profit and overheads from delay/disruption claims.
NEC	Does not exclude profit and overheads from delay/disruption claims.
TAC	Excludes profit and overheads from delay/disruption claims.
NHF	Does not exclude profit and overheads from delay/disruption claims.

4.16 Remedies in respect of breach of contract

The Term Contract must include effective remedies for default or insolvency of a member of the delivery team. As far as possible these should protect any continuing interests of the client.

JCT	Provides for termination by the client or main contractor in a specified list of circumstances.
NEC	Provides for termination by the client or main contractor in a specified list of circumstances.
TAC	Provides for termination by the client or main contractor or other parties in a specified list of circumstances.
NHF	Provides for termination by the client or main contractor in a specified list of circumstances.

4.17 Ability to terminate the contract with notice

Many local authorities require the ability to terminate the contractor's appointment under the Term Contract following a specified period of notice. This has become increasingly important in the current economic climate, to allow clients flexibility to appoint alternative contractors and ensure that there is delay in the provision of key services.

JCT	Provides for either party to terminate the contract with 13 weeks' notice.
NEC	Option X11 provides for the Client to terminate the Service by providing notice to the Service Manager and the Contractor.
TAC	Option for the parties to agree to terminate the contract within a specified notice period.
NHF	Option for the parties to agree to terminate the contract within a specified notice period.

4.18 Ability to instruct third parties to undertake uncompleted works

In the event of sustained poor performance in a responsive maintenance programme and/or the termination of a contractor's appointment, clients should have the ability to instruct third parties to undertake any outstanding or uncompleted works. In the event of the contract being terminated due to the contractor's poor performance or breach, the

Term Contract should ideally have the ability recover the costs of appointing third parties from the original contractor.

JCT	Client has the ability to instruct third parties to undertake uncompleted or outstanding works following the Contractor's failure to undertake the works and/or the termination of the Contractor's appointment.
NEC	Option X11 provides that on termination the Client may complete the service itself and use any plant or materials that were provided by the Contractor.
TAC	Client has the ability to instruct third parties to undertake uncompleted or outstanding works following any Alliance Members' failure to undertake the works.
NHF	Client has the ability to instruct third parties to undertake uncompleted or outstanding work following the Service Provider's failure to undertake the works.

4.19 Alternative Dispute Resolution

Any party to any Term Contract has a statutory right to adjudication and thereafter to initiate litigation. However, it is likely to be in all parties' interests to agree contractual alternatives that remain within their control in terms of timing, cost and outcome, and that are less likely to undermine long-term working relationships.

JCT	Provides for alternative dispute resolution through nominated individuals and through mediation.
NEC	NEC4 has introduced a four week period for escalation and negotiation of a dispute, which takes place prior to any formal proceedings are commenced. This requires nominated senior representatives of each party to meet and try to reach a negotiated solution. It is a mandatory requirement where dispute resolution Option W1 applies, but is consensual where dispute resolution W2 applies.
TAC	Provides for alternative dispute resolution through a problem solving hierarchy, reference to the Core Group, conciliation, mediation and reference to a Partnering Adviser.
NHF	Provides for alternative dispute resolution through a Dispute Escalation Table, reference to Adjudication, Mediation, Expert Decision and Arbitration.

4.20 Forms of sub-contract, collateral warranties and guarantees

Any Term Contract should have corresponding forms of sub-contract so that any supply-chain members are appointed on compatible terms and conditions to the main contract, and so that relevant contractual obligations are passed down to the supply-chain as required. The Term Contracts should ideally have compatible forms of collateral warranty and parent company guarantee.

JCT	Provides compatible forms of sub-contracts. No provisions for collateral warranties or parent company guarantees.
NEC	Provides compatible forms of sub-contracts. No provisions for collateral warranties or parent company guarantees.

TAC	There is no form of sub-contract written expressly for TAC-1, but the STC2005 Specialist Term Contract 2005 (written for the TPC2005) can be used with some amendments. No provisions for collateral warranties or parent company guarantees.
NHF	No compatible forms of sub-contracts, collateral warranties or parent company guarantees.

4.21 **Issues not dealt with in Term Contracts**

It is uncommon for liquidated damages and retention to be included within a Term Contract and these are not found in the standard forms analysed above. BHCC should consider whether the security these provisions offer are relevant to the programme and amend the chosen standard form as appropriate although this might attract "risk pricing" by the contractor.

A copyright licence is not included in the standard forms and this should be considered for a programme with extensive design responsibility.

4.22 **Conclusion**

The selection of the form of Term Contract will set the tone for the procurement and approach the contractor will take to the ensuing relationship. Clearly, all the standard form Term Contracts discussed above can be amended to alter their existing features and overlay additional features required by BHCC.

As noted above at Section 9.8 of the Main Report, the key determining of successful implementation will be the management of the contract (and related amendments) that BHCC adopts. The selected Term Contract can provide all relevant protections and levers of contract BHCC requires, but these will not protect BHCC or provide it with any control if the contract terms are not understood or enforced by BHCC's contract managers. Given this, training in and knowledge of the selected form of Term Contract will be essential for BHCC contract managers and affected staff as part of any procurement exercise.

Annex 4

Example Partnering Timetable

Item	Description of Activity / Requirement	Period / Deadline for Activity	Additional Comments
1	Attend pre-contract meeting	Week 1	Review draft Partnering Timetable, draft KPIs, draft Risk Register, Core Group membership and Contract Start date
2	Issue revised Partnering Timetable	Week 2-4	
3	Issue revised Risk Register	Week 2-4	
4	Issue revised KPIs	Week 2-4	
5	Prepare and engross Framework Agreement and Partnering Contract for issue to all Parties	Week 4-6	
6	Production of agreed contract documents and sign	Week 7	
7	Confirm site addresses and scoping survey information and issue to Service Provider(s)	Week 4-7	Final Scoping Surveys and Property List for the Year 1 internal works programme issued.
8	Prepare draft cash flow based on first year's internals	Week 4-7	Based on agreed programme and phasing
9	Attend Resident Focus Group	Week 4-7	Introduction to the Client Resident Focus Group. Explain approach to works, what to expect and component choices. Reps will form a sub-group to sign off communication protocols and choice sheets.
10	Attend Employment & Skills project initiation meeting	Week 4-7	
11	Agree key components	Week 4-7	To agree material suppliers and confirm key components, etc
12	Hold Commercial Management workshop	Week 4-7	Agree valuations, handover and payment processes, etc

Item	Description of Activity / Requirement	Period / Deadline for Activity	Additional Comments
13	Project Delivery session	Week 4-7	Agree the management processes necessary to deliver the project. To include procedures for asbestos removal, data management, etc.
14	Surveys, investigations and resident profiling	Week 5-9	Service Provider carries out site surveys to confirm design & manufacturing details and consult residents.
15	Issue Task Order, Task Brief and confirmed address list to Service Provider	Week 10	Issued following receipt of the engrossed Partnering Contracts
16	Service Provider issues Construction Phase Plan, Task Proposals, Task Timetable and Task Price	Week 10-12	Deadlines for return of documents agreed as 2 weeks from receipt of the Task Order and will be confirmed in the Order
17	Construction Phase Plan agreed by Principal Designer	Week 13-14	
18	Consideration and agreement of Task Proposals and Task Timetable	Week 13-14	
19	Review and agree Task Price for Year 1	Week 13-14	
20	Place orders and organisation of labour, plant & specialists	Week 15-18	
21	Start on site	Week 19	Start dates subject to satisfactory completion of those pre-conditions
22	Risk Management Actions	Ongoing	
23	Volume Supply Agreements and Value Engineering	Value Engineering will continue throughout the life of the project. Particular innovations for efficiencies to be discussed at the Core Group so benefits can be shared	
24	Business Case Submissions	As required	As required for Specialists or any increases sought to the Task Price

Item	Description of Activity / Requirement	Period / Deadline for Activity	Additional Comments
25	Specialist Tenders	As required	As may be required for any specialist supply and fit works, eg. Major aids & adaptations, damp proofing, floor timber replacements, etc
26	Core Group Meetings	First meeting: Week 23	Thereafter meetings monthly as agreed by the Core Group
27	Partnering Meetings	First Meeting: Week 22	Thereafter meetings monthly (Site meetings to be scheduled in advance of the Core Group)

Annex 5

Procurement obligations and OJEU procedures

1 Procurement obligations

1.1 As a local authority, BHCC is regarded as a "contracting authority" for the purposes of the Public Contracts Regulations 2015 (the **Regulations**). Day-to-day asset management, planned works and voids contracts are generally accepted to be public works contracts. The current EU threshold for works contracts, above which value contracts must be publicly advertised is £4,551,413 excluding VAT and contracts of equal or greater value are required to be procured in line with the full procedure(s) set out in the Regulations (the relevant threshold for supplies and services is £181,302 excluding VAT). A procurement procedure which complies with the Regulations requires that the contract is advertised in the Official Journal of the European Union and that tenders are assessed and contracts awarded in line with the timescales and criteria set out in the Regulations. Also, case-law suggests that contracts below the threshold value must still be advertised although not necessarily in the Official Journal and therefore a directly negotiated contract with a single supplier is not allowed.

1.2 Contracts of employment fall outside of the EU procurement regime and are not classed as "public services contracts" for the purposes of the Regulations. However, a "management contract" entered into with a contractor for the management of employees would be classed as a public services contract for the purposes of the Regulations and would therefore have to be advertised in the Official Journal of the European Union in the (likely) event it exceeded the threshold. Any such services should be part of the tendered contracts.

2 Pre-market engagement

We would recommend that, before launching the procurement procedure, BHCC undertakes a sufficient amount of soft-market testing and contractor engagement, in order to gauge the state of the market in relation to the Options presented above and to consider how best the market will be able to meet its needs. The results of this pre-procurement engagement can then feed directly into the procurement requirements – as long as BHCC does not use such information in a way that could discriminate against or in favour of any particular bidder or class of bidder.

3 The Restricted Procedure

3.1 Background to Restricted Procedure

3.1.1 The Restricted Procedure is the most commonly used procurement procedure in the UK. Unlike the Open Procedure which requires contracting authorities to assess all bids received, the Restricted Procedure provides a two-stage process whereby bidders are initially assessed on their past experience, good standing, financial robustness and technical qualifications, from which a shortlist of bidders is selected to submit a tender. If run efficiently and with adequate preparation time, the Restricted Procedure can be completed within 3-4

months. BHCC is also able to shorten tender return timescales with the agreement of the bidders.

3.1.2 The Restricted Procedure is widely understood by the market. The initial pre-qualification stage has been somewhat standardised by the use of a standard Selection Questionnaire document issued by the Crown Commercial Service for use in all procurement exercises in England and Wales, which many bidders in the marketplace will be familiar with.

3.2 Use of the Restricted Procedure

3.2.1 As with the Open Procedure, the Restricted Procedure assumes that the scope and terms of the contract have been well defined in advance, requiring little or no discussion or negotiation with bidders. The Restricted Procedure is largely a paper-based assessment exercise, in which bidders respond to the client's requirements as set out in the procurement documents, and where tenders are assessed with no former negotiation or discussion between the client and the bidders. Following contract award, the expectation is that the client will enter into contract with the selected tenderer using the form of contract as set out in the procurement documents.

3.2.2 Therefore, this procedure requires BHCC to have defined their requirements fully before starting the tender exercise (in terms of preparing the specification and contract documents) and not deviate from those requirements once the tender is underway. However, some clients like to include an interview with shortlisted bidders as part of the tender evaluation process, to enable the client to interrogate the bidders' written submissions.

3.3 Structure of Restricted Dialogue

A timetable setting out our recommended stages involved in the Restricted Procedure is noted at the end of this section.

3.3.1 OJEU Notice and Descriptive Document

The beginning of the Restricted Procedure will require BHCC to publish a Contract Notice in the Official Journal of the European Union (the **OJEU Notice**) signalling its intention to advertise and award the contract. The OJEU Notice must clearly set out BHCC's requirements, and will include at a minimum: a description of the scope of works or services required, with reference to Common Procurement Vocabulary codes; the estimated value and length of the contract, including any Options to extend the contract term; the award criteria for awarding the contract (which will usually be a combination of Quality and Price); any minimum requirements that must be satisfied to be able to bid for the contract; and key dates in the procurement process and information about where bidders can access the procurement documents. BHCC is also required to place a notice on the Contracts Finder website, to advertise the opportunity.

3.3.2 Procurement Documents

The Restricted Procedure requires that all "procurement documents" relevant to the tender exercise are made available in electronic form free of charge to interested bidders from the date that the OJEU Notice is published. "Procurement documents" is defined very widely and includes all specifications of works/services, pricing documents, and the proposed conditions of contract. Therefore to be in full compliance with the Regulations, BHCC would need to have these documents prepared before the OJEU Notice is published, and make these freely available to interested bidders. From April 2018, contracting authorities will be required to run their procurement exercises and make procurement documents via an electronic portal.

3.3.3 Selection Questionnaire

Following the issue of the OJEU Notice, BHCC will evaluate the prospective participants against criteria included in a Selection Questionnaire. The Crown Commercial Service, which monitors the use of the Regulations in the UK, has published a standard Selection Questionnaire which should be used by contracting authorities in England and Wales. This document asks a series of basic questions about bidders' past experience and qualifications (which can be supplemented or amended by clients to suit the particular requirements of their project) and questions to determine whether bidders should be disqualified under mandatory exclusion criteria set out in the Regulations (eg where bidders have been guilty of bribery or other offences). Bidders are required to respond to the Selection Questionnaire within a prescribed deadline, and are assessed by the client in accordance with the evaluation criteria set out in the Questionnaire. The Regulations anticipate a minimum of 5 bidders will be shortlisted and invited to submit a tender, unless insufficient bids are received. BHCC is required to write to all bidders, whether successful or unsuccessful, and give them feedback about their scores.

3.3.4 Tender Stage

BHCC will then invite the shortlisted tenderers to respond to the Invitation to Tender document (the **ITT**), based on the document made available to bidders when the OJEU Notice was published (supplemented or amended as necessary). The ITT will normally ask bidders to describe their methodology for delivering the contract in accordance with the specification, and provide their prices for delivering the contract including their anticipated profit and overheads. The ITT should set out the Price and Quality award criteria by which the tenders will be evaluated and associated scores and weightings.

3.3.5 Evaluation and Award

Evaluation of tenders will be carried out in accordance with the award criteria set out in the ITT to determine which is the most economically advantageous. BHCC is required to write to each tenderer who has submitted a tender notifying them of the award decision and giving unsuccessful bidders feedback on their tender submissions. Following the issue of these letters, BHCC must observe a 10 calendar day standstill period (provided that the letters are issued electronically) before contracts can be finalised.

3.3.6 Post-Tender Discussions

Under the Regulations post-tender discussions and negotiations are prohibited. As a result, prospective contractors must ensure that their tenders are the equivalent of a "Best and Final Offer", such that no significant amendments are required and there is no negotiation of the contract terms (other than to correct errors and discrepancies).

3.3.7 **Finalisation of contracts/Contract Award Notice**

Following the completion of the standstill period and assuming that no legal challenges have been received during that period, BHCC can proceed to finalise the terms of contract with the selected tenderer. BHCC is required to publish a Contract Award Notice in the Official Journal, advertising the details of the award, and place a similar notice on the Contracts Finder website.

3.4 **Restricted Procedure Timetable**

	Milestone	**Duration**
1	[Section 20 – Notice of Intention]	[Minimum of 30 calendar days to allow leaseholders to submit observations]
2	OJEU Notice despatched to Official Journal/Contract notice placed on Contracts Finder website	
3	Deadline for receipt of Selection Questionnaire	Minimum of 30 calendar days from date of OJEU Notice
4	Evaluation of SQ responses	Suggest 2 working weeks
5	Issue of Regulation 55 letters to successful and unsuccessful Applicants/Tenderers invited to respond to Invitation to Tender	
6	Submission of ITT responses	Minimum of 30 days (though this can be shortened to as little as 14 calendar days by agreement with tenderers)
7	Evaluation of ITT responses	Suggest 2-3 working weeks
8	Seeking Board/Cabinet decision for conditional award to preferred tenderer	
9	[Section 20 Notice of Landlord's Proposals]	[Minimum of 30 calendar days to allow leaseholders to submit observations]
10	Issue of Regulation 86 letters to successful and unsuccessful	

	Milestone	Duration
	tenderers with feedback	
11	Mandatory standstill period	Minimum of [10] days from date of letters (provided that the letters were issued electronically); must end on a working day.
12	Finalisation of contracts	
13	Contract Award Notice despatched to Official Journal/Award Notice placed on Contracts Finder website.	Within 30 days of award decision

4 Competitive Dialogue Procedure

4.1 Background to Competitive Dialogue Procedure

4.1.1 The Competitive Dialogue can be an advantageous route to take if BHCC is not able to completely specify its requirements or if it is unable to fix either the pricing model or the contract terms at the outset of the procurement. However, the competitive dialogue has a reputation for taking a long time and for being extremely costly. This does not need to be the case and we note below the timetable of a streamlined Competitive Dialogue procedure that BHCC could adopt in order to minimise time spent in procurement.

4.1.2 Generally, bidders in the asset management and maintenance industry like having the opportunity to put forward innovative and alternative ideas to contracting authorities, which it is not possible to do under an Open or Restricted Procedure exercise.

4.2 Use of the Competitive Dialogue Procedure

4.2.1 BHCC may elect to use the Competitive Dialogue procedure when its needs cannot be met without adaptation of a readily available solution or where it cannot objectively define either the technical means of achieving its aims or the legal and/or financial make-up of the project (which may well be the case in respect of Options 3 and 4). In such cases, it is anticipated that the Open Procedure and the Restricted Procedure will not be adequate, since the contract will not be sufficiently well defined to enable the prospective contractors to tender appropriately or for BHCC to properly evaluate such tenders.

4.2.2 The Competitive Dialogue is designed to enable BHCC to explore and develop, with the prospective contractors, solutions which will fulfil its needs and requirements before requiring the submission of final tenders. The prospective contractors then tender against a detailed and worked up solution with minimal prospect for clarification during the post-tender period. Please note that BHCC can limit what it conducts the dialogue in relation to, so that if it has certain minimum requirements or "no go" areas, they can be noted as "non-negotiable" elements of the contract/delivery structure from the outset – this may be

particularly useful in respect of Options 3 (Wholly Owned Subsidiary/Managed Service) or 4 (Joint Venture), where a complete dialogue on all of the features of the delivery structures would take a significant amount of time.

4.2.3 In terms of the documentation and the basic steps in the procedure, the Competitive Dialogue gives a contracting authority flexibility during the procurement process to identify the best means of meeting its requirements, but consequently requires more input (both in terms of time and money) from the prospective contractors prior to the submission of their final tenders.

4.3 Structure of Competitive Dialogue

A timetable setting out our recommended stages involved in the Competitive Dialogue is noted at the end of this section.

4.3.1 OJEU Notice and Descriptive Document

The beginning of the Competitive Dialogue Procedure is the same as the Restricted Procedure. The OJEU Notice and/or the Descriptive Document must clearly set out what BHCC requires from the awarded contract to enable the invited participates in the Dialogue to propose their solutions.

4.3.2 Procurement Documents

As with the Restricted Procedure, the Regulations requires all "procurement documents" relevant to the tender exercise to be made available in electronic form free of charge to interested bidders from the date that the OJEU Notice is published. However, the Crown Commercial Service has published a guidance note stating that procurement documents for complex procurement procedures do not need to be made available at the start of the exercise and may be made available to tenderers as the documents become available. This suggests a degree of flexibility particularly to issue the tender documents and forms of contract later in the tender exercise after a shortlist has been selected.

4.3.3 Selection Questionnaire

The pre-qualification stage is the same as for the Restricted Procedure, requiring the use of the Crown Commercial Service's Standard Selection Questionnaire (which can be amended as required) and stating the evaluation criteria. Following the evaluation of the Selection Questionnaires against the evaluation criteria, BHCC are required to shortlist a minimum of three bidders to be invited to submit an Outline Solution. However, if BHCC wishes to skip the Outline Solutions stage, it can shortlist a minimum of 3 bidders to participate in Dialogue (and ignore a mere formal Outline Solution stage – see below).

4.3.4 Outline Solutions stage

(a) It is recommended (but not compulsory) to invite bidders to present their Outline Solutions, in response to the procurement documents. This will give BHCC an opportunity to review the tenderers' proposed methodology for delivering the contract and their approach to the contract documents, which will form the basis of Dialogue discussions.

(b) Following expressions of interest, BHCC will evaluate the prospective participants against criteria included in the Outline Solutions responses and invite the short-listed organisations to participate in Dialogue (each a **Participant**). The short-list must consist of at least three Participants.

(c) Alternatively, BHCC could bypass the Outline Solutions stage and go straight to Dialogue. The downside of this approach is that BHCC will have very little information about the Participants' offerings on which to run structured Dialogue sessions or to engage in the details of the contract. The risk is that a Participant may be invited to Dialogue who may be unable to deliver the contract, which might have been more easily established in an Outline Solutions exercise.

(d) If the Outline Solutions stage is to be skipped, we recommend that BHCC establish key gateways during the Dialogue process, where Participants will be required to review and respond to key documents (especially around pricing and the form of contract) to ensure that, at Best and Final Offer Stage, robust and realistic bids are submitted.

4.3.5 **Dialogue Stage**

(a) The Dialogue phase is designed to enable BHCC to identify the most appropriate means of satisfying its contractual needs and requirements. The Participants will propose their solution(s) (based on the information included in the OJEU Notice and/or Descriptive Document) which will be further developed during the Dialogue. Under the Regulations, contracting authorities can discuss all aspects of the contract with the Participants, provided that the principle of equal treatment is followed. Contracting authorities cannot discriminate between the Participants by providing information which may give some Participants an advantage over others. However, contracting authorities also cannot reveal the solutions proposed by individual Participants to other participants without that particular Participant's agreement. This is likely to lead to some tension between a contracting authority's duty to be fair and open with all Participants and the Participants' understandable desire to keep confidential solutions which it they have spent time and money developing.

(b) There is no set time period for which the Dialogue phase should last, nor do the Regulations provide much detail as to how the Dialogue should be conducted. Previous guidance issued by the Office of Government Commerce (now the Crown Commercial Service) suggests that it is likely that most discussions during this phase will be with each Participant about its own solution(s). The Regulations also identify that it is possible for contracting authorities to reduce the number of solutions and Participants during the dialogue phase, provided that the criteria for doing so are set out in the OJEU Notice and/or the Descriptive Document.

(c) Once BHCC is satisfied that it has identified a solution(s) that will meet all of its requirements, it must declare the Dialogue complete and invite

the remaining Participants to submit their Best and Final Offers for the identified solution(s).

4.3.6 **Best and Final Offers and Evaluation**

(a) Evaluation of Best and Final Offers will be carried out in accordance with the award criteria set out in the Descriptive Document and/or the Invitation to Submit Best and Final Offers document. The Regulations prohibit a contract being let under the Competitive Dialogue from being evaluated on a lowest-price basis, so the Final Tender must be assessed on a combination of quality and price.

(b) BHCC is required to write to each Participant who has submitted a Best and Final Offer notifying them of the award decision and giving feedback on their tender submissions, and the name and scores of the winning tender. Following the issue of these letters, BHCC must observe a 10 calendar day standstill period (provided that the letters are issued electronically) before contracts can be finalised.

4.3.7 **Post-Tender Discussions**

(a) Under the Regulations the potential for post-tender discussions and negotiations under the Competitive Dialogue procedure is limited. BHCC is only permitted to ask participants to ″clarify, specify or optimise″ their tenders. However, this cannot involve any changes to the basic features of the tender (e.g. price or risk-allocation). As a result, prospective contractors must ensure that their tenders are the equivalent of a "Best and Final Offer", such that no significant amendments are required.

(b) Having selected its preferred bidder, BHCC can only ask the preferred bidder to clarify aspects of the tender or confirm commitments contained in it. Again, this cannot result in substantial aspects of the tender being altered.

4.3.8 **Finalisation of contracts/Contract Award Notice**

Following the completion of the standstill period and assuming that no legal challenges have been received during that period, BHCC can proceed to finalise the terms of contract with the selected tenderer. BHCC is required to publish a Contract Award Notice in the Official Journal, advertising the details of the award, and place a similar notice in the Contracts Finder site.

4.4 **Competitive Dialogue Timetable**

	Milestone	**Duration**
1	[Section 20 – Notice of Intention]	[Minimum of 30 calendar days to allow leaseholders to submit observations]
2	OJEU Notice despatched to Official Journal/Contract	

	Milestone	Duration
	notice placed on Contracts Finder website	
3	Deadline for receipt of Selection Questionnaire	Minimum of 30 calendar days from date of OJEU Notice
4	Evaluation of SQ responses	Suggest 2 working weeks
5	Issue of Regulation 55 letters to successful and unsuccessful Applicants/Tenderers invited to respond to Initial Tender or Participate in Dialogue	
6	Briefing Session (Optional)	
7	Submission of Outline Solutions	Suggest 3-4 working weeks
8	Evaluation of Outline Solutions and shortlisting of Participants to be invited to Dialogue	Suggest 2 working weeks
9	Issue of Regulation 55 letters to successful and unsuccessful tenders/Despatch agenda and final timetable for Dialogue sessions to successful Participants	
10	Dialogue sessions with each Participant to discuss and identify preferred proposals	Suggest 3-6 weeks (assuming a minimum of 3 Dialogue sessions with each Participant)
11	Conclusion of Dialogue/Issue of Invitation to Best and Final Offers	
12	Deadline for submission of Best and Final Offers	Suggest 3-4 working weeks
13	Evaluation of Detailed Solutions	Suggest 2 working weeks
14	Seeking Board/Cabinet decision for conditional award to preferred tenderer	
15	[Section 20 Notice of Landlord's Proposals]	[Minimum of 30 calendar days to allow leaseholders to submit observations]
16	Issue of Regulation 86 letters to successful and unsuccessful tenderers with feedback	
17	Mandatory standstill period	Minimum of [10] days from date of letters (provided that the letters were issued electronically; must end on a working day.
18	Finalisation of contracts	
19	Contract Award Notice despatched to Official Journal/Award Notice placed on Contracts Finder website.	Within 30 days of award decision

dated 6th July 2018

Brighton & Hove City Council

Supplemental Report to an Options Report for the delivery of responsive repairs services, planned maintenance and improvement programmes and large capital projects

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Supplemental Report to an Options Report for the delivery of responsive repairs services, planned maintenance and improvement programmes and large capital projects

1 Introduction

1.1 This document has been produced by Trowers & Hamlins LLP and Savills (UK) Limited and has been prepared for use by Brighton & Hove City Council (**BHCC**) and should be read in conjunction and as supplemental to the initial Options Report we prepared and dated 19th April 2018.

1.2 BHCC has asked Trowers & Hamlins LLP and Savills (UK) Limited to respond to the questions noted in Section 2 below. These questions arose from the Procurement Advisory Board (**PAB**) meetings held on 30th April 2018 and 4th June 2018 and afterwards in relation to the initial Options Report.

2 Questions as detailed in this report:

2.1 The following questions have been raised though discussions at the above meetings and in relation to the Options Report presented to key stakeholders. The answers to these questions make up the body of this supplementary report.

- What position does BHCC hold in the market place?
- Can you provide a summary of the main risks BHCC faces when shaping services post 2020?

Questions relating to Delivery Options:

- How does the management and employment of staff operate in the wholly-owned subsidiary model?
- Would there be union representation in the employment board for this model?
- What would be the role of sub-contractors in the contracted service model?
- How does cost control operate across the models detailed? Do they provide scope for transparent costings? (inc. SoRs, Price Per Job, Price Per Property and Open Book)
- How would the Wholly Owned Subsidiary Model be affected by the pressure of shareholders?
- What is the impact of direct delivery in terms of saving on contractor profit margin?
- What would be the timescales for each of these options?
- How do each of the Options deliver a level of competitiveness between contractors?
- How do each of the Options relate to the ability to have an increased level of local spend?

- What would be the cost impact in terms of investment in a direct delivery service?
- What would be the resourcing requirements of the options detailed?
- Discuss client team requirements and customer contact centre?
- Achieving social value through the different options?
- What flexibility for works are there in different option to adapt to changing priorities?
- How is leaseholder consultation take place for a framework agreement?

3 **Market Position and risk statement**

3.1 BHCC's re-procurement of its repairs and maintenance service represents an attractive proposition to the market. A new contract will offer a reasonable-sized annual value and volume of work which will be attractive to both national contractors and the more regional players.

3.2 However, the key to success and making the new contract most attractive is by ensuring that the work is packaged into Lots in such a way that it encourages maximum interest and competition. Splitting the work packages into Lots for tender purposes means that the lot sizes and scope can be designed to maximise attractiveness to the market and encourage bids from Small and Medium Enterprises (**SMEs**) if this is a desired objective. At the same time, by allowing contractors to bid for more than 1 Lot (as per paragraph 3.3 below), it becomes even more attractive to some larger contractors and could result in lower costs to BHCC through greater economies of scale.

3.3 Whilst there are a number of contractors that would bid for an all-inclusive contract similar to the current contract, this would reduce the pool of contractors. With this in mind, we have suggested in the Options Report that capital and revenue work is therefore split and a ‘mixed economy’ route is adopted. However, it is recognised that contractors bidding for the revenue work will most likely be keen to undertake some of the capital work as well and this will help to defray set up and fixed costs across the contracts. Therefore it is imperative that the procurement model contains flexibility to accommodate this.

3.4 In respect of the individual options, the Outsourced Model (Option 2) will remain attractive to the widest audience as there are more contractors able to bid for this work. The Wholly-Owned Subsidiary Model (Option 3) and JV Model (Option 4) will have a limited number of participants that will tend to be the larger contractors experienced in this more complex type of contracting arrangement.

3.5 The contracting industry is always keen to engage directly with a client as main contractor rather than act as a sub-contractor and therefore BHCC will be able to attract interest in establishing its own supply chain. However, this requires a level of resource that BHCC is unlikely to have at the current time and therefore it would be expected to take some time to develop. BHCC also needs to operate within the confines of its own procurement rules as well as the requirement of the Public Contracts Regulations 2015 (**PCR 2015**). Similarly, the level of bureaucracy and some contractual obligations often imposed by local authorities can be off-putting to some smaller contractors used to operating in the private sector.

3.6 In summary, whilst we would certainly envisage good interest in a well-packaged opportunity if it were tendered, market conditions are different than when the contract was last procured in 2009. The construction market was considerably different at the time, struggling with the recession and impact of a number of contractor failures, and market sentiment is stronger now than it was then. This elevated activity, coupled with increasing risk around labour (the 2016 Farmer Review of the UK Construction Labour Model referred to the real ticking 'time bomb' of the industry's workforce size and demographic), result in an increased risk of upward price pressure and the procurement model needs to recognise this.

4 Risk summary statement

4.1 **Skills:** Each of the delivery Options will require different management skills to support efficient delivery. Existing skills are likely to be aligned to delivery via a contractor model and the current model includes for outsourcing of some traditional client functions. BHCC will need to build the skills necessary, through a mix of internal and external resource, to effectively run the contracts. Running an in-house service will require commercial management skills that are not traditionally found within client contract management teams. The Subsidiary Options or JV Options may provide a middle ground where the skills can be provided by the contractor partner. In our experience, however, there would still be additional client skills required to run the Subsidiary and JV Models effectively.

4.2 **Investment:** The level of upfront investment varies considerably between delivery models and the savings would need to be delivered to generate return on this investment. This investment requirement would need to be clearly understood to inform a detailed appraisal of the options. The ability to deliver savings is closely linked to skills.

4.3 **Cost variance:** Some of the Options would involve additional exposure to the risk of overspend. Current contractual prices were procured in 2008 although inflation increases have been applied, it is likely that due to changes in the market over the last decade there is risk that all models will see differences to current costs.

4.4 **Legal, tax and accounting:** There are considerable legal, tax and accounting considerations. Whilst we are able to comment generally on some of the key issues it is essential that appropriate advice is taken once an Option has been selected to ensure that arrangements are appropriately structured. In addition wider tax and accounting impact, HR and pensions issues linked to transfer of staff, and legal and regulatory issues will likely require specialist advice.

4.5 **Procurement:** Any procurement must be structured to comply with the Public Contracts Regulations 2015, general EU Treaty principles and BHCC's internal governance rules.

4.6 **Leasehold**: Compliance with the appropriate regulations to ensure that BHCC meets its legal obligations for consultation and can also recover costs when delivering work.

4.7 **Timing**: Whilst April 2020 may seem some way off some of the delivery models discussed may take 18 months to plan, procure and mobilise. In addition, prior to this action a DLO business case may need to be produced and agreed with key stakeholders. This is likely to require an immediate start.

4.8 **Service:** Any change in service provider creates a risk to service delivery through the demobilisation and mobilisation phases. This will need to be managed and appropriate mitigation put in place.

4.9 **Control:** Increased control, in order to be able to adjust the approach to best meet need, is discussed as an advantage in a number of the delivery models. It should be noted that, particularly for the options where there is joint control, how control is structured on paper and how it operates in practice can differ. We have seen a number of examples, particularly in models with contractor involvement, where clients fail to effectively exercise the control available to them. It is therefore important to consider ongoing management expertise carefully alongside the initial structuring.

4.10 **Employee and industrial relations:** when re-procuring the service a relevant issue for all of the models is the need for BHCC to engage effectively and meaningfully with all affected employees, unions and other interested stakeholders in order to ensure that all parties are consulted and/or informed (when appropriate) of the ensuing changes. Failure to engage the relevant parties at the correct time could risk creating poor lines of communication and/or relationships with employees and unions to the detriment of the service delivery and the ultimate attainment of BHCC's objectives.

4.11 **Contractor default/insolvency:** The risk of contractor default/insolvency needs to be considered and appropriate mitigation put in place.

4.12 **Exit:** Through the current partnering arrangement and previous partnering contracts BHCC has gained experience of longer term arrangements. Exit routes should be carefully considered.

5 **Questions relating to Delivery Options:**

5.1 **How does the management and employment of staff operate in the wholly-owned subsidiary model?**

5.1.1 The employees delivering the services will be employed by a wholly owned subsidiary (**WOS**) of BHCC and will be the transferee in a transfer in of the incumbent contractor workforce under TUPE. This means the legal responsibility for the employment of those staff and any liabilities relating to the workforce in terms of employment law rests with the WOS. However on a day-to-day basis, decisions about managing the workforce are directed by a contractor who is employed to manage that workforce. Seen through the eyes of one of the employees what this means is that they receive instructions on what to do, and how and when to do it, from a manager as now, but that manager is employed by the contractor not the WOS.

5.1.2 However, the contractor cannot have the right to determine decisions about key aspects of the employment relationship: recruitment, termination of employment and so on. Ultimate control is retained by the WOS. That is because a transfer of control could result in the contractor being deemed to be the employer. Instead the contractor makes recommendations which are applied by the WOS. The limits on the contractors ability to make recommendations in relation to particular aspects of workforce management and the sharing of legal and commercial risk is set out in the agreement between the WOS and the contractor to provide that managed service.

5.1.3 In the model discussed, an employment board is established to deal with contentious decisions where a determinative decision is required by the employer (i.e. the WOS). This enables the contractors reason for making a recommendation can be explored alongside any reservations on the part of BHCC, for example a concern that a move to changing terms in conditions in the WOS could create potential risks for BHCC's industrial relations. Alternatively, BHCC could adopt an employment protocol with its selected contractor that deals with employment decisions and associated responsibilities/processes etc. A further option is for the contractor to indemnify BHCC against all or any employment claims/difficulties etc arising in connection with the contract. In our view this latter option is the least attractive, as a contractual indemnity may well cover all potential cost and legal liability, but it does not avoid the accrual of any embarrassment caused by the employment issue or mishandling of it by the contractor in the first place.

5.2 **Would there be union representation in the employment board for this model?**

There is no requirement for there to be union representation in the employment board and this is not usually the case. Normally, we would not recommend union representation on the board, given the risk that unions would use their role to either seek to block the contractor's recommendations for change, and/or could use information gathered from the Board in the course of negotiations with the Council.

5.3 **What would be the role of sub-contractors in the contracted service model?**

A question was raised about the role of sub-contractors. It was explained that Option Two would not be disadvantaged if sub-contractors were used.

5.4 **How does cost control operate across the models detailed? Do they provide scope for transparent costings**

A question was raised about cost control in relation to options 2, 3 and 4. Under Options 3 and 4 BHCC would have greater representation within the organisations and hence a better line of sight in respect of costs.. There was an enhanced management role for BHCC in terms of cost management.

Cost control will vary according to the delivery model and the pricing methodology. Ultimately direct delivery would allow BHCC direct control and cost transparency, but also bring the greatest exposure to cost variance. Control in the JV Model (Option 4) will be shared as will exposure to the cost variance. For the Outsourced Model (Option 2) and Wholly–Owned Subsidiary Model (Option 3) the level of cost control, cost transparency and the exposure to cost variance will be dependent on contract terms and pricing model. The primary pricing models are listed below along with some brief commentary on how each is typically used and the likely impact on cost control. Each of these models can be used with any of the Options 2,3 and 4.

5.4.1 **Schedule of Rates (SoR)**

(a) The contractor will price a percentage increase/decrease against the SoR and the appropriate work items from the schedule can be added on a job by job basis to arrive at a price for the work. The contractor’s percentage increase/deduction against the schedule can easily be

varied for different work types or values. SoR is most commonly used for responsive repairs but can be applied across almost any work type, provided that the SoR includes the appropriate tasks. The current contract utilises a SoR.

(b) In general, SoR arrangements have a number of benefits:

- Ability to produce very accurate and detailed work schedules.
- Handling of variations in a fair and transparent way through adding and omitting schedule items as required.
- Support detailed benchmarking and analysis of work content and trends.
- National SoRs are well understood in the industry and can be used as a method of cost management and also monitoring productivity.

(c) SoR arrangements do carry additional risks including.

- No visibility of underlying cost- only SoR price.
- Risk of error given the large number of items typically included.
- High level of variations.
- Resource requirement to audit the appropriate use of schedule items.
- Administration associated with job processing and invoicing.

5.4.2 **Price per Job (PPJ)**

(a) A PPJ model offers an alternative to SoR based pricing for some work streams. The application of this approach is now fairly common in the sector for repairs and empty properties (known in the industry as voids). It is widely used for planned works through the use of "basket" rates.

(b) The application of PPJ approaches varies by work type. Typical approaches to common work types are listed below and these can be used in combination for any of the Options 2,3 and 4:

- Responsive repairs: An average price for all repairs up to a certain value (referenced from an underlying SoR).
- Voids: An average Price Per Void (**PPV**) based on a defined scope of works supplemented by a schedule of rates for additional tasks. Alternatively an average PPV based on a range of underlying SoR values (e.g. any job with SoR value of between £1,000 to £2,000 is charged at a pre agreed average price).

- Cyclical and planned: Generally a basket rate for a particular type of job/archetype combination, for example a boiler replacement to a one bed dwelling and extending to all-inclusive basket rates for component replacements of kitchens, bathrooms, windows etc.

(c) The PPJ approach offers a number of benefits:

- Client and contractor share an objective to control cost.
- Reducing administration.
- Clearer spend predictability.
- Rates can be easily aligned to business plan affordable rates.
- Client resource can be more focussed on quality and customer experience as opposed to SoR application/variations.

(d) The PPJ approach can bring additional risks, including:

- For work types where volume is variable (e.g. responsive repairs) this model can create an incentive for the contractor to do more repairs.
- The contractor carries more risk under this model and will price this. Subsequently the approach needs careful design to ensure that risk allocation is appropriate.
- An underlying SoR is still usually required and usage still needs to be logged and managed.
- Where a value cap is in place orders close to it will require careful management. For the same reason inclusion/exclusion lists also require careful drafting and management.
- No visibility of underlying cost- only job price.

5.4.3 **Price per Property (PPP)**

(a) The PPP model is now commonly used in the sector for responsive repairs and domestic gas servicing and maintenance. Typically it will be governed by a defined list of included/excluded activities and a cap on the value of individual orders (referenced from an underlying SoR). All work within these parameters is included and charged at an average price per property. Whilst this model could be used under all Options, it is likely to be best suited to Option 2 as it reduces BHCC's pricing risk.

(b) The PPP approach offers a number of benefits:

- Usually carries the lowest level administration as invoicing can be done periodically by arrangement for a set period of service provision.

- Clear spend predictability.

- Rates can be easily compared to Business Plan estimated rates.

- Customer satisfaction can increase as there is less delay for client approval of variations.

- Client resource can be more focussed on quality as opposed to schedule of rates application/variations.

- Contractor has an incentive to control volume as well as cost.

(c) The PPP approach can bring additional risk:

- Contractor has an incentive to limit works costs/volume. This needs to be carefully managed to ensure that requirements are being met.

- Contractor carries more risk under this model and will price this. Subsequently the approach needs careful design.

- The tender documents need to be underpinned by good quality and detailed repairs history otherwise tenderers will price in additional risk.

- An underlying SoR is still usually required and usage still needs to be managed.

- Where a value cap is in place, orders close to the value cap will require careful management to ensure that any extra claims are appropriate.

- Poor drafting of the inclusion/exclusions list creates a risk of a large number of claims for work outside the agreed price.

- Visibility of work cost and content at the local level can be lost.

- No visibility of underlying cost- only job price.

5.4.4 **Open-book**

(a) The use of Open-book type arrangements have continued to increase in the sector. Whilst there are a number of variations they all, in summary, focus on identifying remunerable cost items and agreeing the margin that can be added to those costs. Pricing is then generally based on the actual cost plus the agreed margin. It is a model that would work under

Options 2,3 and 4 although is probably best suited to Options 3 and 4 in this case.

(b) Open-book agreements can include ‘pain and gain’ principles to provide an incentive to the contractor to manage costs. Typically, this would involve setting a target cost. This could be a PPP/PPJ or target labour, material or plant costs. The contractor would receive a bonus or penalty based on an agreed percentage of any difference between the target and actual cost.

(c) Note that the TAC-1 Term Alliance Contract (which is one of the standard form contracts discussed in Annex 3 of the Options Report) contains a definition of "Open-book", requiring that the Service Provider declares all the elements of its price and making its invoices and books of account available to the client for inspection.

(d) The Open-book approach offers a number of benefits:

- Reduces the risk premium that will be included in the fixed price models.
- Open-book methodology can provide visibility of cost that isn’t provided in the other models.
- Provides consistent margin across tasks reducing any incentive to complete the most profitable work types.
- Efficiency targets can easily be built in through target costs (where applicable).
- Client immediately benefits from changes/efficiencies.

(e) The Open-book approach can bring additional risk:

- Contractor can lose the incentive for efficient delivery if cost is reimbursable and margin is protected.
- Client carries more price variation risk (costs may go down or up).
- It can be hard to get reliable and detailed cost information.
- Additional skill and cost knowledge required in the client management team to interrogate and challenge.

5.5 **How would the Wholly Owned Subsidiary Model (Option 3) be affected by the pressure of shareholders?**

BHCC would be the sole shareholder in the WOS company. The commercial pressure on the labour-force in the WOS would come from the contractor partner managing the WOS, who is likely to seek to achieve a level of productivity and efficiency, in line with its tender.

5.6 **What is the impact of direct delivery in terms of saving on contractor profit margin?**

Typically a main contractor's declared profit margin is between 2-4% and we understand the current Mears contract runs at a 4%. However, this does not mean that direct delivery will directly result in savings of 4% as there will be other costs incurred by BHCC not incurred by an external contractor that will offset some of these savings. In setting up a DLO, BHCC would incur additional set-up costs (including IT, staff costs such as improved pension rights, potential higher purchasing costs) and BHCC may not have the same purchasing power as the contractor. A well-run DLO should also aim to make a return, and any profit would be returned to BHCC. .

For the WOS model, a similar level of profit would apply as for an outsourced model, albeit that the contractor is accepting a degree of risk in managing operatives it does not directly employ, and so a WOS contractor might seek a higher level of profit to balance this risk.

In a JV model, profit would be shared between the parties based on the contractual arrangements agreed in the JV governance documents. We anticipate that BHCC would be likely to be the major shareholder in a JV company, though the precise division of profit between the parties will be a matter of commercial negotiation, and consideration of the tax implications of the agreed structure.

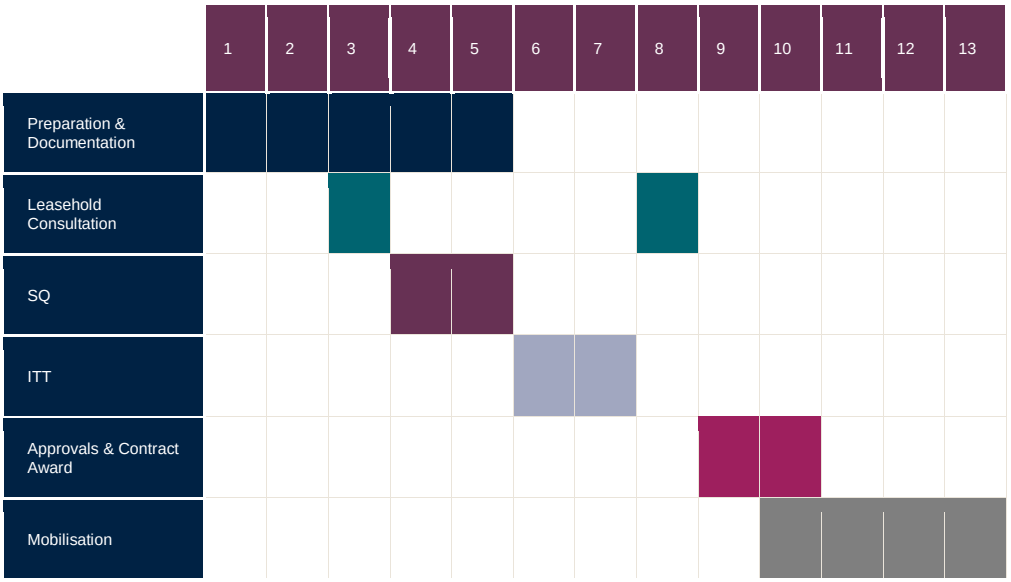
5.7 **What would be the timescales for each of these options?**

The timescales for each option vary and, as can be seen below, time is of the essence for each Option:

Outsourced Model (Option 2):

5.7.1 A typical Restricted Procedure procurement of the Outsourced Model (Option 2) would take 13 months as outlined below. It is possible to condense the timetable but care needs to be taken to ensure that the documentation accurately reflects requirements and that adequate mobilisation time is allowed. In this regard, the procurement work for this model would need to commence by March 2019. In advance of this, we recommend a detailed investment plan and procurement model is developed that establishes the tender packages and lots. Typically this can take up to 4 months assuming all requisite data is available.

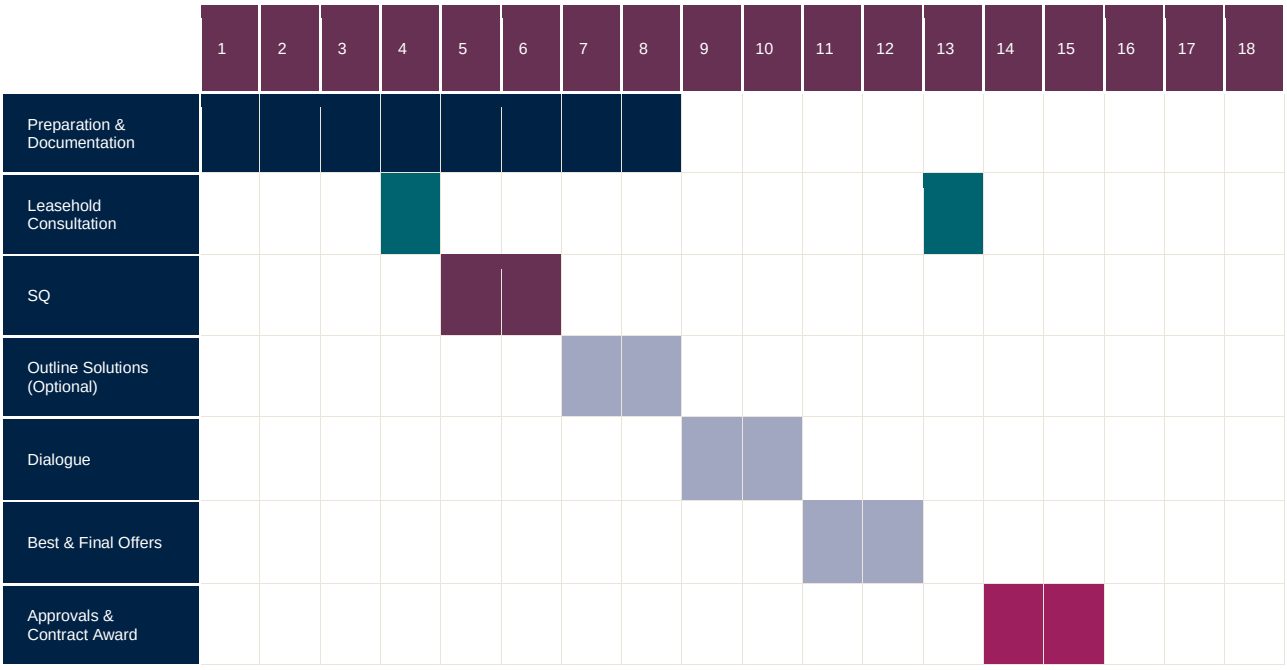
Month



Wholly-Owned Subsidiary Model (Option 3) and JV Model (Option 4):

5.7.2 The Wholly-Owned Subsidiary Model (Option 3) and JV Model (Option 4) are likely to require additional preparation time at the outset. It is likely that these models will be best suited to the Competitive Dialogue Procedure and subsequently additional time will be required in the procurement phase. These models would also benefit from development of investment plans prior to tendering similar to Option 2 above but the nature of the procurement process and the type of contract structure mean that this could be developed in parallel. A typical timetable of 18 months is set out below:

Month



DLO (Option 1)

5.7.3 The timetable for the establishment of a DLO (Option 1) is typically 18 months. We would envisage it taking 4 months to produce a detailed business case with mobilisation plan and presenting for consideration/approval. The business case would typically include for analysis of existing work scope and trends, identifying future work scope for the DLO, understanding of performance and productivity as well as resources, TUPE and HR issues, developing the financial model and cost benefit analysis, legal structure and tax, procurement of supply chain, mobilisation requirements, IT and fleet. If approved this would be followed by the mobilisation phase (typically 14-15 months) which would run alongside a supply chain procurement exercise (typically 13 months as detailed above). We recommend targeting completion of DLO mobilisation works (save for any TUPE transfer or subsequent recruitment) and any supply chain procurement 2 months prior to the end date of the existing contract in order to manage risk. In this regard, commencement of work on the outline business case ideally needs to start in August 2018. If additional time is likely to be required this needs to be added to the timeline.

5.7.4 If the DLO Option is to be considered then work on establishing the business case would need to start immediately in order to leave adequate time for DLO mobilisation and/or subsequent procurement work. We would recommend that work on implementing a DLO or Wholly-Owned Subsidiary or JV Model commence during October 2018 to allow effective mobilisation before current contract expiry. Any DLO business case would, therefore, need be considered and agreed during October 2018. Failure to do so could result in either a rushed procurement or mobilisation exercise which may increase service delivery risk. If a decision was delayed further there would be risk that a compliant procurement exercise could not be concluded before the expiry of the current contract.

5.8 **How do each of the Options deliver a level of competitiveness between contractors?**

5.8.1 It is possible to have a competitive element in all the models. The key issue is structuring the contract correctly at the outset, developing a long term investment plan that enables tenders to be invited against Lots and provides clarity on what contractors are tendering for. This will help to achieve the best possible initial tender prices, within a competitive environment, irrespective of the contract model.

5.8.2 The Outsourced model will deliver competitiveness through a number of options such as:

(a) Instead of using fixed term contracts similar to the current arrangement, a number of framework agreements can be set up for individual lots, covering a 4 year period, whereby a number of contractors who are subsequently instructed to deliver the works. The framework can be

incentivised with call-offs based on performance thus rewarding highest performance with more work opportunities. Alternatively, mini tendering between the framework contractors on an annual or biennial basis can also be undertaken, though this would have the effect of splintering service delivery between a number of contractors;

(b) Market testing of rates on a periodic basis;

(c) Best value comparisons between contractors working concurrently on a framework;

(d) Incentivising contractors by offering greater volumes of work to the best performing/lowest cost contractor working via a framework;

5.8.3 The WOS and JV models offer fewer options to deliver competitiveness. The WOS model and JVCo will both utilise the TUPE transferred workforce for the revenue work and therefore the labour element is essentially fixed. The options for maximising competitiveness are therefore limited to the material supply chain and sub-contractors, both of which could be periodically tendered. For capital works, there is a similar range of options as per the outsourced model above. Mears currently sub-contract all large scale capital work elements via individual tenders and the new delivery vehicle of a JV or Wholly-Owned Subsidiary would probably do the same, at least in the short term. Therefore future mini-tendering or market testing can easily be adopted.

5.8.4 The DLO model offers similar options to the Wholly-Owned Subsidiary although all procurement would need to comply with BHCC tendering requirements.

5.9 **How do each of the Options relate to the ability to have an increased level of local spend?**

5.9.1 Virtually all of Savills/Trowers & Hamlins' partnering contracts procured over the last 15 years have "social value" clauses placing obligations on contractors to maximise the opportunities for local residents, businesses, supply chain etc. While the Public Contracts Regulations 2015 prevent the use of evaluation or award criteria directly favouring the use of local labour, it is possible to create various operational arrangements and KPIs that are intended to encourage the use of local firms, the employment of local residents and creation of local economic benefits. Working in conjunction with BHCC's Economic Development Department (or similar), the tender exercise needs to identify what type of social value BHCC is aiming to achieve and require contractors to put forward their proposals to deliver this. This will apply to all models, however, to differentiate between them we have set out some considerations below:

(a) DLO Model (Option 1) - This offers the greatest opportunity to directly engage local staff and businesses, as long as the respective procurement rules are followed.

(b) Outsourced Model (Option 2)

i The social value requirements are best effected through a partnering type contract and need to be stipulated in the tender documents and

contractors' proposals and then subsequently evaluated. This sets the base case and thereafter it is incumbent on the client to drive the contract requirements through a performance management regime that makes social value a key requirement. In practice, most main contractors will look to utilise local supply chains where possible as they will be familiar with the city. Clearly, this will not be at any cost, as contractors will have tendered a rate for the work at tender stage and therefore will be kept to that by BHCC. If local supply chains become more expensive then it is unlikely that they will be engaged. The success of this type of arrangement is therefore often down to a level of 'marketing' by the client and contractor to engage local suppliers in the process and encourage them to work with the main contractors.

ii There is also the option to package the work in such a way that it fits the capacity of the local contracting market and thus encourages them to bid in the first place.

iii This model can also place obligations on the tenderers to employ local apprentices (as per current Mears contract) and make them responsible for ensuring their successful training etc but to achieve this requires longer term contracts and is nullified if an annual mini tender route is adopted as the contractors have no long term continuity of work.

(c) JV Model (Option 3) and Wholly-Owned Subsidiary Model (Option 4) – Similar to the DLO but with some commercial imperative to produce a return to the private sector partner but BHCC has a huge influence over how social value can be maximised.

5.10 **What would be the cost impact in terms of investment in a direct delivery service?**

The Options Report has some further detail on in this but, in summary, it is difficult to establish the likely investment in mobilising a DLO with great accuracy at this stage. In our experience, investment of between £1 million - 1.5 million is typical to effectively support the establishment of a medium size DLO. ICT investment is typically the largest cost item followed by external support (technical, procurement, legal, financial and marketing costs). Restructuring costs incurred following any transfer of staff from BHCC's incumbent contractor can also be a major cost item but is commonly the most variable. The extent to which existing infrastructure could be used will also have a bearing on the investment requirement.

5.11 **What would be the resourcing requirements of the options detailed?**

It is difficult to give an accurate picture on the level of resource without more detailed analysis and understanding. However we have provided some indication of the likely size of client teams based on stock size and current expenditure. This is based on the high level assumptions outlined below and should subsequently be treated with caution.

There is no set rule for the how the size of the client function is impacted by each of the delivery options outlined. It is common to see a reduced client function in organisations operating under the DLO model (Option 1) and, to a lesser extent, the JV model (Option 3). A number of organisations have widened the scope of outsourced delivery solutions to include some functions traditionally undertaken by client teams and this will impact on the

size of the team. The number of contractors employed will also have an impact. Where organisations contract directly with multiple smaller contractors there is often a requirement for increased client resource to manage the various contracts.

In our experience a strong client function is critical to the effective delivery of asset management programmes, regardless of the delivery model. With this in mind, we would caution against an assumption that any one delivery model can reduce the size of the client team without a clear understanding of structure, roles and responsibilities. Ultimately the strategy, planning, monitoring and assurance activities traditionally undertaken by client teams will need to sit somewhere within the structure. The risks associated with them being reduced, or undertaken within the delivery function, need to be clearly understood.

We note that the delivery solution will result in a varied impact on corporate services (HR, finance, IT, procurementand legal servcies provided through Obris). The outsourced solution (Option 2) typically has the smallest impact. That said a change in the approach to outsourcing may result in some ICT and HR impact if any of the functions delivered by the incumbent contractor are insourced. A brief summary of the key considerations in each area is below:

- HR- The impact is likely to be greatest in the DLO (Option 1) and Wholly-Owned Subsidiary models (Option 4). The impact in the JV model will be dependent on the split of roles and responsibilities but there will, at least, be a requirement for an effective oversight function by BHCC.

- Finance- The impact is likely to be greatest in the DLO model where there will be a requirement to operate some sort of trading account. Any of the options that require a separate company will create a requirement for that entity to be governed and administered.

- ICT- Again it is likely to be the DLO model that has the greatest impact as the client and contractor functions will need to be supported by effective ICT. In all of the other delivery models contractor infrastructure can, at least to some extent, be utilised.

- Procurement- Procurement support will be required to mobilise under all of the delivery options. Under the DLO option there will be a need to procure and manage a supply chain including subcontractors and material suppliers alongside operational infrastructure. Procurement of the Wholly-Owned Subsidiary or JV model is likely to follow the Competitive Dialogue route which may require more procurement support than the Open or Restricted routes.

- Legal- Legal support will be needed to procure and mobilise under any of the options. The outsourced option is likely to require the lowest amount of legal support. Where the set-up of either a company needs to be considered (Wholly Owned Subsidiary, JV, DLO) legal support around vires issues and company formation is likely to be required. The Wholly-Owned Subsidiary, DLO and JV models are likely to require additional legal input to support the transfer of employees.

5.11.1 Client Team (excluding Customer Contact Centre)

Based on £28m total expenditure and assuming client costs of 6-8% we believe client costs would be £1.68m to £2.24m. This would typically equate to 28 - 37 staff.

5.11.2 **Customer Contact Centre**

We would expect the Customer Contact Centre function to require 8-10 staff.

5.11.3 **DLO Model (Option 1)**

(a) We have considered the likely work that could be undertaken by directly employed teams. We have made an assumption that responsive repairs, voids works and internal planned maintenance (kitchens and bathrooms) are the work streams that would be likely to be delivered through directly employed staff. Each is considered further below:

(b) Responsive repairs: We have assumed that 10-15% of work by value would be specialist and subsequently that subcontractors would be required to support delivery. In addition a further 5-10% of work by value would be subcontracted to deal with peaks and troughs in work flow. For these reasons we have assumed that 75% to 85% of responsive work could be delivered by directly employed staff. We don't have an expenditure split between responsive repairs and voids (empty properties) so we have assumed 2/3rds of the combined £5.13m (direct costs) average annual expenditure is on responsive- £3.42m. Indicative DLO turnover is therefore forecast to be £2.57m to £2.91m.

(c) Void repairs: We have assumed that 10-20% of work by value would be specialist and subsequently that subcontractors would be required to support delivery. In addition a further 20-30% of work by value would be subcontracted to deal with peaks and troughs in work flow. For these reasons we have assumed that 50% to 70% of void work could be delivered by directly employed staff. We do not have an expenditure split between responsive and void so have assumed 1/3rd of the combined £5.13m average annual expenditure is on voids- £1.71m. Indicative DLO turnover is therefore forecast to be £855k to £1.20m.

(d) On the basis of the assumptions outlined above, we believe that a DLO could likely turnover between £3.42m and £4.11m of direct work on responsive and void per annum. Based on each tradesperson turning over an average of £75k per annum we believe that a reasonable initial estimate of the size of the direct team is between 46 and 55 employees.

(e) Kitchen and Bathrooms: We have not seen the future investment requirements in detail but have based the assumption on expenditure on kitchen and bathroom replacements over the past two financial years- £1.89m. We have assumed that 70 to 80% of this work could be delivered by a DLO. Indicative DLO turnover is therefore forecast to be £1.33m to £1.52m. Based on each tradesperson turning over an average of £90k per annum we believe that a reasonable initial estimate of the size of the direct team is a further 15 and 17 employees.

(f) So a total 60 to 72 as a high level estimate of the direct team if Kitchens and Bathroom are included.

(g) DLO Overheads: We have assumed that overheads would be 15-20% of total expenditure. Based on £8m of turnover through the DLO this is between £1.2m and £1.6m of overheads expenditure which would suggest 20-27 staff.

5.12 **Achieving Social value through the different options**

5.12.1 All of the options have the ability to secure considerable social value outcomes for BHCC (see above at 4.9 in respect of local spend).

5.12.2 In terms of the outsourcing Options (2, 3 and 4), the Public Contracts Regulations 2015 permit the attainment of social value as a key procurement objective and therefore it can be incorporated into any procurement process run by BHCC in a meaningful and compliant manner. In order to ensure that the outsourcing options produce the required social value outcomes, BHCC will need to set out in the tender documents what its community investment strategy comprises and what particular elements of that overall strategy it is seeking to achieve through the procurement of its repairs and works contract. Any award criteria must be clearly stated, along with the relative weightings and should be able to distinguish between the different quality of bids/responses received.

5.12.3 The social value requirements set by BHCC should be proportionate to the value of the contract and should be clearly specified in the tender documents, and that specification should also track across into the pricing document, so that BHCC can clearly see how much it will be paying for the attainment of the social value outcomes. Consideration will also need to be made to what social value outcomes it seeks to deliver in relation to works delivered to leaseholder properties, so that disputes do not arise as to whether such additional costs are "reasonable".

5.12.4 Finally, the achievement of the social value outcomes agreed should be written into the contract as binding obligations, with contract management procedures put in place to monitor and ensure that such outcomes are pursued and achieved. Remedies for non- or under-achievement of social value outcomes can also be included in the contract document.

5.13 **Flexibility in works delivered**

5.13.1 All of the Options discussed can be structured in order to anticipate and incorporate additional works and services required by an active asset management and investment programme. If the direct delivery (Option 1) is selected, this would entail either the employment of additional staff with the alternative skills required for delivering regeneration or development work, or appointing consultants/delivery partners on an arms-length basis to assist BHCC in delivering the programme.

5.13.2 The outsourcing options (2, 3 and 4) would all need to anticipate the additional services and works required by a regeneration/investment programme in the original OJEU Notice and procurement documents and effectively incorporate

them into the tender process. This would mean setting out a proposed specification and pricing model in the tender documents, along with any additional contract terms.

5.13.3 If BHCC is minded to include the potential for regeneration/investment works in the scope of the repairs works and services contract, it will need to ensure that a balanced message is presented to the market-place: eg that the delivery of the planned, major and responsive works and repairs remains the priority from day 1, but that the BHCC is looking at the potential advantages of utilising the contract for the additional works too.

5.14 **Additional leaseholder consultation requirements for a framework agreement.**

5.14.1 If BHCC advertises a framework agreement via an OJEU procurement process, it would be required to consult leaseholders pursuant to a Schedule 2 procedure under the Landlord & Tenant Act 1985, as amended by the Commonhold and Leasehold Reform Act 2002 and associated regulations (together, the **Service Charges Regulations**). The 1st stage consultation notice would need to be issued and the consultation period observed before the OJEU Notice was published. BHCC would then be required to undertake a further consultation under Schedule 3 of the Service Charges Regulations in respect of any "qualifying works" being carried out, where any tenant or leaseholder is being recharged more than £250 for those works. The Schedule 3 consultation is ordinarily carried out at the point that the call-off contract is entered into.

5.14.2 If BHCC advertises a stand-alone term contract, the process is the same as for framework agreements. BHCC would be required to undertake a consultation under Schedule 2 of the Service Charges Regulations before the OJEU Notice was published. In the event that the term contract covered "qualifying works", a Schedule 3 consultation would be required, normally at the point that the relevant order is issued pursuant to the term contract.

6 Disclaimer and contact details

6.1 This options appraisal Report has been prepared by Trowers & Hamlins LLP and Savills (UK) Limited for Brighton and Hove City Council (**BHCC**) for the purpose of considering procurement options for the delivery of BHCC's responsive repairs services, planned maintenance and improvement programmes and large capital projects. No liability is intended or should be inferred to any third parties or for any other purpose.

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Trowers & Hamlins LLP/Savills (UK) Limited
6th July 2018

Appendix 8

	Council/ Housing Association	Visited	Contract Type	Delivery	Previous delivery method	Stock Information
1	Slough Borough Council	Y	<u>Responsive Repairs, Capital Programmes and Projects:</u> Strategic Partnership (Joint venture) – covers ALL contracts (inc. M&E) and new builds. Stock is made up of mainly houses or low rise blocks so no 'major projects' on the scale we have in BHCC. Using SORs for first 2 years. Penalty payments written by bidder in tender process. Quick mobilisation, IT major risks during mobilisation. Full co-location – with integrated teams. Annual independent audit and satisfaction survey with partnership. Did not using 'lotting' in procurement – one contract for all services. Investment strategy is based on property 'value' – independent survey commissioned prior to procurement. Carried out full stock condition survey to look where properties fell under the 'Slough Standard' this informed the strategic direction of partnership and programme of works outside of responsive repairs. In addition to partnership there is a framework agreement that sits alongside the partnership (with other participating	**Joint Venture** with focus on social value 7 (+ 3) year term Framework other works - 4 years	15yr Partnering Contract	Approx. 6,203 tenanted Approx. 1,091 leasehold Mainly low rise/ houses

			councils). This can be used for specialist/ large scale works if required.			
2	Portsmouth District Council	Y	<u>Responsive Repairs:</u> Two outsourced contracts for repairs and empty properties (geographical split on and off island) SMEs awarded for both contracts Systems thinking approach – customer lead approach for appointments. Empty properties are viewed and tenancy agreed before works take place. No KPIs used – a suit of measures are monitored with no set targets. Annual audit planned as opposed to post inspections. Contracts exclude Gas, Legionella, Lifts and other M&E areas. <u>Surveying/ Quality Assurance:</u> In house surveying and technical teams. A team for responsive repairs and a team for capital projects and programmes (also internal resource asbestos surveys and fire risk officers). <u>Call centre:</u> Call centre directly employed by Portsmouth. Also operate from 7 area offices where tenants can book repairs face to face.	**Outsourced** 2 main service contracts on a geographical split for repairs Framework for capital spend and projects	10 year Open Book contracts on NEC terms and conditions	Approx. 15,000 tenanted Approx. 2,000 Leasehold 13 high rise blocks and 40 medium (6+) blocks

			<u>Planned works and major projects:</u> In house project team for developing programme for planned works. Works delivered through a framework. Framework used for showing value for money (VfM) and is performance led on last job completed by contractor. Framework value is 2/3 million. There are minimal works that fall outside of this - where they do an external consult plays advisory role for procuring. Systems thinking, tenant led approach to works so no set 'programmes' for kitchens and bathrooms. For example tenant will report need for new kitchen/ bathroom, this is surveyed by contractor and a sample checked by council (kitchens and bathrooms delivered through main service contracts). Windows and doors are programmed. Blocks are surveyed by in-house surveying team and rated poor, fair, good and surveyor applies to project team for budget and works. <u>ICT:</u> Own bespoke repairs system and in-house developer. Covers stock information, repairs and empty properties works. Interfaces with contractor systems not advanced. <u>Leaseholders:</u> Use a reserve fund system for Leaseholders and aim to do as much forward planning and prediction of costs for leaseholders as possible.			

3	Tower Hamlets Homes	Y	<u>Responsive Repairs:</u> Currently in year 8 of partnership arrangement until 2021. Penalty clauses for missed appointments and poor performance. Price Per Property model (PPP) Mix of PPP and SORs for works too large or not covered by PPP. Additional quotes can be required by client. PPP covers internal works to properties client led checking for works to reduce risks for incorrect recording. VfM on PPP needs to be measured again the capital investment to look for decease in responsive repairs jobs over time. However better quality homes and equipment can mean no reduction in responsive repairs works due to better care and quality of homes. Some elements are sub-contracted by contractor (e.g. some M&E works). Contract includes 500 property 'MOTs' per year (by contractor). <u>Surveying/ Quality Assurance:</u> Surveyors, inspectors, repairs officers, business analysist, business process officer and contract officers are directly employed by client and collocated with contractor staff. All technical specifications all designed by in-house teams. Programme approach includes a stock condition survey carried out in 2018/19, followed by in-house team of surveyors to check validity and result in 5yr programme for 'better neighbourhoods' delivered through framework. In house surveying team and procurement expert in project	**Outsourced** One partnering contract for Responsive Repairs, Empty Properties and Gas Contract term 5yr +1+1+1+1 Frameworks used for capital works Tower Hamlets is an ALMO		Approx. 12,000 tenanted Approx. 10,000 leaseholders 50 high rise

			team. <u>Call centre:</u> In-house prevision for call centre. Recharging applies to tenant for incorrect call-outs. One number used for all housing enquires. All internal works 9and low level external works) are diagnosed using PPP. Works outside of this are based on SORs Out of hours (OOH) call centre is contracted out due to cost implications. An online repair reporting option is also available for residents and creates a job in the system. <u>Capital works:</u> Tower Hamlets define capital spend by 'internal' and 'external' works. They are currently delivering 5 year decent homes programme. This is delivered using a framework of 3 contractors and consultant support for the client. For 'external' works using a wider approach to look at the neighbourhood as a whole 'better neighbourhoods' this approach will include external works to 38 blocks. This will be delivered using a framework for 5years holding annual mini competitions. KPIs used for performance monitoring on framework. Contractors incentivised to perform well to avoid 'demotion'. Performance assessed by 'last job'. Frameworks do not cover M&E works (seen as specialist) Following decent homes the 'internal' programme works will			

			also be delivered from a framework (separate to better neighbourhoods). This will be led by in-house project managers with consultant support when required, in-house surveyors and clerk of works. The in-house team will scope and lead on the internal works programme. This team will also lead on tenant liaison for this area. <u>Leaseholders:</u> 48% of stock leasehold. Leasehold residents involved in each block spec. Process begins with 'walk about' with in-house team and leaseholders before specification complete, then a meet the contractor event held for leaseholders, a website specific for each block for leaseholders to see documentation is set up and finally a defects 'walk about' post works takes place. Leaseholders and tenants involved in on-going monitoring of framework. SORs can only be applied on major projects if the client has not scoped item of work.			
4	The Royal Borough of Greenwich	Y	<u>Responsive repairs:</u> Directly delivered responsive repairs service (in-house). DLO can be difficult to keep productivity high with pay awards and performance issues. DLO delivers kitchens and bathroom programme. ICT infrastructure in place and tablet system used (but needs upgrading) for appointments (Northgate V6). Still use SORs to monitor DLO.	**Directly Delivered** DLO for responsive repairs DLO for kitchens and bathrooms	10 year Partnership Contract	Approx. 25,000 tenanted Approx. 4,000 leasehold

			Onsite workshop which can do joinery and glazing. ICT major risk area for DLO(have had to do bolt-ons to system). Tenants and Councillors in favour of in-house repairs provision. Officers also reported better risk management however some difference with corporate drivers and housing needs. <u>Call centre:</u> Council owned call centre- procured appointments system and composite codes for diagnosing used by call handlers. <u>Capital projects/ large programmes:</u> These works are mainly delivered through external contractors with some small works delivered through the DLO (kitchens and bathrooms). Other works (large scale and specialist) are delivered outside of DLO on a framework on a project by project basis. Greenwich are in the process of reviewing the best delivery method for these works. Focus will be on SMEs/ Mid-range contractors – to achieve social value. A 5yr capital programme (designed with support from consultants) has been developed for procurement. <u>Surveying/ Quality Assurance:</u> An in-house team of 8 repairs surveyors, capital works surveyors, empty property surveyors and specialist damp team of 8 ppl. Inspection sample rate 10%.	Major projects and some programmes outside of DLO on frameworks (under review)		

			Surveyors will decide if works to go out on framework if large number of SORs are required to make up job.			
5	Adur and Worthing Council	Y	<u>Responsive Repairs:</u> Directly delivered in house team. <u>Call centre:</u> In house during office hours. Out of hours (OHH) contracted out. Also online reporting option. <u>Capital works:</u> Capital Works through a separate team that covers housing and corporate capital works. There is also a separate contract for kitchen and bathroom replacements (also for Gas safety). <u>Surveying/ Quality Assurance:</u> In house surveying team.	**Direct Delivery** DLO for responsive repairs. Capital works dealt with through corporate arrangement.		Approx. 2600 tenants Approx. 500 leaseholders
6	Islington Council	Y	<u>Responsive Repairs:</u> Tight time scale of 11 month set up time for DLO (with contingency plan in place). Set up training centre, stores and apprenticeship scheme for DLO launch. Cost to set up DLO approx. 4 million (some government funding for help with apprenticeships and adding social value). Important to review data regularly – tend data and financials for DLO. Supply chain materials costs have increased. TPC contract for supply chain. Difficult to secure prices after 1 year. But can negotiate fix process. Islington have own on-site joinery.	**Direct Delivery** DLO for responsive repairs and kitchens and bathrooms 85% of works delivered in-house Multiple	10yr TPC (break clause at year 4) Joint venture 10 year (ended 2009)	Approx. 23,000 units Approx. 9,300 leasehold

			Independent survey has shown a significant increase in customer satisfaction moving to DLO. From 45% in 2009 – 90% currently. A project team of 4 managers supported to set up DLO. Cultural shift and early planning are essential for successful delivery of DLO. Incentives for operatives, cultural change, changes in behaviour and working conditions important to address. <u>Call centre:</u> Tenants have a series of options on telephone. The in house call centre operates Mon-Fri 8-8 and Saturday 8-12. And appointments can be made by schedulers direct to the tablet device of operative. 37 staff in call centre. OHH services to separate council call centre. <u>Surveying/ Quality Assurance:</u> In house team approx. 17. <u>Leaseholders:</u> Dedicated leasehold repairs officers. <u>Planned programmes and major projects:</u> Kitchens and bathrooms delivered in-house by DLO. Other programmes delivered either through 'tri-borough' arrangement.	arrangements for projects and specialist works		

			TPC contract also in place for programmes, this can be used for some projects and M&E works. Specialist projects tendered out in lots. Secondary contracts can be difficult to manage due to size of works and smaller contractors – can result in procuring lots of small subcontractor arrangements.			
7	Wealden District Council	Y	<u>Responsive repairs:</u> Partnering contracts (3+2 years) using Price Per Property (PPP) and Price Per Void (PPV) for responsive repairs and empty properties. Electrical works contracted locally using Price PER Ticket (PPT). In total 17 service contracts managed by a team of 4. Mainly SMEs delivering these works including gas, fire safety etc. <u>Call centre:</u> Contracted out for evenings and weekends. Tenants call one number and have 4 options depending on repair. Some are dealt with by directly by council others direct immediately to contractor. <u>Capital works:</u> Have had consultants to support programming but these were developed directly with contractors once contract in place. Kitchens and bathrooms small programme – national contractor Separate corporate 'buildings contact' for works up to 25k in addition to service contacts can be used if required.	**Outsourced** Multiple small local partnering contracts in place	Moved from a previously directly delivered service to outsourced contracts	Approx. 3,000 Tenanted properties Approx. 201 leaseholders (WDC also have Sheltered leaseholders)

8	Sheffield City Council	N	<u>Responsive repairs:</u> Sheffield let a 3 year contract to prepare the service for in-house delivery. Staff from main contractor TUPE'ed across to DLO. 3yr contact set with a longer term objective to be ready to insource service delivery of responsive repairs when a realistic and viable option. Preparation for insourcing in this time involved: • Localising staff to housing areas • Investing in technology for a better frontline service (tablets) • Delivering a cultural transformation programme • Expansion of handyperson service • Better joint working with contractor <u>Capital works/ programmes:</u> Sheffield acknowledges that not all services can be delivered through the DLO. These will be procured separately depending on type/ volume of works. For example works that are specialist or more financially viable in scale or scale.	**Direct Delivery** With 'interim' contract to prepare service for changes DLO for responsive repairs and empty properties With outsourced element for specialist works	10 year 'limited liability partnership' with 2004 – 2014 Interim service contract 2014 – 2017 (+2) – with longer term objective to insource delivery.	40,195 council owned stock
9	Preston City Council	N	The "Preston Model" is a term applied to how the council, its anchor institutions and other partners are implementing the principles of Community Wealth Building within Preston and the wider Lancashire area. Community wealth building offers an opportunity for local people to take back control, to ensure that the benefits of local growth are invested in their local areas, are used to support investment in productive economic activities and that people and their local institutions can work together on	N/A Preston city council have no housing stock	N/A	N/A

			an agenda of shared benefit. Following a stock transfer in November 2005, Preston City Council no longer has council housing to rent.			
10	Harlow District Council	N	Visiting September 2018 for case study			

Glossary:

*Partnering contract – an arrangement between two organisations that work together in the pursuit of common or mutually beneficial goals and objectives.

*PPP – Price Per Property ('average' rate applied annually for repair works carried out to properties in stock profile)

*PPV – Price Per Void ('average' rate applied annually for works carried out on empty properties in a stock profile)

*SOR – Schedule of Rates (national code system for pricing works)

* VfM – Value for money

*M&E – Mechanical and electrical works (e.g. gas servicing, legionella, lifts, call warden systems, aerials etc).

*DLO - Direct Labour Organisation

Brighton & Hove City Council

Creating an In-House Responsive Repairs and Empty Properties Service (IHS)

September 2018

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Creating an In-House Responsive Repairs and Empty Properties Service (IHS)

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1.0 INTRODUCTION

1.1 Savills was instructed by Brighton & Hove City Council (BHCC) to assist in the development of financial modelling and procurement strategy advice in respect of the future re-procurement of the repairs, maintenance and capital programmes.

1.2 The scope of services is in accordance with the BHCC Financial Modelling Specification and Savills proposal dated 26th July 2018 and the scope of this report focuses on the IHS option as summarised below:

What could an In-House Responsive Repairs and Empty Properties Service (IHS) look like in Brighton?

This requirement is to focus on the possible establishment of a IHS in Brighton to focus on delivering the repairs function (responsive repairs and empty property refurbishment). The work is to focus on time, cost and resource requirements and expand on the risks, opportunities and current gaps in the service to deliver a fully functioning in house contracting service.

1.3 This work builds upon the previous Options Report prepared jointly by Trowers & Hamlins / Savills dated 19th April 2018 together with the Supplemental Report dated 30th May 2018.

1.4 In preparing this report, we have had the opportunity to review information provided by BHCC as well as meeting BHCC finance, assets and procurement staff on Tuesday 14th August followed by an extensive series of meetings with Mears and other BHCC staff on Tuesday 21st August and numerous subsequent conference calls.

1.5 We have taken the information provided, both written and verbal, at face value and have stated within the report the various assumptions and caveats that apply.

1.6 Whilst this report has considered the information provided in some detail, it is not a substitute for the preparation of a fully costed IHS business plan and requires full development of an Operating Model for a IHS which would form the next phase in BHCC's journey towards establishing a new repairs and maintenance delivery platform. The costs identified in this report are for budget purposes only.

2.0 DATA AND ASSUMPTIONS

2.1 Responsive Repairs Volume

2.1.1 Table 1 below provides the headline responsive repair statistics delivered during the 2017/18 financial year. This is the most recent complete financial year.

2.1.2 Note: Analysis of figures provided by Mears indicates that the variance in value over the last 3 financial years is a decrease in value of less than 0.9%. Therefore, for the purposes of this exercise the figure of £3,304,234 (excluding Overheads, Profit, and Management Fee) has been assumed as a baseline for forecasting the potential repairs value for the IHS (excluding Overheads) if it commences operations in April 2020.

Table 1 – Key Responsive Repair statistics

Value of Responsive Repairs (excluding Overheads, Profit & Management Fee)	£3,304,234
Total number of Responsive Repairs in the year	39,199
Number (and percentage in brackets) of repairs issued as Emergencies	11,777 (30%)
Number (and percentage in brackets) of repairs issued as Routine Repairs for completion within 20 days	26,866 (69%)
Number (and percentage in brackets) of repairs issued as Complex Repairs	556 (1%)

2.2 Anticipated Productivity from a IHS Workforce

2.2.1 We have suggested Operative productivity in the region of 3.3 to 3.7 repairs per day. The repairs per Operative per day metric is impacted by a number of factors including the approach to first time completion and the extent to which more major repairs are included. We have suggested this range considering the level that we believe it is likely that Mears are currently achieving and our current knowledge of the type of work and focus on first time completion. Using existing repairs volume of circa 39,000 repairs per annum, with a target for the direct delivery of these amounting to 80% of all repairs we can determine the number of Operatives required to deliver the Responsive Repairs service in a IHS. We understand from Mears that they currently

subcontract 23% of the value of the Responsive Repairs, however, it is not possible to reconcile this to the number of repairs that this represents. For the purposes of this calculation we will assume that BHCC will invest greater time in the training and development of Operatives, along with Team briefings and other consultation, and potentially improved annual leave entitlement, and therefore the number of productive days is likely to reduce slightly. For the purposes of this evaluation, the number of productive days is set at 216. The table below shows the number of Operatives required:

Table 2 – Required productivity level for IHS to deliver Responsive Repairs service

Number of Repairs (assuming 80% direct delivery, 20% subcontracted)	Number of repairs per day	Number of days per Operative	Number of Operatives required
31,200	3.3	216	44
31,200	3.7	216	39

2.3 Empty Homes Service Delivery

2.3.1 The approach taken to setting a budget for the delivery of the Empty Homes service is fundamentally different to that for responsive repairs for the following reasons:

- Uninterrupted productivity is significantly higher due to the opportunity to work in single properties for days at a time.

- A target for Operative productivity is therefore used as a driver and benchmark for determining resource levels. Whilst this can vary significantly across the sector the productivity level selected for this analysis is in the range of £65k per Operative per annum to £75k per Operative per annum (nett of Overheads and Profit).

- The number of empty properties, and their condition, will vary considerably at points throughout the year. Therefore a higher proportion of works will be subcontracted to take account of specialist works, such as asbestos removal, rubbish removal, environmental cleans, external works, and to assist with peaks in demand in order to ensure average turnaround times are not unduly affected by volume of work.

2.3.2 An assumption has been made that 50% of the works will be delivered using directly employed Operatives. This is significantly higher than the volume of works directly delivered by Mears' Operatives, which is currently 16%, however, it is a realistic and achievable target.

2.3.3 Through the use of these metrics we are able to set a target figure for Operatives to be deployed on the Voids service as set out in the table below:

Table 3 – Number of Operatives estimated for delivery of Empty Homes service

Annual value of Voids	Value directly delivered (50%)	Value delivered per Operative per annum	Number of Operatives required
£1,801,394	£900,697	£65,000	14
£1,801,394	£900,697	£75,000	12

Note: The figure for Empty Homes expenditure mirrors the current arrangement with Mears that includes Seaside Homes and Temporary Accommodation within its scope.

2.4 Potential Impact of Operative Resource Restructuring

2.4.1 From the data provided and assessed there appears to be a resource requirement of between 51 and 58 directly employed Operatives. This represents a potential decrease over Mears' existing establishment of between 2 and 9 Operatives. It should be noted that there is some uncertainty over current resource levels- this is noted further later in this report. Further clarification is required.

2.4.2 An increase in the number of directly employed personnel does not imply that there will not be potential implications with TUPE transferring Operatives. Due to the reduced flexibility to utilise Operatives across a wider range of work streams it may be necessary to re-model the workforce to provide added flexibility. For example, there may be a need to increase the number of multi-skilled Operatives. Where this cannot be achieved through re-training TUPE transferring personnel, redundancies may be required.

2.4.3 Professional, Technical and Administrative staff transferring under TUPE may also not fit the new IHS model and staff numbers or roles may also need to be re-aligned, with the potential to generate redundancies.

3.0 BUDGET BUILD UP

3.1 Labour

3.1.1 Whilst it is acknowledged that TUPE will apply to any alternative service option chosen by BHCC at the end of the current contract arrangements it should be noted that TUPE information has not been made available to Savills during this evaluation. Therefore all figures relating to labour costs, salaries, or any other aspects of remuneration or employment benefits are estimates based on similar roles in the current market and may vary significantly from salaries or employment packages awarded to Mears' employees who may be subject to TUPE. Mears employ additional direct resource to deliver the concessionary gardening and decoration schemes and some capital works. These employees are not included in this analysis and it has been assumed that these staff will transfer to the provider that delivers these services beyond the current agreement.

3.1.2 BHCC may choose to align the employment terms and conditions of transferring staff with those of current BHCC employees. It is not possible to quantify the impact that this may have on the IHS financial model at this time.

3.1.3 The Labour Cost for delivering the Responsive Repairs and Empty Homes services is indicated in the table below:

Table 4 – Estimated Labour Cost

Number of Operatives	Average salary	Total cost
51	£36,875*	£1,881,000
58	£36,875*	£2,139,000

*Note: Salary comprises £29,500 basic salary plus 25% addition to cover NI and BHCC Pension contribution as advised by BHCC. These on costs are likely to be higher than those currently incurred by Mears.

3.2 Apprentices

3.2.1 We note that Mears currently employs 26 trade apprentices and 6 administrative apprentices across the Responsive Repairs and Empty Homes services. This poses significant challenges for a IHS to deliver this level of apprenticeships sustainably. Factors that must be considered when assessing the future of the apprenticeship scheme are:

- The impact on the productivity of Operatives as they endeavour to train, mentor, and ensure the safety, health, and welfare of apprentices in their care.

- It is notoriously difficult to fulfil the practical requirements of apprenticeships through responsive repairs and empty homes work due to a lack of variety of work, and the exclusion of specific tasks that must be completed by apprentices to satisfy the practical requirements. Currently, Mears overcomes this by seconding apprentices to other workstreams on the Planned and Major Works programmes to enable them to fulfil their practical requirements. This facility will not be available to BHCC.

3.2.2 Given the foregoing, we believe the best way for BHCC to continue with the apprentice programme will be by establishing a BHCC Training Agency to manage the process and supervise the training regime. The Agency would effectively employ the apprentices and deploy them not just across the IHS but to all the main contractors working on the capital programmes thus maximising opportunities for apprentices to receive the comprehensive level of training required to obtain qualifications. This will require that the capital works procurement process sets this out in detail so that it becomes a contractual obligation. The Agency would seek to bring in grant funding/levies etc to help defray cost and also monitor each individual's training.

3.2.3 We estimate the cost of managing the Agency (one senior and one admin person) could be circa £75 – £85,000pa and that the total cost of the Agency, including the 32 apprentices, would be in the region of £500,000 per year.

3.3 Subcontractor Costs

3.3.1 A robust supply chain is crucial to support any effective and efficient IHS model. It is needed to provide the specialist support that a IHS cannot reasonably be expected to directly employ; such as asbestos removal, the provision of specialist access equipment, environmental cleaning services and such like. A supply chain is also required to support a IHS with the management of peaks in demand, to ensure service provision is not adversely affected, and to provide the Client with risk mitigation should issues arise with the performance or capabilities of its IHS in the future. The supply chain is responsible for the provision of labour, materials, plant and preliminary costs within its charges to the IHS and therefore the costs identified within this section can be deemed to be inclusive of these.

3.3.2 Without the granular detail to facilitate an in-depth analysis of the potential spend on subcontractors the approach taken is to assume like-for-like work types, and average job values, but adjusted to take account of the fact that these subcontractors will be engaged through a new procurement exercise.

3.3.3 For Empty Homes the value and volume of subcontractor works will be reduced in order to optimise the benefits for the IHS. This means a reduction in subcontractor value from 74% to 50% (see Table 3 above).

3.3.4 The current supply chain was procured by Mears. In considering likely future costs care should be taken to appreciate the relationship that Mears has with supply chain members in terms of the volumes of work issued through multiple workstreams on the BHCC contract, through other contracts with Mears, and in terms of the length of commercial relationship they may have mutually benefitted from over a number of years.

3.3.5 The establishment of a IHS will break this chain and the procurement of a new supply chain will potentially increase costs. The reasoning underpinning this is:

- Volumes of work will be reduced.

- There is no opportunity for subcontractors to cross-sell across other workstreams such as planned or major works.

- There are no pre-existing commercial arrangements through which mutual trust would historically have been forged. The supply chain will assess its own appetite for risk, however, it is likely to generate cost increases.

- BHCC Financial Regulations and Standing Orders may require greater administrative resources for supply chain members with respect to becoming an approved supplier, and also to process works orders and invoices.

- Payment terms *may* be less favourable than existing suppliers enjoy through Mears.

3.3.6 Taking the foregoing into consideration a cost increase allowance of 15% has been made to anticipated subcontractor expenditure. The anticipated subcontractor expenditure is outlined in the table below:

Table 5 – Estimated Subcontractor Expenditure

Workstream	Percentage of work subcontracted	Adjusted subcontractor expenditure
Responsive Repairs	20%	£760,000
Empty Homes	50%	£1,040,000

3.3.7 In the assessment of subcontractor costs no allowance has been made for the potential impact of TUPE. It quite possible, given the current level of subcontractor spend on Empty Property refurbishments that TUPE may apply to some subcontractor personnel. If this turns out to be the case this may increase the level of direct labour employed on this workstream, or it may lead to additional costs due to redundancies that could arise.

3.4 Materials

3.4.1 As with subcontractor procurement, a new materials supply framework will need to be procured. When assessing the potential impact on material costs the following factors should be borne in mind:

- The materials supply framework will be a new procurement to BHCC and therefore subject to market conditions at the time of the procurement.
- The purchasing power of the IHS will be significantly less than that of Mears which has national agreements with suppliers and is therefore likely to be able to procure materials at a lower cost than the IHS.
- The volume of materials procured will be less than the volume that Mears procures over a broader range of workstreams and is therefore likely to be more expensive.

3.4.2 Taking the foregoing into account an increase in cost of 12% has been allowed for in estimated materials expenditure.

3.4.3 The estimated expenditure on materials for Responsive Repairs and Empty Homes is set out in the table below:

Table 6 – Estimated Materials Expenditure

Workstream	Estimated annual expenditure
Responsive Repairs	£860,000
Empty Homes	£565,000

3.5 Management Team and Preliminary Costs

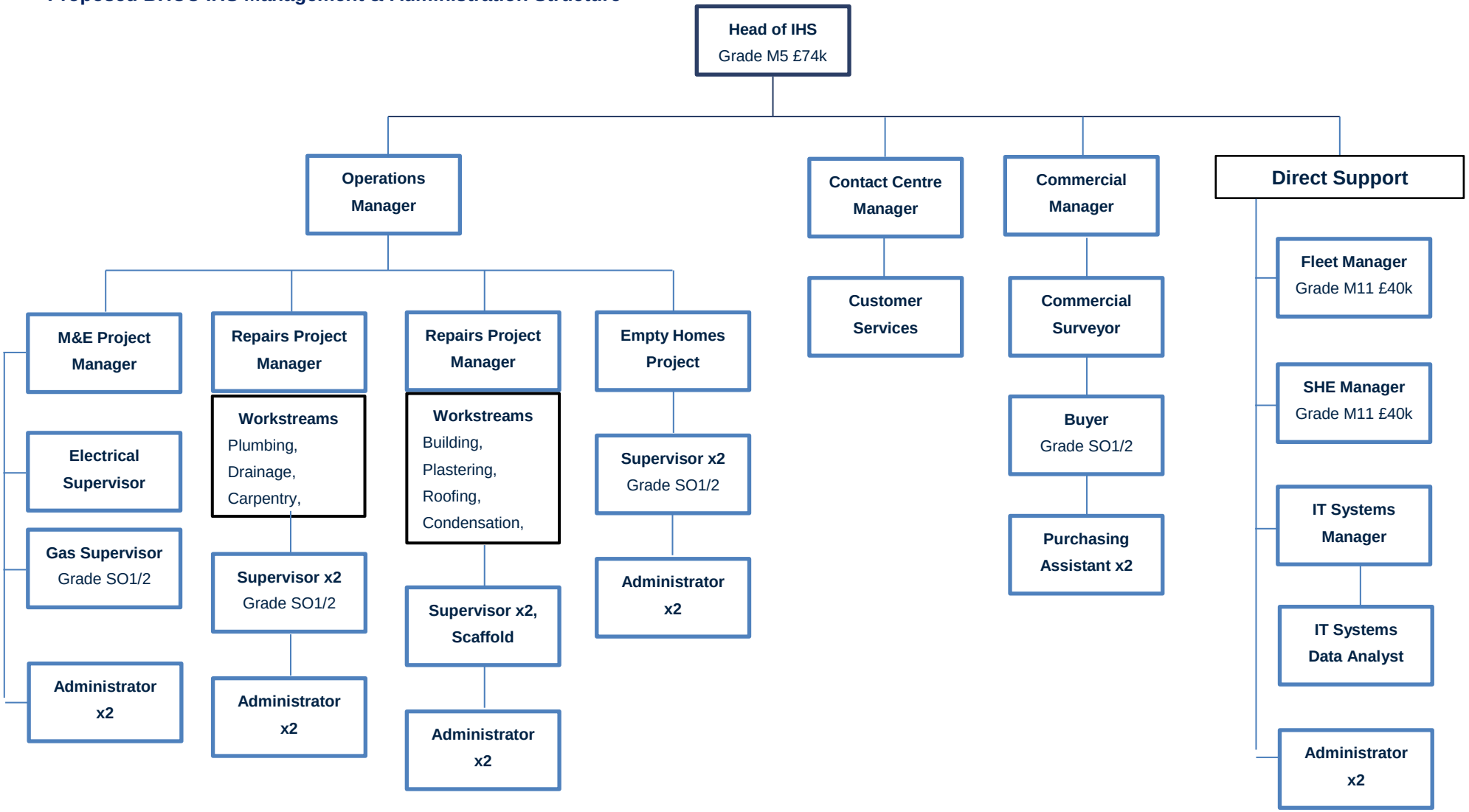
3.5.1 In creating the Management Team structure, and formulating a cost base for the Management Team, and associated Supervisory Preliminary costs the following has been taken into account:

- TUPE will apply and therefore the personnel currently undertaking supervision and management will transfer on Day 1 of the operation of the IHS. The structure therefore reflects a like-for-like transition.

- Mears staff salaries and benefits were not available at the time that this report was produced therefore, in order to benchmark against current BHCC salary grades, estimates have been made that align this structure with BHCC's salaries where like-for-like role comparisons present themselves. It should be noted that salary levels and benefits enjoyed by Mears personnel may vary significantly from this model.

3.5.2 The Structure Chart is set out on the following page. It should be noted that the supervisory staff are responsible for direct supervision and management of the tradesmen and are not a substitute for the BHCC Client side quality control resource. Typically we expect up to 10% post inspections of all repairs and these would be carried out by up to 2 staff contained within the Client structure. We understand these staff could TUPE transfer from Mears.

Proposed BHCC IHS Management & Administration Structure



3.5.3 The following table identifies salaries and numbers of posts within the Management and Administrative support structure:

Table 7 – Estimated Annual Management Salary Costs

Role	Number of Posts	Annual cost
Head of IHS	1	£74,000
Operations Manager	1	£55,000
Mechanical & Electrical Project Manager	1	£40,000
Repairs Project Manager	2	£80,000
Empty Homes Project Manager	1	£40,000
Contact Centre Manager	1	£40,000
Commercial Manager	1	£55,000
Fleet Manager	1	£40,000
Safety, Health & Environment Manager	1	£40,000
IT Systems Manager	1	£40,000
Electrical Supervisor	1	£33,000
Gas Supervisor	1	£33,000
Repairs Supervisors	6	£198,000
Scaffold Inspector	1	£33,000
Commercial Surveyor	1	£40,000
Buyer	1	£33,000
Administrators	10	£240,000
Customer Services Officers	8	£192,000
Purchasing Assistants	2	£48,000
IT Systems Data Analyst	1	£26,000
Total Staff Numbers	**43**	
Total Salary Cost		**£1,380,000**

3.6 Service Delivery Preliminary Costs

3.6.1 The service delivery Preliminary costs are those costs and overheads associated directly with service delivery and are not central office overheads. For the purposes of this evaluation we have taken depot and office premises at zero net cost to the IHS on the basis that the premises are currently shared with housing and no charge is made to Mears for their use. In this instance this zero cost also includes other property related charges including:

- Rates
- Electricity

- Gas
- Water
- Drainage
- Maintenance of the depot
- Insurance
- Use of canteen and refreshments

3.6.2 The table below identifies the headline costs of key Preliminary items on an annual basis:

Table 8 – Service Delivery Preliminary Costs

Preliminary item	IHS with 51 Operatives – Annual cost	IHS with 58 Operatives – Annual cost
Vehicle Lease charges	£270,000.00	£302,000.00
Vehicle Insurance	£36,000.00	£40,000.00
Fuel	£72,000.00	£80,000.00
Vehicle Repairs (not covered by Lease)	£15,000.00	£17,000.00
Vehicle Tracking	£9,000.00	£10,000.00
Plant purchase hire & repairs	£10,000.00	£10,000.00
Skip Hire & Waste Management	£60,000.00	£60,000.00
Tool purchase hire & repairs	£13,000.00	£15,000.00
Uniforms & Protective Clothing	£18,000.00	£20,000.00
NICIEC, Gas Safe – obtaining and retaining accreditation	£4,000.00	£4,000.00
Staff Training costs	£30,000.00	£34,000.00
Handheld PDAs and Tablet computers	£40,000.00	£44,000.00
Mobile Telephone rental charges	£22,000.00	£24,000.00
Professional Fees	£18,000.00	£18,000.00
Total annual Preliminary charge costs	**£617,000**	**£678,000**

3.7 Out-of-hours Service Cover

3.7.1 Currently the Out-of-hours repairs service is provided by Mears using one of their regional 24 hour Contact Centres. With the transition to a IHS this service provision will end. BHCC therefore has 2 options available to it:

- Set up its own out-of-hours contact centre, or;
- Engage an independent service provider to provide the out-of-hours contact centre service

3.7.2 Given the complexity involved in creating an in-house service to provide out-of-hours cover an allowance has been made within the budget for provision of this service by an external organisation.

3.7.3 The estimated cost of this service will be in the region of £20,000 based on up to 350 calls per month.

3.8 Acquisition of New Maintenance Management Software

3.8.1 It is noted that BHCC will go 'live' with a new Housing Management IT system in April 2020. In order to operate successfully from April 2020 a new IHS will require a new IT system. Mears utilises its own MCM system which is not commercially available to other organisations therefore continuity in the use of this system is unlikely to be an option.

3.8.2 BHCC will therefore need to procure its own software system, and associated hardware, to enable it to operate. There are a number of key considerations which will impact upon decisions to be taken, and the implementation of a new system. Principal amongst these will be:

- Any new system will have to operate as a standalone system. There will be no integration with the Housing Management system from Day 1. This does not have any immediate implications for the IHS because it will be able to raise, manage, and complete repairs using its new system, and through the dedicated Contact Centre whose staff will TUPE transfer from Mears. However, it may have implications for BHCC's Finance Team in terms of accessing and processing data for payments. It may also have implications for BHCC's central IT Team in terms of being able to support the system.

- A separate procurement of the new IT system will be required. BHCC's IT Team will be focused on the implementation of the new Housing Management system therefore a third party Project Manager will have to be engaged to manage the implementation of the new Maintenance Management system.

- Without Mears support to allow transferring staff to receive training prior to the end of the existing contract arrangements it will not be possible to go 'live' with the new maintenance system from Day 1, unless additional resources are engaged and trained to use the new system prior to the IHS commencing operations. This succession management workforce will provide cover whilst transferring personnel receive training. It will lead to increased costs in the first month of operation until all personnel are using the new system correctly, and the inevitable teething problems have been resolved.

- Consideration will need to be given to the plan to integrate the new Maintenance Management system with the new Housing Management system.

3.8.3 Additionally, within the IT procurement an allowance must be made for the acquisition of new Contact Centre hardware including a call handling system and telephony hardware. A budget estimate has been made within the project-specific IT costs but again this reflects basic stand-alone functionality.

3.8.4 The table below outlines estimated budget costs associated with the procurement and implementation of a new Maintenance Management IT system, and annual license and maintenance costs (based on a recent similar procurement exercise):

Table 9 – Project Specific IT System Costs

Project element	Procurement cost	Annual cost
Procurement of bids	£25,000	
Implementation Project Manager for 12 months	£120,000	
Implementation cost of new system	£75,000	
New IT system hardware	£66,000	
Integration with new Housing Management system	£30,000	
Annual licences and support costs (PDA and Tablet costs are accounted for within Preliminary costs – see Table 8)		£40,000
Telephony hardware and CRM software		£14,000
Total IT implementation costs	**£316,000**	**£54,000**

3.8.5 The costs in Tables 7 and 9 above assume that the Council will establish a standalone contact centre managed by the staff transferring from Mears. However, we understand that the BHCC Contact Centre together with the new housing management ICT system could potentially offer a combined solution. If the system contains a repairs diagnostic facility and is staffed by experienced repairs calls handlers then there would be a potential annual saving against staff costs in table 7 and telephony costs in table 9 that could be circa £246,000, ignoring any up-front TUPE implications.

3.9 Central Office Overhead Contributions

3.9.1 It is understood that the creation of a IHS will require a contribution to BHCC's central office overheads. We understand that the cost centres from which a charge to the IHS will arise are:

- Property
- ICT

- Finance
- HR
- Legal
- Corporate & Democratic Services
- Communications

3.9.2 The decision as to what level of charge might be applied to the IHS is a decision solely for BHCC. It is our understanding that the total charge for these services is approximately £1.9m. It might make sense to apportion these costs on the basis of headcount within the IHS as a proportion of the headcount of all of the departments to which these charges apply. Without an understanding of how this might breakdown, for the purposes of producing a budget an agreed assumption with BHCC has been made that the IHS's equivalent contribution would be in the region of 20% of these costs. This would equate to approximately £380,000pa.

4.0 IHS BUDGET ESTIMATE

4.1 In pulling together this budget estimate a wide range of assumptions have been made, and data upon which particular key assessments of cost have been made lack granularity and clarity to ensure that they are accurate. All sums indicated must therefore be considered provisional only.

4.2 In addition to the costs referenced above we have added provisional expenditure for external support. This includes the procurement of the new supply chain, specialist advice (tax, legal, HR) associated with establishing the IHS, and consultancy support to assist in the mobilisation.

4.3 We have added a contingency of c.5% on the initial investment costs and 3% on the annual operating costs.

4.4 We have also included a provisional sum to highlight the risks associated with the TUPE exercise/recruitment. This should be treated with caution at this stage as it is impossible to predict with accuracy without further information. In addition there is some uncertainty and conflicting information around the number of trades operatives employed on the contract with some data indicating that the contract is currently over-resourced. This is covered further in the risk section below.

4.5 The table below identifies the key cost contributors in the formation of a IHS, and estimates for the cost of running the IHS to provide Responsive Repairs and Empty Homes works only, based on today's costs:

Key element of cost	Source within document	One-off or Year 1 cost only	Annual cost (51 Operative IHS)	Annual cost (58 Operative IHS)
Labour	Table 4		£1,881,000	£2,139,000
Sub-contractor costs	Table 5		£1,800,000	£1,800,000
Materials	Table 6		£1,425,000	£1,425,000
Salary and Management Preliminary costs	Table 7		£1,380,000	£1,380,000
Service delivery Preliminary costs	Table 8		£617,000	£678,000
Out-of-hours Contact Centre provision	Section 2.7		£20,000	£20,000
Project specific IT costs	Table 9	£316,000	£54,000	£54,000
Central Office Overhead contribution	Section 2.9		£380,000	£380,000
Procurement and Legal Fees		£100,000		
Consultancy support to assist in mobilising and implementing new service		£150,000		
Contingency		£30,000	£227,000	£236,000
Potential TUPE Risk allowance		£200,000		
Total		**£796,000**	**£7,784,000**	**£8,112,000**
Adjusted Total excluding call centre	Para 3.8.5		£7,538,000	£7,866,000
Apprentice Programme	Para 3.2.3		£500,000	£500,000

4.6 We have also calculated an equivalent annual budget should BHCC outsource the repairs and empty property service under a single tender and estimate that at current costs this would likely be between £7.1 – 7.35m. This estimate is based on assumptions around average annual job and void numbers, average job costs and turnover void specification excluding any capital work.

5.0 RISK AND OPPORTUNITY

5.1 Establishing a IHS in Brighton offers a number of opportunities but also carries a fair degree of risk. We have summarised these below starting with the current key risks relating to the establishment of a IHS, allocated against either up-front mobilisation risks or longer term operational risks as follows:

5.2 Mobilisation Risks

5.2.1 **Skills -** BHCC will need to build the skills necessary to effectively run the IHS. Whilst we have assumed that these are transferred from Mears via TUPE this may not be the case. Indeed it is possible that the best staff do not transfer and this could result in a need to recruit the necessary skills. There will need to be a contingency plan in the event that this risk materialises. Whilst the contingent sums in the above budget may cover the cost of recruiting the skills consideration will also need to be give as to how this would be achieved in a timely manner.

5.2.2 **TUPE –** There is uncertainty and some conflicting information as to the level of resource employed on the current contract. This creates a risk that additional staff may transfer and restructuring would be required to achieve the levels of productivity outlined above. This will carry additional cost and the provisional sum outlined above may not cover this.

5.2.3 **Terms and Conditions-** We have no information on current terms and conditions including salaries or benefits. In addition, a decision on the benefits BHCC would offer incoming staff has not yet been made. Pensions benefits and sick pay in particular are likely to vary considerably from those currently received by Mears staff. This creates a risk of incurring additional cost not captured in the budget or covered by contingent or provisional sums. If staff do not transfer and recruitment is required BHCC will need to ensure that remuneration is sufficient to attract the appropriate calibre of staff. Whilst roles have been provisionally aligned to salary bands, market salaries may vary from this and this may have a cost impact.

5.2.4 **Specialist advice -** There are considerable legal, HR, tax and accounting considerations as highlighted in earlier reports. It is essential that appropriate advice is taken to ensure that arrangements are appropriately structured. We have included a provisional sum based on a typical set up but would highlight the risk of additional expenditure if there are particular complexities.

5.2.5 **Timing**- Whilst April 2020 may seem some way off some of the effective mobilisation of a IHS typical takes 15-18 months. A contingency plan is need to manage the risk of not mobilising in time for the end of the Mears contract. We have included for the cost of a specialist external resource to help mitigate this risk. This is probably the greatest risk in terms of service delivery.

5.2.6 **ICT-** BHCC currently has no ICT functionality to support operating a IHS or the associated contact centre function. The budget outlined above makes assumptions around the type of ICT that would be required and assumes a basic stand-alone system. The timing also represents a considerable risk given the timing of the implementation of the new Housing Management System (also go live April 2020) and the lack of ICT resource available. Whilst we have suggested some mitigation in the form of an external resource this risk needs further consideration including where this sits against other ICT priorities.

5.3 Operational Risks

5.3.1 **Cost variance –** The current agreement insulates BHCC from certain cost increases as the prices are linked to CPI. Under the IHS model there would be greater exposure to labour cost inflation and, subject to the terms of supply chain relationships, subcontractor and material cost inflation.

5.3.2 **Productivity -** It will be incumbent on BHCC to manage productivity in the IHS and this may be impacted by management skill/systems and/or terms and conditions.

5.3.3 **Supply Chain –** As highlighted above it is unlikely that BHCC would be able to extract similar value from the supply chain to Mears. Whilst an allowance has been made for an increase in supply chain costs, the supply chain will need to be carefully procured and managed to get value for money. Any procurement must be structured to comply with the appropriate regulations.

5.3.4 **Leasehold**- Compliance with the appropriate regulations to ensure that BHCC meets its obligations and can recover cost.

5.3.5 **Service -** Any change in service provider creates a risk to service delivery through the demobilisation and mobilisation phases. Anecdotally there appears to be a feeling that Mears are doing a good job on the delivery of R&M works and customers are generally satisfied. Maintaining the service level presents a risk**.**

5.4 Opportunities

5.4.1 There are a lot of opportunities and benefits that can flow from having a local IHS and we have summarised the key opportunities as follows:

5.4.2 **Service/Culture -** Having directly employed staff who feel part of the organisation can offer service benefits. The operatives are the front line 'face' of the Council and can greatly reflect the image the Council wishes to present if well managed. Typically, the often given impression is that tenants feel they can trust the Council more than external contractors.

5.4.3 **Productivity -** Whilst there is risk around productivity there is also opportunity. Although the productivity levels outlined are reasonable at this stage there may be opportunity for improvement. Whilst this may unlikely in the period immediately following mobilisation, we do see well run and forward thinking IHSs realise additional efficiencies over time. This would have considerable benefits in respect of lower average job costs and importantly, increased customer satisfaction as jobs are completed more quickly.

5.4.4 **Management Cost –** There may be some scope to consider the level of management costs and supervision ratios. Whilst changes here would not be advised immediately there may be future opportunity assuming risk and quality can be appropriately managed.

5.4.5 **Expansion** – Only responsive repairs and empty homes work has currently been considered. There is, subject to a robust business case, potential to expand to other areas. This may leverage fixed overheads. Subject to their ability to match private sector costs, we typically see IHS's moving into small capital work programmes, especially kitchen and bathroom replacements which are a natural extension of work to empty properties.

5.4.6 **Contractor Default Insolvency-** The risks associated with contractor default/insolvency are reduced.

5.4.7 **Costs** – if well managed, the IHS will have greater control and full transparency of all costs which will enable proper cost reporting and management decision taking if costs of some service areas vary from budget.

5.4.8 **Profit** – although a IHS should be structured to make a return to the Council, the level of return is entirely at the Councils discretion compared to an external contract which will always have the tendered profit margin and overhead contribution.

5.4.9 **Flexibility –** A IHS model can be adapted and flexed to suit the needs of BHCC as they change and develop. This is less easy to achieve through a traditional contractual model because of the key financial risks it carries, and additional charges that may be levied by a contractor against the Council.

5.4.10 **Improved Long Term Employment for Local People** – Because a IHS is not time limited in the same way as a contract it provides BHCC with the opportunity to offer long term employment stability to local people. Whereas TUPE is likely to apply to a new service provider when

contracts come to an end, the experience is both unsettling to TUPE transferring employees, and can lead to worsening conditions of employment in the long term.

5.4.11 **Sub Contractors** – BHCC will have clear oversight and hence greater control of the sub-contractors engaged by the IHS to deliver any additional/specialist services.

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

Tenants workshop 1 – 25th July 2018

What should we stop doing?

1. Repeat trips - Job not done the first time, communication to operatives about job description
2. Using complicated words and acronyms - speak clearly
3. Being late and inform residents
4. Report of repairs only by telephone
5. Thinking everything is ok without checking
6. Relying on contractor checks
7. Relying on sub-contractors
8. Fobbing us off, saying one thing and not doing it or doing another
9. Being late or not turning up
10. Turning up and then disappearing
11. Lack of communication
12. Being disorganised, e.g without the right materials
13. Time wasting
14. Frustrating tenants
15. Us chasing up, wasting time
16. Telling us it's in the tenancy – there could be disabilities
17. Being inconsiderate about parking (drop down kerbs)

What would it be great to start doing?

1. Property MOT's
2. Communication and training – clear procedures so limitations are clear
3. Respect residents to create a home not just a property
4. A visible presence, e.g. estate wardens
5. Area based operatives and offices to do smaller repairs, e.g. Whitehawk pilot
6. Ability to do repairs when needed, i.e. attend to one job, see another, so do it
7. Need more staff on both sides
8. More apprenticeships and local staff
9. Local handyman
10. Increase "ownership" of repairs enquiries etc. by staff – increases local knowledge and improve relationships between residents and staff
11. More awareness of disabilities and how to support residents

12. More attendance at resident meetings to report back, take ownership, follow up issues and listen to residents' concerns, etc. e.g. resident involvement officers, contractor staff, BHCC staff
13. Increased direct communication between residents and company
14. Dedicated person to contact
15. To every issue there is a perceived solution
16. Trying to create storage space in homes, especially houses, e.g. removal of immersion heaters/airing cupboards/pantries
17. Tenants to pay for own qualified electricians/plumbers – need more support to do this for personalisation of home
18. Relocating gas/electric meters
19. When BHCC remove an item, e.g. a gas fire, then remove the 'whole', not just the fire but redundant pipes too
20. Forms of communication to tenants check understanding of message, e.g. reading out letters and operative checks tenant is aware of what's happening.

What is good about what we do?

1. Call centre - One contact number (improve ways to communicate, contact points to report repairs)
2. ID cards, branding, visible uniform, vans
3. Empty properties- condition when let is better than old contract. Any issues resolved quickly
4. EDB – [contractor] workers courteous, other operatives from sub-contractors not always so polite and respectful
5. If it's possible to be done, they will do it. If you need help, they will try and help.
6. Once you get contact with correct person, things progress. Can be difficult to navigate.
7. Planned work – if see a common theme, will consider creating a programme of work rather repeat repair
8. Estate inspections used to be good and regular but don't always pick up on relevant issues.
9. New kitchens and bathrooms – (took a long time), kitchen fit was good. Individual specifications need addressing
10. Photo Voltaic cells great, but how does roof etc. cope longer term – more solar panels available
11. EDB – helps the whole estate, effects everyone and promotes positive interactions between tenants "cheers us up"

12. Responsive repairs are carried out, but not always planned works, e.g. showers in seniors housing
13. If repair is reported correctly, then process works – if tenant doesn't know or can't report repair then issues happen
14. Repair operatives seem to know what's needed. Forethought there with some workers.

What should we do more of?

1. Identify and stop perverse incentives and moral hazards
   - i.e with systems
   - do more to challenge how we work
   - rewards and incentives
   - more awareness of risks , advantages to contractors
2. More training for operatives and all staff in communication
3. More honesty, less excuses
4. More challenges for poor customer service
5. More accountability for the customer and organisation
6. More honest communication when appointments will be missed or an emergency occurs
7. More understanding around needs to change appointments
8. People's lives and flexibility around appointments
9. Local accountability for operatives and contractor
10. More local operatives
11. Apprentices
12. More 'truths' as to why appointments are missed, 'phantom calls'
13. More appointments outside of office hours – don't presume that people are in mon-fri 9-5
14. More opportunity to have repairs out of hours
15. More services available for responsive repairs out of hours
16. More localised service – teams small enough to take ownership of patch
17. Routine repairs delivered in evenings
18. More local teams delivering services with local knowledge
19. More flexibility in appointments
20. More transparency on costs for all residents – see where the rent goes

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

Tenants workshop 2 - 1st August 2018

What should we stop doing?

1. Relying on contractor to manage first part of empty property process (incoming tenants)
2. Sending out people to 'pre-inspect' small repairs
3. Wasting money on new turf in Summer on new build
4. Wasting money on sub-contractors work, without same guidelines as main contractor
5. Code of Conduct not being bought into by sub-contractors
6. Leaving grass cuttings as can end up blocking gutter
7. Neglecting the neighbourhood and community
8. More transparency about amount of money which goes on sub-contractors

What would it be great to start doing?

1. Let housing go into any empty properties to retrieve any usable items
2. Call centre respecting what residents are telling them about a needed repair
3. Look at new kitchen and bathroom rules within B & H standard
4. More post-inspections of work by (someone) independent to the contractor
5. Put a time limit on when planned/cyclical maintenance takes place, e.g no. of years into the future
6. Clearer about when work is planned
7. Preventative maintenance, e.g gutter clearance, soakaways, drains
8. When dealing with damp consider a whole building & lifestyle options
9. Grounds maintenance in smaller blocks to be appropriate for the site. Service charges to reflect level of service received, value for money
10. In-house delivery
11. TUPE'd BHCC staff to contractor, but now employed additional people
12. More in-house delivery would reduce risk of fraud, wasteage etc.
13. Research current and historical in-house delivery, relating to cyclical maintenance and responsive repairs
14. Skill base of contractors, engineers etc.
15. Local employment, apprentices all good

What is good about what we do?

1. New bathrooms for disabled people – the workmanship is good.

2. Call waiting times are better now
3. Operatives are good – e.g. in manner despite having bad information about the job
4. Uniform and I.D cards, so can check who they are
5. [Contractor] at start of contract
6. Responsive repairs
7. Once on site – empty property cycle is good
8. Text ahead service
9. Repairs desk – first questions asked to assess severity of repairs (scheduling)
10. Good service, quick, personable
11. Guidelines for Code of Conduct for [contractor]
12. Operatives polite and respectful ([contractors])
13. Operatives have I.D ([contractor])
14. Leasehold offers for servicing, repairs and maintenance (gas)
15. Apprentices
16. Employing local people

What should we do more of?

1. Estates to 'advertise' and make clear what minor repairs they do
2. Coming back to Brighton and Hove Decent Homes standard for repairs, kitchen and bathrooms
3. Driving value for money
4. Maintenance? Ensure sub-contractors have same standards and quality of delivery. Code of Conduct
5. More communication around planned works/maintenance
6. More publicity for cyclical works which are planned
7. Continue with 'Resident Inspectors'
8. Repairs rather than replacement (preventative maintenance)
9. More rigorous diagnosis of 'repair' issue (damp/lifestyle impact on issue)
10. More empathy with tenants
11. More energy efficiency
12. Spend more money (wisely)
13. More value for money for service charges
14. Voluntary contribution of service charge e.g. "I'd rather pay more for grass cutting than communal aerial as I don't use a communal aerial"
15. Make gas safety checks for leaseholders compulsory?

16. Take service in-house?
17. More client surveying (tenant and leaseholder)
18. More statistical analysis

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

Leaseholders workshop 1 – 25th July 2018

What should we stop doing?

1. Wasting money, e.g. repeated visits for one job
2. Overcharging on works of all types
3. Needs better pricing and value for money – e.g Albion Hill balconies and lifts
4. Stop absence of the truth
5. Stop being opaque
6. Stop spinning and talking things up
7. Inefficiencies
8. Being blind to contractors shortcomings
9. Neglecting proper feedback to residents
10. "Blah and blather" i.e. corporate speak/jargon/ unnecessary– saying something (lots) but really saying nothing, e.g. what are the outcomes of the complaints
11. Being or having a "black hole"
12. Allowing quality to deteriorate after initial period
13. Calling for feedback **only** on jobs that have **not** been complained about – i.e. manipulation
14. Contractor doing their own satisfaction survey
15. Having one contract that incorporates all types of works - so e.g. major projects should always be tendered independent of responsive repairs contract
16. Stop using Community Payback team for internal decorations, e.g. poor job at Albion Hill. Probably better used for non-skilled work.
17. Short-term thinking and inappropriate non future-proofed design considerations (e.g. wrong/corrosive hinges on Essex Place balcony enclosure windows – near the seafront. Problems with telecom mast at Ellen not followed through to save some delays at Livingstone and Conway. Not learning from lessons.
18. Ignoring guarantee/warranty periods (e.g. Somerset Point external staining, although this might not be a warranty issue).
19. Poor specifications
20. Staff under resourcing and/or wrong skills
21. Over specifying jobs/works
22. Downgrading correct specifications just to save money in the shorter term (e.g quality of ironmongery at Clarendon windows)
23. Spec needs to be better and done by housing not a contractor
24. Relying on people with the wrong motivation, e.g. profit
25. Thinking only within one/a/someone's box. Think wider impacts/implications

26. For major works stop assuming that each block in a programme requires the same works, e.g some concrete repairs at Livingstone might not have been needed as it has a different construction to the other (3/4) blocks (see Sandberg report)
27. One size fits all thinking
28. [Doing things to avoid criticism] and over specifying on Health and Safety, (how dangerous is a doormat?)
29. Stop "trench mentality" – "it's all too much so you put your hands over heads and hide"
30. Stop being negative of cyclical maintenance, e.g gutters, doors, window ironmongery
31. Stop erosion of proper estate management skills in favour of more social work type skills, e.g needs a works department skilled to look after buildings too
32. Stop the "industrial landscape" in the communal areas – however, also acknowledged that the health and safety implications of cluttered communal areas is very important
33. Stop using [consultant]; need more independent and local surveyors
34. Stop paying a contractor – 18% profit when they simply sub-contract, e.g. hire a scaffolder

What would it be great to start doing?

1. Listen more to what residents want – the people who live in the building
2. At the very inception of the project engage with tenants and leaseholders
3. Better involvement earlier in the process. This will improve confidence that the work is required.
4. Inform tenants what the project cost is and how this effects leaseholders – they need to value where they live
5. Greater competition with works/contractors. Framework of several contractors to choose from – in-house short term tie-in
6. BHCC should be better resourced to <u>manage</u> the new contracts/projects better, quality assurance and quality control.
7. BHCC must specify each product design for installation, e.g kitchens, fire doors.
8. Surveyors should be <u>local</u> firms either in-house for BHCC or external but local as local companies would have an interest in Brighton and Hove.
9. Maintenance supervisors
10. Better and more regular maintenance of assets in order to extend the life of the buildings
11. BHCC should spend smaller amounts of money in making the buildings lok nice, e.g unpleasant entrances areas to blocks (looks too industrial)

12. Buy in scaffolding. This is a large cost to leaseholders
13. Clearer and better programmes of planned or major work projects to be transparent, and put these on website. Publish this and any changes made clear.
14. Better communication in streams of work where scaffold is required
15. Scaffold register
16. List of outstanding works to a block so that different teams (projects) can tap into that and co-ordinate works
17. I.T system – critical
18. Clearer recordings of what work has been completed for service charges. Again I.T system – joined up
19. Warranty management – BHCC
20. Pool of surveyors/clerk of works to use when required
21. Asset management – out on the ground doing reports of conditions of buildings

What's good about what we do?

1. Quick call answering of call centre (better to have [gas contractor] with own call centre or getting full response)
2. Do more local operatives and sub-contractors*
3. Improved diagnosis (complete at 1st visit) – qualifications/experience of [contractor] staff and trainees titled project manager*
4. Improve communication (ICT system) – style of writing*
5. Graffiti and bulk rubbish could be better (done quickly in few days)*
6. Past 2 years BHCC management of planned major works supervision has improved – very helpful, easy to contact
7. Quality of products, e.g. sinks, kitchens
8. Quantity of improvements good, but not certain of value for money, need more transparency of costs
9. Lack of joined up working coordinating repairs, so have multiple visits*
10. More direct BHCC surveyors to check before and after works
11. Improved coordination of sub-contractors and specialists, e.g. EDB, inadequate information given to operatives*
12. Park Court – fire doors peeling (approx. 5 years ago) *
13. Responsive repairs improved initially with [contractor]… but not sustained. Held to account, contract good.*
14. Planned maintenance no better*
15. Warranty management *
16. Polite staff all the time

17. Tenants and residents associations meetings – more frequent attendance by BHCC officers to take queries and feedback (difference between (RIO's PIO's?)) *
18. EDB is a good scheme, quick bids…. but creates divide between tenants and leaseholders due to payments. Power/influence not always fair*
19. EDB budget reduced*
20. Resident involvement is positive with EDB
21. BHCC improved skills and knowledge with planned work. Right people for the job, more BHCC control of quality
22. Improved communication, e.g. workshop today
23. Access to housing centre tricky due to location*
24. Co-location of housing centre
25. One large contract – separate responsive repairs, DLO with BHCC. Major works sub individual jobs directly managed by BHCC not a 3rd party*
26. More BHCC staff means improved supervision of quality and better control. Long term benefit of better product and design and reduced maintenance cost long term/
27. Actual contract was good …. but [contractor] not held to account led to issues*
28. Cyclical maintenance, e.g window mechanisms, long term costs vs short term savings and energy efficiency.*
29. Improve BHCC accountability for decisions and products

What should we do more of?

1. Transparency
2. Communication – prior to 30 days
3. Refurbish communal areas
4. Parking enforcement for our blocks
5. Visitors parking bays – appropriate use
6. Contractors reporting ASB for hazards
7. Discussions on major works before statutory consultation
   - More engagement
   - Better pricing for major works
8. Work with more contractors to get better quality and value for money and pool of suppliers
9. More quality control, clerk of works
10. Cosmetics – life cycle maintenance, more maintenance
11. Windows, lifts, doors, warranties, programmed works, maintenance – a programme for this
12. Quality assurance – checking, monitoring, building management

13. Communication with residents on costs of items in their homes
14. More practical solutions, more people on the ground, more people to contact
15. More joint working across the council. I.e. Cityclean
16. More communication with contractors and works that are not commissioned through partnership (i.e. Aerial works, wires in blocks and cables)
17. Planning with other teams and residents
18. More control over works and contract management
19. Surveying and specifying needs to be employed by council
20. Need to be more accessible
21. Consultation at an earlier stage
22. More joint working across all stakeholders to spec work and engage in procuring works and contracts
23. More involvement from all interested parties to prevent contractors identifying repairs, condemning systems and receiving works
24. Cyclical maintenance to improve life of assets (i.e. Windows, gutters, doors, external doors)
25. Maintenance to ensure warranties remain valid and increase life of asset
26. More resident inspectors – to include external areas and communal areas so that small issues can be dealt with quicker before programmes
27. More accessible reporting on housing ICT system for:
    - Money matters
    - Jobs (old) include start dates, process, competition and cost
    - Warranty management process
    - Asset management process
    - Estate inspections
    - Clerk of works for visits, recommendations, outcomes
    - Communication with leaseholders
    - Block by block reports
    - All relating to audit trail.
28. More accountability and ownership of issues
29. Repairs calls dealt with after 1 call
30. More detailed responses to queries, responding to all points within the query
31. More understanding for leaseholders for major projects costs, large bills for works can be very difficult and impossible and destroy people – capping of major costs needs to be considered
32. More responsibility owned by this council to keep up maintenance – this can be considered appropriately through service charges

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

Leaseholders workshop 2 – 1st August 2018

What should we stop doing?

1. Poor communication
2. Poor responses to email
3. Passing from person to person
4. Leaving people 'in the dark' about works
5. Poor maintenance of buildings
6. Large 'one-off' investment projects that are costly and difficult to budget for
7. Suddenly spending money after leaving blocks for a long time
8. Doing works that don't need doing
9. Hiding behind costs – not transparent
10. Making mistakes that have effects on costs, e.g. scaffolding
11. Withholding full cost information (help to justify costs, detail in bills)
12. Dishonesty
13. Stop all big jobs going to one main contractor (separate repairs and other works)
14. Using staff not qualified
15. Poor control of quality of works, who is checking works?
16. Missed appointments
17. Poor quality of repairs
18. Stop delays in programme of works
19. Avoiding dealing with repairs and allowing disrepair to worsen
20. Passing works between repairs/planned areas and therefore delaying works
21. Poor to little quality checking
22. Mis-use of council properties and funds
23. EDB – money could be better used
24. Stop adding extras onto project works so that bill becomes huge
25. Leaving it so long to do works so that all happens at once
26. Passing on bills to leaseholders for faulty equipment
27. 'Phantom' calls – blaming residents for lack of attendance
28. Repeat visits
29. '10 year plan' always year1!
30. 'All at once' approach, stage works
31. Replacing all assets at once – do they need it?
32. Stop poor maintenance of assets
33. Mistakes on bills

34. Leaving leaseholders to have to find out detail in costs and find mistakes
35. Contractor condemns asset and then is incentivised to make money replacing, i.e. surveying on contractor side (should be council employee)
36. Stop major works bring part of any long term contract
37. Stop giving meaningless answers to questions
38. Stop hiding behind relationships
39. Stop charging double management fees on works
40. Contracting out for major works
41. Stop blurred lines of responsibility
42. Stop profit and additional management costs (hidden and transparent profit)
43. Stop 'non' reactive maintenance - preventative maintenance doesn't happen, reactive maintenance doesn't happen, then a major project gets developed for additional profit
44. Charging management fees as a percentage
45. Stop allowing contractor to dictate costs and run the show
46. Using large national firms when good local contractors are available
47. Stop lying – when works haven't been done, (tree – cherry picker)
48. Stop giving ridiculous excesses (computer system needing to class a job)
49. Unreasonable costs to leaseholders – challenge contractors first
50. Allowing contractors to 'mark own homework'
51. Putting good money after bad - review blocks as a whole, ceilings to asset investment, consider demolish/rebuild
52. Stop employing [contractor]
53. Allowing those to specify the works when they will be doing the works
54. Allowing work to become necessary through neglect of maintenance
55. Major works on a block contract – should be tendered individually
56. Playing divide and rule, e.g. council tenants vs leaseholders vs leaseholders tenants, resident leaseholders vs non-resident leaseholders
57. Issuing contracts without understanding the asset (replacement programmes not always needed, grounds maintenance per sq metre, when we don't know how many, properly assessing needs for works carried out
58. Having people in positions who are not qualified appropriately and cannot fully answer questions (both client and contractor)
59. So employing people in positions who do not have any authority to get things done
60. Stop fobbing us off
61. Stop talking down to us
62. Assuming that everyone is on the internet
63. Assume everyone can get to meetings in working hours

64. Letting warranties and guarantees run out
65. Unclear specifications not clearly defined

What would it be good to start doing?

1. Agree in conjunction with committee of leaseholders a maximum price for individual leaseholder per major works project, to ensure costs are reasonable
2. Maintenance of properties as per manufacturers specs
3. Pro-active (planned in) maintenance to reduce costly replacements
4. Transparent, meaningful responses to queries, e.g. evidence warranties are being enacted
5. Separate tendering process for major works – section 20's not being part of long term agreement
6. Commission external/independent surveyors for major works
7. Make reports easier to access (fire, building, roof, cladding etc.)
8. Change green netting on scaffolding to lighter colour
9. Regular preventative maintenance routine
10. Keep to terms of warranties – schedule inspections before warranties ends
11. Create accurate and up to date asset management system
12. Split who is doing specs of what works need to be done from organisation doing the works
13. Independent quality assurance, quality control and sign off
14. Meaningful consultation, early engagement (pre-programming) including inclusion in asset management planning process
15. Grouping works to save and informing leaseholders how much to save (where reasonable), where not then stagger costs to prevent large bills
16. Sector competent staff, e.g. surveyors, not just paper pushers
17. Agree maximum per annum to charge for major works
18. With high cost major works, give more detail; minimum of 5 years in advance to allow for budgeting
19. Complete inspection every one to two years to accurately manage assets and planned maintenance/repairs and major works, in conjunction with reserve accounts for pre-payment of high cost works
20. Online resource showing works history for properties
21. Pre-planning consultation
22. Enforcing an accurate list of warranties
23. Pre-planning consultation with both leaseholders and tenants
24. In-house surveyors, planning of works, Health & Safety, Clerk of Works and cost control

25. Online resource to see history of properties to enable leaseholders (also for staff use) to plan for costs
26. Regular planned maintenance and inspections to prevent costly repairs
27. Utilising front life staff

What's good about what we do?

1. Responsive repairs
2. On site management at some places
3. Outreach – engagement
4. Apprenticeships
5. Beginnings of a more positive relationship – needs to go a lot further
6. Words maybe OK - need to turn into actions
7. Meetings and resident engagement

What should we do more of?

1. Treat the money/budget like it's your own, (better still treat it like it belongs to councillors)
2. Involve everyone and remember people have the same interests (i.e. tenants and leaseholders), not necessarily true as tenants don't pay directly or at all! But main interest is in having a nice place to live
3. Embrace views of leaseholders more, because the council will also benefit from having more money available (efficiencies) to do more projects.
4. Do more of explaining finances to tenants
5. Routine/preventative maintenance to extend life or assets, (e.g. more at Lennox St)
6. Keep to guarantees, use defects liability periods, especially on cladding works
7. Quality control and QA
8. Employ more trades directly and apprentices
9. More procedures in place to ensure that correct building and safety regulations are followed
10. Communication – 2 way and more option times for meetings, e.g. weekends and later evenings
11. More genuine consultations, earlier in process, i.e. real interest in what people have to say, not just the S20 notice, but before
12. More in-house surveyors and estimators – you can't rely on your contractors

13. More comprehensive knowledge of assets including e.g. proper info of quantities/size of land/grass areas for grounds maintenance and knowledge of unit costs, and more record keeping
14. Honest charging – e.g. if only mopping/cleaning for 48 out of 52 weeks (to account for holidays and sickness) then only charge for 48 weeks – use these easy wins – but if your cleaners sick you still have to pay for them
15. Works over a certain value should be tendered on the open market, or via chosen list of contractors, usually 3 for high value, and not the same 3 – rigging problem
16. Local approved contractors
17. Have an email list for all leaseholders and invite to meetings or send communications (only found out about this meeting via someone else)
18. PDFs online – e.g. Homing In, save money, a Facebook page (but not everyone has a computer)
19. More surveyors – even on a project by project basis
20. Bank of local surveyors with local offices with a vested local interest (support the local economy) “sticky money”
21. More details on the annual expenditure bill – be more transparent, open, honest, don’t wait until asked
22. Let LAG use councils mailing list, even though they shouldn’t have access to it
23. Shorter term contracts
24. More penalty clauses for poor performance, late delivery etc.
25. In-house control
26. More focus on overall property and estate maintenance, not just the tenancy management/people side
27. Transparency – production of reports, availability or access to reports that show we’re maintaining properties/components as per manufacturer specification
28. Proactive maintenance – preventative
29. More in-house or independent surveyors, clerk of works, quantity surveyors
30. Meaningful S20 consultation, and the contract shouldn’t cover major works, not just about commenting on work a contractor will automatically get “it moved from a democracy to a dictatorship” “the dictator moved in without anyone noticing”
31. Leaseholders to have special representation or advocate when long term contracts are agreed (legal or surveyor), paid from the increase in service charge fees from major works because leaseholders end up paying multiple times – e.g. contract managers managing contract managers managing main contractors.
32. More equitable charging across the city because, e.g. unfair to have percentage of block costs in those blocks with fewer flats (e.g. for MEDs)

33. Have a maximum cap on the value of works or bills for any leaseholder during a fixed period, e.g. an extension or variation of Florries Law.

Key

* - a negative comment in the positive section

[text] - where we have amended wording

LAG Focus Points for LH Workshop on Mears Contract Renewal: July/August 18

The Leaseholder Action Group has compiled a list of important focus points for the workshops that are being held by the council for the purpose of consultation with all residents. These points are as follows:

1. **IT System** -The council are in the process of buying a new IT system. It is vital that all stakeholders are provided with the spec for this system because it will impact hugely on the future reporting of responsive repairs, planned maintenance, and major works. The current reporting system is completely inadequate. Repair logs must exist for all the contractors that the council employ but only the most sketchy details are available when requested.
2. **Asset Management** - It is crucial to future relations with all stakeholders that stock is managed appropriately.
3. **Warranty Management -** Either the council or the contractor should be responsible for the actioning of warranty terms, something that does not happen at the moment.
4. **New contract** - Any new contract should not be long term, but managed on a day-to-day basis.
5. **3 Levels of Works Identified -** a) A small team on permanent call (clerk of works) for lowest level of works. b) Surveyor-recommended and costed jobs. c) Major works - spec put out to tender.
6. **Clerks of Work & Surveyor Council Posts** - more of these are needed. Surveyors should be employed directly by the council from a bank of local ones on an as-and-when basis, and the type of post matched to the level of work/cost of job.
7. **Transparency and Accounting** - transparency in all things is vital. There is none at the moment.
8. **The Leaseholder Workshop Attendance List** - this should not have a tick box for agreement “to share” because people filling it in have no idea who they are sharing with. This is counter-productive to communications between LAG and all leaseholders, a situation which has been perpetuated by the council’s past refusal to facilitate communication. The attendance sheet must say at the top, “If you would like to receive news and information from the Leaseholder Action Group please provide your contact details below.” As the workshops have been divided into leaseholder and tenant categories, this should be simple to apply.

Please note that this list is not exhaustive and that other elements of contract management will also be important to LAG. Leaseholders and tenants have been separated for the workshops. The reason given by Larissa for this is that leaseholders seem to be concerned with major works while tenants are concerned with responsive repairs. This division can only have arisen because the LAG Aims for this year were largely based around major works, but, as LAG explained more than once, it is because priorities for the year needed to be set. Leaseholders are, in fact, just as engaged with responsive repairs as tenants.

ARP research

Repairs and Maintenance Service consultation 2018

Brighton & Hove City Council

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1. Introduction

Background

This report details the results of the Brighton & Hove City Council's repairs and maintenance consultation with tenants and leaseholders. The council has a housing stock of approximately 11,000 tenanted properties and 2,400 leasehold properties.

This consultation has been prompted by the end of the 10-year partnership with Mears in March 2020. Ahead of that date, the Council is asking residents for their thoughts and experiences with the existing contract to help shape services for the future. This includes what's been delivered well, what could be done differently, and what could be improved.

The contract covers responsive repairs, planned maintenance and improvement programmes such as replacement bathrooms and kitchens, and major capital works, mainly to the exterior of blocks.

About the consultation

The consultation period ran throughout July and ended on the 14 August 2018. Background information was available on the Council's website, along with an online questionnaire. In addition, in-home interviews were also conducted by contractors on behalf of the Council with a wide cross section of tenants and leaseholders. In total, 1,160 individuals took part in the consultation, including 1090 by interview and 70 online. This included 945 Council tenants (error margin +/- 3.1%), 200 resident leaseholders (error margin +/- 6.6%), and 15 others with a variety of other tenure types.

Understanding the results

Most of the results are given as percentages, which may not always add up to 100% because of rounding and/or multiple responses. It is also important to take care when considering the results for groups where the sample size is small.

Where there are differences between groups, these are subjected to testing to discover if these differences are *statistically significant*. This tells us that we can by confident that the differences are real and not likely to be down to natural variation or chance.

For detailed information on the survey response rates, methodology, data analysis and benchmarking, please see appendix A.

2. Executive summary

Overall satisfaction

1. The tenants and resident that took part in the consultation were generally very satisfied with the repairs and maintenance services that they currently received. This was typified by the responsive repairs service, where satisfaction was extremely high at 89%, including two thirds that were 'very' satisfied (section 4).

2. Leaseholders tended to be less satisfied than tenants, but this was only in relative terms because over three quarters of that group were still satisfied with responsive repairs.

3. There were some differences in the results by age and gender, but satisfaction was generally high across the sample. For example, there were no clear differences in any of the results by geographic area.

Consultation and involvement

4. The most striking finding to emerge from the consultation was that for every core element of the repairs and maintenance service, the vast majority of customers felt that the best way to improve would be to increase the opportunities for feedback and consultation. For example, this topic described 84% of all the suggestions for improving responsive repairs, 81% for improving major work, and 85% for planned maintenance improvements.

5. Indeed, many respondents mentioned how pleased they were to take part in this survey, to the extent that 70% of the comments made at the end of the interview were request for the Council to publicise the findings of this survey (70%), whilst a further fifth (21%) wished to see more information in the future on both the contract tendering process, and the final decision (section 7).

Reporting a repair

6. Respondents were generally very positive with the standard of the customer service that they had received when reporting a repair (85%), including over two thirds of the sample who rated the service as 'very good' (71%). Indeed, when asked how the reporting could be improved, over a third of the answers were simply that no improvement was needed (section 3).

7. However, tenants were much more likely than leaseholders to say that the call handler understood the issue being reported (95% v 84%).

8. It was also notable that there was a gender difference in how these questions were answered. Not only were male respondents more likely to feel that the call handler understood the issue (96% v 88%), but they were also more likely to be pleased with the customer service they received (94% v 80%).

9. In broad terms the service desk was considered easy to access by the vast majority of those that had recently done so, including 93% of tenants and 85% of leaseholders.

10. The attitude of the call handler and the ability to book a date there and then were the primary factors that respondents said mattered most to them when reporting a repair.

11. There was, however, a difference between tenants and leaseholders, the former being more likely to mention the need for empathy and support (27%), whereas the latter seemed to be more matter of fact and focused simply on getting a definite date (40%) as quickly as possible (17%).

Online services

12. Tenants and residents felt that their recent experience of reporting a repair could be made even more efficient through the use of an online reporting system (78% and 70% respectively). Furthermore, when asked in their own words how the service could be improved, 43% of respondents specifically mentioned an online option, including 25% that specifically mentioned a smartphone app (section 3).

13. However, keeping the helpdesk was specifically noted by many, including those who otherwise were still keen on the online/app for themselves.

Responsive repairs

14. As already mentioned, 89% of those that had used the responsive repairs service within the last 3 years were satisfied with their experience, although this figure did drop to 80% for those that had reported a repair within the last year (section 4).

15. Unsurprisingly, the two things that mattered most to respondents when repairs were carried out to their home were the timeliness and quality of the eventual repair. Indeed, when asked in their own words what mattered most, 81% of those that commented mentioned at least one of these, although of the two timeliness was mentioned a little more often (52% v 44%).

Major external works

16. Large scale external works were a much more common experience for leaseholders than for tenants, with almost half of the former having received some major works during the current repairs contract, compared to only a fifth of the latter (47% and 22% respectively, section 5).

17. The key positives that these respondents took away from the experience was simply that they had no problems or disruption. However, it was pleasing that one in ten specifically noted the quality of the work.

18. When considering what matters most to tenants and residents when these works are being completed, it would seem that timeliness was the key factor, mentioned in over half of the total comments (55%).

19. After this though, the two types of customers diverged somewhat with tenants being more likely to focus on the standard of the work (26%), whereas for leaseholders it was more critical that work be well managed (27%) and delivered on budget (32%).

Internal improvement work

20. Around a third of tenants had indeed had some planned improvement work completed during the current contract period, and this group were asked how satisfied they were with the works.

21. Satisfaction was incredibly high at 96%, including over three quarters that were 'very satisfied', which was so high as to preclude many differences between groups. Similarly, 95% were satisfied with the level of communication regarding the work (section 6).

22. As was true for the other two main service areas, timeliness was also what seemed to matter most for tenants regarding any improvement works to their home (49%), somewhat ahead of the standard of the work which was the second most frequently mentioned priority (36%). Furthermore, 17% of the comments suggested that the simple fact improvement work was taking place was in itself what mattered most.

3. Reporting a repair

85% satisfied with standard of customer service

78% felt that an online reporting system would make it easier

The first stage of any responsive repair is the reporting process. In fact, the vast majority of contact between the Council and its tenants and leaseholders is via this channel, so this typically has strong impact on overall perceptions of the standard of customer service.

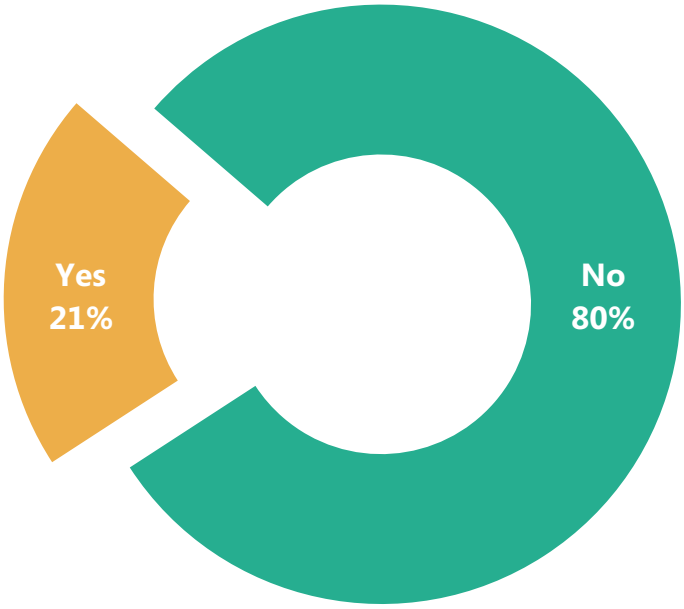
Indeed, around a fifth of the survey sample had contacted the repairs desk in the last year to report a repair. Interestingly, despite the fact that leaseholders receive only a subset of the services, almost as many members of this group had contacted the helpdesk as had tenants (21% v 17%).

In terms of the current provision, respondents were generally very positive with the standard of the customer service that they had received (85%), including over two thirds of the sample who rated the service as 'very good' (71%). Indeed, when asked how the reporting could be improved, over a third of the answers were simply that no improvement was needed (chart 3.7).

There was, however, a significant difference between tenants (90% good) and leaseholders (73% good) on this question. The reader should bear in mind that the leaseholder sample for this question was small, but this pattern is consistent with similar surveys in the sector. Furthermore, tenants were much more likely than leaseholders to say that the call handler understood the issue being reported (95% v 84%), although again it was a small sample.

3.1 Contacted the repairs desk in the last year to report a repair

% Base 1160 | All respondents



this included 21% of **tenants**

and 17% of **leaseholders**

It was also notable that there was a gender difference in how these questions were answered. Not only were male respondents more likely to feel that the call handler understood the issue (96% v 88%), but they were also more likely to be pleased with the customer service they received (94% v 80%). Whilst this is likely to be simply a function of a wider gender difference, it still serves as reminder of how users can experience services differently.

Nevertheless, in broad terms the service desk was considered easy to access by the vast majority of those that had recently done so, including 93% of tenants and 85% of leaseholders. Younger respondents aged under 35 were particularly positive in this regard (97%).

Despite the very high scores for accessibility, it would seem that tenants and residents still felt that their recent experience of reporting a repair could be made even more efficient through the use of an online reporting system (78% and 70% respectively). Furthermore, when asked in their own words how the service could be improved, 43% of respondents specifically mentioned an online option, including 25% that specifically mentioned a smartphone app.

Unsurprisingly, 91% of the under 35s felt that online services would make it easier for them, compared to 62% of those aged 65 or over.

One of the things people noted that was positive about an app or portal was that it would be a 24/7 service rather than having to wait until working hours to do it.

"Feel that using the internet means that the service can become 24/7 rather than office hours only to speak with someone."

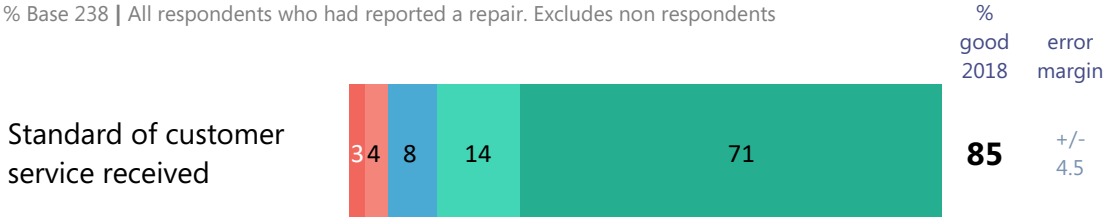
"Online option is a no brainer please, bring it as soon as possible."

"Phone app good for me as it would be "open all hours".

"Phone app would make it an always available service, modern up-to-date use of technology."

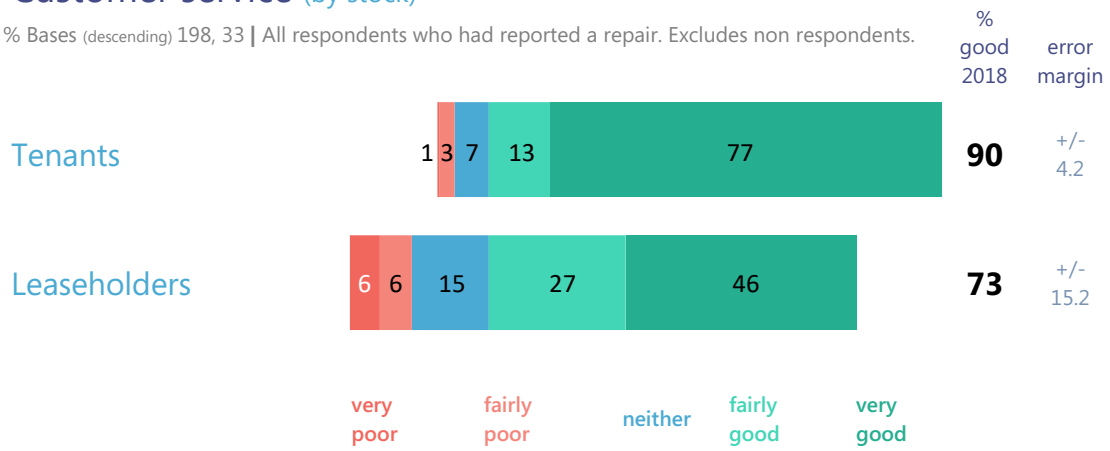
3.3 Overall standard of customer service received from the repairs desk

% Base 238 | All respondents who had reported a repair. Excludes non respondents



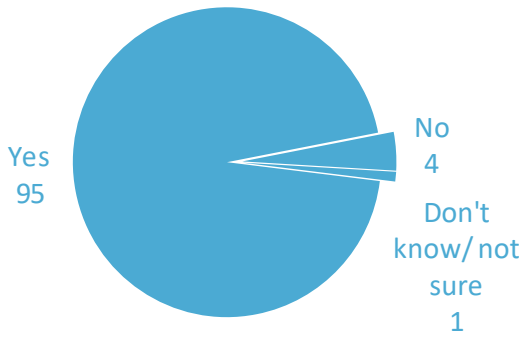
3.4 Customer service (by stock)

% Bases (descending) 198, 33 | All respondents who had reported a repair. Excludes non respondents.

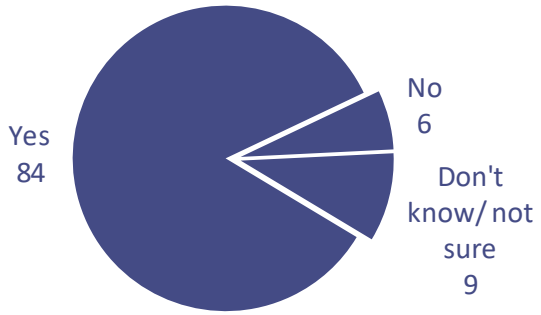


3.2 Call handler understood the issue being reported

Tenants % Base 198 | Contacted in last 12 months

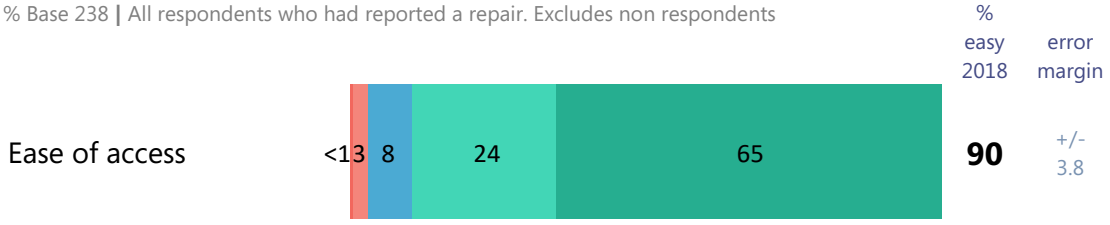


Leaseholders % Base 32 | Contacted in last 12 months



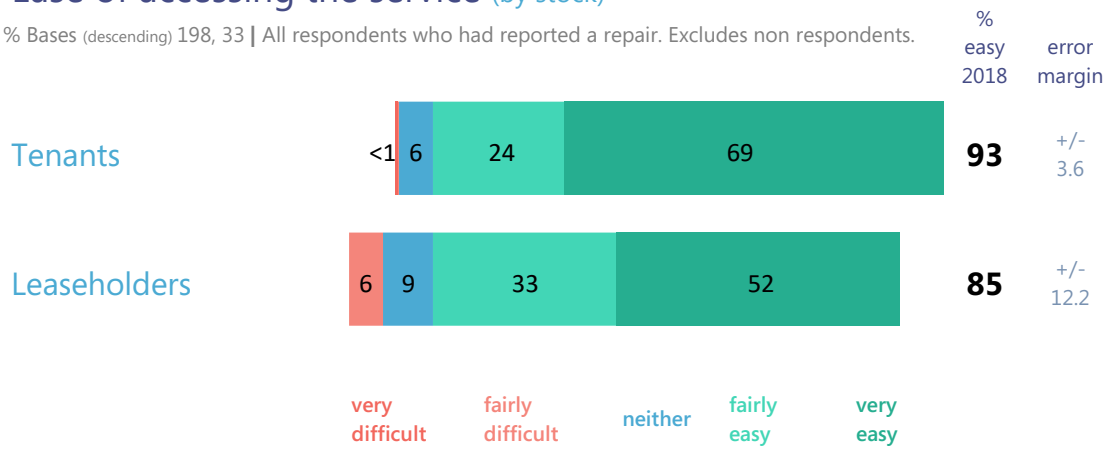
3.5 Ease of accessing the service

% Base 238 | All respondents who had reported a repair. Excludes non respondents



3.6 Ease of accessing the service (by stock)

% Bases (descending) 198, 33 | All respondents who had reported a repair. Excludes non respondents.



Another advantage of online would be the ability to track progress on a repair, something that was also raised as an idea for improvement by some respondents, as even on the phone they did not always receive a repairs reference number.

> **"Always providing a repairs reference number, I always have to ask for this and without one I never get very far following up an existing issue. If setting up online it would be good to be able to track the progress online."**

However, keeping the helpdesk was specifically noted by many (8%), including those who otherwise were still keen on the online/app for themselves:

> **"Online option good but keep helpdesk open for those not using web."**

> **"Do understand that not everyone is online and some would much prefer to talk, so important that resources permit the helpdesk to be available too."**

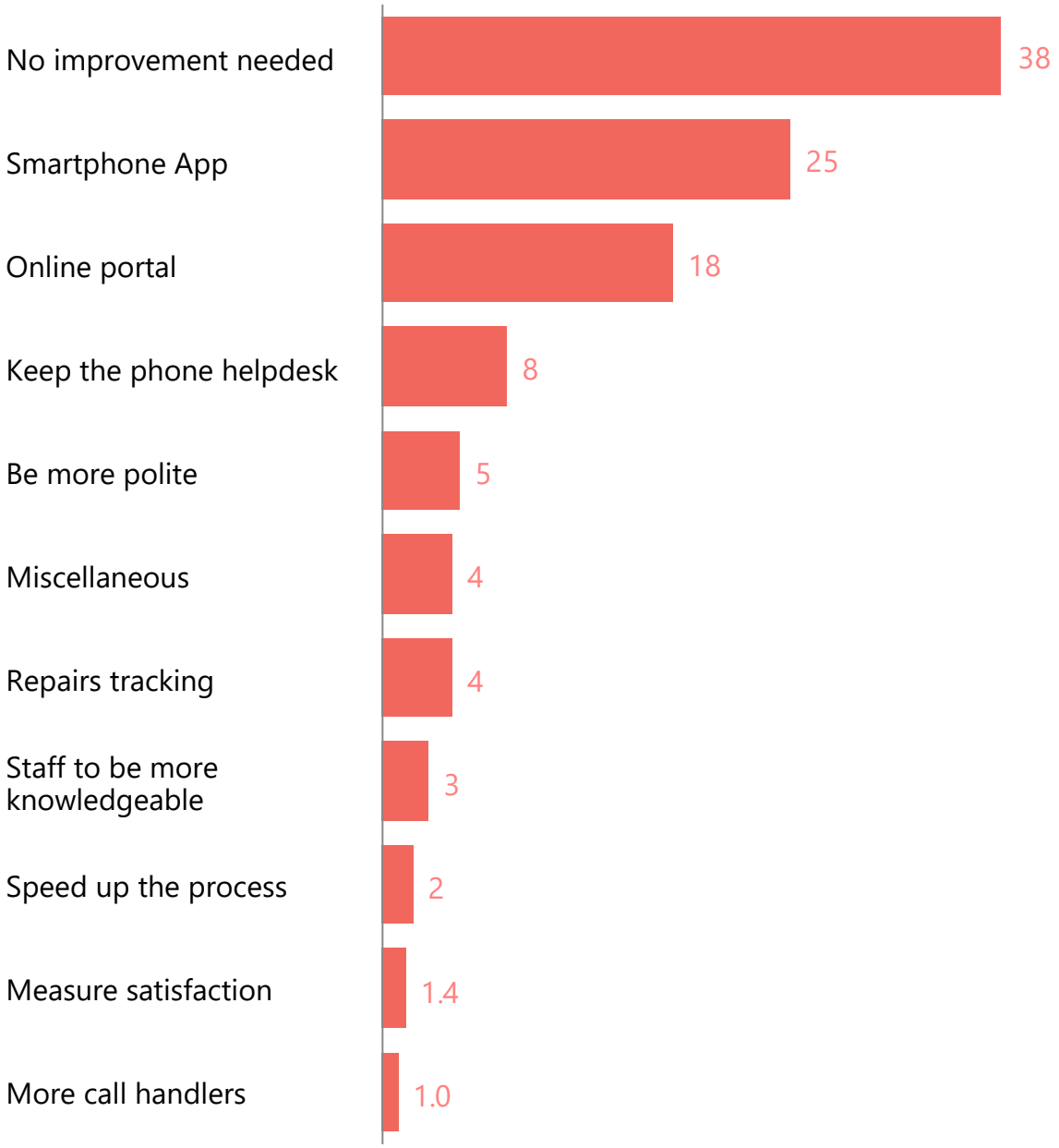
A few people mentioned the lack of integration between the daytime and after-hours service as an area for improvement:

> **"Have a single system so out of hours reports are on the day system with the notes else you start again in hours."**

The previous questions had only been asked of those with recent experience of reporting a repair, however, every respondent was also asked what mattered most to them when reporting a repair. The various verbatim comments were grouped together into similar themes, and as can be seen in chart 3.9 it was clear that for the greatest proportions of respondents, it was the attitude of the call handler and the ability to book a date there and then that were the primary factors.

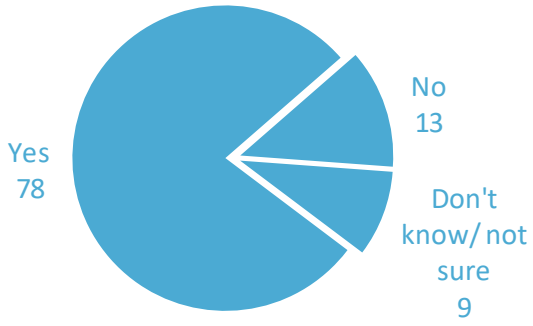
3.7 What could we do to improve your experience of contacting the helpdesk

% Base 207 | Only includes respondents that commented. Coded from verbatim comments.

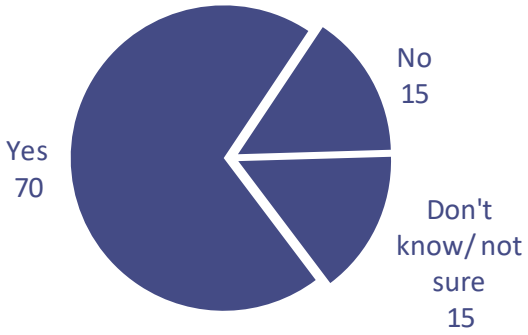


3.8 Online reporting system would make it easier

Tenants % Base 198 | Contacted in last 12 months



Leaseholders % Base 33 | Contacted in last 12 months



Customers clearly wanted the staff they spoke with to take ownership of the issue and do everything possible to help, with some of the comments including:

"Helping the caller to report and arrange a fix for the problem. Accuracy. Patience. On the caller's 'side'"

"Really trying hard to help the caller report their problem and getting it fixed"

"Having to call helpdesk may be at a tense time so helpful voices and willingness to sort the problem becomes very important to the caller."

There was a similar proportion of respondents that were also looking for empathy and support from the call handler, and although this correlated reasonably against helpfulness, it was separated out as it is a subtly different issue. Indeed, it was intriguing to note that there was a statistically significant difference between tenants and leaseholders over whether empathy and support mattered most to them (27% and 15% of commenters respectively). Some of the examples of the comments in this category included:

"Being attentive and supportive of my needs"

"Being patient, helpful and kind to the caller who may be stressed"

"Always going the extra mile to support and help the caller who is possibly low and stressed when they call in"

"Operator to be supportive of elderly/special needs tenants"

Indeed, it was clear that leaseholders seemed to have a more matter of fact attitude towards the process of reporting a repair, as not only were they less likely to be requiring empathy and support, but they were much more likely than tenants to be set a date (40% v 20%) and to go thorough the process quickly (17% v 7%). Conversely, tenants were more likely to mention a preference for taking the time needed to accurately record the details.

"Not rushing the caller. Checking back to make sure all the details are correct. Explaining what will happen next"

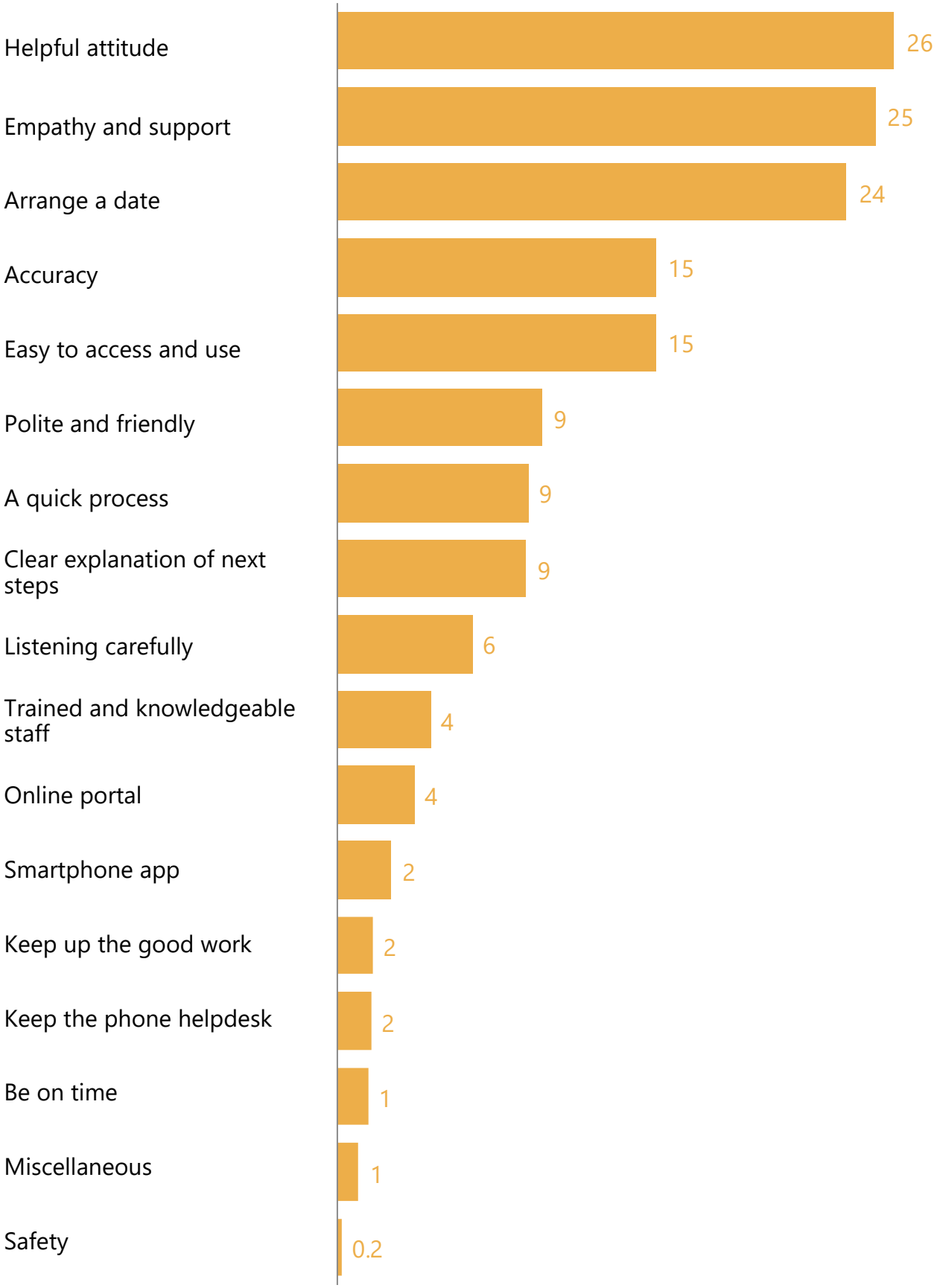
"Accuracy when taking down the details. Listening carefully. Probing to see if there might be other aspects to the problem"

"Essential that time is allowed to get down the details correctly"

Incidentally, it is worth noting that despite the high level of support in principle for online reporting, this did not mean that it was necessarily the most important issue as very few cited either an online portal or an app as key aspects for them of the reporting process.

3.9 Main most important things for this part of the service

% Base 1,043 | Only includes respondents that commented. Coded from verbatim comments.



3.10 Main most important things for this part of the service by stock

% Base 1,043 | Only includes respondents that commented. Coded from verbatim comments.

	% positive		
	Overall	Tenants	Lease holders
Helpful attitude	26	27	21
Empathy and support	25	27	15
Arrange a date	24	20	40
Accuracy	15	16	8
Easy to access and use	15	14	17
Polite and friendly	9	10	9
A quick process	9	7	17
Clear explanation of next steps	9	9	6
Listening carefully	6	7	2
Trained and knowledgeable staff	4	4	4
Online portal	3.5	3.9	2.1
Smartphone app	2.5	2.2	3.6
Keep up the good work	1.6	1.6	1.6
Keep the phone helpdesk	1.5	1.6	1.0
Be on time	1.4	1.6	0.5
Miscellaneous	1.0	0.8	1.6
Safety	0.2	0.1	0.5

Significantly **lower** than average (95% confidence*)

Significantly **lower** than average (90% confidence*)

Significantly **higher** than average (95% confidence*)

Significantly **higher** than average (90% confidence*)

* See appendix A for further information on statistical tests and confidence levels

4. Responsive repairs

89% satisfied with responsive repairs received

84% said that consulting customers was the main area for improvement

Responsive repairs are the first thing that most tenants will think of when considering the repairs and maintenance service as a whole, in part because of the frequency with which it used. Indeed, surprisingly similar proportions of both tenants and residents had received at least one repair during the previous 3 years (44% and 39% respectively).

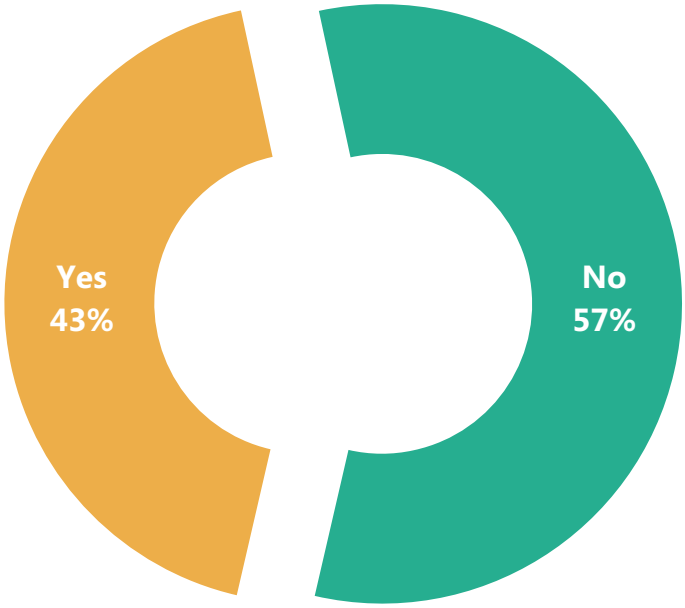
Satisfaction with the repairs service that they received as a result was extremely high at 89%, including two thirds that were 'very' satisfied.

As was also the case in the previous questions, whilst tenants were almost universally positive (only 5% were dissatisfied), satisfaction was not quite as high for leaseholders, albeit still the majority view. Nevertheless, 17% of leaseholders were actively dissatisfied with the service they had received, including almost one in ten that were 'very' dissatisfied (8%).

It is also worth noting that those respondents with the most recent experience of the service, namely those that had reported a repair within the last year, were significantly less satisfied than the average (80% satisfied, 15% dissatisfied).

4.1 Had a repair in the last 3 years

% Base 1160 | All respondents



this included 44% of **tenants**

and 39% of **leaseholders**

Unsurprisingly, the two things that mattered most to respondents when repairs were carried out to their home were the timeliness and quality of the eventual repair. Indeed, when asked in their own words what mattered most, 81% of those that commented mentioned at least one of these, although of the two timeliness was mentioned a little more often (52% v 44%).

"It all begins with being on time, that is so important, especially with childminding/ creche issues in addition to work ones. Always there should be flexibility because sometimes things that are out control go wrong but, if so, they need to be communicated so that it can be handled."

"The simple things - on time and doing a good job"

"Simply that the work is well completed on the arranged day"

"It all begins with being on time, that is so important, especially with childminding/creche issues in addition to work ones. Always there should be flexibility because sometimes things that are out control go wrong but, if so, they need to be communicated so that it can be handled."

On the topic of quality, however, it was notable that 15% of respondents specifically pointed out the need for staff to be skilled and experienced in the work they were asked to do:

"That the workers know what they are doing and have the training and knowledge to undertake the repair"

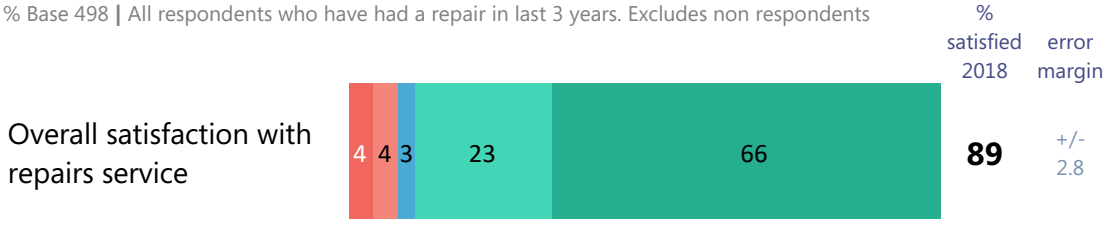
"The work team to be well trained and have good "customer" skills. Very important to have the latter when working in someone else's home"

"Pleasant workers who enjoy their work and have people skills. Frequent training for the staff taking into account customer feedback, new work practices and ideas"

"Trained and skilled workers. Workers who have experience of the repair type having carried out such work before/ undergone training"

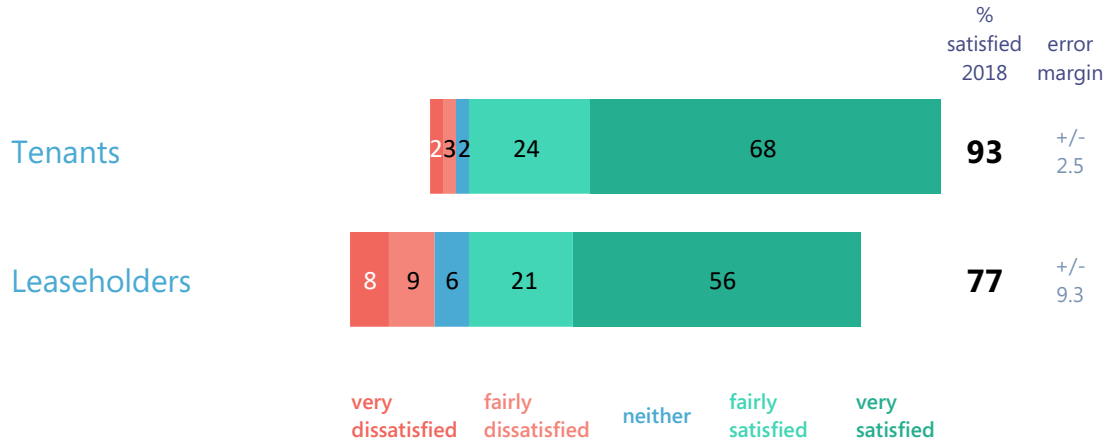
4.2 Overall satisfaction with the repairs service received

% Base 498 | All respondents who have had a repair in last 3 years. Excludes non respondents



4.3 Overall satisfaction with the repairs service received (by stock)

% Bases (descending) 412, 78 | All respondents who have had a repair in last 3 years. Excludes non respondents.



It was also pleasing to see that a number of respondents simply said that what mattered most to them was simply for the Council and its contractors to keep up the good work.

"What we actually received, workers on time, cheerfully going about their work and doing a good job. Thanks!"

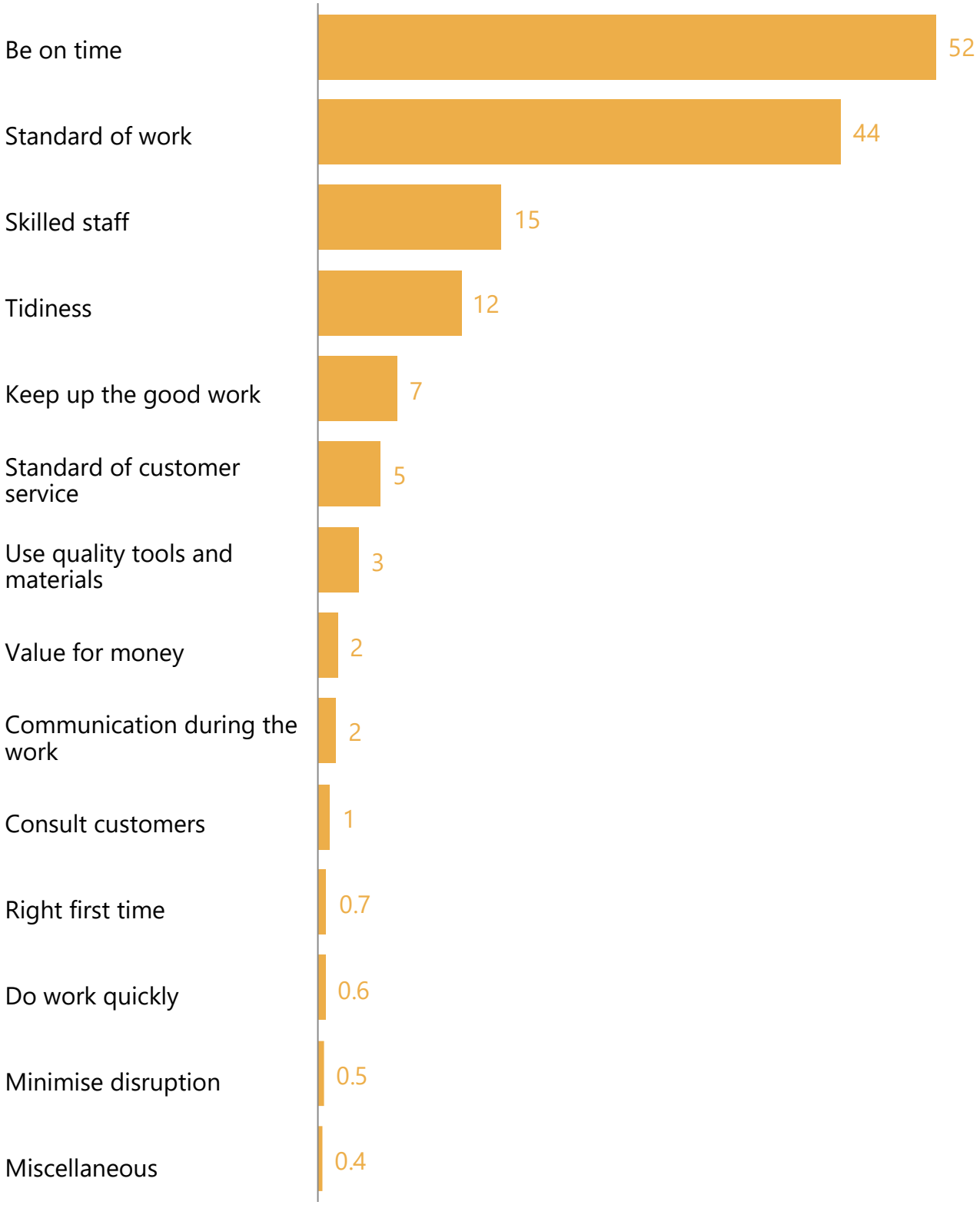
"Our experience was really good. Reporting the matter was easy and the team arrived to check it out/sort as arranged. Staff very customer focused and friendly. A credit to Mears"

"Brilliant work in our experience. Came as arranged, did a good job and left us happy with that"

When tenants and residents were then asked what the Council could do to improve the repairs and maintenance services, it was striking how only a handful of respondents suggested that quality actually needed improving, whilst nobody mentioned timeliness. Instead, the overriding response was that doing more to consult customers and receive their feedback was the single improvement that would be welcomed most, to the extent that 84% of comments were on this topic.

4.4 What matters most about how we carry out repairs to your home

% Base 1,047 | Only includes respondents that commented. Coded from verbatim comments.



"Just make sure that our excellent experience of using the service is the norm or becomes the norm. Get customer feedback like this and act on it"

"Try to make everyone like mine! Encourage customer views and feedback and then use those to make the services maintain its standards and use some of the less good scenarios in staff training sessions"

"Encourage customer views by leaving a survey sheet or a web link so the tenant can give their views"

"Customer feedback used in staff training and presentations to the team. "Hands on" management style whereby bosses get their hands dirty and meet their customers"

"All customers invited to measure the quality of service from initial telephone call to job being completed via feedback forms or internet"

"Managers to be hands on. Make sure that Mears is offering the best service. Customer feedback programme to benchmark the process"

Not only was this the majority view regarding responsive repair, but similar opinions were also expressed around external works (section 5) and internal improvement programmes (section 6). Accordingly, this is without doubt one of the primary messages to come from the survey results.

The margin of error is the amount by which the quoted figure might vary due to chance. The margin gets smaller as the base size increases. When comparing two scores, remember that each has its own independent margin of error.

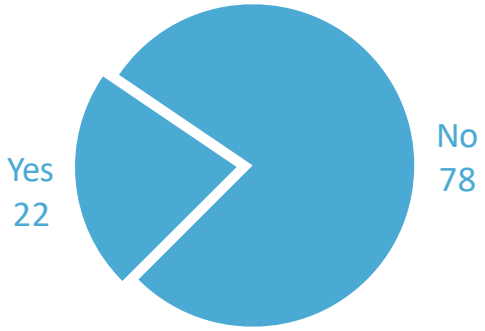
4.5 What could the Council do to improve the repairs and maintenance service

% Base 1,025 | Only includes respondents that commented. Coded from verbatim comments.

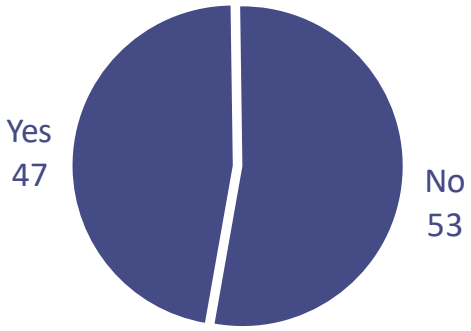
5. Large scale external works

5.1 Council has carried out major external works in the last 8 years?

Tenants % Base 943



Leaseholders % Base 200



Large scale external works are typically those carried out to blocks of flats and would normally involve a mixture of works all being carried out at once. For example, external wall installations might be installed along with window replacements.

This was a much more common experience for leaseholders than it was for tenants, with almost half of the former having received some major works during the current repairs contract, compared to only a fifth of tenants (47% and 22% respectively).

The key positives that these respondents took away from the experience was simply that they had no problems, with minimal disruption. However, it was pleasing to see that one in ten specifically noted the quality of the work, for example:

"We had little inconvenience really, it was done well and looks great"

"Not a mega problem but involved several workers who did a good job. They were cheerful and obviously enjoyed their work."

"Massive difference to our homes, modern etc."

Indeed, only 6% of those that commented said that it was important in the future for the standard of the work to be improved.

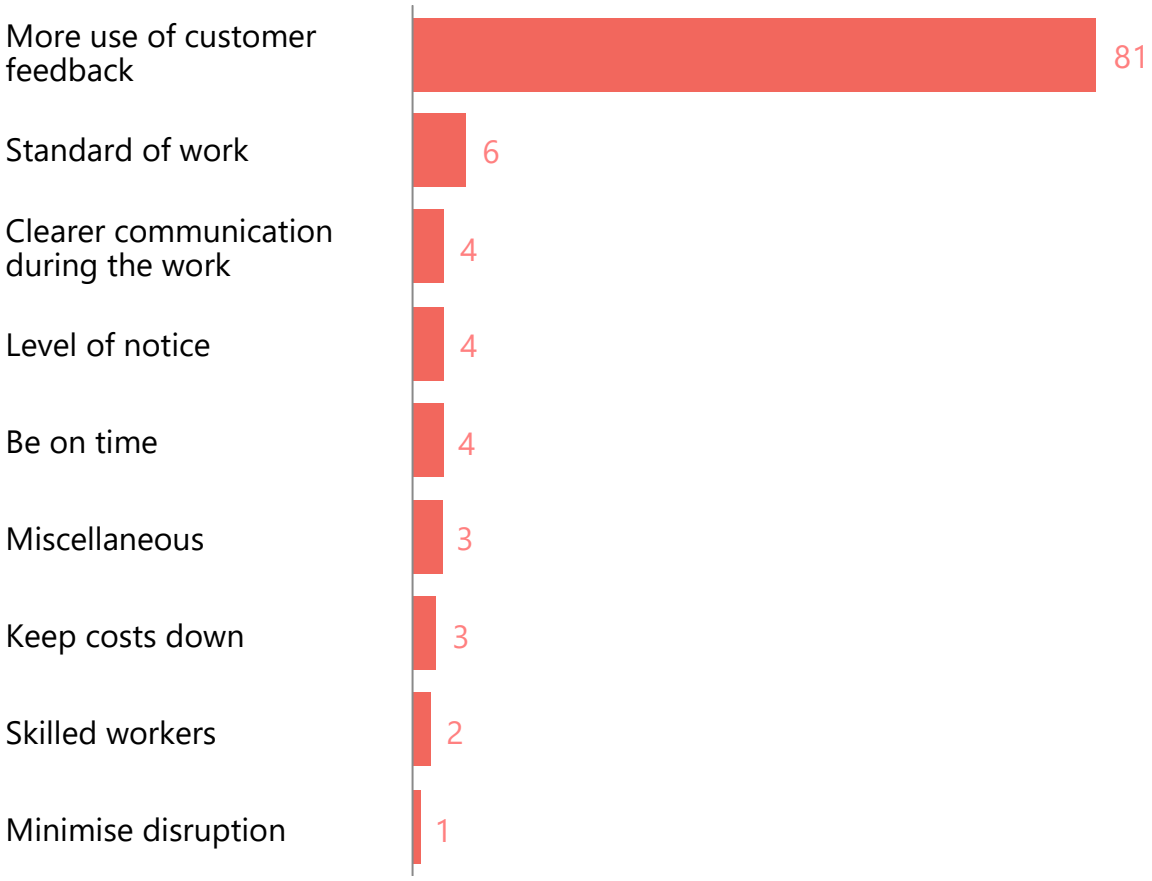
As can be seen in chart 5.3, the issue that absolutely dominated all others when respondents were considering how major works could be improved was for the Council to do more to involve customers and to make use of their feedback. The fact that a massive 84% of comments fitted into this category largely pushed all other issues to the margins, as it did on the other similar questions regarding responsive repairs (section 4) and internal improvements (section 6).

5.2 What did you like about the way major external improvement works were delivered to your block?

% Base 259 | Only includes respondents that received this work and commented. Coded from verbatim comments.

5.3 What could we do to improve the way major external improvement works are delivered to blocks?

% Base 469 | Only includes respondents that commented. Coded from verbatim comments.



As elsewhere, this mostly included mention of surveys and feedback forms, but some of the more detailed comments included:

"Ensure adequate consultation-time with leaseholders, and take notice of leaseholders comments etc before major works commence"

"Discuss with the residents prior to tenders being accepted, allowing residents to be involved in the major works on the blocks they live in, some have no RA and in Senior Housing a few weeks notice is stressful and frightening to the elderly and disabled and some do not understand the scale and impact of major works"

"Let leaseholders be involved in who carries out works, put to tender, get better price"

"Listen to leaseholders and tenants who actually have to live in the blocks, don't assume no response from tenants means they agree"

Moving on to consider what matters most to tenants and residents when these works are being completed, it would seem that timeliness was the key factor, mentioned in over half of the total comments (55%).

"Workers/team being on time - work, childcare issues"

"Keep to timescales or let us know if they are slipping"

"Being done on time. Having sufficient manpower to complete on time"

"Getting it done on time, no 'mission creep'"

After this though, the two types of customers diverged somewhat as can be seen in table 5.5, with tenants being more likely to focus on the standard of the work (26%), whereas for leaseholders it was more critical that work be well managed (27%) delivered on budget (32%).

"Important to keep to the budget/ deliver good value. Experienced project leaders to manage throughout essential"

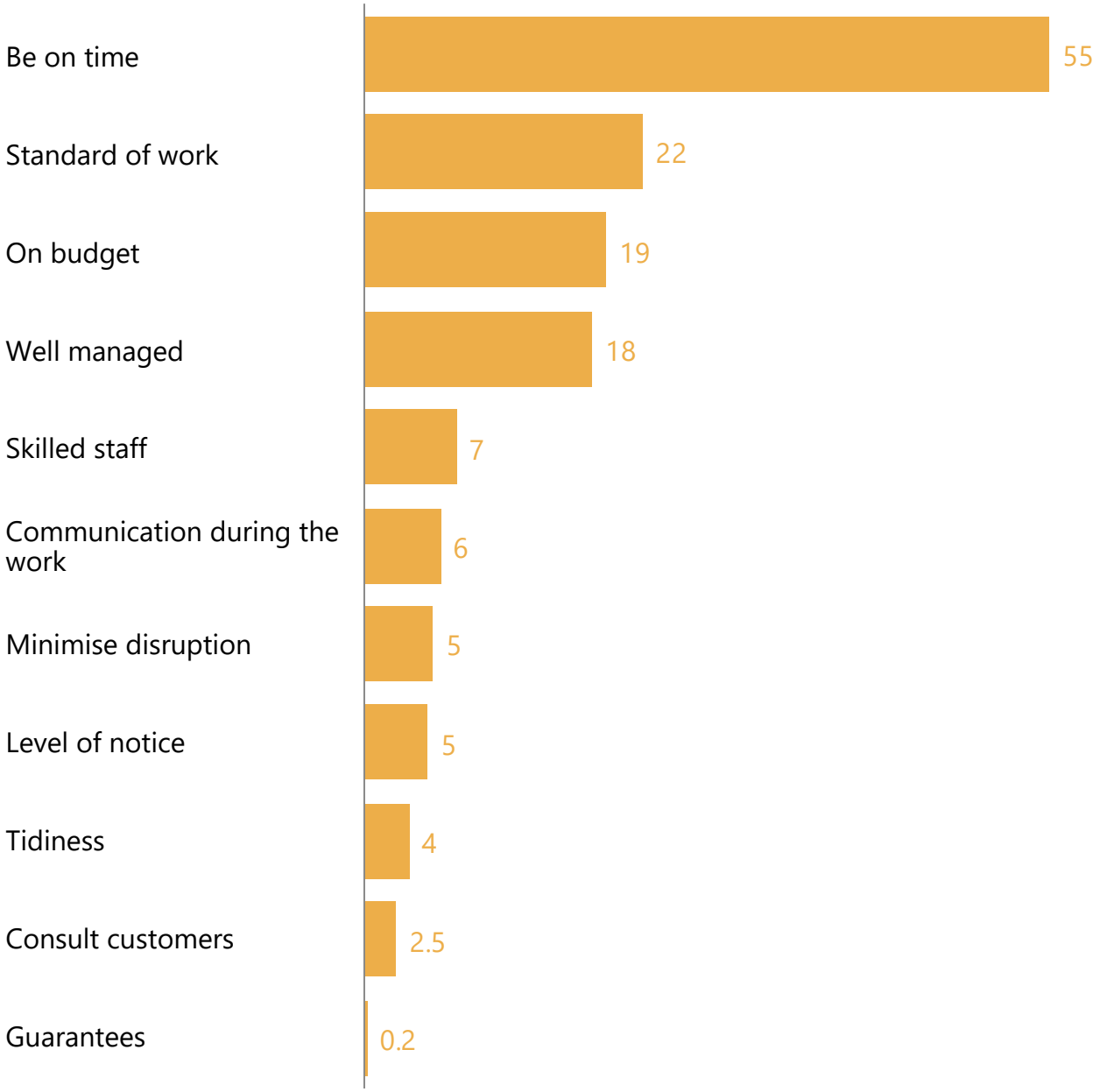
"'Large scale' is often a reason for an over spend on the agreed budget but the costs need to be looked at throughout to make sure value is being gained"

"If it is a major work project that the costs are reviewed throughout"

A difference between two groups is usually considered statistically significant if chance could explain it only 5% of the time or less.

5.4 What matters most to you when we carry out large scale works?

% Base 474 | Only includes respondents that commented. Coded from verbatim comments.



5.5 What matters most to when we carry out large scale works by stock

% Base 474 | Only includes respondents that commented. Coded from verbatim comments.

	% positive		
	Overall	Tenants	Lease holders
Be on time	55	56	53
Standard of work	22	26	13
On budget	19	15	32
Well managed	18	15	27
Skilled staff	7	9	2
Communication during the work	6	6	6
Minimise disruption	5	6	3
Level of notice	5	6	2
Tidiness	4	4	3
Consult customers	3	2	4
Guarantees	0.2	0.0	0.8

Significantly **lower** than average (95% confidence*)

Significantly **lower** than average (90% confidence*)

Significantly **higher** than average (95% confidence*)

Significantly **higher** than average (90% confidence*)

* See appendix A for further information on statistical tests and confidence levels

6. Internal replacement works

96% satisfied with last internal improvement

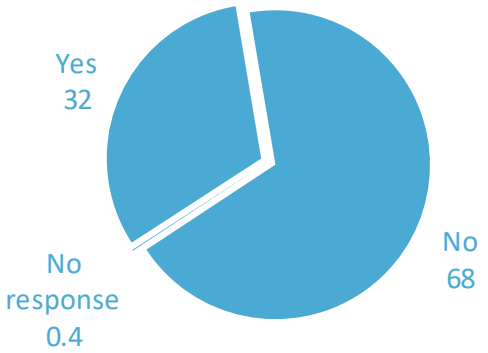
95% satisfied with communications about the work

In addition to major external works discussed in the previous section, tenants may also have internal improvement works carried out to their home in order to renew major components such as the kitchen or bathroom. Around a third of tenants had indeed had some planned improvement work completed during the current contract period, and this group were asked how satisfied they were with the works.

As can be seen from the graph below, satisfaction was incredibly high at 96%, including over three quarters that were 'very satisfied', which was so high as to preclude many differences between groups. In fact, the only one of any note was that the under 35s were less likely to be 'very satisfied' than other tenants (68% v 78% average).

6.1 Major internal works in the last 8 yrs?

Tenants % Base 945 | Excludes non-respondents



The results were again virtually identical when respondents were asked to rate the communication they had with the Council over the improvement to their home, with 95% being satisfied in this instance.

As was true for the other two main service areas, timeliness was also what seemed to matter most for tenants regarding any improvement works to their home (49%), somewhat ahead of the standard of the work which was the second most frequently mentioned priority (36%).

Indeed, what is most notable about chart 6.5 is actually the fact that 17% of the comments suggested that the simple fact improvement work was taking place was in itself what mattered most, for example:

"Modernising these houses is great and most tenants are very pleased that Mears/BHCC continues to do so"

"That you have modernised homes and made them better places to live in"

"These changes to bathrooms, kitchens etc are a great benefit of being a BHCC tenant. Well done"

"The importance that upgrading old and tired fittings can have on physical and wellbeing matters for the home owner"

"Bravo to BHCC and its commitment to housing across the City"

The difference new doors, windows, bathrooms and kitchens can make to tenants. Making them feel valued and of importance to BHCC/ Mears"

In a now familiar pattern, the vast majority of ideas for how the Council could improve on this aspect of the service was again to make more use of customer feedback, which comprised 85% of the verbatim answers to this question. Indeed, this was sometimes also linked with the second most commonly cited idea, which was for the Council to simply focus on continuous improvement:

"Just keep aiming to be the best. That is not easy but getting customer feedback and training would help with that"

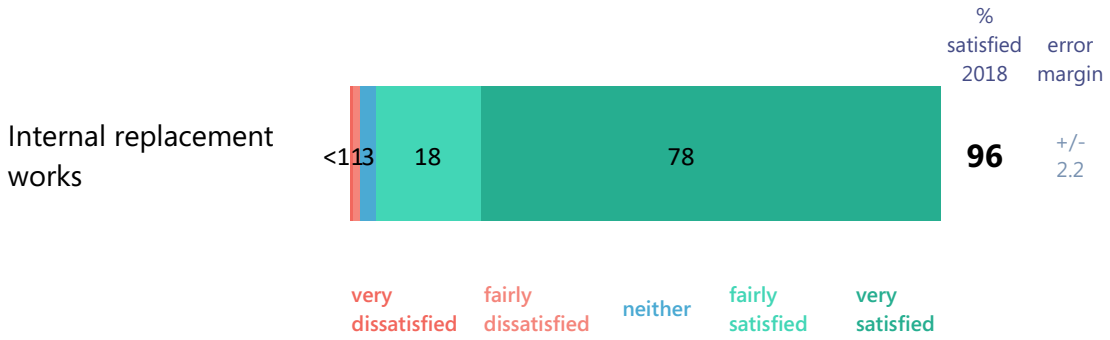
"Customer care programme feeding into staff training. Bosses to be out on the workface to experience the demands and expectations of the customers"

"Maintain high standards by regular feedback surveys from staff and customers"

"Keep on aiming to be the best. Keep checking what those who have used the service have to say about it"

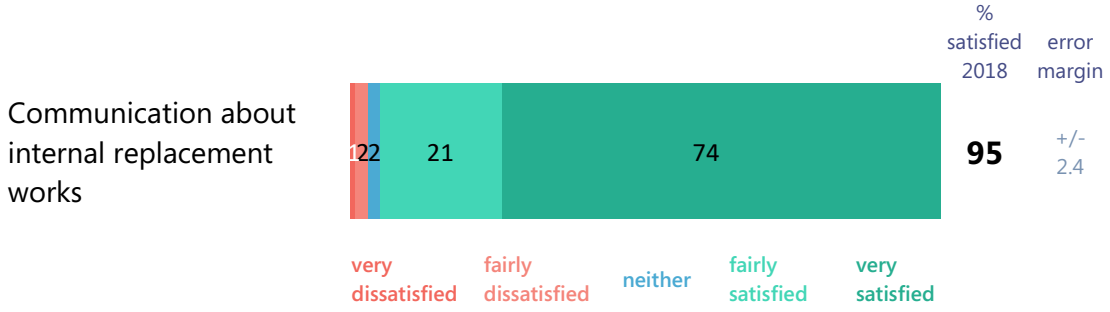
6.2 Overall satisfaction with the internal replacement works

% Base 306 | All respondents who have had some internal replacement works. Excludes non respondents



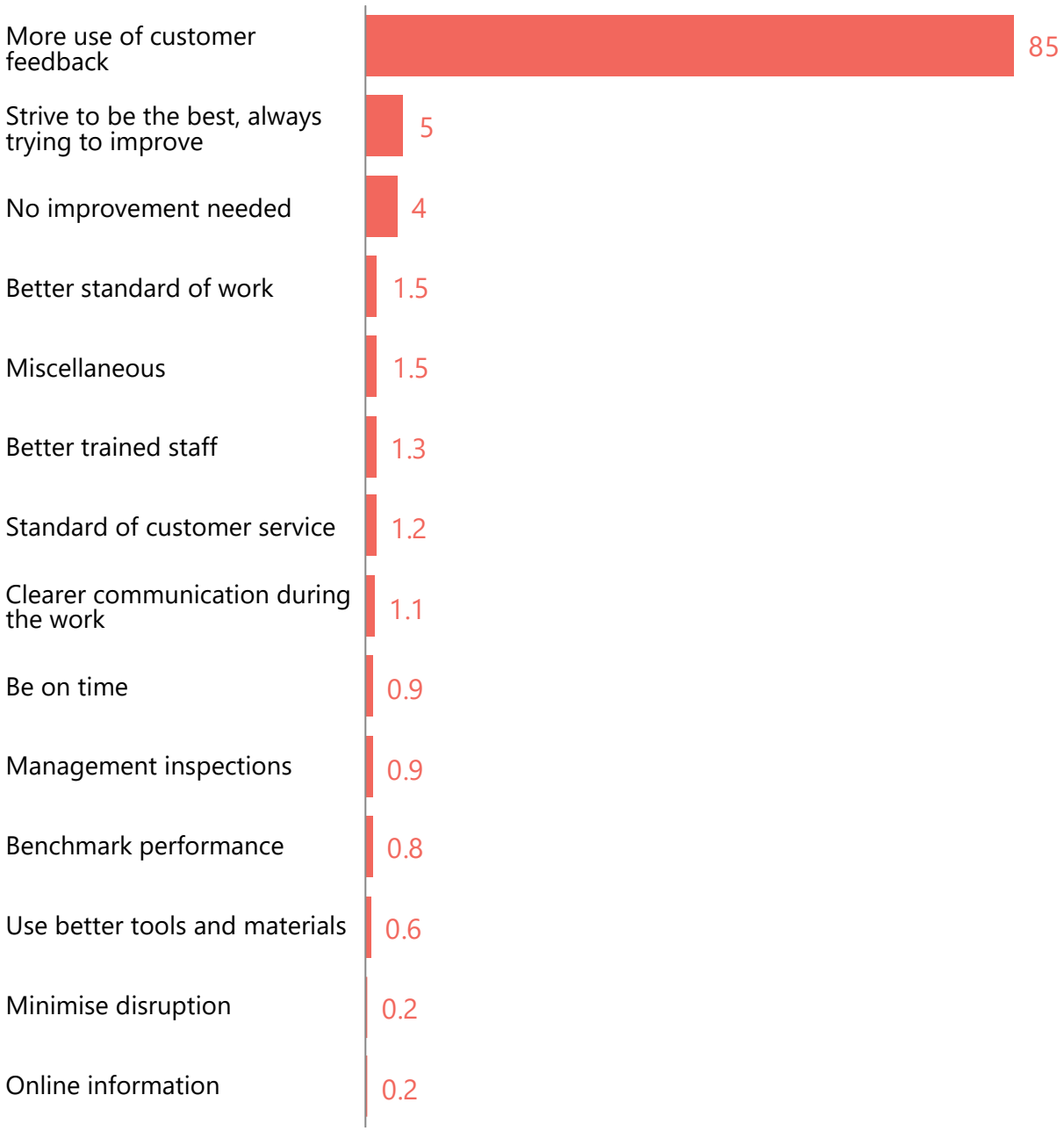
6.3 Overall satisfaction with the communication about internal works

% Base 306 | All respondents who have had some internal replacement works. Excludes non respondents



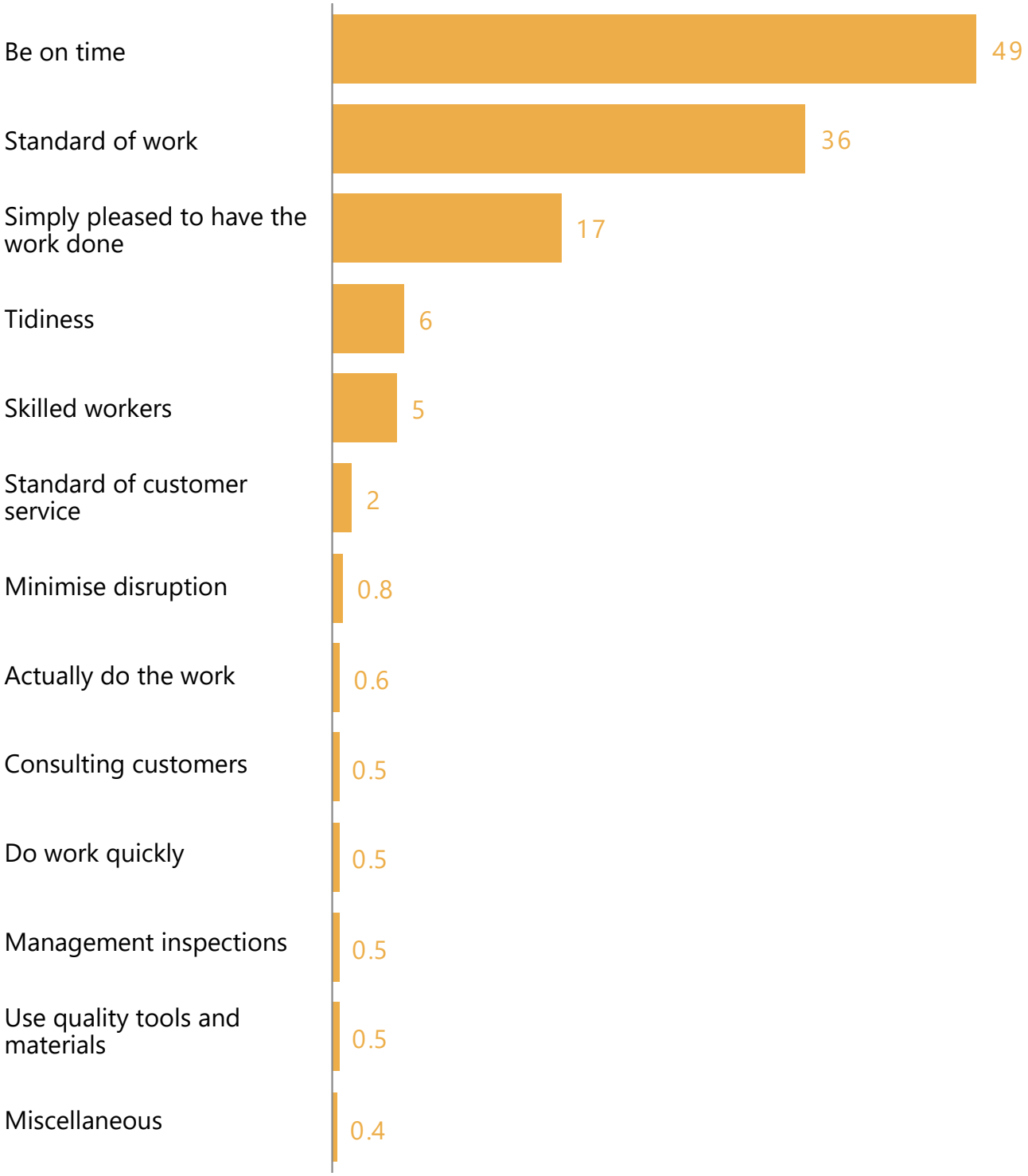
6.4 What could the Council do that would improve the way these types of works are delivered in the future?

% Base 890 | Only includes respondents that commented. Coded from verbatim comments.



6.5 What matters to you most about how we carry out these works?

% Base 850 | Only includes respondents that commented. Coded from verbatim comments.



7. Further comments

At the end of the survey respondents were asked if there was anything else that they would like to say about the future of the repairs and maintenance services.

In keeping with the key theme throughout this research on customer feedback and consultation, over two thirds of tenants and residents that commented said that they wanted the Council to publicise the findings of this survey (70%), whilst a further fifth (21%) wished to see more information in the future on both the contract tendering process, and the final decision. These findings were reasonably consistent across the survey subgroups, including between tenants and leaseholders.

"Publish these results. More info about Mears and how they have managed the contract so far"

"Social media for the results, more about how the new 10 year deal is commissioned"

"Reports to read in newspaper/social media/ internet. More details about the tendering. Who else might be in the frame for the work?"

"Publish results? More info available about the tendering process. How we can comment about the tendering process?"

"More info about the tendering/consultation always welcomed. Look forward to seeing some info on this survey too"

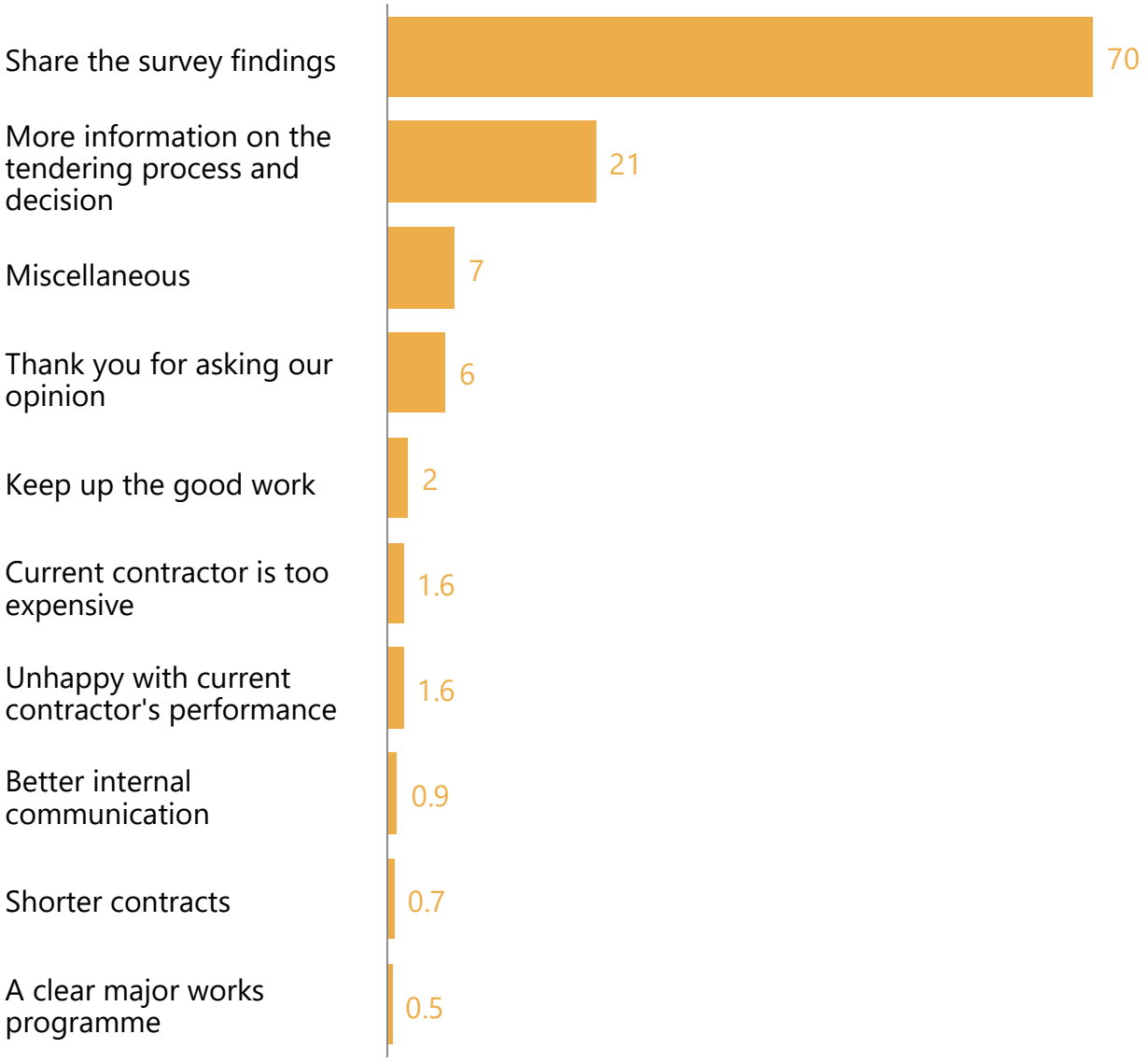
"Perhaps a leaflet drop or something to tell us more about the tendering and the results of this survey. Thanks for seeking our views"

"Thanks for seeking my views. Publish the results?"

"Reporting on the consultation. Info about the tendering process. A chance to have our say on who the tender is awarded to"

7.1 Is there anything else that you would like to feedback to us about the future of all services?

% Base 437 | Only includes respondents that commented. Coded from verbatim comments.



8. Respondent profile

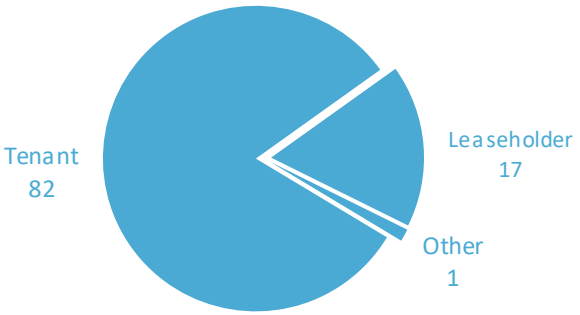
8.1 Ward

% Base 1160

	Total	%
East Brighton	125	10.8
Hanover & Elm Grove	148	12.8
Hangleton & Knoll	150	12.9
Hollingdean & Stanmere	135	11.6
Moulsecoomb & Bevendean	136	11.7
North Portslade	71	6.1
Queen's park	136	11.7
South Portslade	24	2.1
Woodingdean	27	2.3
Wish	138	11.9
No response	70	6.0

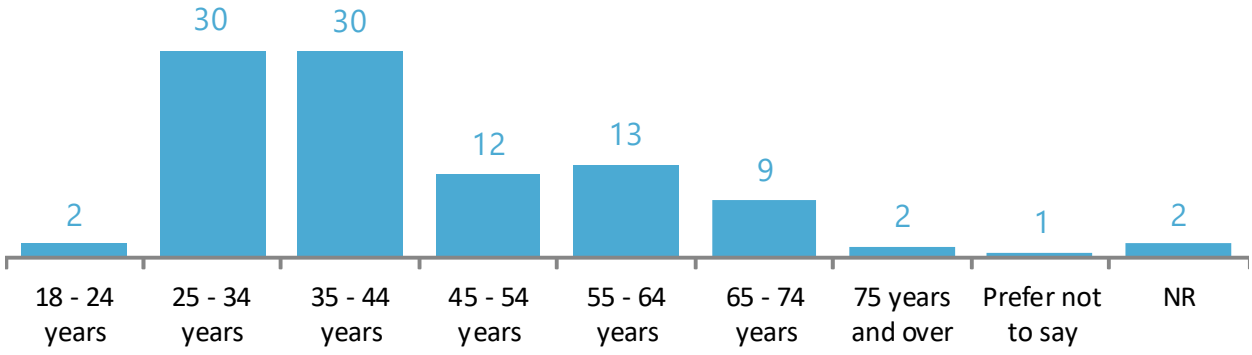
8.2 Stock

% Base 1160



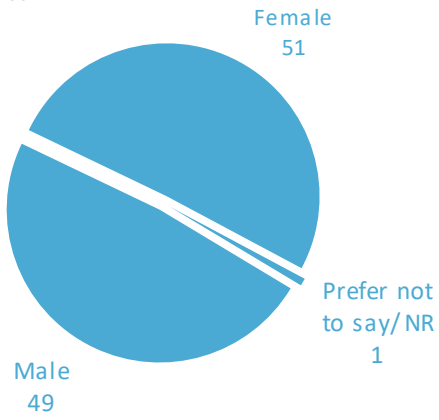
8.3 Age

% Base 1160



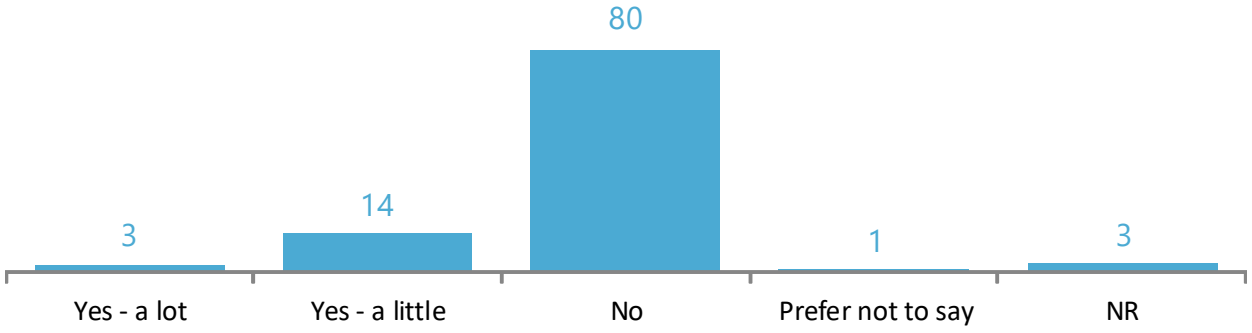
8.4 Gender

% Base 1160



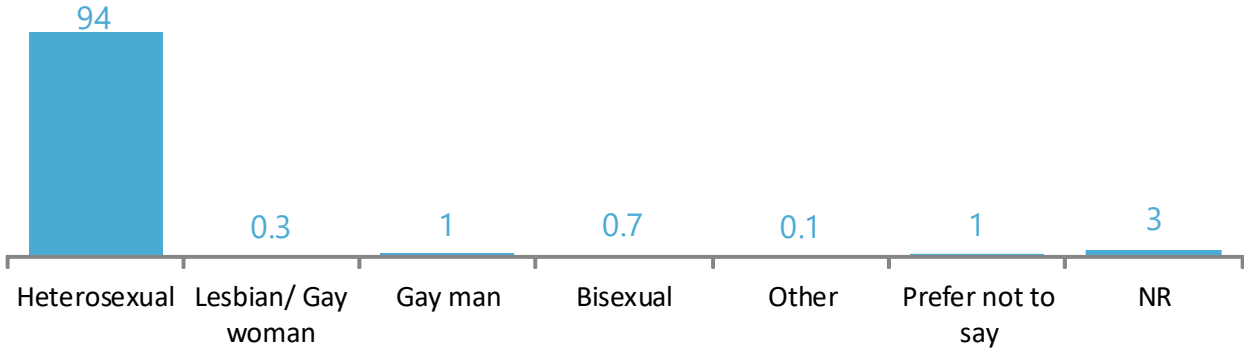
8.5 Disability

% Base 1160



8.6 Sexual orientation

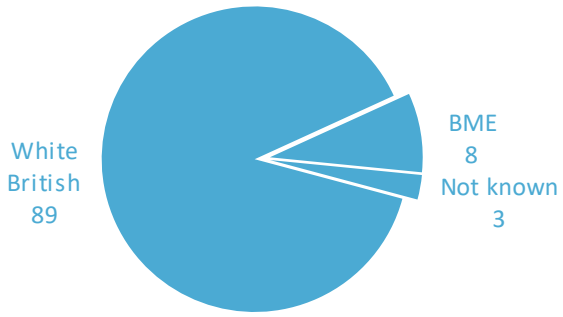
% Base 1160



8.7 Ethnic background

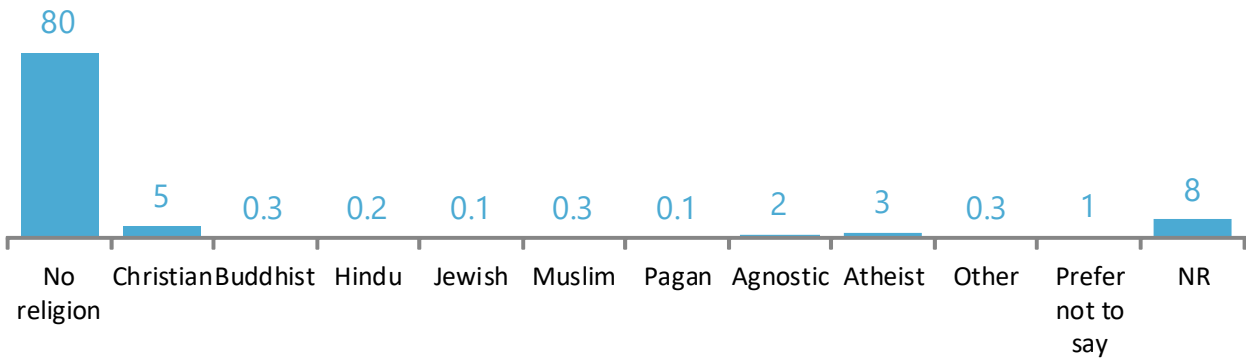
% Base 1160

	%
White	
English/Welsh/Scottish/Northern Irish/British	89.1
Irish	1.5
Gypsy or Irish Traveller	0.1
Any other White background	1.4
Mixed	
White and Black Caribbean	0.5
White and Black African	0.4
White and Asian	0.1
Any other Mixed background	0.0
Asian or Asian British	
Indian	0.9
Pakistani	0.3
Bangladeshi	0.0
Chinese	0.4
Any other Asian background	0.0
Black or Black British	
African	1.0
Caribbean	0.5
Any other Black background	0.0
Other	
Arab	1.1
Not known	2.6



8.8 Religion

% Base 1160



Appendix A. Methodology & data analysis

Fieldwork

The consultation period ran throughout July and ended on the 14 August 2018. Background information was available on the Council's website, along with an online questionnaire. In addition, in-home interviews were also conducted by contractors on behalf of the Council with a wide cross section of tenants and leaseholders. In total, 1,160 individuals took part in the consultation, including 1090 by interview and 70 online. This included 945 Council tenants (error margin +/- 3.1), 200 resident leaseholders (error margin +/- 6.6), a 15 others with a variety of other tenure types.

Data presentation

Readers should take care when considering percentage results from some of the sub groups within the main sample, as the base figures may sometimes be small.

Many results are recalculated to remove 'no opinion' or 'can't remember' responses from the final figures, a technique known as 're-basing'.

Error Margins

Error margins for the sample overall, and for individual questions, are the amount by which a result might vary due to chance. The error margins in the results are quoted at the standard 95% level and are determined by the sample size and the distribution of scores. When comparing two sets of scores, it is important to remember that error margins will apply independently to each.

Tests of statistical significance

When two sets of survey data are compared to one another (e.g. between different years, or demographic sub groups), the observed differences are typically tested for statistical significance. Differences that are significant can be said, with a high degree of confidence, to be real variations that are unlikely to be due to chance. Any differences that are not significant *may* still be real, especially when a number of different questions all demonstrate the same pattern, but this cannot be stated with statistical confidence and may just be due to chance.

Unless otherwise stated, all statistically significant differences are reported at the 95% confidence level. Tests used were the Wilcoxon-Mann-Whitney test (rating scales), Fischer Exact Probability test (small samples) and the Pearson Chi Square test (larger samples) as appropriate for the data being examined. These calculations rely on a number of factors such as the base figure and the level of variance, both within and between sample groups, thereby taking into account more than just the simple difference between the headline percentage scores. This means that some results are reported as significant despite being superficially similar to others that are not. Conversely, some seemingly notable differences in two sets of headline scores are not enough to signal a significant change in the underlying pattern across all points in the scale. For example:

- Two satisfaction ratings might have the same or similar *total* satisfaction score, but be quite different when one considers the detailed results for the proportion *very satisfied* versus *fairly satisfied*.
- There may also be a change in the proportions who were *very* or *fairly* dissatisfied, or ticked the middle point in the scale, which is not apparent from the headline score.
- In rare cases there are complex changes across the scale that are difficult to categorise e.g. in a single question one might simultaneously observe a disappointing shift from *very* to *fairly* satisfied, at the same time as their being a welcome shift from *very dissatisfied* to *neither*.
- If the results included a relatively small number of people then the error margins are bigger. This means that the *combined* error margins for the two ratings being compared might be bigger than the observed difference between them.

Appendix B. Data summary

Please note that throughout the report the quoted results typically refer to the *'valid'* column of the data summary if it appears.

The *'valid'* column contains data that has been rebased, normally because non-respondents were excluded and/or question routing applied.

		All respondents			Tenants			Leaseholders		
		Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
	Q1 In the last 12 months, have you had to contact the repairs desk to report a repair in your property or communal area?	*Base: 1160*			*Base: 945*			*Base: 200*		
1:	Yes	238	20.5		198	21.0		33	16.5	
2:	No	922	79.5		747	79.0		167	83.5	
	N/R	0	0.0		0	0.0		0	0.0	
	Q2 Thinking about when you last contacted the repairs desk, do you feel that the call handler understood the issue you were reporting?	*Base: 238*			*Base: 198*			*Base: 33*		
3:	Yes	216	18.6	90.8	188	19.9	94.9	27	13.5	81.8
4:	No	15	1.3	6.3	8	0.8	4.0	2	1.0	6.1
5:	Don't know / not sure	6	0.5	2.5	2	0.2	1.0	3	1.5	9.1
	N/R	923	79.6	0.4	747	79.0	0.0	168	84.0	3.0
	Q3 Thinking about when you last contacted the repairs desk, overall how would you describe the standard of customer service you received from the repairs desk?	*Base: 238*			*Base: 198*			*Base: 33*		
6:	Very good	169	14.6	71.0	153	16.2	77.3	15	7.5	45.5
7:	Fairly good	34	2.9	14.3	25	2.6	12.6	9	4.5	27.3
8:	Neither	19	1.6	8.0	13	1.4	6.6	5	2.5	15.2
9:	Fairly poor	10	0.9	4.2	6	0.6	3.0	2	1.0	6.1
10:	Very poor	6	0.5	2.5	1	0.1	0.5	2	1.0	6.1
	N/R	922	79.5	0.0	747	79.0	0.0	167	83.5	0.0
	Q4 Thinking about when you last contacted the repairs desk, how easy or difficult was it for you to access the service?	*Base: 238*			*Base: 198*			*Base: 33*		
11:	Very easy	155	13.4	65.1	137	14.5	69.2	17	8.5	51.5
12:	Fairly easy	58	5.0	24.4	47	5.0	23.7	11	5.5	33.3
13:	Neither	18	1.6	7.6	12	1.3	6.1	3	1.5	9.1
14:	Fairly difficult	6	0.5	2.5	1	0.1	0.5	2	1.0	6.1
15:	Very difficult	1	0.1	0.4	1	0.1	0.5	0	0.0	0.0
	N/R	922	79.5	0.0	747	79.0	0.0	167	83.5	0.0
	Q5 Would an online reporting service make it easier for you to report any repairs?	*Base: 238*			*Base: 198*			*Base: 33*		
16:	Yes	181	15.6	76.1	155	16.4	78.3	23	11.5	69.7
17:	No	32	2.8	13.4	25	2.6	12.6	5	2.5	15.2
18:	Don't know / not sure	25	2.2	10.5	18	1.9	9.1	5	2.5	15.2
	N/R	922	79.5	0.0	747	79.0	0.0	167	83.5	0.0
	R6 What would you suggest we could do to improve your experience of contacting the repairs helpdesk?	*Base: 1160*			*Base: 945*			*Base: 200*		
19:	Be more polite	10	0.9		7	0.7		3	1.5	
20:	Keep the phone helpdesk	16	1.4		15	1.6		1	0.5	
21:	Measure satisfaction	3	0.3		3	0.3		0	0.0	
22:	Miscellaneous	9	0.8		5	0.5		4	2.0	
23:	More call handlers	2	0.2		1	0.1		1	0.5	
24:	No improvement needed	80	6.9		69	7.3		10	5.0	
25:	Online portal	39	3.4		33	3.5		4	2.0	
26:	Repairs tracking	12	1.0		2	0.2		7	3.5	
27:	Smartphone App	52	4.5		45	4.8		7	3.5	
28:	Speed up the process	4	0.3		3	0.3		1	0.5	
29:	Staff to be more knowledgable	7	0.6		4	0.4		2	1.0	
	N/R	946	81.6		770	81.5		168	84.0	

		All respondents			Tenants			Leaseholders		
		Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
	R7 What are the main things that are important to you about how we deliver this part of the service?	*Base: 1160*			*Base: 945*			*Base: 200*		
30:	A quick process	93	8.0		59	6.2		33	16.5	
31:	Accuracy	155	13.4		138	14.6		16	8.0	
32:	Arrange a date	246	21.2		168	17.8		78	39.0	
33:	Be on time	15	1.3		14	1.5		1	0.5	
34:	Clear explanation of next steps	92	7.9		80	8.5		11	5.5	
35:	Easy to access and use	156	13.4		122	12.9		32	16.0	
36:	Empathy and support	262	22.6		232	24.6		28	14.0	
37:	Helpful attitude	273	23.5		228	24.1		41	20.5	
38:	Keep the phone helpdesk	16	1.4		14	1.5		2	1.0	
39:	Keep up the good work	17	1.5		14	1.5		3	1.5	
40:	Listening carefully	65	5.6		61	6.5		4	2.0	
41:	Miscellaneous	13	1.1		7	0.7		3	1.5	
42:	Online portal	37	3.2		33	3.5		4	2.0	
43:	Polite and friendly	102	8.8		81	8.6		18	9.0	
44:	Safety	2	0.2		1	0.1		1	0.5	
45:	Smartphone app	26	2.2		19	2.0		7	3.5	
46:	Trained and knowledgeable staff	46	4.0		38	4.0		7	3.5	
	N/R	104	9.0		95	10.1		7	3.5	
	Q8 Have you had to report any repairs in the last 3 years?	*Base: 1160*			*Base: 945*			*Base: 200*		
47:	Yes	498	42.9		412	43.6		78	39.0	
48:	No	660	56.9		531	56.2		122	61.0	
	N/R	2	0.2		2	0.2		0	0.0	
	Q9 Overall how satisfied or dissatisfied are you with the repairs service you have received?	*Base: 498*			*Base: 412*			*Base: 78*		
49:	Very satisfied	327	28.2	65.7	282	29.8	68.4	44	22.0	56.4
50:	Fairly satisfied	115	9.9	23.1	99	10.5	24.0	16	8.0	20.5
51:	Neither	15	1.3	3.0	9	1.0	2.2	5	2.5	6.4
52:	Fairly dissatisfied	21	1.8	4.2	12	1.3	2.9	7	3.5	9.0
53:	Very dissatisfied	20	1.7	4.0	10	1.1	2.4	6	3.0	7.7
	N/R	662	57.1	0.0	533	56.4	0.0	122	61.0	0.0
	R10 What matters to you most about how we carry out repairs to your home?	*Base: 1160*			*Base: 945*			*Base: 200*		
54:	Be on time	548	47.2		464	49.1		77	38.5	
55:	Communication during the work	17	1.5		12	1.3		4	2.0	
56:	Consult customers	11	0.9		10	1.1		1	0.5	
57:	Do work quickly	6	0.5		5	0.5		1	0.5	
58:	Keep up the good work	69	5.9		65	6.9		4	2.0	
59:	Miscellaneous	4	0.3		1	0.1		3	1.5	
60:	Minimise disruption	5	0.4		4	0.4		1	0.5	
61:	Right first time	7	0.6		5	0.5		2	1.0	
62:	Skilled staff	163	14.1		128	13.5		33	16.5	
63:	Standard of customer service	54	4.7		47	5.0		7	3.5	
64:	Standard of work	466	40.2		360	38.1		97	48.5	
65:	Tidiness	125	10.8		90	9.5		35	17.5	
66:	Use quality tools and materials	37	3.2		25	2.6		11	5.5	
67:	Value for money	19	1.6		1	0.1		16	8.0	
	N/R	101	8.7		88	9.3		10	5.0	
	R11 What do you think the council could do that would improve it's repairs and maintenance services?	*Base: 1160*			*Base: 945*			*Base: 200*		
68:	Benchmark performance	15	1.3		15	1.6		0	0.0	
69:	Change contractors	13	1.1		5	0.5		4	2.0	
70:	Clearer communicaton during the work	11	0.9		7	0.7		3	1.5	
71:	Consult customers	871	75.1		714	75.6		151	75.5	

		All respondents			Tenants			Leaseholders		
		Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
72:	Customer care programme	29	2.5		21	2.2		8	4.0	
73:	Keep up the good work	7	0.6		7	0.7		0	0.0	
74:	Management inspections	25	2.2		22	2.3		2	1.0	
75:	Miscellaneous	13	1.1		10	1.1		3	1.5	
76:	Online portal	2	0.2		2	0.2		0	0.0	
77:	Skilled staff	12	1.0		11	1.2		1	0.5	
78:	Standard of customer service	18	1.6		9	1.0		8	4.0	
79:	Standard of work	9	0.8		8	0.8		0	0.0	
80:	Strive to be the best, always trying to improve	37	3.2		32	3.4		5	2.5	
81:	Value for money	7	0.6		1	0.1		4	2.0	
	N/R	123	10.6		107	11.3		13	6.5	
	Q12 Has the council carried out major external works on your block during the last 8 years?	*Base: 1160*			*Base: 945*			*Base: 200*		
82:	Yes	305	26.3		203	21.5		94	47.0	
83:	No	329	28.4		289	30.6		38	19.0	
84:	Don't know / not sure	240	20.7		182	19.3		56	28.0	
85:	Not applicable	284	24.5		269	28.5		12	6.0	
	N/R	2	0.2		2	0.2		0	0.0	
	R13 What did you like about the way the major external improvement works were delivered to your block?	*Base: 305*			*Base: 203*			*Base: 94*		
86:	Completed on time	4	0.3	1.3	2	0.2	1.0	2	1.0	2.1
87:	Good information and communication	9	0.8	3.0	6	0.6	3.0	3	1.5	3.2
88:	Minimal disruption	85	7.3	27.9	61	6.5	30.0	24	12.0	25.5
89:	Miscellaneous	1	0.1	0.3	1	0.1	0.5	0	0.0	0.0
90:	No problems	134	11.6	43.9	90	9.5	44.3	43	21.5	45.7
91:	Nothing good	14	1.2	4.6	5	0.5	2.5	6	3.0	6.4
92:	Quality of work	25	2.2	8.2	19	2.0	9.4	6	3.0	6.4
	N/R	897	77.3	13.8	769	81.4	13.3	117	58.5	11.7
	R14 What do you think the council could do that would improve the ways major external improvement works are delivered to blocks in the future?	*Base: 1160*			*Base: 945*			*Base: 200*		
93:	Be on time	17	1.5		16	1.7		1	0.5	
94:	Clearer communication during the work	19	1.6		16	1.7		2	1.0	
95:	Keep costs down	15	1.3		8	0.8		5	2.5	
96:	Level of notice	19	1.6		16	1.7		2	1.0	
97:	Minimise disruption	4	0.3		3	0.3		1	0.5	
98:	Miscellaneous	18	1.6		9	1.0		7	3.5	
99:	More use of customer feedback	383	33.0		279	29.5		101	50.5	
100:	Skilled workers	11	0.9		8	0.8		2	1.0	
101:	Standard of work	30	2.6		28	3.0		2	1.0	
	N/R	682	58.8		594	62.9		82	41.0	
	R15 What matters to you most about how we carry out large scale works to your home?	*Base: 1160*			*Base: 945*			*Base: 200*		
102:	Be on time	262	22.6		200	21.2		62	31.0	
103:	Communication during the work	29	2.5		22	2.3		7	3.5	
104:	Consult customers	12	1.0		7	0.7		5	2.5	
105:	Guarantees	2	0.2		0	0.0		1	0.5	
106:	Level of notice	26	2.2		22	2.3		2	1.0	
107:	Minimise disruption	27	2.3		23	2.4		3	1.5	
108:	On budget	93	8.0		54	5.7		38	19.0	
109:	Skilled staff	36	3.1		33	3.5		2	1.0	
110:	Standard of work	108	9.3		91	9.6		15	7.5	
111:	Tidiness	17	1.5		13	1.4		4	2.0	
112:	Well managed	89	7.7		55	5.8		32	16.0	
	N/R	678	58.4		589	62.3		82	41.0	

		All respondents			Tenants			Leaseholders		
		Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
	Q16 Have you had any internal replacement works like the examples given above in your home in the last 8 years?	*Base: 1160*			*Base: 945*			*Base: 200*		
113:	Yes	307	26.5		298	31.5		8	4.0	
114:	No	827	71.3		646	68.4		174	87.0	
	N/R	26	2.2		1	0.1		18	9.0	
	Q17 Generally, how satisfied or dissatisfied were you with the way we delivered these works?	*Base: 307*			*Base: 298*			*Base: 8*		
115:	Very satisfied	239	20.6	78.1	232	24.6	77.9	6	3.0	85.7
116:	Fairly satisfied	54	4.7	17.6	53	5.6	17.8	1	0.5	14.3
117:	Neither	9	0.8	2.9	9	1.0	3.0	0	0.0	0.0
118:	Fairly dissatisfied	3	0.3	1.0	3	0.3	1.0	0	0.0	0.0
119:	Very dissatisfied	1	0.1	0.3	1	0.1	0.3	0	0.0	0.0
	N/R	854	73.6	0.3	647	68.5	0.0	193	96.5	12.5
	Q18 How satisfied or dissatisfied were you with the communication you received about these works delivered in your home?	*Base: 307*			*Base: 298*			*Base: 8*		
120:	Very satisfied	227	19.6	74.2	221	23.4	74.2	6	3.0	85.7
121:	Fairly satisfied	63	5.4	20.6	61	6.5	20.5	1	0.5	14.3
122:	Neither	7	0.6	2.3	7	0.7	2.3	0	0.0	0.0
123:	Fairly dissatisfied	6	0.5	2.0	6	0.6	2.0	0	0.0	0.0
124:	Very dissatisfied	3	0.3	1.0	3	0.3	1.0	0	0.0	0.0
	N/R	854	73.6	0.3	647	68.5	0.0	193	96.5	12.5
	R19 What do you think the council could do that would improve the way these types of works are delivered in the future?	*Base: 1160*			*Base: 945*			*Base: 200*		
125:	Be on time	8	0.7		8	0.8		0	0.0	
126:	Benchmark performance	7	0.6		7	0.7		0	0.0	
127:	Better standard of work	13	1.1		13	1.4		0	0.0	
128:	Better trained staff	12	1.0		12	1.3		0	0.0	
129:	Clearer communication during the work	10	0.9		9	1.0		1	0.5	
130:	Management inspections	8	0.7		8	0.8		0	0.0	
131:	Minimise disruption	2	0.2		2	0.2		0	0.0	
132:	Miscellaneous	13	1.1		13	1.4		0	0.0	
133:	More use of customer feedback	755	65.1		688	72.8		66	33.0	
134:	No improvement needed	37	3.2		36	3.8		1	0.5	
135:	Online information	2	0.2		2	0.2		0	0.0	
136:	Standard of customer service	11	0.9		10	1.1		1	0.5	
137:	Strive to be the best, always trying to improve	45	3.9		42	4.4		2	1.0	
138:	Use better tools and materials	5	0.4		4	0.4		1	0.5	
	N/R	269	23.2		127	13.4		128	64.0	
	R20 What matters to you most about how we carry out these works to your home?	*Base: 1160*			*Base: 945*			*Base: 200*		
139:	Actually do the work	5	0.4		4	0.4		1	0.5	
140:	Be on time	418	36.0		378	40.0		40	20.0	
141:	Consulting customers	4	0.3		4	0.4		0	0.0	
142:	Do work quickly	4	0.3		4	0.4		0	0.0	
143:	Management inspections	4	0.3		4	0.4		0	0.0	
144:	Minimise disruption	7	0.6		7	0.7		0	0.0	
145:	Miscellaneous	3	0.3		3	0.3		0	0.0	
146:	Simply pleased to have the work done	148	12.8		147	15.6		1	0.5	
147:	Skilled workers	42	3.6		38	4.0		4	2.0	
148:	Standard of customer service	13	1.1		13	1.4		0	0.0	
149:	Standard of work	307	26.5		275	29.1		32	16.0	
150:	Tidiness	48	4.1		32	3.4		15	7.5	
151:	Use quality tools and materials	4	0.3		4	0.4		0	0.0	

		All respondents			Tenants			Leaseholders		
		Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
	N/R	309	26.6		167	17.7		128	64.0	
	R21 Is there anything else that you would like to feedback to us about the future of all services covered in this survey?	*Base: 1160*			*Base: 945*			*Base: 200*		
152:	A clear major works programme	3	0.3		0	0.0		2	1.0	
153:	Better internal communication	4	0.3		4	0.4		0	0.0	
154:	Current contractor is too expensive	10	0.9		1	0.1		6	3.0	
155:	Keep up the good work	9	0.8		7	0.7		2	1.0	
156:	Miscellaneous	30	2.6		23	2.4		6	3.0	
157:	More info on the tendering process and decision	93	8.0		70	7.4		20	10.0	
158:	Share the survey findings	306	26.4		247	26.1		58	29.0	
159:	Shorter contracts	4	0.3		1	0.1		2	1.0	
160:	Thank you for asking our opinion	25	2.2		19	2.0		6	3.0	
161:	Unhappy with current contractor's performance	8	0.7		5	0.5		2	1.0	
	N/R	713	61.5		598	63.3		110	55.0	
	D101 Ward	*Base: 1160*			*Base: 945*			*Base: 200*		
162:	East Brighton	125	10.8		110	11.6		15	7.5	
163:	Hanover & Elm Grove	148	12.8		116	12.3		32	16.0	
164:	Hangleton & Knoll	150	12.9		141	14.9		8	4.0	
165:	Hollingdean & Stanmere	135	11.6		132	14.0		2	1.0	
166:	Moulsecoomb & Bevendean	136	11.7		118	12.5		15	7.5	
167:	North Portslade	71	6.1		59	6.2		11	5.5	
168:	Queen's park	136	11.7		82	8.7		53	26.5	
169:	South Portslade	24	2.1		19	2.0		5	2.5	
170:	Woodingdean	27	2.3		25	2.6		2	1.0	
171:	Wish	138	11.9		100	10.6		38	19.0	
	N/R	70	6.0		43	4.6		19	9.5	
	D102 Respondent type	*Base: 1160*			*Base: 945*			*Base: 200*		
172:	A council tenant of Brighton & Hove City Council	945	81.5		945	100.0		0	0.0	
173:	A private tenant of a leaseholder	3	0.3		0	0.0		0	0.0	
174:	A resident leaseholder	200	17.2		0	0.0		200	100.0	
175:	A non-resident leaseholder	6	0.5		0	0.0		0	0.0	
176:	A Seaside Homes tenant	5	0.4		0	0.0		0	0.0	
177:	Other	0	0.0		0	0.0		0	0.0	
	N/R	1	0.1		0	0.0		0	0.0	
	D102a Respondent type - simple	*Base: 1160*			*Base: 945*			*Base: 200*		
178:	Tenant	945	81.5		945	100.0		0	0.0	
179:	Leaseholder	200	17.2		0	0.0		200	100.0	
	N/R	15	1.3		0	0.0		0	0.0	
	D103 Gender	*Base: 1160*			*Base: 945*			*Base: 200*		
180:	Male	563	48.5		454	48.0		100	50.0	
181:	Female	588	50.7		485	51.3		97	48.5	
182:	Other	0	0.0		0	0.0		0	0.0	
183:	Prefer not to say	8	0.7		5	0.5		3	1.5	
	N/R	1	0.1		1	0.1		0	0.0	
	D104 Do you identify as the sex you were assigned at birth?	*Base: 1160*			*Base: 945*			*Base: 200*		
184:	Yes	1091	94.1		890	94.2		186	93.0	
185:	No	2	0.2		2	0.2		0	0.0	
186:	Prefer not to say	9	0.8		7	0.7		2	1.0	
	N/R	58	5.0		46	4.9		12	6.0	
	D105 Age	*Base: 1160*			*Base: 945*			*Base: 200*		

		All respondents			Tenants			Leaseholders		
		Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
187:	18-24	24	2.1		23	2.4		1	0.5	
188:	25-34	346	29.8		312	33.0		32	16.0	
189:	35-44	343	29.6		244	25.8		91	45.5	
190:	45-54	140	12.1		106	11.2		33	16.5	
191:	55-64	156	13.4		126	13.3		28	14.0	
192:	65-74	99	8.5		90	9.5		7	3.5	
193:	75+	18	1.6		16	1.7		2	1.0	
194:	Prefer not to say	10	0.9		6	0.6		4	2.0	
	N/R	24	2.1		22	2.3		2	1.0	
	D106 Age - simple	*Base: 1160*			*Base: 945*			*Base: 200*		
195:	18 - 34	370	31.9		335	35.4		33	16.5	
196:	35 - 64	639	55.1		476	50.4		152	76.0	
197:	65+	117	10.1		106	11.2		9	4.5	
198:	Prefer not to say	10	0.9		6	0.6		4	2.0	
	N/R	24	2.1		22	2.3		2	1.0	
	D107 Ethnic background	*Base: 1160*			*Base: 945*			*Base: 200*		
199:	White - British	1033	89.1		861	91.1		158	79.0	
200:	White - Irish	17	1.5		13	1.4		3	1.5	
201:	White - Gypsy or Irish Traveller	1	0.1		1	0.1		0	0.0	
202:	White - Any other white background	16	1.4		5	0.5		11	5.5	
203:	Asian or Asian British - Bangladeshi	0	0.0		0	0.0		0	0.0	
204:	Asian or Asian British - Indian	11	0.9		5	0.5		6	3.0	
205:	Asian or Asian British - Pakistani	4	0.3		3	0.3		1	0.5	
206:	Asian or Asian British - Chinese	5	0.4		1	0.1		4	2.0	
207:	Any other Asian background	0	0.0		0	0.0		0	0.0	
208:	Black or Black British - African	12	1.0		10	1.1		2	1.0	
209:	Black or Black British - Caribbean	6	0.5		5	0.5		1	0.5	
210:	Any other Black background	0	0.0		0	0.0		0	0.0	
211:	Mixed - Asian & White	1	0.1		1	0.1		0	0.0	
212:	Mixed - Black African & White	5	0.4		2	0.2		3	1.5	
213:	Mixed - Black Caribbean & White	6	0.5		6	0.6		0	0.0	
214:	Any other mixed background	0	0.0		0	0.0		0	0.0	
215:	Arab	13	1.1		4	0.4		9	4.5	
216:	Any other ethnic group	0	0.0		0	0.0		0	0.0	
217:	Prefer not to say	0	0.0		0	0.0		0	0.0	
	N/R	30	2.6		28	3.0		2	1.0	
	D108 Ethnic background - simple 1	*Base: 1160*			*Base: 945*			*Base: 200*		
218:	White UK / British	1033	89.1		861	91.1		158	79.0	
219:	BME - Wite Irish	17	1.5		13	1.4		3	1.5	
220:	BME - White Gypsy or Isish Traveller	1	0.1		1	0.1		0	0.0	
221:	BME- White other	16	1.4		5	0.5		11	5.5	
222:	BME - none White ethnic groups	63	5.4		37	3.9		26	13.0	
	N/R	30	2.6		28	3.0		2	1.0	
	D109 Ethnic background - simple 2	*Base: 1160*			*Base: 945*			*Base: 200*		
223:	White British	1033	89.1		861	91.1		158	79.0	
224:	BME	97	8.4		56	5.9		40	20.0	
	N/R	30	2.6		28	3.0		2	1.0	
	D110 Sexual orientation	*Base: 1160*			*Base: 945*			*Base: 200*		
225:	Heterosexual / straight	1087	93.7		886	93.8		188	94.0	
226:	Lesbian / Gay woman	4	0.3		3	0.3		1	0.5	
227:	Gay man	12	1.0		11	1.2		1	0.5	
228:	Bisexual	8	0.7		6	0.6		2	1.0	
229:	Other	1	0.1		0	0.0		0	0.0	
230:	Prefer not to say	13	1.1		9	1.0		3	1.5	
	N/R	35	3.0		30	3.2		5	2.5	

		All respondents			Tenants			Leaseholders		
		Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
	D111 Sexual orientation - simple	*Base: 1160*			*Base: 945*			*Base: 200*		
231:	Heterosexual	1087	93.7		886	93.8		188	94.0	
232:	LGB	24	2.1		20	2.1		4	2.0	
233:	Other	1	0.1		0	0.0		0	0.0	
234:	Prefer not to say	13	1.1		9	1.0		3	1.5	
	N/R	35	3.0		30	3.2		5	2.5	
	D112 Religion	*Base: 1160*			*Base: 945*			*Base: 200*		
235:	I have no particular religion/belief	926	79.8		755	79.9		160	80.0	
236:	Buddhist	3	0.3		3	0.3		0	0.0	
237:	Christian	61	5.3		46	4.9		14	7.0	
238:	Hindu	2	0.2		1	0.1		1	0.5	
239:	Jain	0	0.0		0	0.0		0	0.0	
240:	Jewish	1	0.1		1	0.1		0	0.0	
241:	Muslim	3	0.3		3	0.3		0	0.0	
242:	Pagan	1	0.1		1	0.1		0	0.0	
243:	Sikh	0	0.0		0	0.0		0	0.0	
244:	Agnostic	20	1.7		19	2.0		1	0.5	
245:	Atheist	32	2.8		18	1.9		13	6.5	
246:	Other	0	0.0		0	0.0		0	0.0	
247:	Other philosophical belief	3	0.3		2	0.2		0	0.0	
248:	Prefer not to say	12	1.0		7	0.7		4	2.0	
	N/R	96	8.3		89	9.4		7	3.5	
	D113 Religion - simple	*Base: 1160*			*Base: 945*			*Base: 200*		
249:	No religion	926	79.8		755	79.9		160	80.0	
250:	Christian	61	5.3		46	4.9		14	7.0	
251:	Other	65	5.6		48	5.1		15	7.5	
252:	Prefer not to say	12	1.0		7	0.7		4	2.0	
	N/R	96	8.3		89	9.4		7	3.5	
	D114 Disability	Base: 1160			Base: 945			Base: 200		
253:	Yes - a little	157	13.5		125	13.2		30	15.0	
254:	Yes - a lot	30	2.6		25	2.6		4	2.0	
255:	No	928	80.0		758	80.2		159	79.5	
256:	Prefer not to say	10	0.9		7	0.7		2	1.0	
	N/R	35	3.0		30	3.2		5	2.5	
	D115 Type of disability	*Base: 1160*			*Base: 945*			*Base: 200*		
257:	Physical impairment	108	9.3		88	9.3		18	9.0	
258:	Sensory impairment	21	1.8		16	1.7		5	2.5	
259:	Learning disability/difficulty	1	0.1		1	0.1		0	0.0	
260:	Long standing Illness	33	2.8		26	2.8		7	3.5	
261:	Mental health condition	35	3.0		30	3.2		4	2.0	
262:	Autistic Spectrum	1	0.1		1	0.1		0	0.0	
263:	Development condition	0	0.0		0	0.0		0	0.0	
264:	Other	4	0.3		3	0.3		1	0.5	
	N/R	973	83.9		795	84.1		166	83.0	
	D116 Are you a carer?	*Base: 1160*			*Base: 945*			*Base: 200*		
265:	Yes	71	6.1		60	6.3		8	4.0	
266:	No	1045	90.1		849	89.8		184	92.0	
267:	Prefer not to say	9	0.8		6	0.6		3	1.5	
	N/R	35	3.0		30	3.2		5	2.5	
	D117 Who do you care for?	*Base: 1160*			*Base: 945*			*Base: 200*		
268:	Parent	45	3.9		37	3.9		6	3.0	
269:	Child with special needs	10	0.9		9	1.0		0	0.0	
270:	Other family member	1	0.1		0	0.0		1	0.5	

		All respondents			Tenants			Leaseholders		
		Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
271:	Partner / spouse	15	1.3		13	1.4		1	0.5	
272:	Friend	1	0.1		1	0.1		0	0.0	
273:	Other	1	0.1		1	0.1		0	0.0	
	N/R	1089	93.9		885	93.7		192	96.0	
	D118 Are you currently serving in the UK Armed Forces (this includes reservists or part-time service, eg: Territorial Army)?	*Base: 1160*			*Base: 945*			*Base: 200*		
274:	Yes	0	0.0		0	0.0		0	0.0	
275:	No	1112	95.9		905	95.8		192	96.0	
276:	Prefer not to say	7	0.6		4	0.4		3	1.5	
	N/R	41	3.5		36	3.8		5	2.5	
	D119 Have you ever served in the UK Armed Forces?	*Base: 1160*			*Base: 945*			*Base: 200*		
277:	Yes	22	1.9		22	2.3		0	0.0	
278:	No	1090	94.0		882	93.3		193	96.5	
279:	Prefer not to say	7	0.6		4	0.4		3	1.5	
	N/R	41	3.5		37	3.9		4	2.0	
	D120 Are you a member of a current or former serviceman or servicewoman's immediate family/household?	*Base: 1160*			*Base: 945*			*Base: 200*		
280:	Yes	12	1.0		11	1.2		1	0.5	
281:	No	1098	94.7		893	94.5		190	95.0	
282:	Prefer not to say	7	0.6		4	0.4		3	1.5	
	N/R	43	3.7		37	3.9		6	3.0	
	D121 Connection with the Armed Forces	*Base: 1160*			*Base: 945*			*Base: 200*		
283:	Yes	35	3.0		34	3.6		1	0.5	
284:	No	1076	92.8		871	92.2		190	95.0	
285:	Prefer not to say	7	0.6		4	0.4		3	1.5	
	N/R	42	3.6		36	3.8		6	3.0	

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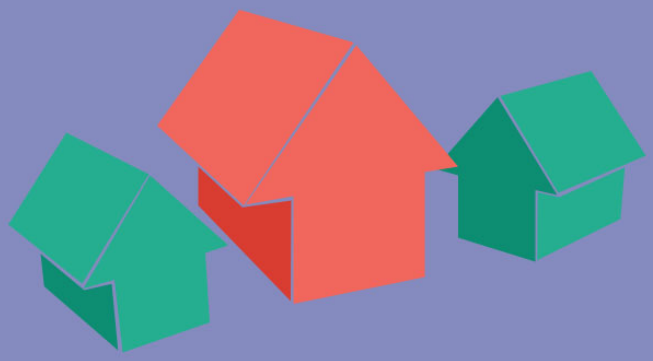

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Options programme for housing repairs, planned maintenance and capital works

Business & Value for Money Service Improvement Group (appendix 13)

Tuesday 14th August 2018

What should we stop doing?

1. Nothing noted

What would it be great to start doing?

1. More experienced surveyors on council side
2. Ability for residents to contact surveyors more easily
3. Survey older properties - across the city
4. Technically diagnose more complex and repairs with a pre-inspection
5. Cleaning gutters
6. Make and adapt properties so that they are suitable for “today’s life”

What is good about what we do?

1. Sometimes good to get through to repairs desk for smaller repairs but not so good for more complex repairs

What shall we do more of?

1. Maintenance - keep it sturdy, keep it strong
2. Look after the older stock - invest in maintenance
3. Proactive measures for tackling damp - enable residents to access extract ventilation
4. Look at chimney breasts, frees up space for better use

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 59 Brighton & Hove City Council

Subject:		**New Homes for Neighbourhoods – Rotherfield Crescent – Scheme Approval**		
Date of Meeting:		**11 October 2018**		
Report of:		**Executive Director Economy, Environment & Culture**		
Contact Officer:	Name:	**Caroline De Marco**	**Tel:**	**29-1063**
	E-mail:	Caroline.demarco@brighton-hove.gov.uk		
Wards Affected:	Patcham			

FOR GENERAL RELEASE

Action Required of the Committee: To receive the item referred from the Housing & New Homes Committee for approval:
Recommendation: That the following be referred to the Committee for consideration:
That the Housing and New Homes Committee recommend to Policy, Resources & Growth Committee to: iv Appropriate the Rotherfield Crescent former garages site for planning purposes and delegate authority to the Executive Director of Environment, Economy and Culture to appropriate for housing once the development is complete.

BRIGHTON & HOVE CITY COUNCIL

HOUSING & NEW HOMES COMMITTEE

19 SEPTEMBER 2018

COUNCIL CHAMBER, HOVE TOWN HALL

Present: Councillor Meadows (Chair) Councillor Hill (Deputy Chair), Councillor Mears (Opposition Spokesperson), Councillor Gibson (Group Spokesperson), Councillors Barnett, Bell, Cattell, Druitt, Lewry, and Moonan.

DRAFT MINUTE

PART ONE

24.1 The Committee considered a report of the Executive Director, Economy, Environment & Culture which presented five options for consideration by members. It identified a preferred option (Option 1) and recommended that this was taken forward to the detailed design stage. The report was presented by the Project Manager, Estate Regeneration who explained that the report presented the architect's amended scheme which had been value engineered in response to the points raised by members at the Housing & New Homes Committee in November 2017. Paragraph 3.4 provided a summary of the main items where savings had been made. The value engineering exercise had realised a saving of 15% (£178,000) on total scheme costs from £1.215M to £1.037M inclusive of professional fees. A detailed breakdown of the headline savings was contained in Table 2 of the report.

24.2 An independent review of the costs had been carried out by the council's cost consultants Potter Raper under its city build partnership. They found that the revised scheme costs appeared to be accurate and robust. Sufficient budget had been set aside for the value engineering scheme at Rotherfield Crescent in the current HRA Capital Investment programme. Current forecasts for the use of Right to Buy receipts in 2019/20 included the development of Rotherfield Crescent. Any delay to the scheme would have a negative impact on their use and would increase the risk of not achieving the required expenditure. Members were asked to approve the value engineering scheme and agree rent levels based on the new homes rent policy. If approval was granted then it was anticipated that a planning application would be submitted later this year.

24.3 Councillor Gibson set out the following amendment:

"To amend the recommendation 2.2 (iii) to read as shown below in bold italics:

iii. The scheme rent levels at 37.5% of Living Wage **rents for 3 bed properties and 27.5% living wage rents for the 2 bed property**, in line with the New Homes Rent Policy."

24.4 Councillor Gibson welcomed the savings that had been made. There had been a better use of resources and this had enabled the council to charge lower rents. Councillor Gibson raised the question about financial viability. He asked for it to be confirmed that the option that was being proposed in the amendment for rent levels (27.5% Living Wage rents for the 2 bed property and 37.5% of Living Wage rents for the 3 bed properties) would produce a subsidy in the modelling of £42,000 with a payback period of 51.9 years. The Principal Accountant confirmed that amendment did mean that the scheme with the mix of rents produced a surplus of £42,000 with a payback period of 51.9 years. As amended the scheme would be viable.

24.5 At this point in the proceedings the Chair stated that she would like to see the paperwork to support what had been confirmed by the Principal Accountant. It was confirmed that Table 3 on page 66 was going to be amended and circulated to councillors. The Committee would consider other items on the agenda whilst the paperwork was prepared.

24.6 When the consideration of the report was resumed, the Chair reported that councillors had now received paperwork relating to the financial implications of the Green Group amendment.

24.7 Councillor Bell welcomed the report. He had had great reservations about the costs, overdesign and specification when the report was first presented at committee. He questioned why the current proposals had not been presented previously. This made him concerned that other schemes were not being engineered for the value of residents. The Lead City Regeneration Programme Manager reassured Councillor Bell that officers were taking a value engineered approach for all schemes in the programme and were trying to build in value and learning from the programme to date. The scheme under consideration was different in that it had been submitted through a design competition. Officers had learnt from the process.

24.8 Councillor Cattell asked the Senior Lawyer to advise if she should abstain from voting on this item as she was Chair of the Planning Committee. Councillor Moonan stated that she was also a member of the Planning Committee. The Senior Lawyer confirmed that it would safer to abstain. If Councillors Cattell and Moonan voted and expressed a view, they could be said to have pre-determined their decision at the Planning Committee. Both councillors could remain in the Council Chamber.

24.9 Councillor Gibson stated that the amendment was straightforward. What was being recommended was in line with the new homes rent policies, that the council should achieve a mix of rent levels on schemes. The new table produced by the Principal Accountant could replace the one in the report should the amendment be agreed. Councillor Gibson stated that there was a problem with affordability in the city. By lowering the rents as proposed in the amendment, they potentially would be affordable for a household on an income of £20,000. Councillor Gibson commended the amendment which was seconded by Councillor Druitt.

24.10 The Chair thanked officers who had carried out an enormous amount of work on the scheme.

24.11 Members voted on the amendment as set out in paragraph 24.3 above. Members voted in favour of the amendment by 8 votes with 2 abstentions.

24.12 Members then voted on the substantive recommendations as amended above. Members voted in favour by 8 votes with 2 abstentions.

24.13 **RESOLVED:-**

(1) That the Housing & New Homes Committee note the options and associated risks presented in paras 4.1-4.2. of this report.

(2) That the Housing & New Homes Committee agrees Option 1 as amended and approves:

i. The proposed scheme of four new council homes at Rotherfield Crescent, Brighton under the New Homes for Neighbourhoods programme;

ii The procurement of a development partner and professional services for the delivery of the project and give delegated authority to the Executive Director, Environment, Economy and Culture in consultation with the Executive Director, Finance and Resources to award the contract following completion of the procurement process;

iii The scheme rent levels at 37.5% of Living Wage **rents for 3 bed properties and 27.5% living wage rents for the 2 bed property,** in line with the New Homes Rent Policy;

(3)That the Housing and New Homes Committee recommend to Policy, Resources & Growth Committee to:

iv Appropriate the Rotherfield Crescent former garages site for planning purposes and delegate authority to the Executive Director of Environment, Economy and Culture to appropriate for housing once the development is complete.

HOUSING & NEW HOMES COMMITTEE	Agenda Item 24 Brighton & Hove City Council

Subject:		**New Homes For Neighbourhoods – Rotherfield Crescent – Scheme Approval**		
Date of Meeting:		**19 September 2018 – Housing and New Homes Committee** **11 October 2018 – Policy, Resources & Growth Committee**		
Report of:		**Executive Director Economy, Environment & Culture**		
Contact Officer:	**Name:**	**Jo Thompson**	**Tel:**	**01273 291466**
	Email:	**Jo.thompson@brighton-hove.gov.uk**		
Ward(s) affected:		**Patcham**		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 Building new homes on council land is a council priority and essential if City Plan housing targets are to be met and the city's housing crisis tackled. The council's New Homes for Neighbourhoods (NHFN) programme addresses this undersupply by identifying suitable vacant land and infill sites to develop new homes across the city. To date, 159 council homes for affordable rent have been completed under the New Homes for Neighbourhoods programme, 12 are on site and will be completed in May 2019, with over 100 more homes in the pipeline.

1.2 The Royal Institute of British Architects (RIBA) Design Competition held in 2015/16 was one of a number of pilot projects identified in the Small Site Strategy (agreed by Housing Committee, March 2014) to deliver housing units on the smaller sites within the NHFN programme. The Rotherfield Crescent scheme on the former garages site is one of four designs which have been taken forward for further design development work.

1.3 The design proposals and scheme costings for the Rotherfield Crescent site drawn up by the architects, Innes Associates, were presented to Members at the Housing and New Homes Committee meeting on 15 November 2017. At this meeting, members expressed concerns about the scheme costs presented in the Part 2 report. They felt that the costs were high and that officers should explore ways in which these costs could be reduced through identifying possible savings. It was consequently decided that the report be deferred for consideration at a future Housing & New Homes Committee.

1.4 This report presents five options for consideration by members. It identifies a preferred option (Option 1) and recommends that this is taken forward to the detailed design stage.

2. RECOMMENDATIONS:

2.1 That the Housing & New Homes Committee note the options and associated risks presented in paras 4.1-4.2. of this report.

2.2 That the Housing & New Homes Committee agrees Option 1 and approves:

i. The proposed scheme of four new council homes at Rotherfield Crescent, Brighton under the New Homes for Neighbourhoods programme;

ii. The procurement of a development partner and professional services for the delivery of the project and give delegated authority to the Executive Director, Environment, Economy and Culture in consultation with the Executive Director, Finance and Resources to award the contract following completion of the procurement process;

iii. The scheme rent levels at 37.5% of Living Wage, in line with the New Homes Rent Policy;

2.3 That the Housing and New Homes Committee recommend to Policy, Resources & Growth Committee to:

iv. Appropriate the Rotherfield Crescent former garages site for planning purposes and delegate authority to the Executive Director of Environment, Economy and Culture to appropriate for housing once the development is complete.

3. CONTEXT/ BACKGROUND INFORMATION

The site

3.1 The site is located on Housing Revenue Account (HRA) land at the centre of a ring of houses on the Hollingbury Estate and comprises an area of approximately 1,175 sq m (see Appendix 1). It slopes significantly from the highest point in the south-eastern corner to the lowest in the north-western, a difference of approximately 3.5m. The elevated position and separation of properties provides attractive views over the A27 towards Saddlescombe and the wider landscape of the South Downs National Park. Access to the site is along a 40m track from an existing junction with Rotherfield Crescent between numbers 59 and 61 Rotherfield Crescent.

3.2 There are 10 garages on the site which are owned by the council, the majority of which are in a dilapidated state and are unused. The site also provides access to nine privately-owned garages at the rear of some of the surrounding properties. Consultation with garage owners has revealed that these are principally used for general storage purposes rather than for cars. Due to its unkempt appearance and hidden away location, the site has attracted anti-social behaviour such as fly tipping in the past.

Proposed new homes and construction

3.3 The development proposed by Innes Associates is for the demolition of the existing council-owned garages and the construction of four family houses, of which three are 3-bedroom and one is 2-bedroom. The Original Scheme Briefing Note is included at Appendix 2.

Member feedback from 15 November 2017 committee meeting

3.4 Officers have reviewed the minutes of the Housing & New Homes Committee meeting held on 15 November 2017 in order to ensure that the concerns expressed by Members have been adequately addressed. Since the meeting, the design has been amended and value engineered to take on board Members concerns about costs (see Appendix 3). Innes Associates and their Cost Consultants (Millbridge Group) have reviewed the previous scheme costs and identified the following savings:

- Changes to Gross Internal Area (GIA) from 320m2 to 300m2 (reducing allowances for finishes/ M&E and effecting changes to the fabric elsewhere);
- Reduced area and allowance for windows;
- Removal of communal building;
- Reduced allowance for external works and landscaping;
- Saving in PV allowance and foundations, due to the omission of the communal building. PVs still retained on housing units;
- Rationalisation of external surfaces across the whole site and reduction in lighting;
- Reduction in cost overall leading to a review of the estimated contract period and a reduction in preliminaries;
- Single ply roof (£120/ m2) instead of the previous green roof (£220/ m2). However, officers would need to make sure that this revised specification will meet planning requirements. If the Local Planning Authority insists, it may be possible to consider a basic sedum roof (£180/ m2); and
- Allowance for kitchens has been reduced.

3.5 This value engineering exercise has realised a saving of 15% (£178,000) on total scheme costs from £1.215M to £1.037M. A report providing a detailed breakdown of costs has been sent to all Members and briefings have also been offered to run through the report in more detail.

3.6 The savings which have been achieved are summarised in Table 1.

Table 1 – Scheme cost comparisons between original and revised scheme

Cost area	Estimate £'000 Original Scheme	Estimate £'000 Revised Scheme	Estimate £'000 Savings
Base cost	**558**	**516**	**42**
Demolitions and alterations	28	28	0
Renewables	33	28	5
External works	205	128	77
Preliminaries, overheads	140	134	6

Cost area	Estimate £'000 Original Scheme	Estimate £'000 Revised Scheme	Estimate £'000 Savings
and profit			
Design/ construction contingency	63	42	21
Tender price inflation	77	67	10
Total build cost	**1,104**	**943**	**161**
Fees (Professional, Planning, Building Regs, specialist surveys etc.) at 10%	111	94	17
Total Scheme Costs	**1,215**	**1037**	**178**

3.7 This translates into a base cost of £129k per unit or total build cost per unit of £236k which is a saving of £40k per unit on the original scheme. A more detailed breakdown of some of the main savings which have been made is contained in Table 2, this doesn't include savings on Preliminaries, overheads and profit or Design and Construction contingency.

Table 2 – Scheme savings

Cost Item	Original Scheme	Revised Scheme	Saving
External works and landscaping	£205,000	£128,000	-£77,000
Communal building	£23,840	£0 (omitted)	-£23,840
Changes in roof design	£62,900	£44,625	-£18,275
Reduced allowance for kitchen units	£70,000	£60,000	-£10,000
Window design simplified and size reduced	£52,075	£47,100	-£4,975
Saving in PV allowance due to omission of communal building	£4,500	£0 (omitted)	-£4,500

3.8 All of the savings detailed in Tables 1 and 2, have been achieved without fundamentally compromising the design of the scheme which, the majority of residents adjoining the site, liked.

Independent Review of Revised Costs

3.9 The revised scheme drawings and associated costs produced by Innes Associates (the architects) were independently reviewed by the council's cost consultants under its City Build partnership (Potter Raper). The pricing and apportionment of costs differ slightly, as do the inclusions for risk items

(asbestos, contamination, boundary treatments etc.). However, Potter Raper consider that the magnitude of costs provided by Millbridge appear to be accurate for the works described in their cost report.

3.10 As part of their remit to identify further savings, Potter Raper requested prices from a modular construction contractor, without revealing the details of the site or the design team in order to preserve the "cleanliness" of possible future tender procedures.

Modular/ Volumetric Contractor Costings

3.11 The modular supplier's cost estimate for the construction of the scheme is approximately £789k, excluding professional fees and other costs associated with those works that they would not be asked to complete i.e. allowances for preliminaries, external works, substructure, demolitions, risk and PV systems, plus M&E services, sanitary ware etc. Once these additional costs are taken into account, Potter Raper estimate that the total scheme costs for a modular scheme are likely to be in the region of £1.2M, which is very similar to Innes Associates' total scheme costs reported at Housing Committee in November 2017. It may be possible to identify some additional savings by looking at different cladding options, the removal of non-standard items such as roof-lights etc. alongside savings made due to the shorter construction programme associated with modular construction. However, a modular scheme, even with revisions, is unlikely to match the level of savings achieved by Innes Associates' value engineered scheme.

Conclusion

3.12 The independent review carried out by Potter Raper provides reasonable assurance for the revised scheme costings provided by Millbridge Group on behalf of Innes Associates, which realised a saving of 15% (£178,000) on total scheme costs. Officers would therefore recommend to Members of Housing & New Homes Committee that they approve the value engineered scheme and the package of associated design changes outlined in para 3.3.

3.13 There has already been positive feedback from residents and garage owners on the proposed scheme through the council's pre-application consultation process, as evidenced in para 5.3 of this report. At the time that this consultation was conducted, residents were very concerned about the anti-social behaviour which was taking place in the space such as fly-tipping, drinking, drug taking etc. They felt that the development of the site was a positive thing which would not only overcome these issues but would also improve the visual appearance of the site which has become overgrown and unsightly. If approved, Innes Associates will prepare a planning application for submission in the Autumn of this year.

Financial modelling

3.14 Financial modelling of the latest design has been undertaken and the rent levels should be decided by Members in line with the New Homes Rent Policy report which was approved by Housing & New Homes committee in November 2017.

3.15 The size and mix of the houses at Rotherfield Crescent, Brighton is based on the council's Affordable Housing Brief. The modelling includes an allowance for achieving equivalent of Code for Sustainable Homes Level 4 for energy and water, site abnormals, infrastructure and external works.

3.16 The revised development costs modelled have been estimated by Innes Associates Quantity Surveyor and are still subject to planning approval, therefore costs and funding are only indicative at this stage. Any significant variations to the proposed capital scheme and funding will be reported back to Policy, Resources & Growth Committee in accordance with council's standard financial procedures.

3.17 Table 3 provides a summary of the viability modelling results for each of the rent options considered for Rotherfield Crescent. This demonstrates that a return is provided by the LHA rents and 37.5% of Living Wage rents whilst a significant subsidy would be required if 27.5% Living Wage rents and social rents were to be considered. As the estimated surplus is lower for the living wage rents the sensitivity to changes in the construction cost would be greater.

Table 3 – Financial Viability results

Rent Option	LHA	37.5% Living Wage	27.5% Living Wage	Social
2 Bed weekly rent	£197.55	£161.44	£118.39	£87.42
3 Bed weekly rent	£229.58	£188.34	£138.12	£98.78
Net Present Value (NPV) of cash flows Subsidy / (Surplus)	(£0.329m)	(£0.103m)	£0.171m	£0.382m
Pay back period	28.6 years	43.9 years	60+ years	60+ years

Note: Living Wage hourly rates are assumed to be in line with OBR forecast for 2019; actual rent figures would be set according to the rates or valuation prevailing close to letting of the homes concerned.

Appropriation

3.18 Land appropriation in this context means transferring the use of land from one purpose to another. Under S122 of the Local Government Act 1972, the council has the power to appropriate land for planning purposes. Under Section 203 of the Housing and Planning Act 2016 where land is held for planning purposes and work is done in accordance with planning permission, third party rights are overridden. The benefit of appropriating this site for planning purposes is to protect the council from the risk of the development process being stopped once it has started. The rights of third parties whose private interests may be affected by development are protected to the extent that they have a right to compensation against the local authority.

3.19 The appropriation for planning will take place immediately if the recommendation at 2.3 iv is approved.

3.20 Once the site has been developed, the council will need to appropriate the site for housing and it is therefore proposed that authority is granted to the Executive Director Economy, Environment & Culture. That second appropriation will take place when the Executive Director Economy, Environment & Culture executes an "Appropriation Memo". The site will be available for housing use.

Procurement

3.21 The original procurement strategy for these sites aimed to appoint a single development partner to take them forward. However, extensive soft-market testing, in early 2013, revealed a lack of interest amongst potential partners (including Registered Providers, developers and large construction firms) in some of the smaller sites that often had specific issues and site constraints to overcome.

3.22 Informal discussions with smaller builders and architect practices, revealed an interest amongst these companies in working with the council to deliver housing on these smaller sites. The RIBA Design Competition was felt to offer the best opportunity for the engagement of these smaller practices in bringing forward these sites for development. The conclusion of the RIBA Competition in June 2016, led directly to the selection of two architectural practices to take forward their design proposals for four sites, including Rotherfield Crescent.

3.23 Now that the detailed design for the Rotherfield Crescent site is nearing completion, procurement options are being reviewed for the delivery of the homes. One option is for the architects (Innes Associates) to lead on the procurement of the main building contractor on behalf of the council and in adherence to the council's Contract Standing Orders. Prior to this, an independent Cost Consultant/ Clerk of Works would be appointed to oversee all stages of the project's delivery. A significant part of their role will be to scrutinise the scheme costs both at the design and construction stages in order to identify cost savings and ensure value for money is achieved, whilst still meeting the council's required standards.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The five options for the site have been evaluated in Table 4:

Table 4 – Option analysis

Options	Advantages	Risks
Option 1 – Value engineer scheme A comprehensive review of the costs of the scheme, including the choice of materials etc (as detailed in the body of this report)	• Independent review of cost • Keep design, but reduce costs • Work to date would not be abortive	• May not deliver an acceptable level of savings for Members • Some proposed changes may compromise design
Option 2 – Radical re-design of scheme	• Potential to further reduce costs for project	• Additional design fees and delay to the delivery of the

Options	Advantages	Risks
e.g. by in-house or other architects		scheme • May not deal with all site constraints • Large savings are unlikely given the significant site constraints • Residents already consulted on design
Option 3 – Community Housing development of site H&NH Committee considered a report on Community Housing at its March 2018 meeting. This option would entail working with the Community Housing Hub to bring the site forward in a similar way to the Plumpton Road project with the site sold or leased to the Community Land Trust or a Housing Co-op	• Development of site passed to partner who will need to resolve issues and complexities • Provide a development opportunity for community housing sector • Potential to use existing design	• May be costly and difficult for community housing to develop • Potential loss of control over nominations to homes • This option would not contribute to the use of RTB receipts, further increasing the pressure on the need to spend them.
Option 4 – Disposal of site This was suggested as a possible option at the H&NH Committee meeting on 15 November 2017.	• The responsibility for the future redevelopment of this constrained site would pass to a developer • This could be a capital receipt for the HRA and would contribute to the funding of capital expenditure incurred	• Additional costs would be incurred through the valuation and marketing of the site (circa £1.5K). • There would be abortive design and professional fees • The value of the land may be suppressed by the significant constraints of the site i.e. the access rights over the land of existing garage owners (10 in total) • The site would likely be used for storage, parking or a single 'luxury' home with no affordable housing • This option would not contribute to the use of RTB receipts further increasing the pressure on the need to spend them
Option 5 – Do nothing	• No further cost associated with this site	• Housing is not delivered on this site • The site may be used for fly-tipping and anti-social behaviour and blight the local area • The existing garage structures may fall further into disrepair and require demolition or remedial works for Health & Safety reasons • This option would not contribute to the use of RTB receipts further increasing the pressure

Options	Advantages	Risks
		on the need to spend them

4.2 The Options analysis undertaken in Table 4, demonstrates that Option 1 has least risk associated with it and would ensure continuity in the delivery of this constrained small site.

5 COMMUNITY ENGAGEMENT & CONSULTATION

5.1 Local ward councillors for the Rotherfield Crescent site have received regular briefings updating them on progress in relation to the different stages of the project. The five shortlisted design proposals for the site which made it through the technical assessment were displayed at a public exhibition held in The Old Boat Corner Community Centre, Carden Avenue, Brighton, BN1 8GN. Local residents were asked to score and comment on the design proposals either at the public exhibitions or online through the council's consultation portal. The results of this consultation were analysed by officers and RIBA Competitions and formed a percentage of the overall marks. These scores, together with those of the expert Panel, were used to select the winning designs for each of the sites.

5.2 Since then, the successful architects for the site, Innes Associates, have been working on a more detailed design in preparation for the submission of a planning application in Autumn 2018. As part of the pre-planning application process, the proposal was submitted for formal pre-application advice from the Local Planning Authority (LPA). Feedback from the LPA was broadly positive on the detailed design of the scheme. In addition to this consultation, the council's Project Manager and architects consulted all of the neighbours whose garages are adjacent to the boundary of the site, in order to establish their views on the latest emerging designs. In total, seven visits to garage owners were undertaken in their own homes. The results of this consultation are summarised below:

Positive comments from garage owners

- Liked the design and felt it responded well to its context;
- Felt that the landscape proposals were creative and would vastly improve their outlook;
- The choice of materials (i.e. brick, wood etc.) were sympathetic to the environment;
- Liked the sustainability measures that had been integrated within the design i.e. sedum roofs, photovoltaic panels, water butts etc.
- Surveillance would be enhanced by bringing development into an area which was run down and overgrown;
- Tidying up of the area would reduce the likelihood of rodents which are currently a problem in the locality;
- Proposed development would deter anti-social behaviour i.e. fly-tipping, young people gathering behind garages to drink, take drugs etc.
- Access to their garages would be improved by the proposal; and
- Good choice of low maintenance materials for the access road and turning area.

Negative comments from garage owners

- The proposal would partially obscure views of the South Downs and city;
- Greater potential for noise generated by new neighbours i.e. from children playing outside etc.
- Development would exacerbate parking problems in the area; and
- Concerned that there may be potential for some overlooking into their gardens.

Suggestions for improvements to the scheme

- Remove the grass strips integrated within the design of the access road i.e. which would become overgrown over time.
- Introduce some demarcation of the access road which would indicate pedestrians have priority;
- Consider replacing the existing fencing on one side of the access road with a brick wall to mitigate against strong winds (access road is a wind tunnel); and
- Replace the proposed trees with shrubs or dwarf varieties to reduce the impact on key views of the South Downs and the city.

5.3 The results of this consultation with garage owners have been used to inform the current design. If Members agree to take forward the Preferred Option (Option 1), Innes Associates will be holding a Public Exhibition to consult on the latest design with all residents in the locality. Feedback from the Exhibition will enable them to make any final adjustments to the scheme ahead of the submission of a planning application, anticipated in Autumn 2018 if the project is approved.

6. CONCLUSION

6.1 If approved, this proposal will deliver four family homes (3 x 3 bed and 1 x 2 bed) for the council to let within affordable rent levels to applicants from the Homemove register. This fits with the council's Housing Strategy 2015 objectives to increase housing supply and prioritise support for new housing development that delivers a housing mix the city needs, with a particular emphasis on family and affordable rented housing. This scheme will also help to achieve the council's aim to deliver at least 500 new homes on council land under the New Homes for Neighbourhoods programme.

7. FINANCIAL & OTHER IMPLICATIONS:

<u>Financial Implications:</u>

7.1 The financial viability modelling sets out to show whether a given scheme can pay for the initial investment itself by using the new rental stream only (net of service charges, management, maintenance, and major repairs and voids costs) over a 60 year period. It also assumes that 30% of the investment costs are met from retained Right to Buy (RTB) Receipts. Assessing the project viability over a

60 year period not only matches the life of the asset but also reduces the need to use existing tenant's rents to support the project.

7.2 Following the review of costs by Innes Associates, the total estimated costs for this scheme is £1.037m; this includes all construction works, allowances for contingency, inflation and professional fees. In accordance with the RTB pooling policy signed in 2012, 30% of the cost of this scheme can be funded from RTB receipts leaving a net investment requirement from the HRA, which at this stage is assumed to be funded by borrowing supported by the new net rental income stream.

7.3 Current forecasts for the use of RTB receipts in 2019/20 include the development at Rotherfield Crescent, any delay to the scheme would have a negative impact on their use and would increase the risk of not achieving the required expenditure.

7.4 In accordance with the new rent policy, four rent levels have been modelled for this scheme. Affordable rents capped at LHA rates, 37.5% of Living Wage rents, 27.5% of Living Wage rents and target social rent. Service charges are not applicable for this scheme as the proposal is for the development of four houses, whilst the maintenance of the communal gardens will be carried out by the tenants themselves. A summary table of the viability modelling is shown at 3.13 of the main report.

7.5 The impact of using current LHA rates for the assumed rental income results in a surplus of £0.331m at today's value. The payback period, i.e. time taken for the future rental income to repay the initial investment, net of RTB receipts is 28.6 years. This level of rent therefore supports a viable project over a 60 year period. It would require an increase in construction costs of an estimated 59% before the scheme is no longer viable, so requiring subsidy from existing tenants' rents.

7.6 The impact of using the current 37.5% of Living Wage rents results in a surplus of £0.103m at today's value. The payback period for Living Wage rents is 43.9 years. This level of rent therefore supports a viable project over a 60 year period. It would require an increase in construction costs of an estimated 19%, before the scheme is no longer viable and so requiring subsidy from existing tenants' rents.

7.7 The scheme is not viable when modelled using 27.5% of Living Wage Rents or target social rents. The table at paragraph 3.17 shows that setting rents at these levels would result in a subsidy requirement of £0.171m or £0.382m respectively from the HRA at today's value.

7.8 The projected surplus from the options modelled would allow the HRA more funds to invest in their current tenant's homes or use to contribute to building much needed affordable housing. The LHA rent option represents the highest surplus to reinvest, with a lower sensitivity risk in relation to the construction costs. However setting rents at 37.5% of the Living Wage rate as per the table in paragraph 3.13 would provide a reasonable balance between the rent charged whilst still resulting in a viable scheme.

7.9 There is sufficient budget set aside for the development at Rotherfield Crescent

in the current HRA capital investment programme, approved for the four design competition sites at Policy, Resources & Growth committee (PRG). The remaining three sites will be reported to Housing & New Homes committee and subsequently PRG for scheme approval and, where necessary, for budget approval.

7.10 Any significant variations to the costs at Rotherfield Crescent will be reported in accordance with the council's standard financial procedures and reported through PR&G.

7.11 Any decision around the borrowing requirement for this project will be made in consultation with the council's Treasury Management team to ensure that it is undertaken in accordance with the council's borrowing strategy, authorised borrowing limits and prudential indicators.

Finance Officer Consulted: Craig Garoghan/ Monica Brooks Date: 28/08/18

Legal Implications:

7.12 Under section 122 of the Local Government Act 1972, a principal council, such as the council, may appropriate land belonging to it for any purpose for which it is authorised by statute to acquire land. The council is authorised to acquire land by the Town & Country Planning Act 1990 provided that it thinks that the acquisition will facilitate the carrying out of development, re-development or improvement on or in relation to the land but a local authority must not exercise the power unless it thinks that the development is likely to promote or improve the economic, social or the environmental well-being of their area. The reasons that the development is in the economic and social interests of the area are set out in the body of this report. The council has powers under the Housing Act 1985 to purchase land for housing and is therefore able to appropriate for housing once the development is complete.

7.13 Policy Resources and Growth Committee has delegated powers to manage corporately held property and is the proper committee to authorise the appropriation for planning purposes, and the later appropriation for housing purposes.

Lawyer Consulted: Liz Woodley Date: 09/08/18

Equalities Implications:

7.14 An increase in housing supply will expand the provision of new, well designed homes to local households registered in need. The new development of four family homes with a shared central garden area will create a safe environment, which is designed to encourage social integration, irrespective of the race, religion, age, disability, gender etc. of tenants who occupy the development.

Sustainability Implications:

7.15 The development is intended to be sustainable and comply fully with relevant BHCC planning policies. Simple sustainability strategies have been deployed to

reduce the demands on non-renewable energy sources and on the main drainage systems. These include:

- building fabric insulation increased to level above Building Regulations to reduce heat loss; and the
- use of soakaways for storm water drainage (both roof and landscape run-off).

Crime & Disorder Implications:

7.16 The new homes will be designed having heed to the requirements outlined in the police Secured by Design guidance. Disused garage sites, such as the Rotherfield Crescent site, are unattractive and often used for anti-social behaviour and fly-tipping etc. If approved, the new housing development will increase surveillance and reduce the opportunity for crime and disorder.

Risk and Opportunity Management Implications:

7.17 There are a number of risks associated with developing new homes on small, challenging sites of this kind. These risks are considered in the Options analysis contained in Table 2, para 4.1 of this report.

Public Health Implications:

7.18 Energy efficient homes which are easier and cheaper to heat will help support the health of households. Family homes can be let to households which are currently overcrowded. The two bedroom house would be suitable for applicants with young children, those with very limited mobility or downsizers.

Corporate / Citywide Implications

7.19 The New Homes for Neighbourhoods programme of building new homes on council land supports the council's priorities for the economy, jobs and homes. The development of new housing has a strong economic multiplier impact on the local economy, estimated at over £3 of economic output for every £1 of public investment, creating jobs and supply chain opportunities.

7.20 Every new home built on small sites helps meet the city's pressing housing needs and deliver the first priority in the council's Housing Strategy 2015 of improving housing supply. New homes also help bring benefits to the council in the form of new council tax income.

SUPPORTING DOCUMENTATION

Appendices:

1. Site Plan

2. Original Scheme Briefing Note – 17 November 2017

3. Rotherfield Crescent Revised Scheme – September 2018

Background Documents:

1. Housing & New Homes Committee Report – Rotherfield Crescent – 15 November 2017

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 60 Brighton & Hove City Council

Subject:		**Portslade Sports Centre – Replacement 3G pitch project**	
Date of Meeting:		**11 October 2018**	
Report of:		**Executive Director of Economy, Environment & Culture**	
Contact Officer:	**Name:**	**Ian Shurrock** **Kerry Taylor**	**Tel: 01273 29-2084** **Tel: 01273 29-2701**
	Email:	**Ian.Shurrock@brighton-hove.gov.uk** **Kerry.Taylor@brighton-hove.gov.uk**	
Ward(s) affected:		**North Portslade**	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The current artificial turf pitch (ATP) at Portslade Sport Centre is nearing the end of its useable life and needs to be replaced. It is proposed that it be upgraded by a new 3G (Third Generation) artificial all weather pitch which will improve the quality of provision and increase participation in sport and physical activity. Please see Appendix 1 for a plan of the facility.

1.2 Through the Council's Playing Pitch Strategy a need for a 3G pitch in the West of the city has been identified. Initial discussions with the Football Foundation (FF) and Sussex County Football Association (SCFA) have been positive. An application to the Football Foundation for funding has been encouraged and preparatory work has had to commence on a bid in order that the timescale for significant potential funding can be achieved.

1.3 To be successful the FF grant will require match funding and a commitment to achieve deliverable outcomes which have a primary focus on increasing participation in grass roots football. The programme for the new facility would be developed in conjunction with the operator - Freedom Leisure, Portslade Aldridge Community Academy (PACA) and local FA chartered partner football clubs which have been identified by SCFA. The latter are Mile Oak Wanderers and Hangleton Rangers.

2. RECOMMENDATIONS:

That Policy, Resources & Growth committee:

2.1 Approves the submission of a bid by the council to the Football Foundation for at least £0.250m funding for the delivery of the replacement 3G pitch project at Portslade Sport Centre, and subject to the award of that funding:

2.1.1 Approves the delivery of the replacement 3G pitch project at Portslade Sport Centre.

2.1.2 Approves a capital budget for this project of £203,000 based on the overview in paragraph 3.10 including the allocation of identified Section 106 funds and direct revenue funding from existing budgets.

2.1.3 Grants delegated authority to the Executive Director for Economy, Environment & Culture to enter into any contracts necessary to deliver the replacement 3G pitch project.

2.1.4 Approves the establishment of a reserve of £25,000 per annum to support the long term sustainability and future replacement costs of major components of the 3G pitch.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 The current 2G or sand based 'Astroturf' ATP at Portslade Sports Centre was installed in 1990 and subsequently re-laid in 2005. The typical lifespan of such a pitch is around 10-12 years. The pitch is now in poor condition although has had some patch repairs. Under the terms of the management contract (with Freedom Leisure) the Council are responsible for its replacement.

3.2 The current pitch consists of 1 full sized football/hockey pitch which is split into 2 half pitches. It is predominantly used for football bookings, with several local football clubs (both adult and juniors) using the pitch for training. It is estimated that around 60% of bookings are made by local clubs with the remainder being informal groups, many of whom block book their slot in order to guarantee the same timeslot every week. Honeybees Hockey Club also train at the site for 1.5 hours one evening a week.

3.3 Portslade Aldridge Community Academy (PACA) uses the pitch during the school day in term-time as part of a Joint-Use Agreement with the Council. PACA is supportive of a new 3G surface.

3.4 The vast majority of new ATPs are constructed using 3G surfaces which provide a far superior surface for football use. By using a longer pile of artificial turf blade together with increased rubber cushioning, the surface properties are comparable to real grass and therefore much more popular with footballers. The Council replaced one of the 2G ATPs at Stanley Deason Leisure Centre in 2012 which by the end of 2014 saw the income increase by approximately £50,000.

3.5 Currently the usage of the ATP at Portslade is declining and numerous football groups that have used the pitch for a number of years are leaving - citing the quality and type of pitch. The recent Playing Pitch Strategy (2016) recommended that the city was in need of three full sized 3G pitches in the west and central areas of the city.

3.6 An analysis of the potential pitch locations and the management arrangements in place to operate pitches has been undertaken. The pitch at Portslade was viewed as the best opportunity to achieve a new pitch in the shorter term as it is a facility with floodlights, already being used, with management already in place and potential opportunities to access funding streams to enable the delivery of the works.

3.7 The Council's Sports Facilities Plan 2012-22 approved in April 2012 also highlighted strong demand across the city for ATPs and one of the eight key recommendations of the plan was to 'Improve the quality and quantity of artificial turf pitches'.

3.8 The proposals set out in this report would therefore help with meeting key objectives from both the Sports Facilities Plan and Playing Pitch Strategy.

3.9 A requirement of the Football Foundation is that the 3G pitch is maintained over the life of the asset and that plans are established for the replacement of the pitch at the end of its useful life. It is proposed to establish a reserve into which annual amounts estimated at circa £25,000 pa from the leisure management operator will be contributed.

3.10 Funding for the project

A budget cost for the works is estimated to be £0.453m and the proposed funding for the works is as follows:

Football Foundation Funding	£0.250m
S106 monies	£0.150m
Existing Sport & Leisure Facility Budget	£0.053m

	£0.453m

Management of the project

3.11 Due to the FF funding requirements the Council will be required to utilise the Football Foundation's Framework Agreement for artificial grass pitches. The project would be managed by RLF (Robinson, Low Francis LLP) who is the Framework Operator and the works procured via a mini competition run by them through their e-tendering portal eDelta. This would entail RLF:

- Taking full design responsibility and developing a detailed specification of works and drawings for inclusion in the mini competition invitation.
- Being the key contact throughout the mini competition process. The process within the Framework Agreement has been reviewed by the Corporate Procurement Team and the process complies with the Council's tendering policies.
- Providing tender analysis of mini competition returns (in conjunction with the FF and Council's Sports Facilities team).
- Full project management of the works including site meetings, inspections, issue of payment certificates, snagging of the works, review of health and safety file/operation and maintenance manuals and record drawings.

- Acting as Principal Designer for the works, including responsibility for putting into action the duties under the Construction (Design and Management) (CDM) Regulations 2015.

3.12 Planning

It has been confirmed that planning approval is required for the project and approval is a pre-requisite for funding. An application has therefore been made.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 As the current astroturf is old and in poor condition a replacement pitch is required to maintain the current usage and participation.

4.2 A replacement like-for-like option has been considered (rather than a 3G) but this would not be eligible for Football Foundation funding.

5 COMMUNITY ENGAGEMENT & CONSULTATION

5.1 Consultation has been on-going with Freedom Leisure (current operator), Portslade Aldridge Community Academy (PACA) and local grass roots football clubs – Mile Oak Wanderers and Hangleton Rangers. The only hockey club currently using the pitch is Honeybees Hockey Club. A meeting has been held with the hockey club who understand the position, use the pitch a small amount and can be accommodated elsewhere in the city.

5.2 Ward Councillors in North Portslade have also been kept informed regarding the proposed project and are supportive of the proposal.

6 CONCLUSION

6.1 The pitch needs to be replaced as current participation and usage is declining and it will soon be no longer fit for use.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 The Council will provide capital funding of £0.203m as match funding toward the grant provided by the Football Foundation. The Council's contribution is met from S106 contributions and Sport and Leisure revenue budgets. The operation of the pitch will be undertaken by the existing leisure management operator and will include all running costs as well as income generation as part of the contract.

7.2 A reserve will be established by the Council with annual contributions from the operator to ensure the future of the 3G pitch is maintained.

Finance Officer Consulted: Rob Allen *Date: 17/09/18*

Legal Implications:

7.3 In accordance with the Council's Constitution, before any contractual obligations are entered into, a report must be submitted to Policy, Resources & Growth Committee for approval of a project where there is any match funding, and the Council's contribution is in excess of £50,000, and budgetary provision has not previously been approved.

7.4 Orbis Public Law lawyers will advise on the various agreements required to deliver the 3G pitch project at Portslade Sport Centre which will include: a grant funding agreement with the Football Foundation; a variation to the contract with the current leisure operator; a community use agreement with Portslade Aldridge Community Academy; and a call off contract from the Football Foundation framework for the delivery of the works required.

Lawyer Consulted: Isabella Sidoli *Date: 01/10/18*

Equalities Implications:

7.5 The provision of a better quality pitch will enable a wide range of football opportunities to be offered to a broad cross section of the community. An Equalities Impact Assessment is not currently planned as the project is to replace a football pitch with an alternative kind of football pitch and the loss of hockey is not considered to adversely impact on any individuals or groups with protected characteristics.

Sustainability Implications:

7.6 A key advantage of the project will be to improve the financial sustainability of the pitch to enable the provision of a reserve/sinking fund (circa £25,000 per annum).

SUPPORTING DOCUMENTATION

Appendices:

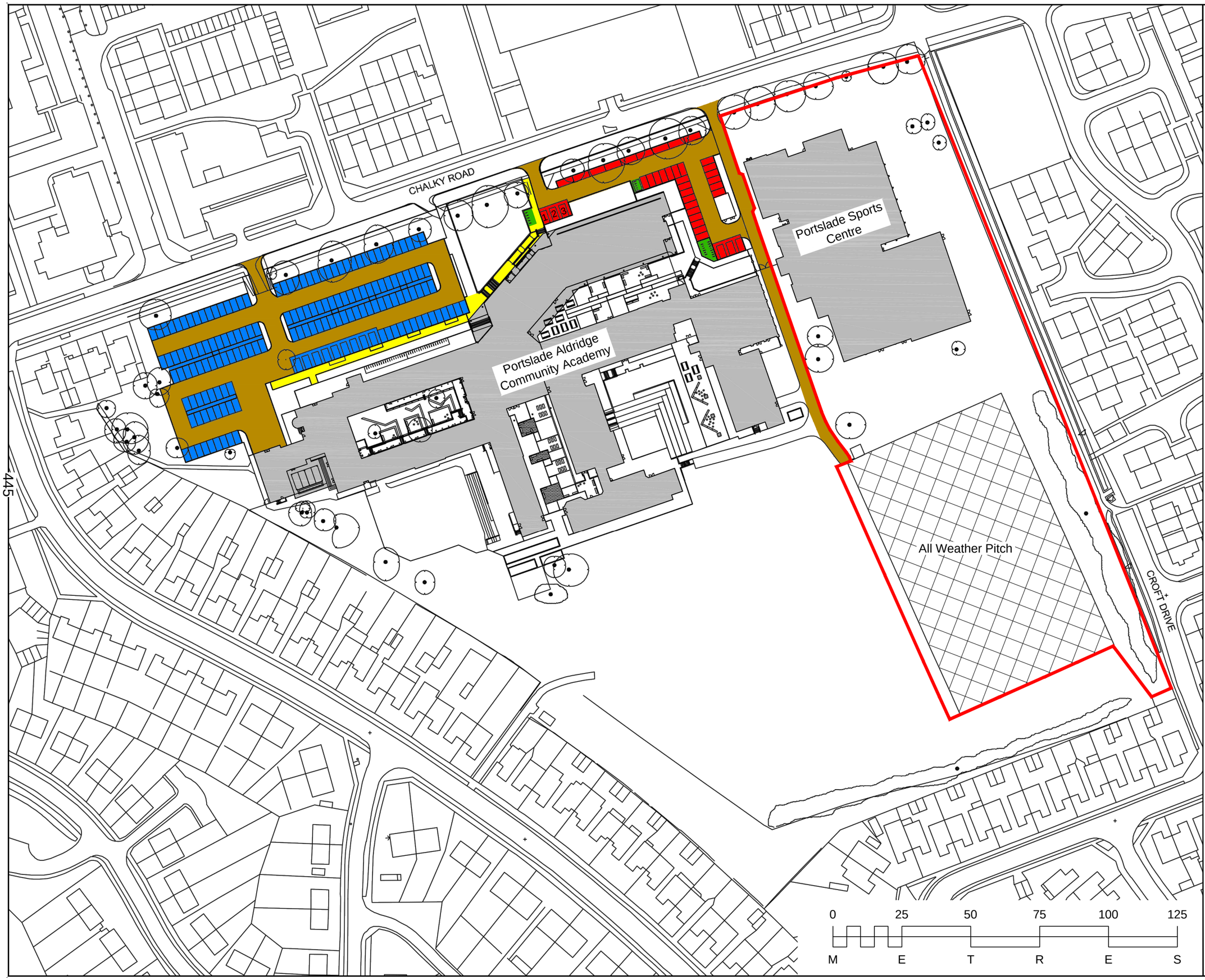
1. Plan of the site

Documents in Members' Rooms

1. None

Background Documents

1. None



REV	DATE	DESCRIPTION

Drawing Status

INFORMATION

Brighton & Hove City Council

BRIGHTON & HOVE CITY COUNCIL
PROPERTY & DESIGN
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Project

Portslade Sports Centre & Portslade Aldridge Community Academy

Title

Site Plan

Drawn By	Checked	Date
MS		Oct 2014

Project No.	Scale
ED 214	1:1250 @ A3

Drawing No.	Revision
502	**-**

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POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 61 Brighton & Hove City Council

Subject:		**Public Conveniences**		
Date of Meeting:		**11th October 2018**		
Report of:		**Executive Director for Economy, Environment & Culture**		
Contact Officer:	**Name:**	**Tracy Phipps**	**Tel:**	**01273 294724**
	Email:	**tracy.phipps@brighton-hove.gov.uk**		
Ward(s) affected:		**All**		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 Brighton & Hove City Council currently has 37 public toilets which are cleaned and maintained by Healthmatic. This contract commenced in June 2017 following a procurement exercise. Savings of £280,000 were made through the re-procurement of the contract. As set out in the Integrated Service & Financial Plans, further savings are required and there is a need to modernise the current facilities. This report sets how Brighton & Hove City Council will deliver these savings whilst maintaining the current portfolio of facilities.

1.2 The re-procurement of the public convenience maintenance contract awarded two contracts to the chosen contractor: (1) a cleaning and maintenance contract and (2) a refurbishment contract securing from the contractor a capital investment towards the refurbishment of specified sites, at least matching the council's investment of £550,000.

1.3 The contracts were awarded to Healthmatic who committed to a capital investment of £602,000. The council's funding of £550,000 has been allocated in the Brighton & Hove Capital Investment Programme. The funding will be combined to refurbish at least 12 toilet sites.

1.4 This report seeks approval to introduce charging within 11 of the 37 public conveniences within the City. The income generated through charging will be shared between the council and the contractor; details of this arrangement are set out in Section 3.21 below. This report also seeks approval to access the Capital Investment Programme funding to proceed with the much needed refurbishment programme. A reserve fund will be set up to ring fence any additional surplus generated through charging to contribute towards further toilet refurbishments.

1.4 A report was presented to PR&G committee in July 2018 where further clarification was sought to include more details on the history of where charging has been proposed. This report gives further clarification on this.

2. RECOMMENDATIONS:

2.1 That the Policy, Resources & Growth Committee agrees to:

1) The introduction of a 30p charge at 11 public convenience sites detailed in section 3.12

2) City Environmental Management accessing £550,000 from the Capital Investment Programme in order to refurbish 12 public toilet sites

3) Grant delegated authority to the Executive Director for Economy, Environment & Culture to profile the capital funding across each of the 12 public toilet sites and manage the refurbishment programme through an internal project team

4) The establishment of a reserve fund in which to ring fence surplus income for the refurbishment of addition public convenience sites in the future

3. CONTEXT/ BACKGROUND INFORMATION

3.1 At the October 2016 Policy, Resources & Growth Committee, a report was submitted for the procurement and award of a new contract to manage public toilets in Brighton & Hove. Paragraphs 3.6 – 3.11 refer to options for charging and includes the following information:

"During the soft market testing phase, potential providers also agreed that there may be an opportunity to start charging members of the public for use of some of the public toilets. This income generation option would only be considered where it is financially viable".

"All options will be considered prior to and during the tender process in order to achieve the best value for this contract".-

3.2 In February 2017 the council conducted a procurement exercise using the Open Procedure in accordance with the requirements of the Public Contracts Regulations 2015. Bidders were invited to submit tenders offering professional, properly defined and priced propositions for the cleaning, repairs, maintenance, refurbishment and income generation for the Council's public toilets portfolio.

3.3 The Invitation to Tender (ITT) stated that the contractor would be required to undertake the following:

- Cleaning services
- Reactive maintenance and repairs
- A refurbishment programme based on the Council investing £550,000 as well as the Contractor investing a minimum of £550,000 during the term of the Contract
- They would be expected to introduce charging at a number of toilets in portfolio, with the Council and the Contractor benefitting from a profit sharing arrangement over a certain revenue threshold

3.4 Following a competitive process and the robust evaluation of three compliant bids, Healthmatic were awarded a 10 + 2 year contract based on being most economically advantageous to the Council. As part of their bid, Healthmatic committed to invest £602,000 as opposed to the minimum requirement of £550,000 set out in the ITT.

3.5 In relation to investment, the contract states:

"The Council acknowledges that the amount of the Investment set out in the Contractor's Tender was based on 12 sites being available for charging users. If authorisation to charge for using the public toilets is obtained by the Council for any lesser number, the amount of the Investment shall be reduced proportionately".

Therefore, if charging is not approved, the amount of investment will reflect this.

3.6 In relation to the pricing proposal, the specification stated: *"The charge for each user per toilet visit must be a minimum of 30p and a maximum of 50p"* therefore bids were submitted and evaluated and financial projections were calculated on this basis.

3.7 £550,000 has been ring-fenced from existing capital resources to support the investment in Public Conveniences. This was approved as part of the Capital Resources and Capital Investment Programme 2016/17 report to Policy, Resources & Growth Committee and Budget Council in February 2016.

Four Year Integrated Service & Financial Plan

3.8 The 2017/18 Budget Council meeting in February 2017 identified £12.371 million savings for 2018/19 and £9.591 million savings for 2019/20. In particular, this included agreement for services to explore innovative solutions through income generation, whilst ensuring that non statutory fees and charges continue to recover costs. Whilst important to citizens and the visitor economy, public conveniences are not a statutory service and alternative methods of generating revenue to maintain existing facilities were explored.

3.9 Whilst savings of approximately £280,000 have been made through the re-procurement of the public convenience contract, further savings are necessary. The annual cost of operating the existing portfolio is £574,000 per annum. The Integrated Service & Financial Plan for City Environmental Management (CEM) includes savings proposals on the public convenience maintenance budget of £75,000 for 2018/19 and £50,000 for 2019/20. In the absence of generating income through public conveniences, additional budget savings within CEM services will need to be identified. The Integrated Service and Financial Plans are being reviewed as part of the budget process for 2019/20 and will be reported within the December 2018 Revenue Budget Update Report.

3.10 As agreed in previous Budget Council meetings, budget savings have been achieved by reducing opening hours and closing facilities. The option to generate income through charging is an alternative way to deliver savings to maintain the current portfolio of facilities.

Proposals

3.11 The Capital Investment Programme will enable CEM to match fund investment secured from Healthmatic towards the public convenience refurbishment programme. This brings the total investment between Brighton & Hove City Council and the contractor to £1.1 million to refurbish 12 public convenience sites to improve the standard of the facilities overall and install charging mechanisms in order to generate income. This income will contribute towards reduced maintenance and service costs, as well as enable the council to build reserves for future planned and unscheduled maintenance costs and contribute to the delivery of budget savings set out over the next two years.

3.12 The following public convenience have been identified as being suitable for charging based on the current volumes and profile of users:

Blackrock; Goldstone Villas; Hove Lagoon; King Alfred; Kings Esplanade; Lower Promenade East; Lower Promenade West; Peter Pan; Royal Pavilion Gardens; The Colonnade; West Pier Arches (*charging is already in place*); Western Esplanade.

The above sites are will be the first to be refurbished as part of the refurbishment programme.

The reserves acquired from charging at these facilities will allow the council the option of refurbishment of other public conveniences in the future.

3.13 The investment programme is due to commence in the winter of 2018/19 when footfall and demand is at its lowest. The programme will be prioritised in order of need, however based on the current condition of the Royal Pavilion Gardens facility, this site has been highlighted as a priority site. The remainder of the sites to be refurbished will be as per those listed at 3,12. The programme of work is expected to be completed by March 2020.

3.14 A project team including stakeholders from CEM, Property & Design and Finance will be responsible for agreeing the refurbishment programme to ensure that capital investment is profiled accordingly and in accordance with the requirements of each site. There are a number of common approaches to charging including paddle gates and coin pay systems on direct access doors so each site will be surveyed to identify the most suitable mechanism. As well as coin payments, contactless card payments will also be included as a payment method at each of the sites.

3.15 Charging is the most effective way of offsetting budget pressures and to generate income and thus improve the service and standards of existing public toilets. With the introduction of a 30p charge, footfall is predicted to drop however initial financial projections by Healthmatic have indicated that income generation to the Council could be as much as £70,678 in the first full year of operation.

Cash Handling

3.16 The council's cash collection contractor will be responsible for the collection and processing of cash deposited at each of the 12 sites. There are adequate

controls and processes in place to ensure money is transferred securely and reconciled promptly and this will continually monitored in accordance with the contract. Contactless payments will also be available as an option.

Public Convenience Provision

3.17 Under the Public Health Act 1936, local authorities in England and Wales have a power, but not a duty, to provide toilets for use by the public.

3.18 In 2013 a scrutiny panel was established in response to concerns about the future provision of the service in light of the Council's financial pressures. The terms of reference for the Panel were to consider:

- The future of the service
- Future funding
- Types of provision
- Improving general access to the service
- Improving access to the service for particular need groups

3.19 In 2014, a trial was introduced at the West Pier Arches toilet to charge users 30p for using the facilities. To date, £24,876 of income has been generated at this site and there has been little or no evidence from users to indicate they are dissatisfied with this charge.

3.20 In January 2015, a recommendation was accepted by the Brighton & Hove Publically Accessible Toilets Scrutiny Panel that Brighton & Hove City Council would develop an action plan for publicly accessible toilets in the city. This included a recommendation that through a procurement process, the Panel would encourage alternative models of service provision which have investment and related outcomes to minimise the cost to the authority.

3.21 In June 2017, Healthmatic commenced a 10 year contract for the maintenance and refurbishment of public conveniences. This contract includes a profit sharing arrangement as part of an income generating business model as well as the investment of capital funding to refurbish a number of facilities across the City. The contract specifies that Healthmatic will be allocated the first £75,000 of income per annum and the split will then be 70/30 in favour of Brighton & Hove.

3.22 All accessible toilets will remain free of charge with use of a radar key

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 A survey undertaken by The Association for Public Service Excellence (APSE) in April 2017 indicated that around 90% of local authorities provide public conveniences with half providing more than 10 facilities. At the time the survey was conducted, around 30% of local authorities charged for the use of their public conveniences.

4.2 A BBC Freedom of Information Request in August 2018 determined that:

‘*Public Toilet provision has been declining for a number of years and the BBC has learnt that some UK high streets and tourist hot spots no longer have any council-run public toilets.*

At least 673 public toilets across the UK have stopped being maintained by major councils (unitary, borough, district and city) since 2010, according to the figures obtained under the Freedom of Information

Data supplied by 376 of the 430 councils contacted by the BBC showed that:

- *UK Councils stopped maintaining around 13% of public toilets between 2010 and 2018*
- *This masks big regional variations – Cornwall Council has stopped maintaining 94% of its toilets, on the Isle of Wight it was 92% and 80% in North Ayrshire*
- *In 2018 there were 4,486 toilets run by major councils in the UK, down from 5,159 in 2010*
- *In 37 areas, major councils no longer run any public conveniences.*

Brighton & Hove had a total of 50 public conveniences in 2010 reduced by 13 to 37 facilities in 2018.

4.3 A recent benchmarking exercise has indicated that of our CIPFA neighbours that charge, it ranges from 20p to 50p.

Benefits of charging

4.4 As well as generating income, the introduction of charging can have a positive impact on revenue costs such as consumables, water and parts.

4.5 Anecdotal evidence has indicated that the introduction of charging may also lead to lower levels of Anti-Social Behaviour (ASB) and result in less vandalism from specific user groups who are less likely to pay to use the toilet. This can, in turn, increase the confidence of vulnerable groups to use public toilets. There are a number of measures that can be introduced to effectively reduce problems such as:

- Removing all lobby areas in non-attending toilets, preventing groups from forming within sheltered and hidden areas
- Using hardened anti-graffiti materials
- Using stainless steel in limited but judicious way
- Removal of moving parts within the cubicle itself, instead positioning all parts within the service area
- Effective use of lighting, both with mains lighting and back up battery driven lights within the interior and exterior of the toilet

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 An engagement exercise in accordance with the Community Engagement Framework and Standards will be undertaken with local businesses, user groups and access/disability groups during the planning of the refurbishment programme to ensure the needs of local user groups are being met.

6. CONCLUSION

6.1 The objective of the refurbishment programme is to make it viable for the Council to continue providing toilets in the long term, to improve the overall standard and the customer experience within Council owned toilets and to contribute towards the budget savings set out over the next two years and beyond. Using the surplus will enable the Council to maintain the standard of service and potentially invest back into future public convenience refurbishments.

6.2 The introduction of charging to generate income will improve the standards of the existing public toilets. It will also contribute towards the budget savings set out over the next two years.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

£550,000 has been ring-fenced from existing capital resources to support the investment in Public Conveniences. This was approved as part of the 'Capital Resources and Capital Investment Programme 2016/17' report to Policy, Resources and Growth Committee and Budget Council in February 2016.

As part of the procurement process, the successful contractor committed to investment of £602,000 under the terms of the contract providing that the recommendation to charge for all toilets is approved (paragraph 2.1, recommendation 2). Should charging not be approved or a lower number of sites approved for charging this will reduce proportionally the contractor's funding commitment of £602,000 for refurbishment investment

A total of up to £1,152,000 consisting of the contractor's contribution and the Council's capital match funding will be incorporated into the Council's Capital Investment Programme to support the refurbishment of 12 public toilet sites.

The establishment of a reserve fund in which to ring fence surplus income for the refurbishment of additional public convenience sites in the future is dependent on surpluses being generated over and above the savings already identified within the Integrated Service and Financial Plans.

It is estimated that the Council could receive an annual income of circa £70,000 as part of the profit sharing agreement detailed in paragraph 3.21. There is a risk that the income levels required to meet the service savings required will not be achieved. This may impact on other budget savings from within City Environmental Management which will then be required to meet the savings targets for this service (as stated in paragraph 3.9 of this report). This will be monitored and reported as part of the Targeted Budget Monitoring (TBM) process.

Finance Officer Consulted: Rob Allen *Date: 04/09/18*

Legal Implications:

Local Authorities have a power and not a duty to provide public toilets. Section 87 of the Public Health Act 1936, as amended, allows local authorities to make such charge for the use of public conveniences ‘as they think fit’.

The refurbishment contract contains detailed provisions for instigating and managing the refurbishment programme, including approvals for designs and costings.

The council’s funding of £550,000 towards refurbishment of the 12 sites (which will be combined with Healthmatic’s committed investment of £602,000) was anticipated as part of the 2017 procurement and does not require any variation to the existing contract. It is therefore compliant with public procurement legislation and does not require a new procurement.

Lawyer Consulted: *Elizabeth Culbert* *Date: 01/09/18*

Equalities Implications:

7.1 Prior to the commencement of the refurbishment programme, each of the public convenience sites will be subject to an Equalities Impact Assessment. This will include an inspection of all accessible facilities to ensure that accessibility is maintained or improved throughout each site. The profile of users will be used to inform this assessment, as well other issues like the location of the toilets and proximity to other amenities. Accessible toilets will remain free of charge with use of a radar key. We will be working with social care, health and community services who support people with disabilities and those with health conditions who may need frequent access to toilet facilities to ensure that radar keys are available to those who need them.

7.2 The introduction of charges for public was subject to an Equalities Impact Assessment as part of the budget setting process.

7.3 Contactless payment systems, in combination with coin entry in the busier locations will make it easier for all user groups to access the toilets.

7.4 Methods of advertising the new charges (for example via the VisitBrighton website) will be considered to increase awareness of the new fees.

Sustainability Implications:

7.5 The refurbishment programme will take into consideration energy saving devices and the promotion of water saving efficiencies. The contract has made provision for installing timed access systems resulting in a reduction to the number of operatives travelling between sites.

7.6 The vehicles to be used on the contract are ultra-low Diesel vans which combine outstanding fuel efficiency with low environmental impact.

Public Health Significant Implications:

7.7 The Council has no statutory obligation to provide and manage public toilets. However it is considered that if the Council does not provide and manage public toilets this may result in the following implications:

- Reputational Damage
- Lost income to the city
- Environmental Health impacts
- A negative impact on equalities and accessibility in the city
- A negative impact on those with health issues being able to leave home and go out in the community
- An indication that the City may be a place in decline

7.8 This view was backed by the BHLink Toilet Users Group who outline to the panel the 'risks of not investing in toilets:

- *Possibly fewer visitors to the city*
- *More street cleaning needed*
- *More shops etc put off by opening in the city because of damage by urination/hygiene etc in shop door ways*
- *Increased social isolation as people with bladder and bowel problems might not feel confident and able to access community facilities*

Crime & Disorder Implications

7.9 Anecdotal evidence has indicated that introduction of charging for toilet usage may lead to lower levels of Anti-Social Behaviour (ASB), resulting in less vandalism through a reduction in specific user groups who are less likely to pay to use the toilet.

SUPPORTING DOCUMENTATION

Appendices:

1. None

Documents in Members' Rooms

1. None

Background Documents

1. PR&G Report 12 July 2018 – Public Conveniences

2. PR&G Report 13 July 2017 – Revenue & Capital Budget Planning Resources Update 2018/19

3. APSE Survey – Public Conveniences

POLICY RESOURCES & GROWTH COMMITTEE	Agenda Item 62 Brighton & Hove City Council

Subject:		**Disposal of 43 Belmont Street and adjacent land – update**		
Date of Meeting:		**11 October 2018**		
Report of:		**Executive Director of Economy, Environment & Culture**		
Contact Officer:	**Name:**	**Angela Dymott** **Jenna Cafolla**	**Tel:**	**01273 29 1450** **01273 29 3991**
	Email:	angela.dymott@brighton-hove.gov.uk jenna.cafolla@brighton-hove.gov.uk		
Ward(s) affected:		**St Peter's & North Laine**		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 At Policy, Resources and Growth Committee on 12th July 2018 the committee agreed in principle to the disposal of Belmont Street Annexe and 26 and 27 St Peter's Street to the adjacent occupier. However, prior to the final decision, the committee requested a report providing further information on the social value impact of displacing current occupiers of Belmont Street Annexe and considering mitigating measures that may be taken to ensure alternative accommodation at New England House is affordable.

1.2 The purpose of this report is to provide further information as detailed above and to seek approval for the disposal of Belmont Street Annexe and adjacent land to provide a capital receipt for reinvestment in the council's urban investment property portfolio. The disposal and reinvestment will generate additional revenue streams, supporting the council's asset investment strategy of re-balancing the urban investment portfolio and is in line with the principles of the Corporate Property Strategy & Asset Management Plan 2014-18 (AMP), the Corporate Plan and the Medium Term Financial Strategy.

2. RECOMMENDATIONS:

2.1 That the committee authorises the freehold disposal of Belmont Street Annexe and 26 and 27 St Peter's Street to the adjacent owner and the surrender of rights to use the adjacent garage, and that delegated powers be given to the Executive Director of Economy, Environment and Culture and Executive Lead Strategy, Governance and Law to agree terms and take any necessary steps to facilitate this recommendation.

2.2 That the committee authorises the retention of the net capital receipt to be used with capital receipts from previous disposals approved by Policy, Resources & Growth committee, to add to the "investment capital pot" that is accumulating to acquire commercial investment property or properties, in support of the asset investment rebalancing strategy in accordance with the council's Asset Management Plan and budget strategy.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 The council's investment portfolio produces a rental income in the region of £10m per annum, which helps fund the provision of services. The council's Corporate Property Strategy & Asset Management Plan 2014-18 (AMP) outlines the agreed rebalancing strategy for the council's urban portfolio, as only a small proportion of the portfolio is primary investment stock, with most of it consisting of ageing secondary and tertiary properties, with a limited ability to continue to achieve increasing rents and income for the council.

3.2 The strategy aims to rebalance the portfolio by identifying under-performing assets for disposal and ring fencing receipts for reinvestment, focusing on the disposal of secondary and tertiary properties to improve returns medium and long term, and reduce liabilities and risk for the council. Through disposal of underperforming assets a fund is accumulating for re-investment to enable the acquisition of better quality investment properties when opportunities present themselves. The council is developing the asset investment strategy with support from the Asset Member Board.

3.3 The building known as The Annexe at 43 Belmont Street was constructed c.1950's. The council's ownership extends to adjacent land, used as parking, at 26-27 St Peters Street. The council also has the right to occupy a garage located within the freehold of 45-47 Cheapside which interlocks the site (Plan shown in Appendix 1).

3.4 The building has been identified for redevelopment for some years and in that time the building's condition has deteriorated due to lack of investment. A recent condition survey identified immediate repair needs of approximately £44,000-55,000 and recommended a structural survey, electrical survey, Fire Risk Assessment and boiler inspection. It is anticipated further works would be identified following completion of these surveys and detailed investigations. The condition survey did not consider future planned maintenance requirements however the building requires significant investment to bring it up to a good condition.

3.5 There are 4 tenants (3 in the building and the 4th occupying the garage) all on flexible short term leases and licences, excluded from security of tenure provisions and with low rental levels reflecting the short term nature of the leases/licences granted as well as the building condition. The total gross rental income is £23,750pa.

3.6 The three main tenants of the building (excluding the garage tenant) are all within creative industries and have been in occupation for 20-35 years. The tenants include a wide range of creative illustrators, designers and makers. From our discussions with the tenants we are aware they would prefer to remain in the building for as long as possible.

3.7 The Brighton Cultural Strategy recognises the need for connectivity, creative co-operation, affordable spaces, grassroots inclusion and security. The council is therefore committed to supporting the creative tenants in providing alternative

accommodation which is suitable for their industry needs and keeps them located within the creative community. New England House is the ideal location for this.

3.8 The market value for the property has been assessed by Cluttons, an independent valuer commissioned by the council. The site has been considered for redevelopment in isolation of the adjacent interlocking property at 45-47 Cheapside, but advice from the council's Estates and Architecture teams has confirmed that this site could not be practically, economically or sensibly developed in isolation due to a number of site constraints, including its narrow dimensions and orientation, proximity to current housing, the inability to have habitable windows on both the North and South elevations, the potential complexity of Party Wall Agreements and challenges of foundation designs.

3.9 Given these site constraints we consider isolated re-development of the site unviable whereas a comprehensive redevelopment of this site and the interlocking adjoining site for residential and employment space is deliverable and is likely to produce a better scheme for the site. This larger integrated development would be more efficient with the potential to provide 31 homes plus an element of commercial space which, as currently proposed, would be more commercial space than is contained within the council's as existing property.

3.10 The New Homes for Neighbourhoods Team and the New Homes for Brighton & Hove JV have no interest in developing this site for affordable housing due to the site constraints detailed at 3.8 and do not wish to pursue a redevelopment scheme themselves.

3.11 The owner of 45-47 Cheapside has made an unsolicited offer to purchase the council's freehold interest to facilitate the redevelopment of the combined site for 31 new flats with commercial space on the ground floor and as a special purchaser is willing to pay above the market value for the property. The offer therefore represents best consideration.

3.12 A second unsolicited offer has also been received from another special purchaser who wishes to retain the building for its existing use. This second offer is also above the market value but is lower than the first offer received.

3.13 Cluttons valued Belmont Street Annex & Garage as at 17 November 2017. The valuer reviewed this in May 2018 and confirmed this value is still current and has not changed.

3.14 Social Value can be defined in several ways. The Brighton & Hove Social Value Framework defines Social Value as about securing maximum impact on local priorities from all public investment and the city maximises social value by focusing particularly on strengthening communities through collaborative working across the public, private and community and voluntary sectors. In addition, the HM Government Civil Society Strategy defines Social Value as meaning 'enriched lives and a fairer society for all'.

Social Impact

3.15 In terms of relevance to the sale of council buildings Social Impact is a better suited measure than Social Value. There may be a negative Social Impact from displacing tenants from a property that can be mitigated by certain measures

which might allow them to return or be re-located. However, the council has no process to assess Social Value other than as part of a procurement process (the council does not rate actions in terms of how much positive or negative Social Value they produce, other than in very specific procurement contexts). As such, the Policy Team have recommended that we focus on the Social Impact of the sale of Belmont Street annexe to meet the committee's requirements. Social Impact being defined *"the effect an organisation's actions have on the well being of the community that happens as the result of an action."* The social impact analysis for each bid is set out below.

3.16 The following table analyses the Social Impact of the sale of the subject building both bidder A and B and includes actions considered to mitigate any negative impact, based on the 5 foundations of Social Value, which are:

- PEOPLE: Enabling a lifetime of contribution
- PLACES: Empowerment and investment for local communities
- THE SOCIAL SECTOR: Supporting charities and social enterprises
- THE PRIVATE SECTOR: Promoting business, finance and tech for good
- THE PUBLIC SECTOR: Ensuring collaborative commissioning

Government action is to strengthen these 5 foundations.

3.17 Analysis of the Social Impact of disposing of the property to Bidder A:

Section	**Impact**	**Contribution Summary**
PEOPLE: Enabling a lifetime of contribution	**Employment** The redevelopment plans for Belmont Street Annexe will unlock the following employment demonstrated by a Social Value Impact paper produced by the developer's consultant in August 2018: 1) 46 gross full-time equivalent jobs of which 4 are full-time equivalent construction jobs 2) 8 work placements and 4 new apprenticeship opportunities for local people; 3) A further 14 full-time equivalent indirect jobs to the local economy through new homes.	Overall positive contribution on employment and people's contribution in the community.
PLACES: Empowerment and investment for local communities	**Energy Efficiency** The redevelopment of Belmont Street Annexe will produce a more energy efficient building in line with current construction standards as a result. **Public Safety** A safer building in line with current construction standards for health and fire safety. **Community** More aesthetically enjoyable building in the town centre adding to the regeneration of this area.	Overall positive contribution to environmental safety, energy efficiency and the built environment in the community.

THE PUBLIC SECTOR: Ensuring collaborative commissioning	According to the developer, the new development of Belmont Street Annexe will be a £6.5m capital investment. Once occupied by both commercial and residential occupiers it will release approximately: 1) £1.11m in local salary and new household expenditure locally; 2) £94,000 in public sector revenues through local business rates and council tax receipts; 3) £12.4.m contribution to the local economy over a ten-year period.	Overall positive contribution on long term monetary contribution to the community.
THE SOCIAL SECTOR: Supporting charities and social enterprises	It is reported by the purchaser that the proposed development will provide: 1) 31 new homes of which 40% will be affordable; 2) Up to £254,000 in S106 payments will directly benefit the local area by paying for key items such as education provision, new and improved bus stops and play areas within local parks.	Overall positive contribution on housing supply in the community.
THE PRIVATE SECTOR: Promoting business, finance and tech for good	**Current Tenants** The current tenants will be required to relocate if the building is redeveloped which could result in a negative social impact for both the tenants (as rental outgoings will increase), and the community as a whole if the tenants leave Brighton altogether or close their businesses. However an Affordability Contribution has been agreed as part of the proposed sale to mitigate this impact. **Affordability Contribution:** The rent at New England House is approximately £9.50 per square foot with an additional service charge of approximately £4.15 per square foot. This is higher than the tenants' current rent of approximately £5 per square foot. (At present service charge is not charged as there has not been ongoing maintenance carried out at the building). However the market rental value of Belmont Street Annexe is approximately £12.30 per square foot on a full repairing basis (with the tenant responsible for the additional cost of repairs). The tenants have	Negative impact mitigated as developer to pat the tenants a financial contribution as a condition of the sale to support the move to more expensive alternative accommodatio n and support the retention of the cultural and social value generated by these tenants within the city and local

	benefitted from a reduced rent for a significant period because of the council's intention to sell the site for redevelopment. Given the increase in rent which will be inevitable for the tenants, whether they decide to relocate to New England House or another location, the developer has made an offer to subside future rent charges and ensure each tenants' continued business operations for the next 5 years as much as possible. The developer has offered a new lease to each tenant with a 3 year term, and landlord break at year 2 (and thereafter with 6 months notice) with tenant break options every 6 months which can be served by the tenant at any time. The above will secure the tenants' accommodation at Belmont Street Annexe for at least the next 2-3 years from the date of the sale whilst also freezing their current rental levels during this period. The developer has then offered to pay the tenants: 1) A sum equivalent to 2 year's current rent, if the lease is broken at year 2. 2) A sum equivalent to 1 year's current rent if the lease is broken at year 3. The contribution gives the additional financial support to make a relocation to New England House more affordable, helping secure their position in Brighton for the next 5 years - a reasonable period for companies to business plan.	community.

3.18 Analysis of the Social Impact of disposing of the property to Bidder B:

Section	**Impact**	**Contribution Summary**
PEOPLE: Enabling a lifetime of contribution	From the perspective of the tenants, the Annexe has allowed many individual creative freelancers to thrive, connect, create and be part of the community and these freelances do not feel they can survive as a community without the annex. The occupiers state that on a daily basis their interactions as a group	Positive contribution on member of the community living in Brighton and

	empowers them as the creative skills and achievements can be shared to educate each other. The occupiers believe Brighton & Hove has an identity rooted in individual expression, tolerance and visible communities which they together demonstrate. The occupiers have been in the Annexe for approx 35 years with a community and sense of identity. The wider creative community in Brighton and Hove are said to refer to the sale of the annexe as “the end of an era” and “a sadness that something irreplaceable is to be lost”. The bidder has stated that they are ambitious to own the building so they can retain their sense of community and belonging. Occupiers within the building:- 1) John, a graphic designer, works part-time with autistic children at St Johns. He would not come to New England House due to the increased cost. 2) Kate, a freelance artist and illustrator, suffers from ME and would not be able to justify the rent at NEH. 3) Sami, a children’s book illustrator, is a single mother and would not be able to afford the rent at NEH. 4) Helen, a graphic designer, works part-time in London and would not be able to afford the extra rent at NEH. 5) Susan, is a textile designer and is on an illustration course at Brighton University and would not be able to afford the rents at NEH. 6) Joe, is a fine art graduate and would not be able to afford the rents at NEH. 7) Ryan is starting out as a freelance illustrator and would not be able to afford the rents at NEH. 8) Phil is attempting to leave web design, which is causing home stress, and is retraining as an illustrator. This year he was one of the artists chosen to illustrate one of the Martlets Snails which are about to be revealed. The bidder has said that if they were to lose the Annexe then this community would be lost.	Hove within the creative industries.

PLACES: Empowerment and investment for local communities	The occupiers view the Annexe as a favourable place to work in its current state as it incorporates co-operation and inclusion. It is said to be "a haven for many illustrators, designers and Samesky for many years and ownership of the space would empower us and our future". The bidder has reported that the building is viable, solid and sustainable. It has lacked investment and long-term management which would be managed collaboratively by its inhabitants. The Bidder's investigations with builders, architects, surveyors, estate agents, electricians and energy experts all have had uniform enthusiasm for the solidity, potential and viability of the building. The building has an EPC energy efficiency of D. Bidder B has been in the building for 35 years and maintained the area he occupies throughout this time. On purchasing the building he intends to invest further and fund the maintenance of all of it to secure its future. The tenants see the building as having integrity and a community who represent continuity of the diverse, creative and community spirit that typifies Brighton.	Positive contribution on maintaining the building but keeping the current character.
THE PUBLIC SECTOR: Ensuring collaborative commissioning	Designers and illustrators within the Annexe work with local organisations, including Brighton Museum, Brighton & Hove Council, the West Pier Trust, Queenspark Books, and Northbrook College Illustration Course. The occupants also support students doing work experience from local schools who have gone on to do a Foundation course at Brighton City College. Samesky have worked collaboratively with numerous local schools and organisations to foster community engagement and creative empowerment.	Positive contribution on education and local authority departments.
THE SOCIAL SECTOR: Supporting charities and social enterprises	Samesky has been an invaluable and creative part of Brighton's culture and a thriving charity with a strong and creative local identity. By working within local communities it has empowered individual and collective expression and participation. The tenants' bid is seen to strengthen its hand and support an established and highly valued local voice. They are responsible every year for the Children's Parade as part of Brighton Festival and the unsubsidised Burning of the Clocks. They are also	Positive contribution on the community of securing the future for Samesky in Brighton and Hove.

	responsible for employing over 25 freelance artists and makers working with the Brighton community and beyond. If Samesky were to move it could put a community arts organisation (which has weathered the cuts so far) under increased financial stress which could jeopardise their ability to achieve the many and varied social benefits. Same sky projects include: • Arts Charity founded by the Council after the wild park "babes in the wood" tradegy • The Otherworld Special Needs Project based in Sussex • Work with Royal Sussex Beacon • Brighton Festival children's Parade 26 years • Brighton Festival outdoor arts events support • Brighton Language Day • Apple Day event support • Pride Event Support • Phoenix Brighton young peoples projects • Burning The Clocks annual community civic celebration entirely funded from local people and the companys own 21years • Partner with carousel delivering a council funded 3 year inclusion project for learning disabled young people • Martletts assisting with remembrance events • Hummingbird Project working with refugees • Working with the Childrens Hospital • Housing the Euphoria Steelpan Band • Hove Park Project with Friends of Hove park • Community work in Moulescoomb celebrating 30 years of Samesky this year • Young People Arts Award - 16-24 year olds in Brighton • Employ 25 other local artists	
THE PRIVATE SECTOR: Promoting business, finance and tech for good	The building has been inhabited by a community of designers and makers for 35 years. The building also houses 25 other designers and illustrators who are an active and supportive community. Bidder B is aware on a daily basis of the interactions between the members of this community in supporting, educating and informing each other in their professional practice. In their opinion this community would not survive a move to New England House. It is true that a few of the designers here are	Positive contribution on the community of provide space for freelancers and supporting the creative industries.

	successful, but many have a more complicated work relationship. As a community, the creatives are able to add experience and knowledge whilst countering professional isolation which is very common amongst freelance individuals.	

4.0 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The alternative options of do nothing, development by the general fund for special housing need, sale to the Housing Revenue Account, sale to the New Homes for Brighton Joint Venture, off market sale to the special purchaser for retained use and off market sale to the special purchaser for redevelopment are set out in the July Policy, Resources & Growth report.

4.2 The valuations completed by Cluttons included valuations based on the developer's proposed development schemes for the combined site. It would therefore only be beneficial for the council to seek a planning consent for the development of the combined site in advance of disposal if such consent delivered a more ambitious, valuable scheme than that already proposed and valued. In addition a planning application would add cost and delay to the process. Both bids are from special purchasers and are unconditional.

4.3 The social impact of both bids has been set out above and we recommend an off market sale to the special purchaser for redevelopment who will be able to realise maximum new homes and employment space from the redevelopment by doing it together with his own freehold, and as such has offered an above market price for the site reflecting his special purchaser status. The transfer is to include a restrictive covenant to protect future adjoining redevelopments and, guarantee an agreement for new 3 year leases to the existing tenants and to facilitate their relocation in the City by offering a financial rental rebate at the end of their leases. The council can re-locate the tenants to New England House with affordable rents and a large creative and digital industries community.

4.4 The other bid would present a lower capital receipt, with the building being refurbished and the uses retained.

5 COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The tenants and the adjacent owner have discussed the terms offered for new leases, to be put in place in the event that a disposal to the adjacent owner is concluded, including the affordability contribution to be paid if the break notices are actioned. The tenants are in agreement with the lease terms in principle, subject to contract.

6. CONCLUSION

6.1 We have received two unsolicited offers from special purchasers, which are both above the independently assessed market value. The offer from the owner of

45-47 Cheapside is the higher of the 2 and represents best consideration and is above the independent market valuation.

6.2 The freehold disposal will facilitate the redevelopment of a larger site along with the adjacent site 45-47 Cheapside. To dispose of the site as long leasehold would complicate the site assembly, and make future ownership and occupation of the site once redeveloped complex as it would limit the purchaser's ability to dispose of the newly created residential units as freehold without going through an enfranchisement process with the council. This adds a layer of work and expense for both parties in the future.

6.3 The current proposed redevelopment plans from the owner of 45-47 Cheapside (subject to planning) would be an asset for the City providing an estimated 31 new residential apartments with 40% affordable, which would be an increase from the current 8 homes delivering new housing in the city and at least 500m² commercial employment space (currently only 430m²) which is above the current offering and would also help boost the undersupply in the city centre.

6.4 The net capital receipt is to be used for reinvestment in the council's urban investment portfolio in line with the council's asset investment rebalancing strategy providing an ongoing income stream with better growth potential.

6.5 The current proposed disposal terms, protects the current tenants occupation for a minimum of 24 months and the council has sought to re-provide space for the creative tenants in the council's CDIT building New England House which is approximately 400m away.

6.6 The proposed disposal to the adjoining owner represents an opportunity to provide regeneration to a small part of the New England Quarter, delivering a net gain of approximately 22 - 27 residential properties and an increase in workspace of an estimated 70m2.

6.7 The offers are not subject to planning and whilst there is a risk that proposed schemes may not receive planning consent or be built out, the current condition of the building and restricted ability to develop the site without acquiring adjoining interests, means that the disposal of the site accords with Objective D (optimising value from our commercial portfolio) of the Corporate Property Strategy and Asset Management Plan, and the council's Medium Term Financial Strategy and can be recommended.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 The disposal of the site will generate a capital receipt, less any disposal costs, which will be pooled along with the net receipts from properties previously disposed of. The balance of the receipts will be reinvested back into the property portfolio to generate additional rental income streams over and above the existing rental streams and this strategy forms part of the council's Integrated Service and Financial Plans.

7.2 The building currently generates a low level of rental income at £23,750 pa. The current occupiers pay a lower than market value rent at circa £5.00 per square

foot (market rental value is estimated at £12.30 per square foot), however , this is driven by the council's intention to sell the building . There is likely to be a short period of time from which existing rental streams will not be generated and these will be reported through the Targeted Budget Monitoring reporting procedure to committee.

7.3 Other financial benefits that could be delivered include i) a reduction in the council's maintenance budget with an estimated current year cost of £26,000; ii) the potential to deliver additional business rates and council tax contributions; iii) and Section 106 payments. This is based on the assumption that additional housing and commercial space is developed.
Finance Officer Consulted: Rob Allen Date: 18/09/19

Legal Implications:

7.4 Councils cannot dispose of land for consideration which is less than can reasonably be obtained except with the consent of the Secretary of State (section 123 of the Local Government Act 1972). This test is purely commercial; it is not permissible to take account of social value when determining whether an offer represents best consideration. The decision to dispose of the land to the adjacent owner does meet the best consideration test.

7.5 If the Committee were not minded to follow the recommendation, it is relevant to note that the Secretary of State has issued a general consent (Circular 06/03: Local Government Act 1972 general disposal consent (England) 2003) which allows local authorities to dispose of land for an undervalue provided it considers that the disposal will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area AND the difference, between the unrestricted value of the land to be disposed of and the consideration for the disposal, does not exceed £2 million.
Lawyer Consulted: Alice Rowland Date: 18/09/18

Equalities Implications:

7.6 There are none.

Sustainability Implications:

7.7 These are captured through the Minimum Efficiency Energy Standards (MEES) process.

SUPPORTING DOCUMENTATION

Appendices:

1. Plan of site

Documents in Members' Rooms

None

Background Documents

None

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POLICY RESOURCES & GROWTH COMMITTEE	Agenda Item 63 Brighton & Hove City Council

Subject:		**Delivery of new integrated Primary Care Centre at Oxford Street**		
Date of Meeting:		**11 October 2018**		
Report of:		**Executive Director Economy Environment & Culture**		
Contact Officer:	**Name:**	**Angela Dymott** **Sally Smith (BHCCG)**	**Tel:**	**01273 291450** **01273 485328**
	Email:	**angela.dymott@brighton-hove.gov.uk** **sally.smith39@nhs.net**		
Ward(s) affected:		**St Peter's & North Laine**		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The owner of St Peter's Medical Centre, Oxford Street, Brighton, (the Medical Centres Group), has offered to purchase a long lease of the Council's Oxford Court Car Park, to facilitate the re-development and expansion of the existing health centre that adjoins the car park.

1.2 The current St Peter's Medical Centre on Oxford Street is no longer fit for purpose and has been identified as being a high priority for refurbishment/rebuild in a city-wide audit. In addition The North Laine Medical Centre on Gloucester Street is also not fit for purpose and, unless the solution proposed in this paper is delivered in time, is due to close in November 2018 and relinquish its contract. If this happens, the patients at this practice will have to be accommodated at other practices in the city centre, adding further pressure to these already-pressurised practices

1.3 This report details the proposed solution to ensure the provision of modern, fit for purpose healthcare premises for St Peter's Medical Centre and The North Laine Medical Centre, supported by Brighton & Hove Clinical Commissioning Group (BHCCG), to provide care in areas of priority need within the city, enabled by BHCC through the disposal of a council-operated car park, for the development of a new primary healthcare facility (including associated consents for relocating the current substation on site).

1.4 Details of the proposed transaction are included within Part II of this report. In summary they are:

- The Medical Centres Group (who own the current St Peter's site) will acquire a 999 year lease of the council car park to redevelop a new integrated Primary Care Centre on the car park and the St Peter's site.
- The Sussex Partnership Foundation Trust (SPFT) will enter an agreement to lease this premises from the Medical Centres Group.
- The St Peters Medical Centre will merge with the North Laine Medical Centre

taking a sub lease of the premises from SPFT.

- The sale is subject to conditions including planning permission.
- There will be continuity of service on the site as the developer is proposing a phased development.

2. RECOMMENDATIONS:

That the Committee:-

2.1 Authorises the sale of the Oxford Court Car Park shown edged red on the attached plan by way of a 999 year lease and grants delegated authority to the Executive Director for Economy, Environment & Culture, Executive Lead Officer, Strategy Governance and Law to negotiate the detailed terms of this disposal, and enter into the agreement for lease, the lease and undertake all necessary steps to secure the delivery of a new primary healthcare centre.

2.2 Note that the council continues to work closely with public sector partners to ensure best use of public sector assets.

3. CONTEXT/ BACKGROUND INFORMATION

Health Context
Overall situation in Primary Care

3.1 Primary Care is vital to the success of any health and care system, with the registered patient list providing the basis for structured and consistent care and health promotion for a whole population. Primary Care is under significant and sustained pressure nationally, with key challenges including:

- Increasing workload and demand (partly associated with the increase in elderly people/those with several long term conditions).
- Reducing finances.
- A diminishing workforce, with both GPs and Practices Nurses becoming harder to recruit. (One key element of this is an increasing reluctance to become a partner in a practice because of the risks/levels of personal responsibility associated with holding a lease, employing staff etc.).

These challenges are being experienced in Brighton & Hove, with the city having the second lowest ratio of GPs per 1,000 patients of any CCG in the country.

Local Strategy

3.2 The challenges facing Primary Care are multiple and interlinked. The CCG's response has been to develop a strategy for Primary Care that recognises the need to resolve a series of issues in a co-ordinated and contemporaneous way. The strategy has identified eight components:

1. Resilience (to improve sustainability and reduce vulnerability).
2. New Models of Care (to facilitate multi-agency working at cluster level).
3. Workload (to reduce avoidable workload on practices and signpost patients to alternatives, including health promotion/self-care).
4. Workforce (to support and develop the existing workforce and improve recruitment).
5. Informatics (to harness the power of technology to increase quality of service,

efficiency and joint working).

6. Estates (to improve the quality of the built environment and facilitate joint working).
7. Primary Care at Scale (to promote economies of scale and introduce "Parent Organisations" into the primary care economy, where these add value).
8. New Ways of Investing (to enable funding flows to facilitate the above).

It will be noted that the majority of the items listed above require close joint working between primary care/ BHCCG, Sussex Community Foundation Trust (SCFT), Sussex Partnership Foundation Trust (SPFT), the Community/Voluntary Sector and the council. There are already examples of initiatives that these agencies are working on together and this is the overall strategic direction that is now being followed and increasingly structured into our working patterns.

3.3 BHCCG has been developing a methodology to prioritise estates developments in Primary Care. The Prioritisation process is risk based and includes an assessment of the overall vulnerability of the practices/cluster as well as the risk associated with the building. The analysis indicates that the practices with the highest levels of vulnerability are also those with the highest levels of premises risk. Cluster 1, where St Peter's and North Laine are sited, is one of the clusters with the highest level of risk under both indicators.

3.4 Brighton and Hove Clinical Commissioning Group (BHCCG) has been supporting St Peter's and North Laine Medical Practices in their search for new premises within Cluster 1.

3.5 Both practices are located in the city centre and serve a population with high levels of need – especially mental health and substance misuse (see Public Health material below). Each of the practices is deemed as vulnerable as they occupy substandard premises and have difficulty in recruiting staff. The partners of both practices have indicated that the risks associated with partnership are becoming unacceptable to them. The Care Quality Commission has also recently raised concerns about the quality of the premises.

Property Context

3.6 North Laine Medical Centre's lease on its current premises expired on 31 August 2018. An extension has been agreed to the end of November 2018 but no further extension is possible after that date unless the practice pays a significantly higher rent - which is not affordable for the NHS and too high for the practice to fund itself. The practice is taking advice on its current agreement but their continued occupation in this sub-standard premises is not sustainable.

3.7 If this situation remains unresolved, the practice has indicated it will terminate its contract and its 4,000 patients will need to be registered with other practices at short notice (i.e. as of 1.12.18), with considerable negative impact on the surrounding practices and considerable cost to the NHS economy. It may well also entail the loss of two or three more GP partners to the city, which will only compound the existing recruitment problems for Primary Care.

3.8 The lease of the St Peter's Medical Centre site expires in 2020. The partners of the practice have confirmed they will not sign a new lease because of the personal liabilities involved and the length of time it will require them to continue

working before they can retire in the face of the recognised uncertainties for general practice in the future.

3.9 To address this situation, the practice and CCG have been working with SPFT on a long term solution, whereby SPFT take the head lease on the refurbished premises and grant a sublease to the practice. The effect of this is to:

- Give the partners the assurance to remain as partners, because of the break clauses in the sublease.
- Create additional space for SPFT to rent from the practice, for the provision of community mental health services.
- Offer an attractive future for the partners, clinical and non-clinical staff to remain working in the area.
- Provide the patients of the practice; cutting edge, integrated working for those with primary care needs and mental health and substance misuse issues.

It can therefore be seen as a demonstration of the Primary Care Strategy described [in 3.2] above.

3.10 Should this redevelopment of new premises for this practice not proceed then the partners of the St Peter's practice have indicated very clearly that at the expiry of their current lease in 2020 they will terminate their contract. This presents a very serious risk to their current 11,000 patient list in securing access to primary healthcare, because there is simply not the capacity available in the city to accommodate this number of patients. The risks are not only to the patients but to the whole health and care system, as the unmet need arising from the practice closures will have a significant negative impact on local hospital and social care services.

3.11 To address this issue, BHCCG has successfully secured capital of £1.24m from the Estates and Technology Transformation Fund (ETTF) towards securing new fit for purpose premises for the practices. There are a number of conditions attached to the funding, including challenging timelines for the delivery of the project delivery, including starting on site by March 2019 and full commitment of the funds and building completed by March 2020.

3.12 To meet this deadline they will need to complete the purchase and secure planning before starting on site, meaning that there is little slippage in the proposed schedule.

3.13 The two practices, in conjunction with BHCCG and the current landlord, 'The Medical Centres Group' have been seeking to deliver new premises within this cluster and have explored numerous opportunities, including other realistic development opportunities, land swaps, leases and acquisitions. For a variety of reasons and following abortive discussions with various parties, the only viable proposal within the funding timescales is a phased re-development of the current St Peter's Medical Centre site, with the addition of the council's Oxford Court Car Park.

3.14 Previous transactions, have been unsuccessful for a variety of reasons, including; change of mind of landowner, lack of suitability - including size constraints (too large and small) - and resistance to alterations/lack of value for money schemes

3.15 The initial feasibility plans demonstrate that this could deliver a workable solution

Proposal

3.16 The proposal is for the two practices to merge and co-locate on to a single site in purpose-built premises, which will be delivered through a phased development, ensuring that there is continuity of service from the site throughout the project.

3.17 Due to issues with the NHS approval process it is proposed that NHS Sussex Partnership Foundation Trust (SPFT) will take a long head lease of the whole premises and grant a sub-lease (with 5 year break clauses) to the merged practice, thus removing personal liability from the doctors of taking a longer lease, making it easier to retain and attract partners to the practice for long term sustainability whilst also de-risking the development for the Medical Centres Group.

3.18 As part of this partnership working, it is also proposed that SPFT deliver community mental health services from the site resulting in the provision of cutting edge integrated services for a deprived, under-served population.

3.19 The eventual additional co-location of community services, social care and third/voluntary sector services will be explored with partners as the scheme develops further. This is in line with the primary care strategy and the emerging integration agenda being developed jointly by the Council and BHCCG.

3.20 The scheme will be funded in part via the ETTF capital grant with the remainder by the third party developer, Medical Centre Developments, which has considerable experience of working with the NHS and delivering schemes of this type.

3.21 The revenue commitments (both one-off enabling costs and ongoing rent and rates reimbursements under the GP contract) are already committed and agreed at committee level by BHCCG, providing comfort that, should BHCC agree to dispose, the developer's proposals are fully supported by BHCCG, with no need for any further governance steps to be undertaken to proceed.

3.22 No formal planning advice has been sought and the developer will undertake this in due course. However, informal planning comment raises no obvious challenges regarding the principle of this proposal, subject to the usual planning engagement and application process.

3.23 The Council's agents, GVA have worked to ensure that negotiations on behalf of BHCC have secured best consideration for the site and can confirm that the current offer represents this. Outline terms of agreement have been included at Part II of this report.

3.24 Medical Centre Developments have also engaged with the District Valuer who is advising the BHCCG on value for money from the development and whilst the final sign off is not currently complete due to the various stages of the approval process, there are not thought to be any issues in achieving this.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

Option	
Do Nothing	The site is currently operated as a council pay and display car park from 8am to 8pm. The site is comprised of 36 parking spaces and has an income budget of £44,000 per annum net of costs. As the site is a small pay and display we do not have detailed usage data above the income collected however historic surveys have shown that the majority of users (excluding season ticket holders) are visitors to local shops and the health centre. At the car park there are 8 season tickets, all to employees of the adjoining St Peter's Medical Practice which generates approximately £24,000 per annum. The council could continue to operate the car park and receive the income, however this would not increase Primary Healthcare resilience in the city, would not generate investment, but would continue to provide 36 parking spaces and income to the council. However the long term sustainability of this income is at risk should the GP surgery close or relocate as would be planned in the future under this do nothing option. The site will continue to experience challenges with anti-social behaviour.
Council seeks to re-develop the site in isolation	We have undertaken some site feasibility work to explore residential development options in consultation with external architects, the Estate Regeneration New Homes for Neighbourhoods team and Housing. The site is heavily constrained due to its proximity to the adjoining properties, including access rights, a substation, rights of light and public highway used for loading to the London Road shops (Co-Op Food and Boots). The site could potentially accommodate up to 6 – 8 one and two bedroom flats subject to planning. The site is not an ideal site for residential. It is in effect on back-land with poor outlooks and suffers from delivery vehicle disturbances to the adjoining supermarket. From a development perspective, there are challenges in relation to working and site circulation space. As the council is working with its partners to ensure sufficient Primary Care in the city, as well as achieving best consideration for the site, coupled with the site constraints it is considered that the disposal of the site for the development of a new integrated

	Primary Care Centre should be recommended above developing the site for affordable housing, which will require subsidy to deliver. The site is not large enough for consideration for the New Homes for Brighton & Hove JV.
Council seeks to acquire the current St Peter's Medical Centre and develop the whole	We have enquired with the developer who confirms that given the work undertaken to date in developing proposals for a new integrated Primary Healthcare Centre, they are not willing to dispose of the site at this late stage. They are committed to delivering a new integrated Primary Care Centre at Oxford Street for the benefit of the city and principle disposal terms have been negotiated by GVA to confirm that the disposal meets the council's obligations to achieve best consideration. This is not therefore considered an option.
Council seeks to develop the site in conjunction with the developer	We have approached the developer, however the developer has confirmed that they do not wish to pursue a joint development. The developer has already explored opportunities on the site to deliver housing and council officers have challenged the developer on the need for a pharmacy within the development, and whether housing could be included instead. The developer confirms that the pharmacy is integral to the scheme, and assists viability. The patients will benefit greatly from an on-site pharmacy, where the pharmacist is able to work more closely with the GP Practice, than if offsite. The DV also expects a pharmacy wherever possible is part of the development in order to assist with viability by subsidising the GP surgery rent. We have also explored a mixed use development of the site, but due to the constraints of ensuring continuity of healthcare provision from the site and the need to provide a self-contained access with a separate stair/lift cores for any residential units, this is not a viable option whilst ensuring a phased development for the benefit of continuity of healthcare provision during the redevelopment. The council has received advice regarding the value and demand for mixed use development on this back-land suggesting that this would be modest if the site was brought forward for private ownership properties. The site is not viable for the development of affordable units. The developer has sought to maximise the site density, taking account of such issues as appropriate storey heights, the setting of the historic buildings at the immediately adjacent 25-29 Oxford Street, neighbouring rights of light, neighbouring rights of

	way (incl to the Co-op supermarket to the west), as well as the need to maintain a level of parking for the GP surgery, including, disabled patient spaces. It is considered that given the timing pressures of delivery on this site, time constraints of the ETTF funding, its small size and the complicated nature of agreements for Joint Ventures, this option cannot be recommended as it will pose too greater risk to the delivery of this scheme and has been rejected by the developer.

5 COMMUNITY ENGAGEMENT & CONSULTATION

5.1 There is no requirement for community consultation in relation to the proposals of this report. Any future development of the site on which these recommendations are premised will be subject to public consultation as part of the planning process and future engagement with patients of either current or new practices that are proposed to occupy the space will be undertaken by the practices and BHCCG in the usual manner.

5.2 Engagement work has already been undertaken with local people and patients of the practice. This ranges from the overarching Big Health and Care Conversation, a Patient Reference Group established to support the Primary Care Strategy, local surveys by Healthwatch to very locally-focussed work from the practices' own Patient Participation Groups (PPGs). The key messages can be summarised as:

- In the recently published GP Patient Survey, St Peter's practice scored at or more highly than the national average on 7 out of 10 key indicators, which indicates how well the practice is doing in difficult circumstances and how strong a foundation there is there for building a high quality practice for the future.
- There is unsurprisingly strong support for improvement to practice premises, with emphasis on improving access.
- There is a strong expectation that the statutory agencies work together in a coordinated way to improve the provision of care to those with complex needs.
- There is an openness to accessing care in new ways on the part of many (but not all) patient groups – e.g. online consultation – which is featuring in our planning

5.3 Further public and patient engagement events are planned for the middle and end of September, to ensure patients are able to express their views and concerns for the future and to reassure them of the excellent facilities that will be available to them once the scheme is confirmed and proceeding. At the time of writing, one of these events has taken place and was attended by patients of both practices. There was considerable support for the scheme.

6 CONCLUSION

Risks

6.1 Primary healthcare services are particularly at risk, given the low number of GPs (especially partners) and practices that serve this area (with variable size, suitability and quality of premises with no room for expansion as they are already full).

6.2 There is a real risk of the closure of both of the two existing sites. If the car park sale is not agreed quickly, the North Laine practice is expected to close in November 2018 and St Peters in 2020, leaving up to 16,000 patients without Primary Care service provision. Without suitable alternative health provision in this area, this will overwhelm the remaining local practices, many of which are also vulnerable – with the ensuing negative impact on the health and care of the local communities.

6.3 The risk of not proceeding with this scheme includes the loss of circa £1.24 million of ETTF funding for a new integrated health hub. The prospect of the new facility provides a strong incentive for the current GPs, nurses and non-clinical staff to remain working in the city; if this incentive is removed, there is a sharply reducing prospect of them staying – especially as partners, who form the bedrock of primary care.

Benefits

6.4 Proceeding with the proposed development will:

- Increase the supply of primary and community healthcare service floor space in the city, thus improving patient experience and addressing some of the concerns that have been expressed by local people.
- Secure the future of GP service provision for 16,000 patients, with room for growth.
- Facilitate integration between primary care and mental health care for our most deprived population.
- Provide a strong incentive for GPs, practice nurses and non-clinical staff to come and work in the city.
- Engage SPFT more deeply in primary care, thus adding resilience to primary care.
- Be a significant step forward in the implementation of the CCG's primary care strategy.
- Build on and progress joint working between the NHS and Council.

Social Impact

6.5 Council officers have sought to assess the Social Value and Impact as a result of these proposals.

6.6 Social Value can be defined in several ways. For BHCC: "Social Value is about securing maximum impact on local priorities from all public investment. The city will maximise social value by focusing particularly on strengthening communities through collaborative working across the public, private and community and voluntary sectors."

6.7 There may be a negative Social Impact from displacing users of the car park that can be mitigated by certain measures which might allow them park elsewhere set against the positive social impact from the provision of a new Integrated Primary Care Centre for the benefit of local residents.

6.8 The current 'pay and display' hours are from 8am – 8pm enabling car park users to park for free outside of these hours. Users of the pay and display may also be disadvantaged, but data from the council's parking team show that there is sufficient capacity at London Road Car Park, both during peak hours and overnight. We are therefore confident that sufficient local parking provision is available to car users/owners.

6.9 There will be some parking provision provided for users of the Integrated Primary Care Centre, including disabled spaces (subject to planning) so we do not anticipate and disadvantage to medical centre users.

6.10 The site is also within a sustainable transport corridor with 26 bus routes stopping within 100m of the current GP surgery. Car Club Cars are located on Stroudley Road and Lewes Road (opposite Phoenix Place). There are also BTNBike Share locations on London Road and at the north and south entrances to The Level.

6.11 The site is also located within Zone Y where there is currently a waiting list for parking permits, so those without permits, will have to join the list should they not already have a parking permit.

6.12 Given the above mitigation and the significant benefits that will be realised through the delivery of a modern, fit for purpose, Integrated Primary Care centre, bringing together collaborative working across health partners will have a positive impact on the local community, delivering on health priorities for the city, and shows that this option delivers the maximum positive impact.

Conclusion

6.13 Agreement of the recommendations of this report will ensure the future delivery and expansion of primary healthcare from modern, fit for purpose premises with collaborative working through New Models of Care and ensure that this opportunity is not lost.

6.14 The disposal terms satisfy BHCC's obligation to meet best consideration under S123 of the Local Government Act and can therefore be recommended. Please see Part II of this report for detailed terms.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 The disposal of the Oxford Court car park will generate a capital receipt for the Council. The net proceeds, less any disposal costs incurred, will be used to offset the loss of rent at the site which is estimated to be a net income stream of circa £44,000 pa. Additional parking income may be generated through the displacement of users to other nearby car parks such as London Road car park and this will be monitored and reported through the Targeted Budget Management reporting process. Any shortfall in the income stream will be addressed within the Council's Medium Term Financial Strategy and reported as part of the Revenue Budget Update in December 2019.

Finance Officer Consulted: Rob Allen Date: 17/9/18

Legal Implications:

7.2 Section 123 of the Local Government Act 1972 enables a local authority to dispose of land provided it achieves the best consideration reasonably obtainable. GVA have confirmed that the disposal of the car park recommended by this report does meet this test.

Lawyer Consulted: Alice Rowland Date: 10/09/2018

Risk and Opportunity Management Implications:

7.3 There is a risk that the site does not achieve planning permission, in which case the council can pursue the other options as above.

Public Health Implications:

7.4 Brighton and Hove has higher rates for a number of mental health indicators than other South East CCGs. These include 24% of the population reporting high levels of anxiety (SE 19%) and 5.5 % in contact with secondary mental health services (SE 4.5%). The rate of deaths by suicide and injury undetermined for 2014-16 was 14.4 deaths per 100,000 people (age standardised), a third higher than the rate for England (9.9 deaths per 100,000).

7.5 St Peters and North Laine practices are within the 20% most deprived areas of the city. Deprivation, after age, is the most important factor influencing all health including mental health. The highest levels of deprivation have the poorest health outcomes and the lowest life expectancy. Of those living in the 20% most deprived areas of the city 23% have a record of depression compared with 15% of those living in the 20% least deprived areas. Brighton and Hove has a high lung cancer incidence of 82 per 100.000 (England Ave 78) with poor survival rates which is in part due to higher smoking in areas of deprivation and especially so in people with mental illness.

7.6 The St Peters and North Laine practices' area has some of the highest rates in the city for factors that increase the risk of, or which are directly related to poor mental health. These include; high levels of unemployment benefit (JSA and Universal Credit) with only 36% people aged 16-74 in full-time employment compared with 39% across England. Households with multiple health needs 1.4% (England average = 0.5%), a loneliness indicator of -3.7 (compared with England average -3.9, with 0 being most lonely), and overcrowded housing. There are also a high number of people living with mental health problems who are receiving IB/ESA benefits which reflects these problems (3.5% of working age adults - England average = 2.8%).

7.7 North Laine and St Peters practices have the third (2.39%) and fifth (1.93%) highest CCG / city prevalence respectively of patients with severe mental illness (schizophrenia, bipolar affective disorder and other psychoses) compared to England 0.92%.

7.8 Nationally about two thirds of people with common mental health conditions receive no treatment at all so improving access through primary care to mental health services at an earlier stage helps address this gap, improve treatment outcomes and support people to have healthier lifestyles.

Corporate / Citywide Implications:

7.9 Caring Together is the first iteration of a joint strategic approach to transform health and social care in Brighton and Hove. It encompasses the requirements of

the NHS Five Year Forward View (FYFV) which forms part of the local Sustainable Transformation Programme (STP) and commits commissioners and provider to the planning and delivery of health and care systems that meet need now and for the future through new models of care and integrated health and social care systems.

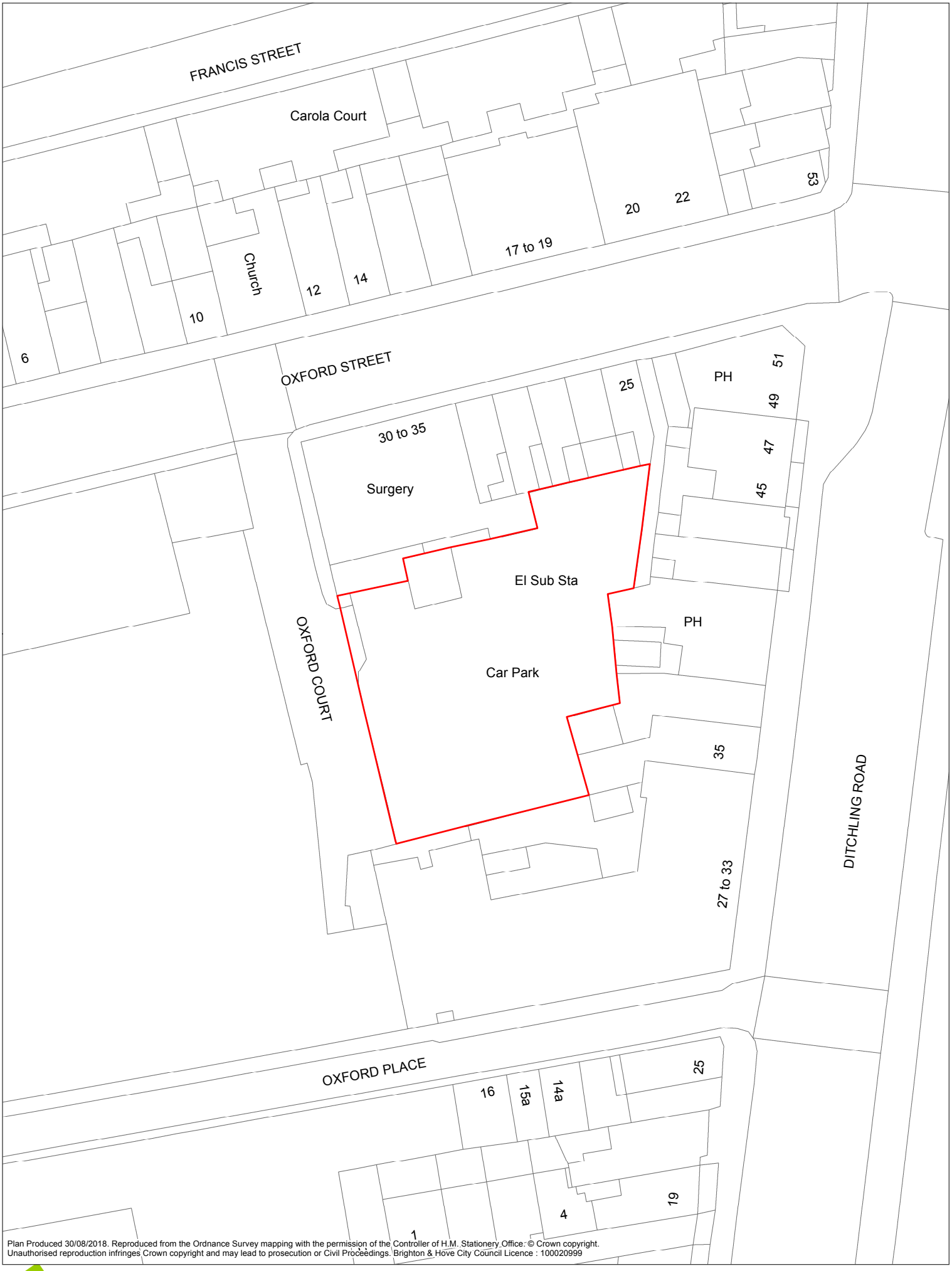
7.10 The need for primary care and community services, together with workforce growth, means that the BHCCG, working in partnership with the Council and key partner provider agencies, is committed to the provision of healthcare services and workforce development that contribute towards meeting identified local population by supporting the integrated primary care centre.

7.11 As set out elsewhere in this report, this recommendation presents an opportunity to continue to facilitate the delivery of the modern fit for purpose premises for the delivery of integrated out of hospital healthcare in an area that meets the needs of some of the most deprived population. This opportunity, including the funding attached to the scheme, may be lost if the council does not agree to the support this proposal, including the sale of Oxford Court Car Park

SUPPORTING DOCUMENTATION

Appendices:

1. OS to show the site for disposal
2. Aerial plan to show site for disposal
3. Photos of current site for context



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Brighton & Hove City Council

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Oxford Court

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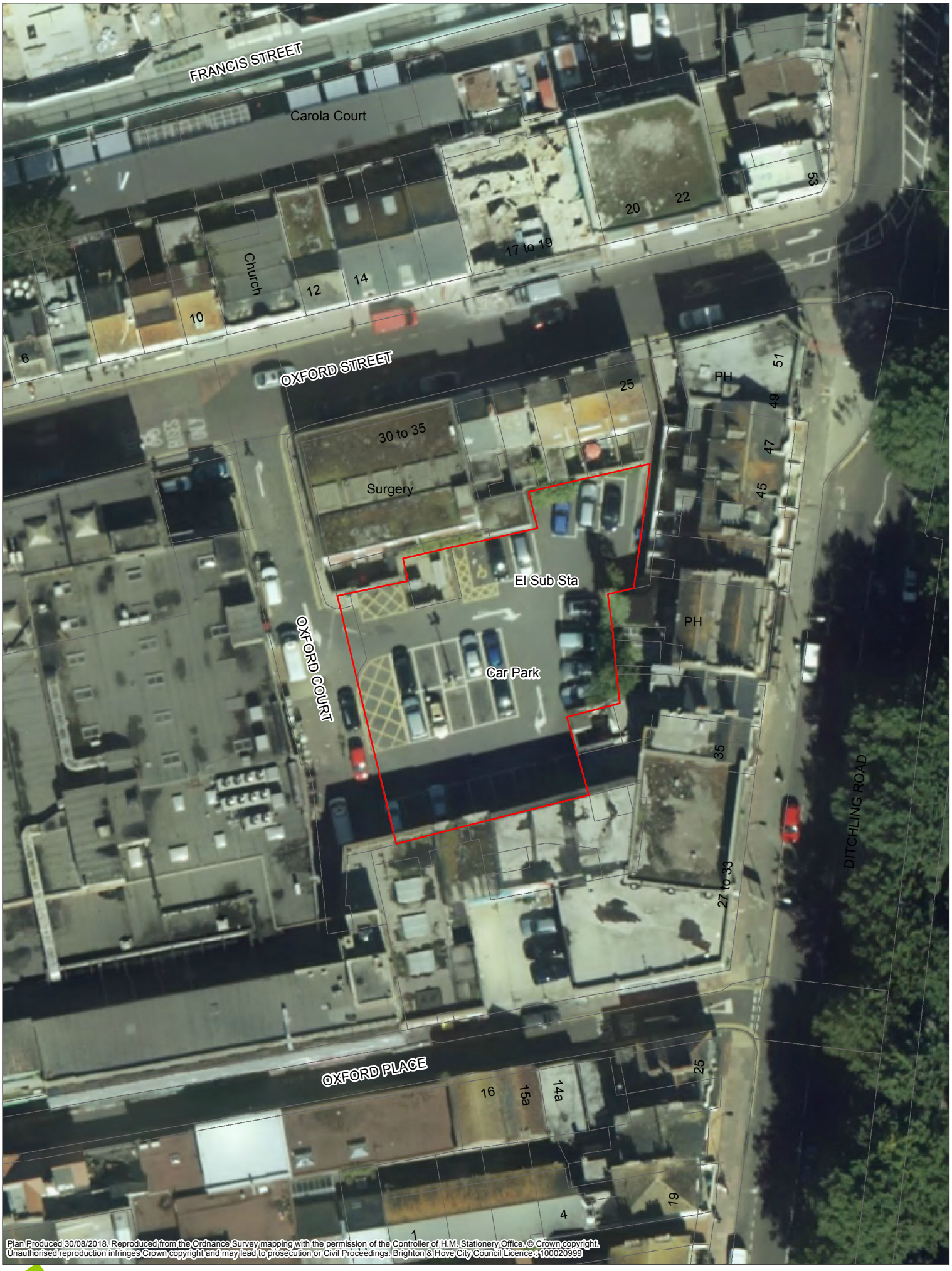

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Oxford Court

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Aerial View looking south

Car park edged red (to the north)

Current St Peter's North Laine Primary Care Centre edged blue (to the south of the site)

Aerial View looking east

Please note that this aerial view is dated circa summer 2016

Entrance to Oxford Court Car Park looking South showing current Health Centre to left of entrance

View Looking West across the car park

View Looking North Across the car park

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 64 Brighton & Hove City Council

Subject:		**Home to School Transport for Pupils with Special Needs and Other Social Care Transport Contract**		
Date of Meeting:		**11 October 2018**		
Report of:		**Executive Director of Families, Children and Learning**		
Contact Officer:	**Name:**	**Richard Barker**	**Tel:**	**290732**
	Email:	**richard.barker@brighton-hove.gov.uk**		
Ward(s) affected:		**All**		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 This report seeks approval for the procurement of a contract to provide for home to school transport to pupils with special educational needs, and other hired transport for vulnerable children and adults on behalf of social care teams.

1.2 There has been no change to the responsibilities placed upon the Council under Section 508B of the Education Act 1996 as described in more detail in Paragraph 3.6. Neither has the Council varied the home to school transport policy which is described in more detail in Paragraph 3.7 and can be found at: https://www.brighton-hove.gov.uk/sites/brighton-hove.gov.uk/files/Brighton%20Hove%20Home%20to%20School%20Transport%20Policy%20270315%20FINAL_0.pdf

2. RECOMMENDATIONS

That Policy and Resources Committee:

2.1 Approves the procurement of a contract for home to school transport for pupils with special educational needs and other transport for vulnerable children and adults on behalf of social care teams, for a term of four years from 1 September 2019 to 31 August 2023.

2.2 Grants delegated authority to the Executive Director of Families, Children & Learning to carry out the procurement and award of the contract referred to in Paragraph 2.1 above including the award and letting of the framework agreement.

3. CONTEXT/ BACKGROUND INFORMATION

Summary of the current service provision

3.1 Currently there are approximately 370 pupils who require home to school transport under the existing framework agreement. This number does vary during the academic year but has remained fairly constant during the period of the current framework agreement. Pupils are currently transported to 78 different education settings. There are four transport providers who transport these pupils under the framework arrangement and two other providers who have been used for one-off arrangements.

3.2 In the main, transport for pupils aged 16 years and over is managed as a separate lot under the same framework agreement. The increase in the Council's responsibility for children and young people with Education, Health and Care Plans up to the age of 25 years has seen this cohort of travellers increase in the last couple of years and it can be expected to rise further through the term of this agreement.

3.3 Currently there are approximately 75 pupils aged 16 years or over who require transport from home to school/college. Pupils are transported to 15 different education settings. There are two transport providers who transport these pupils under the existing framework arrangement and one other provider who has been used for one-off arrangements.

3.4 There is no duty to provide transport for children attending early year's settings. Section 509A of the Education Act 1996 ('EA') instead gives Local Authorities (LAs) a discretionary power to provide assistance with travel to 'relevant early years education'. The LA is able to charge for the provision of transport.

3.5 Brighton & Hove City Council (BHCC) does not normally provide transport to pupils attending early year's settings. Children who are starting the Reception Year but are not yet of compulsory school age are considered in the same way as pupils who are of compulsory school age.

3.6 Section 508B of the EA places a duty on Local Authorities to make such travel arrangements as they consider necessary to facilitate attendance of pupils of Compulsory School Age (CSA) at school for 'eligible children'. Schedule 35B defines eligible children as including:

- Children with Special Educational Needs (SEN), a disability or mobility problem who cannot reasonably be expected to walk to school because of their mobility problems or because of associated health and safety issues related to their SEN or disability.
- Children who cannot reasonably be expected to walk to school because of the nature of the route (accompanied as necessary).
- Children living outside the statutory walking distance, where no suitable alternative arrangements have been made by the Local Authority.
- Children entitled to free school meals, and/ or whose family is in receipt of the maximum level of Working Tax Credit.

3.7 At present there are no active plans to review the existing Home to School Transport Policy which was last reviewed in April 2015. It states that those entitled to receive assistance with travel are:

- Aged under 8 and live more than 2 miles from nearest suitable school
- Aged 8 – 16 and live more than 3 miles from nearest suitable school
- If qualifying for Free School Meals or maximum Working Tax Credit it is:
    - Over 8 and under 11 2 miles to the nearest suitable school
    - Aged 11-16 between 2-6 miles and there are one of 3 nearest schools
    - Aged 11-16 and between 2 -15 miles and is nearest school preferred on grounds of religion or belief

The Council will not provide help if the school chosen is further away from the nearest suitable school. 'Nearest suitable school' in relation to primary education is considered to be the closest maintained school to the child's permanent home address that is suitable to age, educational needs and has a place available. In relation to secondary education it means the catchment area school (or schools in a dual catchment area) for those able to attend a mainstream school, except for children whose family meets the criteria for low income, where the suitable school may be one of the three closest schools.

3.8 BHCC also provides short term assistance in exceptional circumstances if a parent of a primary school child is unable to take them to school for medical reasons and child is attending nearest suitable school. This is discretionary.

3.9 In relation to this entitlement, Section 508B of the Education Act 1996 provides that a LA must make 'in the case of an eligible child in the authority's area….such travel arrangements as they consider necessary in order to secure that suitable home to school travel arrangements...are made and provided free of charge to the child'.

3.10 The concept of 'travel arrangements' is a wide one; they are defined in subsection (4) as being arrangements of 'any description.' Sub section 4 (b) sets out three matters which are considered to be travel arrangements if those arrangements are made with the consent of the parents:

- the provision of an escort
- arrangements for the payment of any person's reasonable travel expenses
- arrangements for the payment of allowances in respect of the use of particular modes of travel

3.11 The general expectation is that the child will be accompanied by a parent where necessary, unless there is a good reason why it is not reasonable to expect the parent to do so. Department for Education (DfE) guidance states that when considering the reasonableness of a child's parent being expected to accompany the child, a range of factors that may need to be taken into account including whether one would ordinarily expect a child of that age to be accompanied.

3.12 If a Mobility car has been provided for the benefit of the child consideration will be given as to whether, if parents/carers agree, this should be used to take the

child to school. In such cases the agreed mileage rate will be paid. Currently 18 families receive a mileage rate.

3.13 Normally travel assistance will not be provided to and from after school clubs unless this can be done at no additional cost and with no unreasonable disruption to the travel of any other children sharing transport.

3.14 If a child attends a residential school on a weekly, half termly or termly basis the request for transport will be individually assessed.

3.15 DfE guidance recommends that all children should be able to reach their school within 45 minutes for primary age children, 75 minutes for secondary aged children. As the city has undergone various traffic enhancements this has been a challenge to comply with for the providers on the current framework agreement.

3.16 There is no duty to provide free transport to students over the age of 16 who are continuing in full time education at school or college. However section 509AA of the EA requires LAs to specify in an annual transport policy statement the transport and financial support they consider is necessary to 'facilitate the attendance of sixth form pupils receiving education or training'. A sixth form pupil is defined as a person over CSA but under the age of 19, or a person who has begun a particular course of education or training before reaching the age of 19 and who continues to attend that course.

3.17 The 16-18 transport duty also applies to young people of sixth form age with learning difficulties and/or disabilities aged up to 19 (and beyond 19 if they are continuing on a course started before the age of 19) (section 509AB).

3.18 The LA must exercise its discretion to provide transport or financial support reasonably, taking into account all relevant matters. Regard must be had to the following:

- The needs of those who could not access education and training provision if no arrangements were made-the needs of young people with learning difficulties and/or disabilities must be specifically considered
- The need to ensure that young people have reasonable opportunities to choose between different establishments
- Journey times
- Distance from home
- Cost of transport
- Alternative means of facilitating attendance

3.19 The LA has the discretion to determine what transport and financial support are necessary to facilitate young people's attendance. A failure to make arrangements would amount to a failure to meet the duty.

3.20 At present BHCC is not actively seeking to implement a requirement for families to contribute towards transport costs but if it did so it must ensure that (i) it is affordable, (ii) arrangements are in place to support low income families, and (iii) it takes into account the likely duration of the course and the impact that this might have on particular groups e.g. young people with learning difficulties and/or disabilities.

3.21 Section 149 of the Equality Act 2010 requires LAs to advance equality of opportunities between disabled and non-disabled people. LAs must consider what adjustments should be made available for a disabled person to ensure that they are not disadvantaged as compared to a non-disabled person. The duty could be of particular relevance to pupils between 16 and 18 where there is no legal obligation to make free transport available. However the fact that the BHCC policy statement provides that the needs of young people with learning difficulties and/or disabilities should be specifically considered is considered sufficient to discharge this duty.

3.22 The BHCC transport policy statement covers students aged 16-18, continuing students aged 19 and over and 19-24 year old students with learning difficulties or disabilities.

3.23 BHCC expects that where possible parents/carers should be responsible for making travel arrangements for students.

3.24 The Council will consider offering some additional direct financial help towards travel costs for young people with low incomes in exceptional circumstances. However students are encouraged to discuss eligibility with transport costs under the 16-19 bursary fund.

3.25 The Council looks to assess whether the student could reasonably be expected to attend college with the support of parents/carers including broader family networks and having considered the length and complexity of the journey. Factors to consider would be taking other primary aged or younger children to a different school, fixed employment patterns, a disability or medical condition themselves.

3.26 Young persons who are over CSA but under the age of 19 are treated differently from those in the post 19 group. For the latter, a local authority duty to provide education and training is limited to those for whom an EHCP is maintained (section 15ZA EA). This post 19 group, 'adult learners', are also treated differently in respect of transport to and from their institution or place of education.

3.27 The Council's duty in respect of adult learners is covered by s.508F of the Education Act 1996, as amended by the Children and Families Act 2014. Section 508F requires LA's to make such arrangements for the provision of transport assistance as they consider necessary to facilitate the attendance of adults aged 19-25 with learning difficulties and/or disabilities or SEN attending a specialist college or training provider.

3.28 If a young person is over 19 years old, has an EHC Plan and attends a qualifying institution, the flow of section 508F is as follows:

- The LA must make arrangements for transport if they consider it necessary and the young person falls within either subsection (1) or (2) (facilitation of attendance at institution providing education)
- If the YP falls within either subsection the LA must consider whether they should make arrangements for the young person. They must have regard,

among other things, to the age of the adult and the nature of the route or alternative routes which the adult could reasonably be expected to take.
- If they decide that it is necessary to make arrangements, the transport must be free
- Even if they do not consider it necessary, the LA has a residual discretion to pay some or all of the reasonable costs of transport if no other arrangement has been arranged

3.29 Transport for pupils who are in post 19 education was considered in an Upper Tribunal (UT) decision, Staffordshire County Council v JM [2016]. One of the issues before the Tribunal was whether a LA has any duty under section 508F to pay the costs of transport to facilitate attendance at an FE institution of a 21 year old adult learner with an EHCP. The LA argued that section 508F did not impose an absolute duty on the LA to pay for her travel to and from college. The UT agreed. The Tribunal concluded that section 508F is a general duty and as such is weak in terms of specific duties owed to an individual. It does not create a free standing rule that transport for those with exceptional needs must be included in an EHC Plan. Councils are only obliged to make such arrangements for transport "as they consider necessary to facilitate the attendance of adults receiving education".

3.30 In addition to home to school transport as described in Paragraph 3.1, other transport is arranged by the Home to School Transport team on behalf of child and adult social care teams in order to secure best value and manage social care transport requirements in one place. This work is commissioned by social care teams and is re-charged to them. The majority of work is commissioned on a one-off basis, although there is some recurring business. Transport is provided for vulnerable children and adults, including children in care, adults with learning difficulties and older clients. Clients are transported to a variety of destinations including contact meetings (children in care), hospital appointments and day centres.

3.31 On average 50 clients are transported each week utilising approximately 40 vehicles. As well as the three drivers employed directly by BHCC, there are two providers who transport these clients under the existing framework arrangement and one other provider who has been used for one-off arrangements.

Previous framework agreement

3.32 In 2015, a four year framework agreement was established to cover a number of schools and the provision of transport for adults and children in social care. The current framework agreement is due to expire on 31 August 2019. A number of individual 'call-off' contracts have been awarded under the framework

3.33 A Framework is a list of pre-qualified suppliers that can bid for work around a specific group of goods, services or works because they have all signed the Framework Agreement. Buyers then award individual contracts (call-off) throughout the lifetime of the framework.

3.34 It is in the Council's interest that there is market interest in the services and that there is open and fair competition. The previous tender was constructed to

balance different types of provider and reduce the risk of only one type of provider bidding.

3.35 The previous framework agreement was arranged when the Council was actively considering a centralised transport function and therefore call-off contracts for a year at a time with annual optional extensions for up to three years were used, to provide the flexibility to incorporate the provision of home to school transport should it be established. A centralised transport function is no longer under active consideration.

3.36 At the time of the previous agreement the local market situation made it difficult to achieve financial benefits. There were not as many transport providers who expressed an interest in the contract as anticipated and the combination of schools within packages created difficulties for companies to provide the transport necessary for all the pupils attending those schools.

3.37 As can be expected, currently no coaches are used for the transportation of pupils with special needs. Predominantly taxi cars, larger people carriers and mini buses are used.

3.38 What eventually occurred was an agreement to award the remaining two years of call off contracts to allow the providers to have sufficient certainty about volumes of work to inform capital investment decisions about the vehicle fleet.

3.39 Under a framework agreement, there is no guarantee of work and therefore no contract value in its own right. The expenditure under the contracts let under the current framework is £2.45m per year. Of this total amount approximately £2m is in relation to home to school transport and £0.45m is in relation to vulnerable children and adults.

<u>Best practice and consultancy opinion</u>

3.40 The Department for Transport (DfT) published '*Tendering Road Passenger Transport Contracts – Best Practice Guidance*' in October 2013 and it still remains relevant. This included recommendations for making the tendering process easier and more relevant. However what is now less relevant to Brighton and Hove is the strong recommendation that LAs consider establishing an Integrated Transport Unit (ITU) to manage all their transport planning and organisation. This recommendation was previously explored by the Council until December 2015 when, following changes to a wide range of council services, this method of delivery was no longer considered relevant.

3.41 The guidance also states that competition is likely to be best served if invitations to tender are for the smallest sensible level of operation. The purpose of this is to allow small operators the opportunity to bid for work. Clearly there is a balance to be struck and splitting 'natural' operational areas artificially is less likely to lead to a good quality of operation.

3.42 The previous framework incorporated the possibility that this project may result in the transport management for this service changing, the framework agreement allowed for a more flexible implementation of any call-off contracts awarded under it. There was the possibility of awarding from year to year during the

framework period to allow quicker implementation of any recommendations arising from the transport review.

3.43 The previous tender process confirmed that there was currently no effective market for this work in Brighton & Hove. Consolidation of providers had taken place. In the previous tender process, only one package of work resulted in a financial saving and this was for the former Hillside School which had never previously been subject to market competition.

3.44 Consideration is needed for changes in the nature of work that taxi drivers are willing to undertake.

3.45 As with the previous tender exercise there may continue to be a conflict with the council's licensing rules and the Council getting best value on client transport services. The requirement, by the 1 September 2018, for Euro 4 (petrol) and 6 (diesel) compliant engines will have an impact on the likely tender responses received because of the implication of taxi drivers replacing their existing vehicles. Requirements on seating configurations are another factor that impact on achieving best value.

3.46 Where alternative strategies were suggested in order to establish best value such as increased independent travel training, direct payments to parents/carers, review of eligibility criteria, delegated budgets to schools and in-house service provision did not deliver significant changes during the current framework agreement. The Client Transport VfM workstream which had previously been referenced was closed down in December 2015.

3.47 During the timeframe of this proposed framework there will be on-going changes to the provision of special educational needs education in Brighton and Hove, including the development of three 'hubs' which will have an impact on the provision of transport including destinations and timings of journeys.

3.48 There will also be the tendering of a specific route for the post 19 provision which is currently being delivered by the Down View Life Skills College based at Patcham House.

<u>Tender process for new framework agreement</u>

3.49 In order to comply with the UK Public Contracts Regulations and the Council's internal Contract Standing Orders, a formal tendering process must take place to procure the new framework agreement.

3.48 Using a framework agreement has a number of benefits as the Council has the ability to 'call-off' contracts at short notice without the need to undertake a time-consuming comprehensive contract award process, which therefore reduces administrative effort and costs. It also allows the Council the flexibility to determine specific requirements at the 'call off' stage.

3.49 In order to meet the deadline for contract commencement on 1 September 2019, a procurement timetable has been drawn up which proposes that the Invitation to Tender (ITT) will be published in October 2018 to ensure selection of a preferred bidder and contract award by February 2019. A comprehensive specification will

be drafted to accompany the ITT. The tender will be split into separate lots which may be based on individual schools or groups of schools or on geographical areas. These two options should result in a reduction in the number of overall call-off contracts under the new framework agreement.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 An alternative would be to establish a Dynamic Purchasing System (DPS). A DPS is an electronic system for purchasing commonly used goods and services. It remains open throughout its duration for the admission of providers that satisfy the selection criteria and submit an indicative tender that complies with the service specification.

4.2 A DPS arrangement is an open ended system which provides for a more fluid contract whereby individual routes are offered as a mini competition between providers. With such a system there are both positive and negative effects including providing stimulation of a more competitive market and an opportunity for new suppliers to gain a foothold. However it requires additional administration from Council staff which is not currently factored in to roles and responsibilities and initial soft market testing did not produce significant savings on potential journeys that would be awarded under a DPS.

4.3 When it met in June 2018 and considered the draft report for committee and the information officers were able to provide at that time, the Member's Procurement Advisory Board expressed a view that an option that brought more business in the market should be sought. Its preference was for a DPS and a desire for the involvement of community businesses such as Community Transport.

4.4 It is not anticipated that there is a possibility of providing some or all of this contract in house or by schools, with a fleet management approach. This would require detailed mapping of the use of the fleet and much more day to day management.

4.5 The alternative options are not recommended, subject to gaining any relevant approvals.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 Current providers, and other providers not currently on the framework agreement but who have expressed an interest in providing the service, will be contacted in advance of the tender to seek opinion on the specification and contract terms to ensure that they are suitable and relevant. This will ensure a balance between achieving value for money and that the service is appropriately specified.

5.2 All current contractors will be invited to apply to tender for this work, as well as other transport providers.

5.3 It is anticipated that schools and parents of pupils using the service will be consulted on their experience of home to school transport provision to better inform the requirements for the new arrangements.

6. FINANCIAL & OTHER IMPLICATIONS

Financial Implications:

6.1 The award of the framework itself has no financial value; however the total current value of the contracts called off under the framework is approximately £2.45 million per year.

6.2 It is important throughout the procurement process that the council achieves value for money and the principles of value for money are upheld as well as having secure arrangements in place for those pupils with special educational needs.

6.3 There are financial risks associated with the provision of home to school transport. These will arise from a number of factors, such as the number of pupils qualifying for assistance and the effect that has on unit cost, the changing costs of transport provision including fuel that affect annual price reviews, and the degree of individual pupil need which can result in costly individual transport arrangements. It is important that any price mechanism agreed is sound and realistic.

6.4 The current financial position reported on this budget is an overspend of £89k and it is important that the financial position is reviewed regularly in line with the Targeted Budget Management Timetable (TBM).

Finance Officer Consulted: David Ellis *Date: 25/9/18*

Legal Implications:

6.5 The Council has a statutory duty to provide home to school transport for certain pupils attending schools in the Brighton & Hove area under the Education Act 1996 (as amended).

6.6 The Policy, Resources & Growth Committee is the appropriate decision-making body in respect of the recommendations at paragraph 2 above, given that the value of the contract which is the subject of the proposed tendering exercise is likely to have corporate financial implications.

6.7 Further, the Council's Contract Standing Orders require that authority to enter into a contract valued at £500,000 or more be obtained from the relevant committee, which in this instance is the Policy, Resources & Growth Committee.

6.8 The procurement of the new contract must comply with all relevant European and UK public procurement legislation as well as the Council's Contract Standing Orders. The opportunity will need to be advertised in the Official Journal of the European Union. Tenders will be scored on the criteria of quality and price as part of the evaluation process.

Lawyer Consulted: David Fairfield *Date: 17/09/18*

Equalities Implications:

6.10 The Council has a responsibility to promote access to appropriate educational provision for all in accordance with legislation including the Equality Act 2010. It must balance that responsibility against any change in transport provision, to ensure that it is not compromising access by vulnerable individuals.

6.11 It is not necessary to carry out an equalities impact assessment on this occasion as the criteria for accessing transport services are not changing as a result of this new procurement.

Sustainability Implications:

6.12 The Education Act 2006 (as amended) places a general duty on the Council to promote the use of sustainable travel and transport. The duty applies to children and young people of compulsory school age and sixth-form age who travel to receive education or training in the Council's area.

6.13 It is accepted that hired transport contributes to traffic levels in the city. However, this is offset by the Council's contractual requirement to maximise the use of all spaces on vehicles (except where, through health or safety considerations, children must travel alone).

Any Other Significant Implications:

6.14 Potential risks arise for pupils and service users if suitable contractual arrangements are not made by 1 September 2019, and any failure to do so would mean that the Council would not comply with its statutory duty to provide home to school transport to entitled pupils with special educational needs. The greatest risk for students is that in the absence of transport they could not attend school. Not only would this impact on the pupils, but also on their families.

6.15 Any overspending on home to school transport and social care transport is at the opportunity cost of other service provision within the Council and services to children in particular. It is considered that the procurement of a framework agreement, and the subsequent implementation of call-off arrangements, will achieve the greatest value for money for the Council, particularly if the contract specification is carefully drafted to ensure the most cost-effective and efficient transport provision.

6.16 Specific safeguarding guidance for transport services is not currently in place, although it is a requirement that all personnel involved in providing transport for children have a current Disclosure and Barring Service (DBS) check. It is considered that this is essential to the safe provision of the service and therefore guidance is currently being drafted which shall form part of the tender documents.

Risk and Opportunity Management Implications:

6.17 There has been a consolidation of providers in the local taxi market since 2011. The specification for the service and the contract terms must limit the possibility for unexpected additional costs whilst attracting sufficient interest from providers to achieve value for money. Consultation with current providers and careful drafting of the specification and framework agreement in advance of the formal tender will be undertaken to endeavour to mitigate this risk.

7. CONCLUSION

7.1 It is necessary to re-tender this framework agreement which expires at the end of August 2019. In order to build in sufficient time to carry out a fair and transparent procurement process, the process must commence now. It will enable the Council to comply with its duty to provide home to school transport for all eligible pupils in the city from 1 September 2019, as well as providing other social care transport, whilst achieving value for money savings through a revised contractual specification.

7.2 Whilst it will remain under review, the indications are that a Dynamic Purchasing System will not generate significant financial savings and the work to ensure a fair competition will be an additional pressure on the work undertaken by officers. Therefore it is expected that the Executive Director of Families, Children & Learning will be awarding and letting a framework agreement.

SUPPORTING DOCUMENTATION

Appendices:

1. None

Documents in Members' Rooms

1. None

Background Documents

1. None

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 65 Brighton & Hove City Council

Subject:		**Departmental Transport Service – A report on management actions**		
Date of Meeting:		**11 October 2018**		
Report of:		**Pinaki Ghoshal – Executive Director of Families, Children & Learning**		
Contact Officer:	**Name:**	**Richard Barker**	**Tel:**	**01273 290732**
	Email:	**Richard.barker@brighton-hove.gov.uk**		
Ward(s) affected:		**All**		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 This report was requested by the Personnel Appeals Committee which met on 23 April and 14 May 2018 to consider an appeal hearing related to the Department Transport Service. As a result of the hearing there were a number of matters that the Panel sought to bring to management's attention.

1.2 The panel requested that a report is presented to Policy, Resources & Growth Committee to inform it of the progress/changes that have been made.

1.3 It was the Panel's opinion that further action is required to ensure that the Council and its officers conduct themselves in accordance with relevant internal procedures.

2. RECOMMENDATIONS:

2.1 That the committee note the actions being undertaken in regards to the Department Transport Service.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 After the retirement of a long standing team manager responsibility for the Department Transport Service and Home to School transport has been assimilated with the council's School Admission function. The team has also recently had a resignation from the team that has precipitated more changes to the operation of the DTS function. Checks have been made that all drivers continue to hold a clean driving licence.

3.2 As part of the clarification on management arrangements, clear instructions have been given to all drivers about their attendance at the office and the claiming of expenses. The drivers' work schedules have incorporated appropriate breaks and expectations for when there are prolonged gaps in work.

3.3 As part of the wider incorporation of the transport team with the statutory school admissions function the drivers handbook and code of conduct will be reviewed

and shared with wider team members. As a result of this it is planned to update it and cover the Council's code of conduct for employees at the same time. This is planned to happen early in the autumn.

3.4 The recommended communication to all council employees of the standards expected in relation to the use of blue badges and the potential consequences of misuse is to be implemented alongside a wider review of the code of conduct.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 This report details the actions requested by the Personnel Appeals Committee which have been accepted in their entirety and have either been introduced or are scheduled to be implemented in the coming weeks.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 Community engagement and consultation has not been required.

6. CONCLUSION

6.1 The Personnel Appeal Panel made recommendations to the Executive Director Families, Children & Learning following a recent hearing and requested that PR&G Committee were informed of progress.

6.2 The recommendations related predominantly to the management of the Department Transport Service and one relating to the council as a whole.

6.3 Action has been taken on the majority of those recommendations and where this has not yet been implemented plans are in place for them to addressed during the autumn.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 There are no financial implications as a result of this report providing an update on actions being undertaken.

Finance Officer Consulted: Andy Moore *Date: 01/10/18*

Legal Implications:

7.2 There are no legal implications arising from this report

Lawyer Consulted: Serena Kynaston *Date: 01/10/18*

Equalities Implications:

7.3 An Equality Impact Assessment has not been carried out in relation to the actions outlined in this report.

Sustainability Implications:

7.4 There are no sustainability implications in relation to the actions outlined in this report.

Crime & Disorder Implications:

7.5 Beyond council officers being reminded of the code of conduct to which they are required to work, there are no crime and disorder implications as a result of the actions detailed in this report.

Risk and Opportunity Management Implications:

7.6 There are no corporate risks or opportunity management implications as a result of the actions detailed in this report.

Public Health Implications:

7.7 There are no public health implications.

Corporate / Citywide Implications:

7.8 None.

POLICY RESOURCES & GROWTH COMMITTEE	Agenda Item 66 Brighton & Hove City Council

Subject:		**Royal Pavilion & Museums Service Future Options**		
Date of Meeting:		**11 October 2018**		
Report of:		**Executive Director, Economy Environment & Culture**		
Contact Officer:	**Name:**	**Val Birchall**	**Tel:**	**01273 292571**
	Email:	**val.birchall@brighton-hove.gov.uk**		
Wards affected:		**All**		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 Following an extended period of modernisation and a decision by the Policy, Resources and Growth (PRG) Committee at its June 2018 meeting to revoke the previous decision (taken in January 2018) to transfer the service into a combined trust with Brighton Dome & Festival, options for the future governance of the Royal Pavilion & Museums Service (RPM) have been further reviewed over the past six months.

1.2 This report sets out proposals for ensuring a sustainable and resilient organisation capable of delivering the best possible service outcomes for the Royal Pavilion, museums and heritage over the longer term and seeks agreement to a roadmap for implementation.

1.3 The report recommends that moving the Royal Pavilion & Museums to a single-purpose Trust has the best likelihood to make the Royal Pavilion & Museums sustainable in the mid to long term, but that some service improvement and development work will need to be undertaken prior to moving to Trust. The report proposes that the move to Trust should happen prior to the next Arts Council England funding period (from 2022), with the Royal Pavilion & Museums applying for the next period of Arts Council Funding as an independent entity.

2. RECOMMENDATIONS:

2.1 That Policy, Resources & Growth Committee:-

2.1.1 notes the contents of the Options Phase One Report prepared by the independent expert attached as Appendix One to this report;

2.1.2. approves the steps required to improve and modernise the service and the associated timescale as set out in Appendix Two (Service Improvement Plan);

2.1.3. agrees that, following a period of service improvement, the Royal Pavilion and Museums service should be transferred to a charitable trust whose

sole purpose is to deliver the council's museums and heritage services;

2.1.4. agrees the timetable set out at 4.20 below and notes that this timetable will allow the single purpose charitable trust to apply for funding in the next Arts Council England funding application round (covering 2022+) ;

2.1.5. delegates authority to the Executive Director, Economy Environment & Culture to enter into negotiations with the Royal Pavilion & Museums Foundation to resolve matters outlined in 4.23 below;

2.1.6 delegates authority to the Executive Director, Economy Environment & Culture, to determine when the due diligence carried out during the initiation phase has been successfully concluded and the issues set out in 4.11 have been satisfactorily resolved such that the council should move to the Implementation Phase;

2.1.7. delegates authority to the Executive Director, Economy Environment & Culture in liaison with the Executive Lead Officer for Strategy, Governance and Law to take all necessary steps to implement the recommendation at 2.1.3, reserving those decisions relating to the governance of the charity-for a future decision at the Tourism, Development & Culture Committee and the Policy, Resources & Growth Committee referred to in 2.1.8 below;

2.1.8. notes that during the Implementation Phase, a further report will be presented to the Tourism, Development & Culture Committee and the Policy Resources & Growth Committee to update on progress,seek approval to establish the charitable entity and seek delegated authority to conclude the legal arrangements between the council and such related parties.

3. BACKGROUND INFORMATION

3.1 In January 2018 the Council's Tourism, Development & Culture and Policy, Resources & Growth Committees approved the necessary steps to move the management of the Royal Pavilion & Museums service (RPM) to a contract arrangement with a charitable body under a twenty-five year agreement. However, owing to concerns of staff and the possibility of industrial action, the implementation of the decision was delayed in order to allow for further staff engagement and an external review of all the options.

3.2 On 14th June 2018 councillors at Policy Resources & Growth Committee considered a report which updated them on the process and timetable for the review of options. The committee agreed, by way of an amendment from opposition councillors, to revoke the decision that was made in January 2018 and proposed that, should the Royal Pavilion Museums be transferred to a single purpose Trust, staff would be consulted upon that proposal. Officers were instructed to bring a report back to members for decision in October 2018.

3.3 Following discussion and input from staff, Trade Unions and stakeholders, the scope of the options evaluation was agreed and an independent expert consultant appointed. The consultant has now completed both phases of his brief and his report is attached as Appendix One. The evaluation has been

accompanied by a programme of staff engagement. At the same time, work has continued to address vulnerabilities in the service, under a “Ready for Change” work-stream which has identified further significant changes required to ensure the service is fit-for-purpose.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The evaluation of options for governance took place in two stages. The first stage was a comparison, like-for-like, between all the various options:

- In-house scenario – including for part or all of the service
- Charitable operation – including a stand-alone RPM service or combined with other services or assets (within and outside BHCC), including the possibility of a charitable operation for part or all of the service (and a variety of not-for-profit models of governance)
- Commercial operation – including the possibility of a joint venture with a commercial or not-for-profit partner, and of a commercial operation of part of the service
- Partnership with another anchor institution – including for part or all of the service
- Combinations of the above

4.2 The criteria used for the evaluation were (unweighted):

- Long term sustainability – including ability to generate funds to compensate for planned savings, from earned and contributed sources, and the ability to reduce inefficiencies
- Flexibility and future proofing – including risk of changes to NNDR, taxation and customer behaviour
- Council priorities in relation to the visitor economy, cultural participation, learning and protection of assets
- Confidence of key stakeholders
- Support of staff and volunteers
- Appropriate professional standards of care for buildings and collections
- Customer needs and customer expectations
- The council’s statutory obligations, including health and safety, equalities and procurement compliance

4.3 The stage one report (attached at Appendix One) concluded that while a combined trust with the Brighton Dome & Brighton Festival, Music & Arts, had many benefits, it would be difficult to achieve agreement to implementation, since the Policy, Resources & Growth Committee had, on 14 June 2018, revoked its decision to enter into such an arrangement.

4.4 At the conclusion of the first stage of work therefore, the consultant recommended that only the in-house, and the single purpose trust were modelled for further comparison.

4.5 The expert’s report is attached at Appendix One. It concludes that there are benefits to moving to a Trust with a single focus on the needs of the Royal Pavilion and Museums that can be realised in the mid to long term. These are summarised below.

4.6 The main financial benefits arise from the charity tax arrangements and the improved capacity to retain the financial return on any investment over a long term period.

4.7 Benefits which may accrue but are difficult to quantify are the greater likelihood of being able to attract private investment (from private individuals in particular) and the opportunities to be more responsive to markets and commercially focussed.

4.8 Opportunities for income growth include driving more earned income through improved ticket pricing strategies, and investing in initiatives (for example, marketing) which drive greater volume. These opportunities exist for both the Trust model and the in-house model and the Council should therefore look to make these improvements in any case, in order to help build a more financially secure service.

4.9 The conclusion is that the trust model should be more financially sustainable than an in-house service in the mid to long term, once the model has become established and the return on investment in setup costs realised. Therefore the Council should take the decision to move the service into a charitable trust which has the sole purpose of managing the Royal Pavilion & Museums.

4.10 In recommending this direction, the report identifies significant risks which need to be mitigated before this step is taken.

4.11 These are that:

- the income generation projections need to be fully modelled and a financial strategy developed to manage the uncertainty around future income to ensure the future model is capable of achieving a surplus position

- that the service needs the leadership capacity, skills and appropriate structure to manage an independent charity

- that stakeholders and funders (especially Arts Council England) need to have confidence in the arrangements

- that any proposed trustees would need to be confident that the terms on which the service contract would be offered provide a viable model

4.12 The independent expert's report makes it clear that, whilst the trust model could be more financially stable in the medium term, it is important that the correct steps are taken to ensure that the trust is set up to give it the best chance of success. An initiation phase is needed to develop responses to the issues that the independent consultant has identified. The subsequent implementation phase would only proceed if these considerations are resolved satisfactorily.

4.13 A recent internal audit of the service, together with work that has been done during the project to date, has identified a series of immediate service improvements which are necessary to make the service fit for purpose. These range from tidying up employment contracts, to ICT infrastructure, Collections policies, asset registers, improvement of financial and procurement systems and procedures. Therefore the first stage of the move to trust is a Service

Improvement Programme which will ensure the service is in the best possible organisational health. The proposed programme is outlined at Appendix Two.

4.14 The move to trust will need to be done over the period as set out in para 4.20, to provide the necessary reassurances for staff, stakeholders and the Council and to ensure that the service has the best possible chance of a sustainable and successful future. A lot of work has been done over the past few years, and if it proves possible, the timetable could be accelerated. The intention is to establish a single purpose and resilient trust in time for the next round of funding applications to the Arts Council, which are expected to be invited in 2021-22.

Readiness for Change

4.15 During the lifetime of the project, as officers have explored the service in more detail in order to clarify, document and research information to support decision-making, a series of vulnerabilities have been identified.

4.16 In addition, two related exercises (an internal audit, and a review of income generation) have highlighted further risks and areas for improvement in processes. The consultant's report supports the need for further work to be done to update processes and strengthen capability and capacity in the service, and points up the need for a service restructure to resolve historic ad-hoc arrangements and build capacity and resilience.

4.17 Issues range from the need to fill vacant posts to basic cash handling, and affect most of the functions in the service including Collections, Finance, IT, maintenance, Health & Safety, security, safeguarding, fundraising and communications.

4.18 The work demonstrates that the service is currently not fit for transfer to a trust model and a service improvement programme is needed to prepare it for change. This work has been scoped and an outline is attached as Appendix Two to this report.

4.19 In summary, the consultant recommends that moving to a single-purpose trust provides the best likelihood to make the Royal Pavilion & Museums sustainable in the mid to long term, but that work will be needed to be undertaken prior to going to trust. In addition, other internal reviews (an internal audit and external review of income generation) have identified the need for some immediate service improvements. It is therefore recommended that there will be three phases to moving to an independent trust. Each phase will need to be completed before the next can begin:

- A Service Improvement phase, to address the existing issues - such as gaps in the staff structure and ICT improvements and improvements to financial systems and processes.

- An Initiation (preparing) phase to test the financial assumptions and negotiate agreements

- An Implementation phase when the charity is established, agreements are signed, key roles appointed, staff and business are transferred

4.20 As a result the following indicative timetable is proposed for the implementation of the three phased programme to move to Trust:

Phase 1 Service Improvement	Oct 18-Sept 19	To address immediate issues
Phase 2 Initiation	Oct 19-Sept 20 (sooner if Phase 1 can be completed more quickly)	To test modelling, and develop & negotiate agreements
Phase 3 Implementation	Oct 20-Mar 21 (sooner, if agreements can be reached more quickly)	To establish the charity, make key appointments, implement staff and business transfer

The Royal Pavilion & Museums Foundation (RPMF)

4.21 The review of options has also allowed for consideration of the role of the Royal Pavilion & Museums Foundation (RPMF). The RPMF, is an independent fundraising charity, originally established as the Friends of the RPM and subsequently updated, to support with fundraising for the Royal Pavilion & Museums.With changes to its constitution, it could fulfil the role of a development trust to support the Council's in-house service. This would be a more effective model than an in-house service alone, because the Trust would be able to access funding for which the Council is ineligible, and may be able to take advantage of other opportunities to reduce tax.

4.22 Alternatively, again with changes to its constitution, the RPMF could fulfil the role of the new operational trust, which would remove the requirement to create a new charitable company from scratch and might enable the implementation phase to be accelerated.

4.23 A recent internal audit has identified that arrangements between the RPMF and the Council need to be strengthened, in order to meet appropriate standards and requirements. The areas of concern relate to governance and processes. These include the employment of staff by the Council on behalf of the RPMF, the potential for conflicts of interest of staff and trustees and the absence of clear agreements between the Council and the Foundation, processes for grant funding from the RPMF to the Council and approval to grant applications being made by Council officers where funding would be awarded to the RPMF rather than directly to BHCC.

4.24 Although it has been successful in raising funds for the Royal Pavilion & Museums, as recently evidenced by the successful restoration of the Royal Pavilion Saloon, the RPMF is not therefore currently established appropriately to fulfil either of the purposes outlined above. The RPM trustees are already in place and may not agree to changes which would be necessary. However, it would be sensible to pursue a dialogue with the foundation during the initiation period, to establish its appetite for change.

Initiation and Implementation

4.25 During the Initiation and Implementation Phases, officers will develop proposals for the governance of the charitable entity. If it is a new entity, it is likely to be a company limited by guarantee which has charitable objects (usually referred to as a charitable trust). The trust's Memorandum & Articles of Association, including the charitable objects, the name and the proposed member(s) of the charity, will need approval from the Charities Commission, which will take time. Once this is completed, a further report to Tourism, Development & Culture and Policy, Resources & Growth Committees will seek delegated authority to proceed to establish the company, identify and recruit appropriate directors, and make an application to the Secretary of State in relation to the council's duty to obtain best consideration under S123 of the Local Government Act 1972. This report will also seek approval for all leases, contracts and other legal documents necessary to conclude the transfer matter.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 A programme of staff engagement has been established to ensure the options evaluation is informed by staff at all levels in the service, as well as customers and volunteers. There have been facilitated sessions where aspects of the vision, the purpose of the service, its values, key relationships, resources, challenges and risks, opportunities and external operating environment have been discussed.

5.2 The staff engagement programme has been led by the staff from the Council's Leadership Network, who have been trained in Organisational Development together with support from the service managers of the Royal Pavilion & Museums. It has included information sharing sessions (to meet the consultant), "Hopes and Fears" activities, Stakeholder Analysis Workshop, whole staff SWOT analysis workshop with the consultant, as well as opportunities to contribute thoughts via a dedicated email inbox, business-as-usual team communications, opportunities to speak face to face with the consultant, and drop-in sessions. Sessions have included some trade union representatives.

5.3 Following some initial "consultation fatigue" (which is understandable given the prolonged period of time that staff have been in an environment where the future operating model has been under consideration), the sessions seem to have been appreciated by staff;they have been well attended and staff have contributed actively and challenged each other (and the managers and consultant) positively and constructively.

5.4 The programme of staff and trade union engagement will continue throughout the three stage process and, in the event of any TUPE process, engagement will take place as required.

5.5 The independent consultant was particularly keen to acknowledge the positive input from staff into his report, and thanked them for their considered and professional contributions. Trade Unions were also engaged in the process, through consultation on the consultancy brief and appointment of the consultant, and attendance at some of the staff sessions, as well as through regular update

meetings. The Trade Unions had the opportunity to meet with the consultant during the process.

The Royal Pavilion & Museums Foundation Chairman, Professor Julian Crampton CBE DL, also met the consultant.

5.6 Arts Council England has been kept updated during the process. Their concern has been to ensure the focus is on the high quality delivery to the public of the funded activity programme during any change process, to have a properly resourced and skilled team, to address the actions needed to continue to meet the accreditation standard, and to ensure the service, which is of national importance, has a sustainable future.

5.7 To support the service during Phase 1, a Museums Advisory Board will be established and meet quarterly, including independent senior level expertise in relation to collections, historic buildings and programming.

5.8 As a precursor to transfer, during Phase 2, open recruitment will be undertaken to identify appropriately skilled and experienced individuals from a diversity of backgrounds and perspectives, willing and capable of joining the board of the new entity when it is established. When appropriate, this will become the trustee body for the new entity and will undertake negotiations with the Council on proposed terms of transfer.

6. CONCLUSION

6.1 The Royal Pavilion, museums sites and city collections are unique. The Council has long term stewardship of these assets on behalf of city residents, in order to protect Brighton & Hove's heritage, increase understanding of local history and the city's place in world history, and to enable enjoyment, research and learning now and for the future.

6.2 The Royal Pavilion (in particular) and the museums and collections play an important role in the city's identity and brand, and they attract leisure and business visits from around the world, contributing to our vibrant visitor economy.

6.3 Although the sites, collections and expert staff of the service are an invaluable asset, the cost of maintaining, programming, promoting and operating the service cannot be met by the Council alone. The service relies on Council budgets, Arts Council England funding, fundraising from trusts and individuals, paid entrance fees, and trading (for example from retail and catering) to cover its costs, in an increasingly competitive market for the leisure pound.

6.4 As Council budgets decline, it has been necessary to look at ways to maintain a high quality service, and to protect and conserve and utilise the sites and collections for public benefit in the longer term, whilst meeting necessary savings targets. Following an evaluation of the options, the recommendations in this report set out the road map for moving the service into a charitable trust, focussed on delivery of its key objectives. Before the process begins, a Service Improvement programme will ensure the RPM is fit for purpose, and has the capacity to achieve a successful transfer.

6.5 The process of moving to trust involves successful mitigation of a series of risks which are set out in the report, in order to achieve a more cost effective financial model in the mid to long term, thus giving the best prospect for a sustainable future and securing the city's heritage for future generations.

6.6 Of significant importance is the need to create as much certainty as possible for the staff at the Royal Pavilion & Museums. The proposals in this report are designed to provide this clarity and ensure that an agreed road map is followed which will culminate in the transfer to trust in time of for the next Arts Council England funding round, and following a phased programme of service improvement and initiation.

6.7 The report recommends that moving the Royal Pavilion & Museums to a single-purpose trust has the best likelihood to make the Royal Pavilion & Museums sustainable in the mid to long term, but that some service improvement and development work will need to be undertaken prior to moving to trust. The report proposes that the move to trust should happen prior to the next Arts Council England funding period from 2022, with the Royal Pavilion & Museums applying for the next period of Arts Council Funding (applications are expected to be invited in 2021-22) as an independent entity.

6.8 A further report will be presented to the Tourism, Development & Culture Committee and the Policy Resources & Growth Committee to update on progress, seek approval to establish the charitable entity, agree governance arrangements, and seek delegated authority to conclude the legal arrangements between the council and such related parties.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 Policy, Resources & Growth Committee previously approved that the £0.392m savings identified for the Royal Pavilion and Museums service in the 4 Year Integrated Service & Financial Plans would be deferred until the 2021/22 financial year to enable a viable set-up of a new charitable operation. Subject to further approvals as part of the budget setting process, it is anticipated that £0.170m of the £0.392m will be brought forward to the 2019/20 financial year following a successful business rate rating appeal at the Royal Pavilion and Brighton Museum. Previous reports to this Committee also identified a funding reinvestment requirement of approximately £0.223m per annum to provide a sustainable level of building maintenance for the RPM property portfolio.

7.2 The financial implications identified in the consultant's report have been reviewed to ensure they provide an indicative forecast of the two considered governance options. There are a number of uncertainties and assumptions which require further testing and modelling during the recommended initiation phase. The table below provides a summary of the financial findings of the consultant's report.

	Year 1 £'000	**Year 2 £'000**	**Year 3 £'000**	**Year 4 £'000**	**Year 5 £'000**
Single Purpose Trust Net	(130)	259	544	769	844

Savings*					
In-House Scenario Net Savings	220	340	460	520	520

Note that both scenarios include saving from business rate appeal at the Royal Pavilion and Brighton Centre

**includes £0.300m of set-up costs in year 1*

7.3 The findings of the consultant's evaluation report, as well as previous financial modelling, suggests that while an in-house scenario could achieve savings in a shorter time-scale, the scope for savings from a single purpose trust increases as a trust becomes established, and therefore has greater financial benefits in the medium to longer term. The financial benefits of a charitable operation include net favourable tax benefits, increased commercial focus, greater flexibility of pricing strategies and longer term financial planning. The council will also benefit from savings in support services.

7.4 The table above suggests that the net financial benefit of moving to a charitable operation would be sufficient to meet total service savings and maintenance reinvestment requirements, but will require one-off funding to support initial set-up costs estimated at £0.300m. If the recommended implementation timetable is approved, the £0.300m will need to be prioritised from the Modernisation Fund. The property maintenance requirement will continue to be funded through bids to the council's Planned Maintenance Budget, subject to prioritisation, until the charitable operation is established.

7.5 The timing and value of potential savings will be reviewed during the recommended service improvement and initiation periods. It is anticipated that the service improvement process will identify efficiencies which may allow further savings to be bought forward before the recommended implementation of a single purpose trust.

7.6 The service improvement phase will require one-off resources to implement the required service changes. It is anticipated that this will be funded from Modernisation funding already earmarked for the RPM service, subject to further approvals being sought from the Modernisation Board.

Finance Officer Consulted: Steven Bedford Date: 24/09/18

<u>Legal Implications:</u>

7.7. The council is required to comply with the public procurement regime in its arrangements with the charity which will run the RPM service. The council does not need to undertake a procurement if it provides a grant to the charity. However, if the council provides a grant this will have a significant VAT cost to the charity. The council has therefore previously sought Leading Counsel's advice on whether there was a risk of a procurement challenge if it awarded a contract rather than a grant. He concluded that there was a reasonable argument that the public procurement regime does not apply to the award of a contract because a charitable trust will not be an economic operator which is offering services on a market. His view was that the risk of a legal challenge was

low. He also advised that entering into a contract with the charity would not amount to state aid.

7.8. The legal implications relating to the setting up a new company and the transfer of services will be set out in detail in the report which will go to Tourism, Development & Culture Committee and then Policy, Resources & Growth during the Implementation Phase.

7.9. The council is under an obligation when leasing its buildings to achieve the best consideration reasonably obtainable (s123 Local Government Act 1972). It is expected that the council will have to obtain the Secretary of State's consent to lease the buildings at a peppercorn rent, owing to the likely valuation and length of the lease agreements.

Lawyer Consulted: Alice Rowland Date: 01/10/2018

Equalities Implications:

7.7 There are no immediate Equalities implications but this will be kept under review and if changes are proposed which might affect groups with protected characteristics, then an Impact Assessment will be carried out.

SUPPORTING DOCUMENTATION

Appendices:

1. Report of Mike Woodward & Associates, to include first and second stages

2. Service Improvement Plan

Documents in Members' Rooms

1. None

Background Documents

1. Previous reports:
    i. Royal Pavilion & Museums Fees and Charges – 17/11/2016 (to Economic Development & Culture Cttee)
    ii. Royal Pavilion & Museums: Accreditation, Collections Development and Trust Update – 22/06/207
    iii. Royal Pavilion Estate Capital Project Phase 2 Update – 11/01/2018
    iv. Update on Royal Pavilion and Museums Trust Arrangements – 11/01/2018 (PRG on 25/01/2018)

Appendix Two

Summary Service Improvement Plan

The Royal Pavilion & Museums Service has been undertaking an approved Modernisation Programme in relation to the potential move to new governance. During this period, officers have undertaken a "deep dive" into the service, as well as an internal audit exercise and a review of income generation, which has identified a series of vulnerabilities which need to be addressed. In some cases, these arise from continued uncertainty about the future operating model which has delayed decisions (for example, lack of updated IT hardware and infrastructure, or unfilled vacancies in the structure). In other areas there is a need to improve management processes and corporate compliance to reduce risk to the Council, staff and customers (for example, procurement regulations or financial monitoring).

The Service Improvement Plan summarised below sets out the areas for focussed work under a revised Modernisation Programme (subject to approval of a detailed business case by Corporate Modernisation Board) to take place prior to the "initiation phase" for the move to Trust. It will enable the service to be more resilient and give greater confidence to the Council and stakeholders that it is change-ready.

Focus	Task
Finance	Strengthen accountability and improve compliance and budget management • Review budget, budget-holders, forecasts, monitoring processes and bad debt recovery • Review procurement, renewals and contract management processes • Review cash handling and Point-of-Sale procedures
Staff	Ensure structure is fit for purpose with appropriately skilled staff • Review service structure to resolve historic ad-hoc arrangements, address vacancies in senior Collections and Fundraising roles and ensure the service is appropriately resourced with the right level of skills and knowledge. • Undertake workforce planning to plan for the skills needed, what skills we have and how we can develop skills, or move people to effectively meet the skills gaps. • Design training to support staff into new roles and invest in continuing professional development • Review management processes for casual and volunteer workforce
Collections	Complete outstanding documentation and policy development to improve Collections Development and Collections Management information to fulfil accreditation assurance • Loans records • Loans Policy, Rights Policy, Digital Preservation Policy, Human Remains Policy
Health & Safety and Security	Ensure staff, public, sites and collections are safe • Review policies, procedures and related documentation for fire evacuation and counter-terrorism • Review lone working policy • Review security protocols, standards, equipment and accreditation • Review security capacity
ICT	Enable service to operate with up to date equipment and to access and use corporate central services easily • Replace end-of-life hardware • Adapt/migrate networks • Review on-site and corporate IT support arrangements
Site maintenance	Develop costed and resourced long-term maintenance plan • Complete condition surveys • Review plans for improvement of Pavilion Gardens, depending on outcome of HLF bid
Communic-ations	Ensure appropriate mechanisms for Communications • review relationship with corporate team and clarify approvals processes
Fundraising	Clarify arrangements for fundraising to ensure transparency, appropriate approvals and audit compliance • Review the role of the Royal Pavilion & Museums Foundation (RPMF) • Establish transparent application and approvals process and formal funding agreements with the RPMF • Review documentation of external funding received, requirements and liabilities.

Royal Pavilion and Museums Options Phase One Report

August 2018

Mike Woodward & Associates

Introduction

This report is the conclusion of the first stage of a two phase options appraisal of the possible governance models for the Royal Pavilion & Museums (RPM), as commissioned by Brighton & Hove City Council (BHCC). It is important to note that this is a phase 1 report intended only for use as an internal discussion document to enable council officers to agree the focus of phase 2 of the brief.

The report outlines the options that have been raised in previous reports and in discussions to date and recommends that two should be pursued in more detail in the next phase. It looks at the some of the pros and cons of these options as a way of introducing themes and questions likely to arise in Phase 2.

The first phase has comprised:

1. A review of the substantial body of relevant work that has been carried out previously by BHCC's staff and advisors.
2. A tour of the sites (except Hove Museum and Art Gallery).
3. Meetings with key council officers, managers and staff from RPM.
4. Discussion with Arts Council England, the service's other major revenue funder.

It is important to note that it has not been possible to speak to all stakeholders at this early stage. Meetings with Trade Union representatives have been arranged. Further meetings will take place with elected Members and wider stakeholders.

Background

In January 2018 the council's Policy, Resources & Growth committee approved the necessary steps to transfer the Royal Pavilion & Museums service from the City Council to a charitable trust, to be managed under a contract for services on a 25 year arrangement. The charitable trust would bring together the management of the Royal Pavilion and Museums service with the management of the Brighton Dome & Brighton Festival. However, implementation of the decision was delayed in order to allow for further staff engagement and an external review of all the options for the future management and governance of the service.

The Options to be Appraised at Phase One

The brief was to take a high level view on a broad range of options at the first phase, to include:

1. In-house scenario – including for part or all of the service
2. Charitable operation – including a stand-alone RPM service or combined with other services or assets (within and outside BHCC), including the possibility of a charitable operation for part or all of the service (and a variety of not-for-profit models of governance)
3. Commercial operation – including the possibility of a joint venture with a commercial or not-for-profit partner, and of a commercial operation of part of the service
4. Partnership with another anchor institution – including for part or all of the service
5. Combinations of the above

The Assets

The Appendix lists the assets in question.

The Criteria

1. Long term **sustainability** – including ability to generate funds to compensate for planned savings, from earned and contributed sources, and the ability to reduce inefficiencies
2. **Flexibility** and future proofing – including risk of changes to NNDR, taxation and customer behaviour
3. **Council priorities** in relation to the visitor economy, cultural participation, learning and protection of assets
4. **Confidence** of key stakeholders
5. **Support of staff** and volunteers
6. Appropriate professional standards of care for **buildings and collections**
7. **Customer** needs and customer expectations
8. The council's **statutory obligations**, including health and safety, equalities and procurement compliance

(**bold** words are used for brevity below)

The Recommended Short-list of Options

The recommended short-list is:

1. **In-house**
2. **Charitable Operation – Single Purpose**

The following tables summarise the issues that have been identified around each of the options for short-listing and the reasons for recommending their further examination. Issues that are common to all options are ignored. Only major financial pros and cons are referred to; they are not quantified at this stage.

1. **In-house**

This option that the whole service to continue to be managed directly by BHCC. It is understood that the substantial savings on BHCC budgets will be required from 2020/21 onwards.

Criteria	Pros	Cons
Sustainability	• RPM has proved adept at generating earned income under BHCC management. • Admissions income is eligible for VAT exemption. • All input VAT is recoverable. • Support costs are shared with whole of BHCC. • Savings on set-up costs of a new organisation could be used to invest in income generation opportunities. • Cashflow and reserves are dealt with by BHCC. • BHCC has a significant portfolio of Long Term Assets.	• Local Authority budget cuts are likely to continue. • Gift Aid is not applicable on admissions income. • Charitable Business Rates relief is not applicable. • Some Trusts and individuals refuse to fund local authority bodies.
Flexibility	• BHCC's resources can be mobilized quickly in extreme circumstances.	• Democratic processes can be slow and risk averse. • Electoral cycles impact decision making.
Council Priorities	• The in-house option gives direct Council control over the present and future strategic direction of the museums.	
Confidence	• Substantial revenue and capital is forthcoming from national funding bodies, showing confidence in the	

	current arrangements. • BHCC has a strong credit rating. • Local residents understand the governance arrangement and its democratic accountability.	
Support of staff	• Some staff strongly support this option in order to protect employment conditions.	• Some staff are keen to operate outside of local authority control.
Buildings and collections	• There is clarity in a single body, BHCC, being owners and retaining stewardship responsibility for the historic buildings and collections. • RPM under local authority control is rated 'Strong' for its collections management.	• Potential collection donors can be put off by local authority ownership.
Customer	• RPM delivers a successful programme of exhibitions, events and learning opportunities from within BHCC control. • Partnership work has successfully enhanced the public programme, e.g. Dr Blighty 2016 Festival. • RPM is already judged as 'Strong' in its knowledge of its audiences and its audience development. • RPM is already judged as 'Outstanding' in its provision for Children and Young People	• Council pressures and systems may inhibit innovative product development.
Statutory Obligations	• There is no risk of legal challenge on procurement. • BHCC systems should ensure compliance with other obligations.	

Conclusion

The in-house option has many benefits and should be examined further in the second phase. It has to be seen as the lowest risk option across a range of criteria. Issues to be explored in Phase 2 are primarily around the impact of forecast funding cuts.

2. Charitable Operation – Single Purpose

This option is for the RPM bundle of assets and services to be transferred on a long-term basis to a newly formed charitable trust (here referred to as 'RPM Trust'). Typically this would be a company limited by guarantee with a wholly owned trading subsidiary company to carry out non-charitable trading. The objects of the RPM Trust would be focussed on delivery of a museum service, stewarding and using the assets transferred.

Criteria	Pros	Cons
Sustainability	• Gift Aid could be gained on admission income and other donations. • Charitable relief is available on Business Rates. • Admissions income is likely to be eligible for VAT exemption. • Direct control of the marketing mix - product, place, price and promotion – should enable the RPM Trust to grow income more rapidly. • Fundraising from Trusts and individuals should be made easier than under local authority control. • Medium-term planning should be more reliable than within the local authority environment, e.g. based on five year funding agreements. • There is potential for savings on staff costs if structures and/or conditions are changed.	• Only a proportion of input VAT is likely to be recoverable. • RPM has proved adept at generating earned income so headroom for growth may be limited, e.g. capacity of Royal Pavilion. • The success of the RPM Foundation shows that charitable funding can be achieved without the full governance model. • Central support costs – IT, HR, Finance, Estates - will be significant and will (probably) not be shared. • Set up costs will be substantial. • Working capital will need to be created. • Cash flow and reserves will need to be managed locally. • Local Authority budget cuts are likely to affect funding in the long term. • New management skills will be required. • A new board will need to quickly gel with each other and the executive team.
Flexibility	• A new independent organisation focussed on one key purpose would be able to be able to take decisions quickly and respond to challenges and opportunities as they arise.	• This potential advantage could be constrained by restrictions imposed by funding agreements. • Reactive responses can undermine the benefits of longer-term planning.
Council Priorities	• The relationship with a new RPM Trust could be structured to ensure current and future Council priorities are taken into account.	• A successful RPM Trust would need freedom to set its own priorities which may or may not align directly with BHCC's.

Confidence	• BHCC could lend credibility to a new RPM Trust through its strong support.	• It will take time for a new body to earn the trust of stakeholders. • Key funders will need confidence that the RPM Trust has been set up to succeed.
Support of staff	• This is the favoured route for a number of staff for a variety of reasons including stewardship and fundraising.	• Some staff have concerns about the potential impact on employment terms and conditions.
Buildings and collections	• A charitable trust with the primary object of stewardship of buildings and collections would have a strong focus on these issues.	• If BHCC remains responsible for planned building maintenance there is a potential for divergent interests between landlord and tenant. • Collection donors may be put off if the collection is still ultimately owned by the local authority.
Customer	• The flexibility of an independent body should open more opportunities for partnership working around the public programme.	• The current strengths in programming and audience development might be weakened by commercial pressures.
Statutory Obligations	• There would some transfer of compliance risk from BHCC to the new RPM Trust.	• The new organisation would need to create its own policies and procedures to ensure compliance with Health & Safety, Procurement, Employment, Equalities, Company and Charity law. • There is a risk of legal challenge on procurement if the funding is in the form of a contract for services (which is the most VAT advantageous route).

Conclusion

There are good reasons to consider this option further in phase 2. There are relevant precedents for successful transfers of museum services into single-purpose charities as proposed here.

As well as financial implications, phase 2 should examine the skills, knowledge and management capacity that would be required under this option. Opportunities for close partnership working should also be looked into.

Other Options Considered and Reasons for Not Recommending

3. Charitable Operation – Merger with Brighton Dome and Festival Limited (BDFL)

Under this the option responsibility for managing RPM would be transferred on a long-term basis to the existing BDFL charitable trust. The objects of the BDFL/RPM Trust would be have a broader cultural scope than the Trust described in option 2 above, however many of the potential benefits and risks are common to both options.

Criteria	Pros	Cons
Sustainability	• Gift Aid could be gained on admission income and other donations. • Charitable relief is available on Business Rates. • Admissions income is likely to be eligible for VAT exemption. • Direct control of the marketing mix - product, place, price and promotion – should enable the BDFL/RPM Trust to grow income more rapidly. • Fundraising from Trusts and individuals should be made easier than under local authority control. • Medium-term planning should be more reliable than within the local authority environment, e.g. based on five year funding agreements. • There is potential for savings on staff costs if structures and/or conditions are changed. • Central support costs – IT, HR, Finance, Estates – would be shared across a larger organisation than under option 2. • BDFL would be able to supply many of the skills, policies and procedures that could be lacking under option 2.	• Only a proportion of input VAT is likely to be recoverable. • RPM has proved adept at generating earned income so headroom for growth may be limited, e.g. capacity of Royal Pavilion. • The success of the RPM Foundation shows that charitable funding can be achieved without the full governance model. • Transfer costs will be substantial. • Working capital will need to be created for the larger organisation. • Given the range of activities the risk profile of the new organisation will be complex; whilst spreading of risk is generally a benefit this is not always the case when the same root cause can impact several areas of operation, e.g. relying on the same physical site, or the same market segment. • Cash flow and reserves will need to be managed carefully. • Local Authority budget cuts are likely to affect funding in the long term – though BDFL has protected funding. • Care would be needed, from board level down, to avoid a creating a Janus-faced organisation pulling in two different directions.

Flexibility	• The independent organisation should be able to be able to take decisions quickly and respond to challenges and opportunities as they arise.	• This potential advantage could be constrained by restrictions in funding agreements. • Reactive responses can undermine the benefits of longer-term planning. • Complex structures and conflicting interests could also undermine decision making.
Council Priorities	• The relationship with a new BDFL/RPM Trust could be structured to ensure current and future Council priorities are taken into account.	• A successful BDFL/RPM Trust would need freedom to set its own priorities which may or may not align directly with BHCC's.
Confidence	• BHCC could lend credibility to a new BDFL/RPM Trust through its strong support. • Funders and creditors are likely to see a merger as inherently less risky than a stand-alone museums trust. • The public is already aware and supportive of BDFL.	• Key funders will still need confidence that the combined trust has been set up to succeed.
Support of staff		• Some staff have concerns about the potential impact on employment terms and conditions. • Some staff have concerns that BDFL is not financially robust. • Some staff have concerns that museums would play second fiddle in a 'take-over' scenario.
Buildings and collections	• There is a strong potential synergy in that RPM and BDFL share the Royal Pavilion Estate	• The current HLF approved masterplan for the site demonstrates that co-operation is possible without merger. • If BHCC remains responsible for planned building maintenance there is a potential for divergent interests between landlord and tenant. • Collection donors may be put off if the collection is still ultimately owned by the local authority.
Customer	• The range of skills and activities in a combined BDFL/RPM Trust would give creative opportunities for a diverse but	• The current strengths in programming and audience development might be weakened by commercial

	coherent cultural programme for Brighton & Hove.	pressures.
Statutory Obligations	• There would some transfer of compliance risk from BHCC to the BDFL/RPM Trust. • A combined trust should already have its own policies and procedures to ensure compliance with Health & Safety, Procurement, Employment, Equalities, Company and Charity law.	• There is a risk of legal challenge on procurement.

Conclusion

Option 3 potentially offers many of the benefits of option 2 without many of the set-up headaches and risks.

Key questions that remain are around the focus of a merged organisation, the risk profile of BDFL and the significant reservations of RPM staff about a merger.

In view of the amendment made at the Council's Policy, Resources and Growth Committee on 14 June 2018, revoking the committee's previous decision to enter into such an arrangement, it is clear that this option would be difficult to implement and therefore it is not recommended to be shortlisted.

4. Single Purpose Charity as Staging Post to Merger with BDFL

This option was previously recommended. It is essentially implementation of Option 2 with the intention of moving to Option 3 within a few years.

This option's genesis lies in previous legal advice that there would be potential of a challenge under procurement rules if BHCC awarded a contract to BDFL without competition. There are no other clear advantages of this option over moving directly to Option 3.

A two stage transfer would inevitably be more expensive to implement and disruptive over a much longer period than any of the first 3 options described above. Furthermore, if the single purpose charity was implemented successfully it is not obvious that, a few years on, it would make sense for Trustees of that body to choose to merge with BDFL.

Further legal advice has been taken which suggests that, given BDFL's unique position, the procurement risk of moving directly to Option 3 is low.

Conclusion
This option should not be carried forward to Phase 2 of the appraisal. This does not, of course, preclude an eventual merger of a single purpose museum charity with BDFL if Option 2 is the chosen route.

5. **Merger with Other Local Charity or Education Institution**
There are various potential shared governance or working partnership models with local bodies other than BDFL, e.g. the Universities have been cited in this connection. However in the absence of any strong existing partnerships or documented discussions towards this goal it is difficult to appraise the likelihood of a successful outcome.

What can be said is that legal advice on the procurement position of a merger with BDFL hinged on that body's unique possession of buildings within the Royal Pavilion Estate. By definition no other organisation is in that position so it would very likely be a more complicated and time-consuming process.

Conclusion
On the evidence seen to date there is no clear avenue to investigate this option in Phase 2.

6. **Transfer to an existing National Heritage Body**
Operating the Royal Pavilion may well be of interest to bodies such as English Heritage, National Trust or Historic Royal Palaces, however running local museums is generally outside of their remit.

With regard to the Royal Pavilion itself this option would have most of the advantages of Option 3 with the additional benefits of national marketing reach and ready access to specialisms in building conservation and heritage management more generally. The Pavilion would also benefit from the resilience of a large, well established body.

More widely however there are a number of important arguments against this option:
   a. This would be a solution for only part of the museum service.
   b. It would denude the service of its highest profile and highest earning asset.

c. It would severely compromise the case for ACE NPO status and so threaten a substantial source of revenue funding.
d. The Pavilion becoming part of a national organisation would detract from its local Brighton identity and cultural role.

Conclusion
If the Royal Pavilion stood alone this option would have to be seriously considered but given the brief to look at the best solution for the whole service it is not recommended to take forward to Phase 2.

7. Commercial Operation
The final option that has been discussed in previous reports is that of contracting a for-profit company to manage RPM. A case could be made that a commercial operation would be focussed on extracting the highest revenue directly from the assets and so would be the most resilient to cuts in public funding.

Against that there are a number of strong counter-arguments:

a. A commercial venture would not be eligible for many sources of funding, including the current ACE NPO funding.
b. There would be no opportunity to benefit from charitable reliefs around Gift Aid, Business Rates and VAT exemption.
c. A profit, or management fee, would need to be extracted from the operations.
d. There is a limited field of potential operators.
e. A focus on profitability would be in tension with many aspects of museum operation such as stewardship of the buildings and collections, innovative and diverse programming, community engagement and educational activities.
f. This option is likely to face concern and opposition from staff and the general public.

Conclusion
This option should not be carried forward to Phase 2 of the appraisal.

Summary and Phase 2 Brief

The recommended reduced list of options put forward for BHCC officer approval and comment is:

1. **In-house**
2. **Charitable Operation – Single Purpose**

In Phase 2, a full financial model for the reduced list of options will be developed covering the period to the end of 2021/22. This will allow the benefits of any proposed change to be realised in the lifetime of the financial plan, and will fit with the current planned cycle for Arts Council England funding. The Phase 2 work will set out:

1. The non-cashable benefits of the options
2. The dependencies of each
3. Any up-front investment required or other financial support required on a temporary basis
4. Any implications for staff in relation to the changes involved
5. Potential equality impact in relation to staff and customers
6. Timescales for implementation and for recouping any investment
7. An outline project plan with key risks or each approach
8. The recommended course of action with clear milestones and a full risk assessment

Appendix

Sites within the Royal Pavilion & Museums portfolio

- Brighton Museum & Art Gallery – a Grade 2 listed building, on its present site since 1873.
- Booth Museum of Natural History – a Grade 2 listing building, founded in 1874, bequeathed to the public in 1890 by Thomas Booth and held in trust by the council since that date.
- Hove Museum & Art Gallery – established in 1927 (purchased by Hove Corporation in 1926).
- Preston Manor – which is a Grade 2 listed building, bequeathed in 1933 to be held in trust by the council (an 18th century building dating back in part to medieval period).
- Royal Pavilion – a Grade 1 listed building, purchased by the council in 1850. It was restored as a historic palace in the 1970s since which it has been open all year round to the public.
- Royal Pavilion Garden – Grade 2 on Historic England register of parks
- Grade 1 listed buildings: William IV Gate House and India Gate.
- Grade 2 listing buildings/sites: Northgate House, the Old Court House, Jaipur Gate
- 4/5 Pavilion Buildings which includes the Royal Pavilion Shop (rented)
- Off-site store (rented)

The museum collections include:

- Three Designated Collections of national/international significance. These are World Art, Natural History & Decorative Art (designation attracts funding). The designation scheme is a mark of distinction, identifying and celebrating pre-eminent collections of national and international importance in non-national institutions. There are 140 designated collections held in museums, archives and libraries across England.
- Other collections include: Local History, Social History, Fine Art, Costume, Musical Instruments, Archaeology, Egyptology, Numismatics, Toys and Crafts.

Most of the collections are owned directly by the City Council having been either donated or acquired by the museum service since its inception in 1860. Some items are held in trust by the city council e.g. for the National Toy Museum & Institute of Play; The James Green Trust's collection of Burmese textiles; photographs and artefacts; the Booth Trust Birds, Cases, Library and Building.

Royal Pavilion and Museums Options

Phase Two Report

19 September 2018

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Mike Woodward & Associates

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Terms and Abbreviations

ACE – Arts Council England – a key revenue funder of the museum service through the NPO revenue stream

BHCC – Brighton & Hove City Council (also 'The Council')

Charitable Trust – the museum service transfers to a new charitable body

Charitable Status – the museum service transfers to a new charitable body

In-House – the museum service remains in the control of BHCC

LGPS – Local Government Pension Scheme

Museum Development – a support service for the region's museums, funded by ACE and administered through RPM

NPO – National Portfolio Organisation – a revenue funding stream from ACE

The Council – Brighton & Hove City Council (also 'BHCC')

The Foundation – Royal Pavilion and Museums Foundation – an existing charity giving support to RPM (also 'RPMF')

RPM – Royal Pavilion and Museums (see appendix for full list)

RPMF – Royal Pavilion and Museums Foundation – an existing charity giving support to RPM (also 'The Foundation')

Single Purpose – the charitable body is focused exclusively on running RPM

Trades Unions – GMB and Unison are unions recognised by BHCC

Trust Status – the museum service transfers to a new charitable body

Introduction

This report is the conclusion of the second stage of a two-phase options appraisal of the possible governance models for the Royal Pavilion & Museums (RPM), as commissioned by Brighton & Hove City Council (BHCC). The first stage report concluded that short-list of options brought forward and examined in this second stage were:

3. In-house
4. Charitable Trust – Single Purpose

The two reports have been produced on tight timescales, which has only been possible due to the investigations, consultations and reports that had been produced by Council officers and external consultants over the last few years.

Heartfelt thanks are due to the numerous people who have given their time to discuss the issues and give their well-considered and valuable opinions and insights. First and foremost these include the broad cross-section of RPM staff who took part in the nine group meetings with me and the individual staff who took the time to contact me directly.

Many thanks are also due to the senior council officers, representatives of the main political parties, GMB and Unison, Arts Council England, the RPM Foundation and the former Shadow Board. Many thanks also to those who have organised and facilitated the various meetings and visits.

The brief at phase two was to compare the financial implications of each option up to 2021/22 and to explore:

1. The non-cashable benefits of the options
2. The dependencies of each
3. Any up-front investment required or other financial support required on a temporary basis
4. Any implications for staff in relation to the changes involved
5. Potential equality impact in relation to staff and customers
6. Timescales for implementation and for recouping any investment
7. An outline project plan with key risks or each approach

8. The recommended course of action with clear milestones and a full risk assessment

Financial Comparison of In-house and Charitable Trust Options

1. The Financial Context

The stated aim is to ensure RPM's long-term sustainability including ability to generate funds to compensate for planned savings, from earned and contributed sources, and the ability to reduce inefficiencies.

The report to PRG in January 2018 indicated the scale of savings expected from the museum service in the coming years:

Table 1 – Projected funding requirement	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Provision of service	1181	1119	1065	734	691
Maintenance contribution	686	699	713	727	742
Total funding requirement	**1867**	**1818**	**1778**	**1461**	**1433**

The cost of the museum service is expected fall substantially – from £1.87m in 2018/19 to £1.46m 2021/22 onwards. Allowing for inflation, the saving being sought in 2021/22 is £392,000.

A further funding requirement of c.£220,000 per year his also been identified as necessary to address a property maintenance backlog.

2. Tax

Tax benefits and costs are one of the few areas where a direct and quantifiable distinction can be drawn between the finances of local authority and charitable governance.

As has been identified in previous reports the Charitable Trust option presents somewhat better prospects from a tax perspective. Current estimated benefits and costs are:

Table 2 – Projected Tax Savings	Estimate Annual Saving / (Cost)
Business Rates 80% Relief *	£220,000
Gift Aid on Admissions **	£200,000
Exhibition Tax Relief ***	£30,000
Irrecoverable VAT	(£190,000)
Net Saving	**£260,000**

* N.B. This comparison is based on current Business Rates bills for the Royal Pavilion. This bill is likely to be substantially cut, which would mean:

a. RPM's annual Rates Bill is likely to reduce by c.£170,000 per annum, whether it moves to Charitable status or remains In-house.
b. This reduction could be used to deliver a large part of the savings required in RPM's budget in either scenario.
c. The comparative benefit of Charitable status vs. In-house will reduce by £136,000 (80% of the £170,000 saving) to around £124,000 per annum, as follows:

Table 3 – Projected Tax Savings (Adjusted)	Estimate Annual Saving / (Cost)
Business Rates 80% Relief	£84,000
Gift Aid on Admissions **	£200,000
Exhibition Tax Relief ***	£30,000
Irrecoverable VAT	(£190,000)
Net Saving	**£124,000**

** Based on current levels of admissions income and following a period of bedding-in for the Gift-Aid processes. Any future growth in admissions income would have a knock-on benefit for Gift-Aid.

*** This new relief would be automatically available to the Trust as a registered company. It is theoretically possible for BHCC to use another registered company as a vehicle to claim this relief but this would be complicated and there are no current plans to do so. The calculation is based on estimated eligible spend of £190k per year.

In summary, in both scenarios reductions in taxes could play a significant part in delivering the savings required. RPM's Business Rates are due to fall by c.£170k in any case and Trust Status could yield a further c.£124k net saving.

3. Control Over Products and Prices

If RPM is able to freely set and adjust the nature and prices of the goods and services it provides it could potentially generate significantly more revenue. Previous reports have estimated, for example, that admissions income could grow by around 10%, or £300,000, as a result. Freedom to adjust other fees and hire charges should also have a beneficial impact.

The ability to adjust prices does not require to a change of governance to Charitable Trust but would require the RPM to be given considerably more delegated power, with freedom to set and alter pricing to suit business need.

Once the new operating model is established, whether In-house or Trust the ability to be flexible with income could be implemented relatively quickly. The benefits could be gained and measured in the short to medium term.

The extent to which the Council is prepared to relinquish control of fees and charges, under either scenario, needs to be determined as part of planning RPM's next steps.

4. Fundraising

RPM has been successful in raising funds from grant-giving bodies, trusts and foundations, often through the work of the RPM Foundation, a charity which fundraises on its behalf. If RPM remains In-house, as part of the Council, it is planned that the future role of the Foundation as a development trust for RPM will be reviewed.

Charitable status for RPM would further expand the field of potential donors, particularly amongst private individuals who are sometimes reluctant to give to a council-run service. Such relationships can be very valuable but can take years to build and bear fruit, for example through a legacy scheme. So, although this is a significant long-term benefit of Charitable status, it cannot be relied upon in the time-frame of savings required.

Gift-aid would also be available to increase the value of donations from UK taxpayers.

5. Long-Term Financial Planning

Council budgets are under continuous pressure and in its current configuration RPM's budgets and targets, like any other council service, are set year-to-year and can be subject to mid-year savings or spending freezes.

Furthermore since council departments have no way to carry forward general reserves any benefit from over-achieving its targets is lost to RPM at year end.

Investing to generate future income growth is thus effectively discouraged.

This issue is particularly pertinent to RPM which generates more than £4m per year in fees and charges. This level of income is unusual both in comparison to many other council departments and in comparison to museum services in most other local authorities.

The fact that RPM has access to a large tourist audience and that it charges admission fees means that there are significant opportunities for gaining returns on investment in products and promotion.

Depending on the terms of the funding agreement, as an independent body RPM should be able to plan investment in products and marketing knowing that it would reap the rewards over a number of years. It is unlikely that this important benefit could be replicated in the In-house scenario as budgets could always be cut as revenues grow.

The security and timeframe of the funding commitment from the Council to a Trust would influence the Trust's investment decisions. A five-year rolling contract, for example, would give plenty of time for investments to pay back.

It is difficult to predict what the impact of this change would be and by its very nature the results would come through in terms of long-term sustainability rather than short-term contributions to the savings required.

6. Cost Savings and Efficiencies

Savings in core running costs would not follow automatically from either Trust status or from greater autonomy within BHCC control. In theory Trust status could give more control over staff costs, however given that the intention is to provide undertakings over terms and conditions significant savings cannot be anticipated from this in the short-term.

Regarding pensions, previous transfer proposals have assumed that:

- The Trust will become an admitted body of the LGPS
- The scheme will remain open to transferred members of staff
- BHCC will act as guarantor and retain the pension deficit relating to transferred staff
- Some savings may be made in the long term by closing the scheme to new members

Perhaps of more significance is the fact that, as with investment to grow income, independent status would give greater incentive for RPM management to invest in longer-term savings and efficiencies, knowing that the benefits would remain within the service. Greater control over investment decisions, procurement processes and partnership working would provide a wider range of opportunities.

7. Central Services

A key difference between the independent Trust and In-house scenarios is that central services – primarily ICT, HR and Finance, as well as senior management – would be run and paid for directly by RPM. (Building Services are here assumed to continue to be provided on the same basis as currently – i.e. by BHCC as landlord with input from RPM staff).

The question of how these services would be financed is an important one. As stated above, RPM is expected to deliver c.£392,000 annual saving from 2021/22; in additional to that, a similar sum again would need to be needed to pay for central services if it became an independent organisation. The following indicative costs are based on previously prepared estimates:

Table 4 - Indicative Additional Support Costs	
ICT Management & Systems	£ 150,000

Financial Management & Systems	£	90,000
HR Support	£	70,000
Legal Support	£	20,000
Insurance and Other Administrative Costs	£	70,000
Total	**£**	**400,000**

The current cost recharges to RPM are:

Table 5 - Current Recharges to RPM (excluding premises and admin)		
ICT Management & Systems	£	222,200
Financial Management & Systems	£	95,200
HR Support	£	83,200
Legal Support	£	14,300
Communications	£	13,200
Insurance	£	45,600
Total	**£**	**473,700**

This level of cost would not automatically be translated into savings on Council central service budgets if RPM were to become an independent trust - previous work has estimated that to be approximately £50,000 initially, rising to **£200,000 per year**.

8. Up-front Investment Required

Transfer to Trust status would come with one-off setup costs, estimated as follows:

Table 6 - Indicative Setup Costs	

Legal Support	£	100,000
ICT Systems	£	70,000
HR and Finance Systems	£	40,000
Other Professional Advice	£	50,000
New Staff – Implementation	£	40,000
Total	**£**	**300,000**

Legal Support assumes a 'good value' firm and limited revisions. Like-wise other professional advice. ICT assumes £50k is spent in advance on new desktops. Support from Central Service departments to make the change is assumed to be free of charge.

9. Transfer of Assets – Fixed and Current

The essence of moving RPM to independent status is a transfer of management of assets – including the Collections and Fixed Assets such as property, equipment, furniture & fittings. Current Assets such as stock, debtors and cash would also need to be considered when agreeing the terms of transfer.

As part of the BHCC, RPM uses effectively part of the Council's cash reserves as working capital and as a buffer against difficult financial times. As an independent Trust, RPM would need its own working capital and reserves. BHCC's own need for working capital and reserves would be reduced in direct proportion as the requirement for day-to-day cash and risk management is transferred. The scale of the requirement will become clear from the Business Planning process but it is likely to be in the order of £300k to £500k.

10. Overview of Financial Comparison

The short-term financial costs and benefits of transfer to Trust status can be forecast with some reliability – e.g. it is tempting to compare the setup costs of c.£300k (Table 6) with the c.£124k per annum tax saving (Table 3) because they are both reasonably quantifiable. However, these are relatively small matters in the context of the long-term future of RPM.

Far bigger financial impacts are likely to play out in the medium and longer term as a result of factors such as ability to control prices, to carry forward the returns on investments and efficiencies, having some guarantees of core funding and being able to work to a much longer planning horizon.

Furthermore, it only takes one donor who is prepared to leave a substantial legacy to RPM as a Charitable Trust to swing the balance significantly in that direction.

Whilst we should not base a business plan on such unpredictable benefits we need to acknowledge their reality and give them appropriate weight in our decision making.

Given all of the above, the following summaries should be seen as indicative of two possible scenarios and not as forecasts or basis for a business plan.

Table 7 is not a pure 'no-change' scenario in that it assumes some benefits of price changes and fundraising can be achieved whilst RPM remains In-house.

Table 7- Indicative Scale Of Savings - In-house Scenario

	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£
Benefit of Price Increases ^	50,000	100,000	150,000	200,000	200,000
Benefit of Fundraising Activities ^^	0	20,000	40,000	50,000	50,000
Cost Savings & Efficiencies ^^^	0	50,000	100,000	100,000	100,000
Total Growth & Savings	**50,000**	**170,000**	**290,000**	**350,000**	**350,000**
Business Rates Savings	-170,000	-170,000	-170,000	-170,000	-170,000
Savings Target (vs. Direct Service Budget 2018/19)	170,000	170,000	392,000	392,000	392,000
Total Target Savings	**0**	**0**	**222,000**	**222,000**	**222,000**
Net Contribution to Maintenance Target (£220k pa)	**50,000**	**170,000**	**68,000**	**128,000**	**128,000**

^ Assumes the Council approve regular above inflation increases
^^ Net benefit of investing in fundraising activity
^^^ Reductions in spending in years of greatest savings targets
All figures at current prices.

The scenario suggests that the necessary budget savings would be found through a combination of increased income and cost savings. Contributions would be made towards the additional maintenance target.

The following table assumes successful transfer to trust status in early 2020-21:

Table 8 - Indicative Scale and Timing of Costs and Savings of Trust Status

	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£
Initial Setup Costs (Table 6)	-300,000	0	0	0	0
Net Tax Saving (Table 3)	0	124,000	124,000	124,000	124,000
Benefit From Freedom to Set Prices	0	320,000	350,000	400,000	400,000
Fundraising Benefit re Personal Donations *	0	20,000	50,000	100,000	150,000
Addional Investment **	0	-100,000	-100,000	-100,000	-100,000
Returns on Additional Investment **	0	50,000	150,000	200,000	200,000
Cost Savings & Efficiencies ***	0	25,000	50,000	75,000	100,000
Central Service Savings to BHCC	0	50,000	150,000	200,000	200,000
Central Service Costs of New Trust (Table 4)	0	-400,000	-400,000	-400,000	-400,000
Indicative Net (Cost)/Benefit of Trust Status	**-300,000**	**89,000**	**374,000**	**599,000**	**674,000**
Business Rates Savings	-170,000	-170,000	-170,000	-170,000	-170,000
Savings Target (vs. Direct Service Budget 2018/19)	170,000	170,000	392,000	392,000	392,000
Total Target Savings	**0**	**0**	**222,000**	**222,000**	**222,000**
Net Contribution to Maintenance Target (£220k pa)	**0**	**89,000**	**152,000**	**220,000**	**220,000**

* Private individals prepared to give to RPM as a charity - could vary substantially
** Increased investment in product and marketing due to Long-term planning
*** Minimal savings initially, gradually increasing
All figures at current prices.

As stated above, the figures are indicative rather than predictive. The broad picture painted is familiar from previous reports, with up-front costs of Trust status being balanced out by revenue growth over time. This model suggests that the initial investment of c.£300k would be returned after approximately 2 years of operation, that by 2021/22 the savings target of £392k would be achieved and that by 2022/23 the full additional maintenance target of £220k would also be achieved.

This is predicated on the following:

- the new trust having control over prices,
- commitment to long-term funding from the council (other than the £392k saving from 2021/22 onwards),

- Related savings in council central services and in business rates of the Royal Pavilion being counted towards the savings required of RPM.

This broadly positive analysis would not automatically translate to most local authority museum services. RPM is unusual in that its strong tourism market and the iconic nature of its heritage assets give it great potential to exploit Charitable status to grow its earned income and donations.

Non-Cash Factors

1. Relationship with Arts Council England

ACE is a major revenue funder of RPM - the NPO funding stream provides nearly £700,000 of unrestricted income per year. Maintaining their support is therefore crucial for either option.

In addition to the NPO funding ACE also funds the regional Museum Development service through RPM which has an annual turnover of approximately £550,000. This would need to be considered as part of any transfer of funding arrangements.

ACE have indicated that they could, in principle, support a move to Trust status and the NPO business plan was prepared and approved on that basis.

However, a change of governance would require a reallocation of the funding agreement. Reallocating funding to a new governing body would only be approved on the basis of a robust plan that recognised the need for funding commitments from BHCC, both in terms of long-term revenue funding and short-term investment to set the organisation up on a sound basis. ACE will need to be satisfied that the proposed solution provides a well-managed and sustainable service. They have previously highlighted the following features of failed transitions to Trust:

- Lack certainty of funding;
- Insufficient independence from the local authority;
- Not having the right skill sets in the new organisation.

2. Relationship with the RPM Foundation

The independent charity, the RPM Foundation, has been an important source of financial support over many years.

As might be expected, the Foundation's relationship with BHCC is largely via RPM and as a result lacks clarity. The Foundation has considerable autonomy, including powers to support organisations other than RPM. This process is an opportunity to re-set the relationship with a shared understanding of mutual responsibilities. This is true in either scenario:

- If RPM remains part of BHCC the key questions will be how can best strategic use be made of the Foundation's charitable status and fundraising success, and what additional roles might it play in support of RPM;
- If RPM moves to charitable status the same questions need to be answered, with the additional question as to whether two charitable trusts would be required or some form of merger should take place.

3. Staff Skills and Systems

In order to take advantage of new freedoms – whether In-house or in Charitable Trust – RPM staff will need to exercise skills in financial planning, marketing, product development and partnership development, amongst others.

Trust status would additionally require new financial, administrative, reporting, HR and IT systems to be implemented and maintained by the staff (or procured from third parties).

ACE's assessment of RPM's application for NPO funding in 2017 draws attention to the need to undertake a fundamental review of the entire organisational structure and management systems prior to transition to Trust status.

So, whilst recognising that RPM has a diverse and experienced and valued workforce, a review of skills, capacity and structure is strongly advised prior to implementing any major change. Particular attention should be given to the senior management requirements of a stand-alone Trust. This work is already proposed under the 'Readiness for Change' agenda.

4. RPM Staff Opinion

This review comes at the end of a long period of uncertainty and mixed messages about the future of RPM. Staff are extremely passionate about the service and show a clear desire to see the best outcome for RPM. They have expressed frustrations about the process to date and are understandably keen to see the matter settled.

Concerns have been expressed by individuals and trades unions about the importance of protecting jobs and terms and conditions of employment. Whilst TUPE would apply to staff at transfer it does not give guarantees in the longer term and so some see remaining in-house as the safer option. A sensible Business Planning process for transfer to Trust status would continue to consult and give additional assurances on these issues.

It is perhaps dangerous to generalise from discussions with relatively small groups but recent meetings with staff have expressed very clear support for RPM's greater independence from the Council. On the evidence of those meetings there would be a generally positive staff response to a well-resourced move to Trust status and in some cases great enthusiasm for it.

For many staff simply streamlining day-to-day operations is one of the most important objectives of greater independence. Museums are not typical council departments and museums in important historic buildings are even less typical. As a result many of the centrally administered local authority systems and procedures are difficult to implement in RPM and staff feel that they have a day-to-day negative impact how people do their jobs.

As it is an issue of practicalities, it is worth reporting some of the practical examples that have been cited by RPM staff:

- Procurement procedures which are time consuming and don't take account of the specialisms required or facilitate working with small businesses
- Budget-setting timetables which don't fit with the long lead times required when communicating with customers
- Recruitment processes which cause delay and gaps in areas of quick staff turnover
- Out-dated IT infrastructure and hardware
- IT rules which prevent transmission of large files, access to major social media platforms, use of specialist hardware and software and customer friendly systems

It must be recognised that business processes can be streamlined under any governance arrangement and many of these issues could be addressed without a change of status. A charitable trust would also need to have its own systems in place, e.g. robust procurement processes to ensure value for money. However, the issues raised do suggest that the nature of the work done by RPM is currently a poor fit with local authority bureaucracy.

5. The Smaller Sites

Another point made by staff was that discussions over governance have been focused on the buildings in the Royal Pavilion site. Hove Museum and Gallery, Preston Manor and the Booth Museum all play important roles in providing services to a

primarily local audience and so are integral parts of the service's public provision. If there is a change of governance to Trust status their future sustainability needs to form part of the discussions and be addressed in the terms of transfer.

6. The Historic Buildings and Collections

RPM's portfolio of heritage assets is not only important to the locality, it has national and international significance.

Stewardship of RPM's historic sites and collections would be the fundamental objective of a Charitable Trust created specifically to manage them.

This focus of sole-purpose Trusts is one of the strongest arguments for assigning the management of important heritage assets to them.

However, a Trust cannot perform its stewardship role properly if it is chronically under-resourced. Hence the compelling need to ensure that any transfer is properly planned and properly financed from the outset.

7. Impact on Visitors and Other Service Provision

The recent assessment of RPM's service provision by ACE provides evidence that the public programme is of a very high standard and is based on detailed knowledge of its audiences. The report praises the service's 'exceptionally strong track record of high quality provision for Children and Young People' and its Community Engagement Strategy. Collections knowledge and management is also commended.

This indicates that a high quality service is being provided whilst RPM is an In-house service; it also indicates that RPM would have a strong basis on which to build its audiences and services as an independent Trust.

It is reasonable to assume that the professionalism of the staff transferred, together with the oversight of ACE and others, would ensure that the public programme maintains its high standard.

There is a longer term risk that the quality of service could suffer if a Trust came under financial pressure, though this could equally apply to the In-house option.

8. Equality Impact

Any funding agreement with a new Trust would require it to deliver the equality duties and objectives of the Council which would be likely to require certain services to be delivered as a result. ACE will also continue to expect RPM to deliver outcomes against its Creative Case for Diversity objectives.

9. Overview of Non-Cash Factors

RPM has a range of key stakeholders (ACE, staff and RPMF) and a range of beneficiaries (local people, tourists, schools etc.) who, to a greater or lesser extent, have an interest in its sound governance and management. Their views and interests need to be acknowledged and accommodated.

When considering appropriate long-term governance models we need to go back to the long-term purpose of the organisation. In the case of RPM this is the stewardship for present and future generations of heritage assets of local, national and international importance. Other things being equal, a governance structure that has this as its primary objective must be preferred.

However, the following factors mean more work needs to be done before a final decision on such a fundamental change is taken:

- Clarification and agreement is needed re:
  - the future relationship between the Council and the RPM foundation, and
  - the RPM Foundation's potential role in a new governance arrangement.
- The future relationship between a new Trust and the Council needs to be understood and agreed by all parties, including potential new trustees. These include the future obligations of each party and the terms of the transfer e.g. of fixed and current assets and of key powers.
- The agreed terms of the transfer, as well as a review of staff skills, structure and management systems, need to inform an updated Business Plan which clearly demonstrates the future sustainability of the new organisation.
- ACE will only agree to transfer funding to a new body if it is demonstrably properly planned, financed and structured, including appropriate skills and capacity of staff and trustees.

Conclusions and Recommendations

1. The assets and the audiences of RPM mean it is potentially well placed to exploit the benefits of Trust status.
2. A sole-purpose Charitable Trust would give the greatest focus on stewardship of the very significant heritage assets in RPM's portfolio.
3. Conversion to charitable status has quantifiable short-term costs but gives potentially substantial financial advantages in the medium and longer term.
4. The success or failure of a new Trust will depend heavily on the terms of its initial setup and of its ongoing relationship with BHCC. It is therefore recommended that the Terms of Transfer are negotiated and an associated Business Plan drawn up in an 'Initiation Phase' before a final decision is made on whether to transfer RPM to Trust status.
5. The purpose of the structured Initiation Phase would be to give all key parties a shared understanding of and confidence in future governance, financial and operational arrangements.
6. The support of RPM staff and of ACE, RPM's other main revenue funder, will be essential for a successful change of governance and so they should be informed and engaged throughout the process.
7. Potential RPM Trustees will need to be party to the discussions, therefore an 'Initiation Group' of prospective Trustees should be constituted. The membership, chair and terms of reference of should be considered carefully. The role of the RPM Foundation and the previous 'Shadow Board' should be clarified and agreed at this point.
8. The negotiations on the terms of a transfer to Trust status should involve, at a minimum, representatives of the Initiation Group, senior Council officers and senior staff from RPM.
9. The Initiation Phase should also be used to progress a number of important initiatives, most notably a review of structure and management systems, which will strengthen RPM's operational effectiveness regardless of the final decision.

Outline Project Plan

Initiation Phase

The initiation phase can begin as soon as in principal approval is given to move RPM to be a more arm's length organisation from BHCC. The objective should be for RPM to be a well-planned and well-resourced body with the confidence of all key stakeholders. Rather than focusing exclusively on the 'big bang' moment of independence this phase can also be seen as making a series of improvements towards that goal.

Previous attempts to implement change show the importance of keeping RPM staff fully informed during this period and of creating genuine opportunities for staff and unions to influence the process. ACE also need to be kept informed and engaged.

The proposed actions are:

1. Constitute an 'Initiation Group' of potential future Trustees with an interim chair. The future relationship with the RPM Foundation and the role of the previous Shadow Board should be clarified at this early stage.
2. Agree how staff, unions and ACE are to engage with the process.
3. Agree the Terms of Transfer – a lot of work has already been done but if transfer is to take place final agreement needs to be reached and documented on some essential points, including:
    a. The length and nature of the funding agreement – including the scale and timing of any future funding cuts and access to capital funding.
    b. How central services – primarily Senior Management, Finance, HR, ICT and Building Services – are to be resourced in the new organisation. The costs involved are substantial and clarity is required on the proportion of BHCC central service budgets to be transferred.
    c. How savings or overspends on current delegated budgets will be dealt with, including the substantial pending savings and rebate relating to Royal Pavilion Business Rates.
    d. What assets would be transferred and on what terms. Assets include:
        i. Cash – both as working capital and initial unrestricted reserve
        ii. Stock
        iii. Equipment, Vehicles, Furniture and Fittings

iv. Intellectual Property – including:
    1. databases of all sorts
    2. media of all sorts
    3. existing licenses from third parties
    4. brand identities and trade marks
    5. general correspondence, systems and documents

e. Which powers would be transferred and which retained, e.g. over:
    i. Fees and Charges
    ii. Opening Hours of all sites
    iii. Collections Acquisition and Disposal
    iv. Setting of Objectives and Performance Indicators
    v. Reporting, investigation and audit

f. The main terms of building leases, for example:
    i. Length of leases and break clauses
    ii. Long term maintenance responsibilities
    iii. Short term maintenance responsibilities
    iv. Emergency maintenance responsibilities
    v. Rights to sub-let or grant licenses to occupy to third parties
    vi. Rights to alter and improve the buildings and grounds

g. What guarantees are to be given by each body regarding staff pay and conditions, including:
    i. underwriting of the Local Government Pension Scheme
    ii. any extension of rights transferred under TUPE
    iii. any opportunities for redeployment within BHCC, before or after transfer

h. How the set-up costs are to be funded.

4. Prepare a Long-term Business Plan

   A realistic business plan should be developed for the potential new charitable trust to demonstrate its sustainability to all concerned. This should be an iterative process, informing and being informed by the discussions of the Terms of Transfer described above.

Cashflow and reserves forecasting is particularly important and should take account of capital investment requirements as well as revenue spending. The plan should include an anticipated opening Balance Sheet and annual forecast Balance Sheets thereafter.

Tax is a specialist and ever-changing area so an update on previous advice should also be sought and incorporated into the plan.

5. Review Staff Structure – with the objective of establishing a fit-for-purpose structure to deliver an arms-length service, which could include:
    a. Reviewing existing skills and capacity
    b. Recruiting into new posts; externally, or transfer of existing central BHCC staff to RPM (as part of 3.b above)
    c. Making changes to existing roles and job descriptions
    d. Redirecting training and development
    e. Revising the communications and decision-making structures within RPM

6. Review Community Engagement
   The initiation phase can be used to review how other groups and individuals might influence the future direction of RPM. Ideas can be trialled during this phase.

7. Review Financial Management Systems
   Including the structure of the accounts and systems for production of timely management accounts.

8. Develop ICT Strategy
   Ideally, a costed strategy that meets the unique requirements of the museum service and that can be implemented whatever the governance of RPM.

9. Agree Maintenance Plan
   The surveys currently under way can form the basis of an agreed maintenance plan, informing discussions of Leases under item 3f above.

Decision Point Timing

The end of the Initiation Phase will come either:

1. when BHCC, the Initiation Group and ACE are all confident in supporting formal transfer, in which case the Implementation Phase can begin, or
2. when it becomes clear that agreement cannot be reached or support cannot be given, in which case RPM would remain an In-house service, with benefit of the work carried out under points 5 to 9 above.

The timing is not fixed but the table of Milestones below suggests this could take approximately twelve months. This best-case scenario assumes an open dialogue, based on trust and good faith commitment from all involved; this may take time to establish. The timing will also depend on the satisfactory resolution of questions raised by others around the structure and management of RPM.

A further complicating factor is the political cycle – the run up to the local election in May 2019 could hamper discussions. The broad support of politicians across the spectrum will be important to minimise impact on the project from any resulting change of administration. The wider political and economic uncertainties around the UK's planned exit from the European Union on 29 March 2019 may also impact the timing of the process.

There are clearly incentives to move to Trust status as quickly as possible, in order to dispel the uncertainty and begin to realise the potential benefits. However, it is a long-term change and its success will depend on the long-term support of a range of stake-holders. Building consensus and confidence cannot be rushed.

Implementation Phase

If the final decision move to Trust is supported there are a number of steps involved in implementation. The following list is not comprehensive:

1. Prepare and Execute Legal Documentation - the agreed terms and plans will be set out in legal documents, typically including:
    a. Memorandum and Articles of Association of the new organisation and any Trading Subsidiary Company
    b. Transfer Agreements to the Trust and any Trading Subsidiary, including intellectual property
    c. Funding and Management Agreement setting out levels of funding and respective responsibilities
    d. Leases
    e. Collections Loan Agreement
    f. Admission Agreement for the LGPS
    g. Other side agreements and guarantees to third parties and existing staff
    h. Transfer of existing funds or assets held in trust, if applicable

    The legal documentation will normally state the date for formal handover of responsibility.

2. Notify and register with all relevant statutory bodies.
3. Recruit into any new staff posts not already filled.
4. Procure, implement and test any new systems e.g. Financial Management and Gift Aid
5. Transfer agreed datasets.
6. Finalise TUPE and other HR information.
7. Notify and agree terms of transfer for suppliers, creditors and any leasing companies
8. Formalise novation of funding agreements with third parties, most notably with ACE and HLF.
9. Set up insurances, banking and audit arrangements.

Milestones

Key Milestones	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
	Initiation Phase				Implementation Phase		Operating Phase	
Constitute Initiation Group								
Engagement with Stakeholders								
Review Staff Structure								
Agree Maintenance Plan								
Review Financial Management								
Develop ICT Strategy								
Review Community Engagement								
Agree Business Plan								
Agree Terms of Transfer								
Agree Funding Arrangements								
Decision Point								
If Decision is to Transfer to Trust:								
Finalise Legal Documentation								
Novate Funding Agreements								
Notify Statutory Bodies								
Recruitment to New Posts								
Procure Systems								
Set Up Systems and Transfer Data								
Train and Test								
Finalise HR Data								
Notify Creditors								
Insurances, Banking & Audit								
Transfer Takes Place								

Risks and Dependencies

Key Risks	Mitigating Actions
Initiation Phase:	
Ineffective Initiation Group	Recruit against clear, relevant criteria; clarify role of RPM Foundation
Stakeholders not supportive	Plan engagement with staff, unions, ACE and RPMF
Inconclusive or delayed negotiations	Ensure all parties have appropriate authority and process is structured and supported
Certainty of funding not given	Ensure Councillors aware of importance to success
Insufficient powers granted	Ensure Councillors aware of importance to success
Inadequate opening reserves	Ensure Councillors aware of importance to success
Change of administration	Seek support of all parties through the process
Poor Business Planning	Re-check base data and use conservative growth assumptions
Implementation Phase:	
Funding Agreements not transferred	Understand each funding body's requirements in advance
Delays in Legal documentation	Documented agreements on key points in Initiation Phase
Pension Scheme delays	Discussions during Initiation Phase
Systems and data transfer delays	Ensure premium technical support for first six months
Early Operational Phase:	
Cash-flow problems	Plan cash-flow as a priority in Initiation Phase
Declining visitor numbers to B&H	Short-term - use reserves; Medium-term - adjust cost base
Declining visitor numbers to RPM	Invest in marketing and programme
High staff turnover	Protect staff terms and conditions; engage staff in process
Staff skills or capacity shortfall	Review in Initiation Phase; train and recruit
Systems failures	Ensure premium technical support for first six months

Appendix – Sites and Collections

Sites within the Royal Pavilion & Museums portfolio

- Brighton Museum & Art Gallery – a Grade 2 listed building, on its present site since 1873.
- Booth Museum of Natural History – a Grade 2 listing building, founded in 1874, bequeathed to the public in 1890 by Thomas Booth and held in trust by the council since that date.
- Hove Museum & Art Gallery – established in 1927 (purchased by Hove Corporation in 1926).
- Preston Manor – which is a Grade 2 listed building, bequeathed in 1933 to be held in trust by the council (an 18th century building dating back in part to medieval period).
- Royal Pavilion – a Grade 1 listed building, purchased by the council in 1850. It was restored as a historic palace in the 1970s since which it has been open all year round to the public.
- Royal Pavilion Garden – Grade 2 on Historic England register of parks
- Grade 1 listed buildings: William IV Gate House and India Gate.
- Grade 2 listing buildings/sites: Northgate House, the Old Court House, Jaipur Gate
- 4/5 Pavilion Buildings which includes the Royal Pavilion Shop (rented)
- Off-site store (rented)

Summary of Main Collections

- Three Designated Collections of national/international significance. These are World Art, Natural History & Decorative Art (designation attracts funding). The designation scheme is a mark of distinction, identifying and celebrating pre-eminent collections of national and international importance in non-national institutions. There are 140 designated collections held in museums, archives and libraries across England.
- Other collections include: Local History, Social History, Fine Art, Costume, Musical Instruments, Archaeology, Egyptology, Numismatics, Toys and Crafts.

Most of the collections are owned directly by the City Council having been either donated or acquired by the museum service since its inception in 1860. Some items are held in trust by the city council e.g. for the National Toy Museum &

Institute of Play; The James Green Trust's collection of Burmese textiles; photographs and artefacts; the Booth Trust Birds, Cases, Library and Building.

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