

Open

Cabinet

Agenda

**6pm
Tuesday, 23rd May 2017
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster**



Cabinet

The Cabinet Members and their responsibilities:-

Councillor M J Hart	Leader of the Council & Strategy
Councillor I Hardiman	Deputy Leader & Planning & Economic Regeneration
Councillor R J Vale	Operational Services
Councillor N J Desmond	Resources
Councillor J Smith	Culture, Leisure & Community Protection
Councillor C Rogers	Housing, Health & Well-being

Scrutiny of Decisions of the Cabinet

The Council has one Scrutiny Committee that has power to investigate policy issues and question members of the Cabinet who have special responsibility for a particular area of the Council's activities. The Cabinet also considers recommendations from this Committee.

In accordance with Section 10 of the Council's Constitution, Overview and Scrutiny Procedure Rules, and Standing Order 2.4 of Section 7, any item on this agenda may be scrutinised by the Scrutiny Committee if it is "called in" by the Chairman or Vice-Chairman of the Overview & Scrutiny Committee and any other three non-Cabinet members.

The deadline for "calling in" Cabinet decisions is 5pm on Monday 5th June 2017.

Councillors wishing to "call in" a decision on this agenda should contact Lynette Cadwallader, Committee Services Officer, Wyre Forest House, Finepoint Way, Kidderminster. Telephone: 01562 732729 or email lynette.cadwallader@wyreforestdc.gov.uk

Urgent Key Decisions

If the Cabinet needs to take an urgent key decision, the consent of the Scrutiny Committee Chairman must be obtained. If the Scrutiny Committee Chairman is unable to act the Chairman of the Council or in his/her absence the Vice-Chairman of the Council, must give consent. Such decisions will not be the subject to the call in procedure.

Declaration of Interests by Members – interests of members in contracts and other matters

Declarations of Interest are a standard item on every Council and Committee agenda and each Member must provide a full record of their interests in the Public Register.

In addition, alongside the Register of Interest, the Members Code of Conduct ("the Code") requires the Declaration of Interests at meetings. Members have to decide first whether or not they have a disclosable interest in the matter under discussion.

Please see the Members' Code of Conduct as set out in Section 14 of the Council's constitution for full details.

Disclosable Pecuniary Interest (DPI) / Other Disclosable Interest (ODI)

DPI's and ODI's are interests defined in the Code of Conduct that has been adopted by the District.

If you have a DPI (as defined in the Code) in a matter being considered at a meeting of the Council (as defined in the Code), the Council's Standing Orders require you to leave the room where the meeting is held, for the duration of any discussion or voting on that matter.

If you have an ODI (as defined in the Code) you will need to consider whether you need to leave the room during the consideration of the matter.

For further information

If you have any queries about this Agenda or require any details of background papers, further documents or information you should contact Lynette Cadwallader, Committee Services Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732729 or email lynette.cadwallader@wyreforestdc.gov.uk

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* Unless there are no reports in the open session.

Wyre Forest District Council

Cabinet

Tuesday 23rd May 2017

Council Chamber Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Declarations of Interests by Members In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered. Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
3.	Minutes To confirm as a correct record the Minutes of the meeting held on the 14th March 2017.	7
4.	CALL INS a verbal update will be given on any decisions which have been "called in" since the last meeting of the Cabinet.	
5.	Items Requiring Urgent Attention To consider any item which, in the opinion of the Chairman requires consideration at the meeting as a matter of urgency.	
6.	Public Participation In accordance with the Council's Scheme for Public Speaking at Meetings of Full Council/Cabinet, to allow members of the public to present petitions, ask questions, or make statements, details of which have been received by 12 noon on Monday 15 th May 2017 (See front cover for contact details).	

7.		
7.1	<p style="text-align: right;"><i>Councillor M Hart</i></p> <p>Community Housing Group: Transfer of Engagements to Wyre Forest Community Housing</p> <p>To consider a report from the Chief Executive to consider instructions for the Council shareholder on Community Housing Group (CHG).</p>	14
8.		
8.1	<p style="text-align: right;"><i>Councillor N Desmond</i></p> <p>Business Rates: Scheme of Revaluation Support.</p> <p>To consider a report from the Chief Executive to adopt a scheme which provides revaluation support to businesses facing significant increases in rates following the revaluation.</p>	16
8.2	<p>Report on Provisional Final Accounts Outturn 2016/17</p> <p>To consider a report from the Chief Financial Officer to receive the provisional outturn position in relation to the Final Accounts for 2016/17.</p>	27
9.		
9.1	<p style="text-align: right;"><i>Councillor I Hardiman</i></p> <p>Industrial Unit Investment Business Case</p> <p>To receive a report from the Director of Economic Prosperity and Place to agree the outline business case for the Council to proceed with investing in developing new small industrial units on a Council owned site; and to proceed with the project subject to the satisfactory completion of a detailed business case. (Please note that Appendix 3 to this report contains exempt information.)</p> <p>To also consider the recommendations from the Overview and Scrutiny Committee from its meeting on Thursday 6th April 2017.</p>	34
10.	To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	
11.	<p>Exclusion of the Press and Public</p> <p>To consider passing the following resolution: “That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in paragraph 3 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2

Not open to the Press and Public

12		
	<i>Councillor I Hardiman</i>	
12	Agenda Item 9.1 Industrial Unit Investment Business Case Appendix 3 Confidential Financial Appraisal	-
13		
	<i>Councillor Ian Hardiman</i>	
13.1	Capital Portfolio Fund: Proposed Acquisition To consider a report from the Director of Economic Prosperity and Place to acquire a property for the Capital Portfolio Fund.	-
14	To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	

**WYRE FOREST DISTRICT COUNCIL
CABINET**

**COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY, KIDDERMINSTER
14TH MARCH 2017 (6 PM)**

Present:

Councillors: M J Hart (Chair), N J Desmond, I Hardiman, C Rogers, J D Smith and R J Vale.

Observers:

Councillors: H E Dyke and N Knowles.

CAB.67 Apologies for Absence

There were no apologies for absence.

CAB.68 Declarations of Interests by Members

No declarations of interest were made.

CAB.69 Minutes

Decision: The minutes of the Cabinet meeting held on 7th February 2017 be confirmed as a correct record and signed by the Chairman.

CAB.70 Call Ins

No decisions had been called in since the last Cabinet meeting.

CAB.71 Items Requiring Urgent Attention

There were no items requiring urgent attention.

CAB.72 Public Participation

In accordance with the Council's Scheme for Public Speaking at meetings of Cabinet, to allow members of the public to present petitions, ask questions or make statements, the following member of the public addressed the meeting at this point:

Councillor Anna Coleman from Bewdley.

The traders, residents and visitors believe that Wyre Forest District Council's proposed increase in parking charges unfairly penalises the town's traders and puts at risk the viability and prosperity of this town in particular as an important tourist attraction.

Will Cabinet reconsider their 20.12.2016 decision to increase parking charges in Bewdley which caused more than 1k people to sign a petition, which is being presented by me to the Cabinet?

The Cabinet Member for Operational Services thanked Councillor Coleman for submitting the petition for consideration. She commented that parking charges had been the subject of consultation for many months and had been discussed at the Overview and Scrutiny Committee. She confirmed that there were positives to the increased car parking charges as it would simplify the car parking system and was a better approach to raise revenue than increasing Council Tax. She added that many people who signed the petition may not be aware that there are benefits in the changes for Bewdley, including increased time to park in Load Street from 1 hour to 2 hours and a decrease in charges in Load Street from £1.60 to £1.30 per hour, and that there was an hour's free car parking in Gardeners Meadow.

The Leader of the Council endorsed the comments of the Cabinet Member for Operational Services. He added that public participation was welcomed and emphasised that members of the public who signed the petition should not feel that they have not been heard. He commented that Cabinet was not unfairly treating the traders and residents of Bewdley, as the charges applied to the District as a whole and were fair, equitable and consistent for the community of Wyre Forest.

CAB.73 Worcestershire Housing Partnership Plan and Consultation Exercise

A report was considered from the Strategic Housing Services Manager which considered the final version of the Worcestershire Housing Partnership Plan (WHPP) following the consultation period and subsequent amendments made to the plan.

The Cabinet Member for Housing, Health and Wellbeing led Members through the report. He explained that the Strategic Housing Partnership (SHP) would replace the current Housing Strategy and brought together a number of strategic partners including Clinical Commissioning Groups, Community Rehabilitation Company, Adult Social Care, Children, Families and Communities directorate, Registered Providers and the six Local Housing Authorities. The objective of the Partnership would be to enable people to live as independently as possible, promote opportunity for the right type of homes and improve homes and transform places.

The Leader of the Council commented that it was pleasing to see a range of partners come together for the development of the Plan. He noted the recommendations from the Overview and Scrutiny Committee and anticipated that the concerns raised would be addressed at Members Forums in the next Municipal year.

Decision:

In line with the recommendations from the Overview and Scrutiny

Committee, 2nd March 2017:

The Worcestershire Housing Partnership Plan be approved and work to develop detailed action plans commenced.

CAB.74 Council Membership on Community Housing Group (CHG)

A report was considered from the Director of Economic Prosperity and Place which considered the future of Wyre Forest District Community Members on the Board of Community Housing Group (CHG) and agreed the approach to be taken in the Council's AGM in May when nominations were usually agreed.

The Cabinet Member for Housing, Health and Wellbeing led Members through the report. He advised that the Council's housing stock was transferred to the CHG in 2000 and Members of Wyre Forest District Council had been nominated to be on the CHG Board and committees ever since. He confirmed that CHG was undergoing a governance review and it was anticipated that most of the positions that are currently held by Members would cease to exist. He added that Committee members did not have any influence on decision making on behalf of the bodies they represented.

The Leader of the Council added that the CHG had grown and changed in a variety of ways and referred to point 4.3 of the report to Cabinet which explained that as of 3rd February 2017 the Secretary of State was formally empowered to issue regulations limiting the influence of Local Authorities over Registered Social Landlords.

The Chair of the Overview and Scrutiny Committee commented that in recent years it has become apparent that Members have had diminished influence over the organisations they were appointed to and therefore the Committee recommended that no further nominations were to be made at Annual Council in May 2017.

Decision:

In line with the recommendations from the Overview and Scrutiny Committee, 2nd March 2017:

Recommended to Council:

- 1.1. That from May 2017 the Council no longer makes any nominations to the roles of Community Member on any of the Community Housing Group boards or committees;**
- 1.2. That the Council considers the outcome of the governance review commissioned by Community Housing Group when it is received and makes necessary changes to nominations to positions on the Community Housing Group as a result of any re-structure, as invited to;**
- 1.3. That delegated authority if given to the Solicitor to the Council to terminate the Memorandum of Understanding between the**

Council and Community Housing Group relating to Community Member Nominations

CAB.75 Collective Switching Energy Scheme

A report was considered from the Strategic Housing Services Manager which sought to agree a Collective Energy Switching Scheme on behalf of residents.

The Cabinet Member for Housing, Health and Wellbeing led Members through the report and commented that the scheme was good news for the residents of Wyre Forest. He explained that many people are not on the best value energy tariff and were reluctant to change providers, thus collective energy switching provided the option to collectively change. To date, 650,000 households in the UK had taken part in the scheme with an average potential saving of £243 per household.

The Leader of the Council echoed the comments of the Cabinet Member for Housing, Health and Wellbeing and added that, according to the latest government figures, 11.1% of households were thought to be in fuel poverty and therefore it is right that this scheme should be encouraged.

The Chair of the Overview and Scrutiny Committee recommended that the scheme was agreed and acknowledged that the comments regarding the report were very positive. She added that if residents took part in a collective scheme they may be more inclined to make switches on their own in future years.

Decision:

In line with the recommendations from the Overview and Scrutiny Committee, 2nd March 2017:

Wyre Forest District Council to initiate a Collective Energy Switching Scheme on behalf of residents.

CAB.76 Additional Car Parking Spaces at Wyre Forest Leisure Centre

A report was considered from the Leader of the Council which sought to agree the proposal to develop additional car parking spaces at Wyre Forest Leisure Centre with 50/50 funding between Wyre Forest District Council and Places for People Leisure (PfPL) and that the planning application will be submitted by PfPL

The Leader of the Council led Members through the report and emphasised that Cabinet was not determining the Planning application, rather that the application can be made and how it was to be funded. He explained that the Council's 50% contribution would be met from the capital contingency reserve. Therefore no additional allocation of resources is required.

The Cabinet Member for Culture, Leisure and Community Protection said that the Leisure Centre is going from strength to strength and was something to be

proud of. The Cabinet Member for Resources reported that the Leisure Centre had proved to be exceptionally popular and with an average of 35,000 users per month, rising to 47,000 in January which is 4,000 more than the combined sites of Wyre Forest Glades Leisure Centre and Stourport Sports Centre in the equivalent months in recent years. He added that an extra 31 spaces will make a huge difference and the Council has been proactive in acting quickly for local residents and users of the Leisure Centre.

Decision:

- 1.1 To agree submission of a planning application by Places for People Ltd (PFPL) for additional spaces at the Wyre Forest Leisure Centre car park in accordance with the plan in Appendix 1.**
- 1.2 To agree that costs of the works should be shared 50/50 with Places for People Leisure Ltd and that the contract with PFPL be varied to allow PFPL to procure the work on this basis.**

CAB.77 Transfer of Far Forest Play Area, Oakleaf Drive to Rock Parish Council

A report was considered from the Cultural Services Manager which sought to agree the transfer of ownership of Far Forest Play area to Rock Parish Council, with the remaining allocation of section 106 money to be transferred to the parish council to be spent on maintaining the play area.

The Leader of the Council led Members through the report. He thanked Rock Parish Council for their approach to the District Council and commented that this was a shining example of how Parish Councils play their part within the District

The Leader of the Council explained that the land on which the play area was built was transferred from Bryant Homes in 2010/11 and the Council received a sum of £35,000 to maintain the play area. £4,284 had been spent to date and the Council proposed to transfer the balance to Rock Parish Council for the purpose of maintaining the play area.

The Cabinet Member for Operational Services stated that she was pleased that Rock Parish Council had indicated that they wanted to take on the play area, which highlighted the benefits of localism in action.

Decision:

- 1.1 To decide in principle to transfer the Far Forest play area to Rock Parish Council for nil consideration, and to transfer the balance of the associated section 106 contribution, subject to a binding legal requirement that it continue to be used as a play area and that the section 106 monies only be used towards its maintenance**
- 1.2 Delegated authority be given to the Director of Community Well Being and Environment and the Solicitor to the Council, in consultation with the Leader and Cabinet Member for Operational Services, to advertise the proposed transfer of land as shown on**

the attached plan in the report to Cabinet as required by section 123 of the Local Government Act 1972; to consider any objections made as a result of the advertisement; and to take the final decision on disposal in the event of objections.

CAB. 78 Budget Monitoring Third Quarter 2016/17

A report was considered from the Chief Financial Officer which monitored the Revenue Budget and Capital Programme in accordance with the Local Government Act 2003, informed members of the Housing Benefit Overpayment debt position as at 31st December 2016 and the Sundry/Property debt position as at 31st December 2016.

The Cabinet Member for Resources led Members through the report and highlighted that it contained good news for the Council in the form of a healthy under spend of £250,000. He thanked the Chief Financial Officer and her team for their work in constantly driving for efficiencies and savings.

Decision:

The projected budget variations and comments outlined within the report to Cabinet and appendices 2 to 5 be noted.

CAB.79 Worcestershire Local Transport Plan 4

A report was considered from the Planning Policy Manager which sought to approve Wyre Forest District Council's response to the Worcestershire Local Transport Plan 4 Consultation.

The Cabinet Member for Planning and Economic Regeneration led Members through the report. He explained that the role of the Local Transport Plan (LTP4) was to set out local transport policies and a strategy for investment in transport infrastructure, technology and services to deliver against a wide range of objectives. He advised that Worcestershire County Council would aim to target investment in three broad areas: transport technology, travel choice and capacity enhancement.

The Cabinet Member for Planning and Economic Regeneration referred to the LTP4 document in appendix 1 of the report to Cabinet, which clarifies that the Wyre Forest Infrastructure Delivery Plan would have an important role in supporting the proposals contained in the emerging Wyre Forest Local Plan Review. He highlighted that Worcestershire County Council would bid for major transport funding for transport schemes including Kidderminster Transport Strategy and the Blakedown Railway Station Parkway enhancement, which was supported by Wyre Forest District Council.

The Chair of the Overview and Scrutiny Committee commented that the LTP4 consultation had been discussed at various forums and thanked the Cabinet Member for Planning and Economic Regeneration for including the Overview and Scrutiny Committee's response regarding the impact on the Green Belt Land surrounding Blakedown Rail Station Enhancement in the recommendations.

Decision:

In line with the recommendations from the Overview and Scrutiny Committee, 2nd March 2017:

- 1.1 The comments and representations as set out at Appendix 1 of the report to Cabinet, be agreed as the District Council's formal response to the Worcestershire Local Transport Plan 4 Consultation.**
- 1.2 The Director of Economic Prosperity and Place be authorised to submit the District Council's representations in accordance with the consultation deadline of 17th March 2017.**

There being no further business, the meeting closed at 7.04pm.

WYRE FOREST DISTRICT COUNCIL

CABINET
23rd May 2017

**Community Housing Group: Transfer of Engagements to Wyre Forest
Community Housing**

OPEN	
CABINET MEMBER:	Councillor Marcus Hart
RESPONSIBLE OFFICER:	Chief Executive
CONTACT OFFICER:	Ian Miller x2700
APPENDICES:	None

1. PURPOSE OF REPORT

- 1.1 To consider instructions for the Council shareholder on Community Housing Group (CHG).

2. RECOMMENDATION

The Cabinet is asked to DECIDE to mandate the Council shareholder to vote in favour of the merger of Community Housing Group with Wyre Forest Community Housing by the transfer of engagements process.

3. BACKGROUND

- 3.1 Council considered a report at its meeting on 10 May 2017 and supported significant governance changes which saw new governance rules adopted for CHG. Councillor Chris Rogers was appointed by Council as the Council shareholder on CHG.
- 3.2 The report to Council explained that, following the conversion of CHG to a community benefit society, there would subsequently be a process to merge CHG with Wyre Forest Community Housing (WFCH) by a transfer of engagements process under section 110 of the Co-operative and Community Benefit Societies Act 2014. As a result, all assets and liabilities of CHG would be vested in WFCH and CHG would be dissolved.
- 3.3 The report also explained that any question of mandating how the Council shareholder should vote is an executive function and is therefore a matter for Cabinet to decide.

4. KEY ISSUES

- 4.1 The transfer of engagements process described in paragraph 3.2 above would require two resolutions by CHG's shareholders at two separate general meetings which it is proposed should be held in August and September 2017. These meetings will be attended by the Council shareholder. It therefore falls to Cabinet to consider whether to mandate the Council shareholder on how he should vote on the resolutions.

- 4.2 The Council has already supported the proposed changes to the governance arrangements in CHG. Consistent with this, the report therefore contains a recommendation to mandate the Council shareholder to vote in favour of the merger of CHG with WFCH by the transfer of engagements process

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications to the Council arising from this report.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 There are no legal implications arising from this report. The recommendation accords with the Council's decision to support the governance changes at CHG.

7. EQUALITY IMPACT NEEDS ASSESSMENT

- 7.1 Not applicable.

8. RISK MANAGEMENT

- 8.1 There are no significant risks associated with the recommendation in this report.

9. CONCLUSION

- 9.1 The Cabinet is invited to mandate the Council shareholder to vote in favour of the merger of Community Housing Group with Wyre Forest Community Housing by the transfer of engagements process.

10. CONSULTEES

- 10.1 Cabinet
10.2 Corporate Leadership Team

11. BACKGROUND PAPERS

- 11.1 Report to Council, 10 May 2017.

WYRE FOREST DISTRICT COUNCIL

CABINET
23rd May 2017

Business rates: Scheme of Revaluation Support

OPEN	
CABINET MEMBER:	Councillor Nathan Desmond
RESPONSIBLE OFFICERS:	Chief Executive
CONTACT OFFICER:	Ian Miller x 2700
APPENDICES:	Appendix 1 Scheme of revaluation support

1. PURPOSE OF REPORT

- 1.1 To adopt a scheme to provide revaluation support to businesses facing significant increases in rates following the revaluation.

2. RECOMMENDATION

- 2.1 **The Cabinet is asked to ADOPT the scheme of revaluation support set out in Appendix 1.**

3. BACKGROUND

- 3.1 On 8 March, the Chancellor announced in the Budget that he would be making £300m available to councils to implement local schemes to support those business most affected by the revaluation. Consultation ran until 7 April. On 21 April, the Department for Communities and Local Government confirmed that the grant allocations for councils would be as set out in the consultation document and has subsequently issued a grant determination for 2017-18.
- 3.2 In summary, the confirmed shape of the scheme involves the Government providing grant under section 31 of the Local Government Act 2003 to meet the cost of councils giving discretionary relief under their powers in section 47 of the Local Government Finance Act 1988. Grant will be provided in 2017-18 and the three following years, although the amount of grant falls over time. Although the consultation paper mentioned a number of conditions that the Government was proposing to attach to the grants, only one that is relevant appears in the grant determination, namely that billing authorities must consult relevant major precepting authorities before deciding their local schemes.

The revaluation in Wyre Forest

- 3.3 The revaluation took effect on 1 April 2017 and had been delayed from 2015. Rateable values were therefore being adjusted to take account of changes that had occurred in the previous seven years. There are 3418 hereditaments on the 2017 list in Wyre Forest. Of these:

1134 rateable values have stayed the same;
1335 rateable values have reduced; and
949 rateable values have increased.

3. 4 This table gives an analysis of the average percentage change in rateable values for various sectors in Worcestershire and at district level (the valuations for individual properties can go up or down by amounts that differ significantly from these averages):

Percentage change in Rateable Value at 25th September 2016

District Council	All Sectors	Retail Sector	Industry Sector	Office Sector	Other Sector
Bromsgrove	-5.8%	-13.4%	-8.3%	-17.7%	6.7%
Malvern Hills	6.1%	6.8%	2.3%	-1.3%	9.9%
Redditch	-5.8%	-10.2%	-7.7%	-7.3%	8.2%
Worcester	0.9%	-8.2%	3.5%	-3.9%	13.2%
Wychavon	2.8%	-4.5%	-1.6%	9.2%	12.8%
Wyre Forest	-0.5%	-6.2%	-1.8%	-2.9%	9.5%
Worcestershire	-0.6%	-6.9%	-2.9%	-5.9%	10.4%

Existing relief schemes for smaller businesses

3. 5 Smaller businesses already enjoy significant benefits from small business rate relief. From 1 April 2017, any business which occupies only one property will pay nothing if its rateable value is up to £12,000. From £12,000 to £15,000, there is a sliding scale of relief from 100% down to zero. Businesses that take on a second or more properties keep any existing relief on the main property for 12 months; and can still qualify for small business rate relief on the main property after this if both the following apply:

- none of the other properties has a rateable value above £2,900;
- the total rateable value of all the properties is less than £20,000 (£28,000 in London).

3. 6 At the Budget, the Chancellor also announced that any business coming out of small business rate relief will benefit from an additional cap. No such business will see its bill increase in 2017-8 by more than £50 a month. Recognising the valuable role that local pubs play in communities, the Government is providing a £1,000 discount on business rates bills in 2017 for all pubs with a rateable value of less than £100,000, subject to State Aid limits. The final details of this have yet to be published.

Government funding for revaluation support schemes

3. 7 The Government funding is being allocated by a formula that takes account of the increase in rateable value for properties where the increase is more than 12.5%

(before reliefs) and the rateable value is less than £200k. On this basis Wyre Forest's share of the funding being provided by the Government is:

Amount of discretionary pot awarded (£000s)			
2017-18	2018-19	2019-20	2020-21
121	59	24	3

(Note: in 2017-18, the Government grant actually to be paid is £60,692, which reflects the effect of the current 50% business rates retention scheme, whereby 50% of the cost of any relief falls to the Council.)

3. 8 This is the lowest allocation in Worcestershire but simply reflects the criteria chosen by the Government for distributing the resources. It therefore suggests that medium-sized businesses in Wyre Forest are generally not facing increases as large as those elsewhere.

4. KEY ISSUES

- 4.1 The suggested design principles for the scheme are:

- 4.1.1 to minimise bureaucracy for businesses and for the council;
- 4.1.2 to take account of the basis on which the Government has calculated the council's allocation of funding;
- 4.1.3 to take account of other existing reliefs that are already available as a result of legislation or Government decisions;
- 4.1.4 to minimise the potential for breaching State Aid limits. State Aid rules apply and these limit the amount of support that may be provided to an undertaking to €200,000 over a three year period (= c£170k);
- 4.1.5 to take account of businesses' likely "ability to pay";
- 4.1.6 to provide support only for businesses that contribute to the local economy.

- 4.2 While consultation with businesses and representative bodies has not been undertaken, the approach outlined in this report accords with the views expressed by the Federation of Small Businesses:

"Over the next four years, billing authorities in this area [Shropshire, Herefordshire and Worcestershire] are expected to receive around £5.4 million of additional funding to provide transitional business rates relief. FSB is contacting them all to ask that they:

1. focus this money on micro and small businesses;
2. ensure that funds are distributed as soon as possible;
3. make sure that all affected firms know how they can benefit from the discretionary funds available;
4. make any application process simple and straightforward."

4.3 Based on the design principles outlined above, the proposed approach is set out in full in the draft scheme in Appendix 1. In summary, the key elements are:

4.3.1 **no applications will be required.** The Council will automatically apply relief where eligibility criteria are met;

4.3.2 **the Council will focus support on trading local businesses.** This would maximise the number of local businesses that would qualify, while minimising or avoiding State Aid issues and not providing additional relief to occupiers who already benefit from mandatory reliefs as a matter of law or Government-funded relief schemes. The scheme will also exclude from eligibility empty properties or properties that may be being used in a way that avoids taxation, such as where there has been a change from empty property relief but the occupation has not been established for a lengthy period;

4.3.3 in particular, **the Council will not provide support for national chains or organisations**, with only one exception that is explicitly mentioned in the scheme (Places for People Leisure Ltd in respect of the Bewdley Leisure Centre). Illustrative examples of national chains or organisations – and this list is not intended to be comprehensive - are Next, Barclays Bank, WH Smith, Greggs, Thorntons, Starbucks, Sainsbury's, British Heart Foundation, Matalan, Oxfam, Halfords, KFC, Pizza Hut, Wetherspoons etc.;

4.3.4 **support will be provided to an organisation already in receipt of discretionary relief under the Council's existing policy, to cover 100% of any increase in the bill following revaluation.** Conversely, for reasons of consistency, organisations that are not eligible for support under the Council's existing policy on discretionary relief will not generally be eligible for revaluation support;

4.3.5 **otherwise, revaluation support will be provided equally among potentially eligible businesses.** For 2017-18, the intention is to provide relief at the rate of 85% of the increase in the bill and that this will be phased out in the following three years. However the level of support in 2018-19 onwards depends on the ability to move resources between years. This flexibility was mentioned in the consultation paper but a decision has not yet been taken by the Department for Communities and Local Government: the Department will "return to this point in quarter 2" i.e. at some point before the end of September. The estimated levels of support are as follows:

2017-18	2018-19	2019-20	2020-21
85%	40-45%	20-25%	<5%

Estimated impact of the proposed scheme

4.4 There are 788 hereditaments with a rateable value between £15k and £200k. Of these, 234 are facing an increase in rateable value on 1 April 2017. Rateable values of most shops in the town centres are decreasing and few businesses in

the town centres would therefore be eligible for support, whatever parameters are devised. It is estimated that a total of 85 hereditaments would qualify for £115k of support in 2017-18 under the proposed scheme.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from the revaluation support itself, so long as the costs of the scheme are kept within the funding provided by the Government. However no confirmation has yet been provided by the Government about new burdens funding to meet the administrative costs of designing and operating the scheme. So far, these have been absorbed within existing budgets.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 Relief will be provided using the Council's discretionary powers under section 47 of the 1988 Act. It is for the Council to design the policy of how it proposes to exercise the powers.

7. EQUALITY IMPACT NEEDS ASSESSMENT

- 7.1 Not applicable – the revaluation support relates to businesses, not to individuals with protected characteristics.

8. RISK MANAGEMENT

- 8.1 The main risk relates to ensuring that the local rules for revaluation support do not lead to costs greater than the Government funding being made available, as that would add to the financial pressures facing the Council. The proposed scheme is estimated to cost slightly less than available Government funding in 2017-18: this allows some headroom in case additional properties become eligible for support, for example if new eligible occupiers take over some properties. Conversely, the risk is likely to be mitigated further by any successful proposals or appeals that reduce rateable values and therefore reduce the amount of revaluation support.
- 8.2 A further risk relates to the lack of confirmation about Government funding for administrative costs of designing and operating the scheme. In order to reduce that risk, the scheme has been designed to minimise administrative costs.

9. CONCLUSION

- 9.1 The Cabinet is invited to approve the scheme of revaluation support set out in Appendix 1.

10. CONSULTEES

- 10.1 Cabinet
10.2 Corporate Leadership Team
10.3 Section 151 officers, Worcestershire County Council and Hereford & Worcester Fire and Rescue Authority. Comments received have been taken into account in drafting the report.

11. BACKGROUND PAPERS

- 11.1 DCLG consultation document on proposals on the design and implementation of the locally administered Business Rates Relief Scheme

<https://www.gov.uk/government/consultations/discretionary-business-rates-relief-scheme>

- 11.2 DCLG decision on final shape of the scheme: accessible from the same link

- 11.3 DCLG grant determination No. 31/3071 and accompanying letter, 28 April 2017

WYRE FOREST DISTRICT COUNCIL

LOCALLY ADMINISTERED BUSINESS RATES RELIEF SCHEME 2017-18

Background

1. This paper outlines the scheme of revaluation support that WFDC will operate following the Chancellor's announcement on 8 March and the DCLG's decision on 21 April to confirm the level of funding for councils. This scheme was approved by WFDC's Cabinet at its meeting on 23 May. The report to the Cabinet sets out relevant background and information that informed the Council's decision and can be seen at this link <to be inserted>. Bills for relevant businesses will be recalculated and reissued without the need for applications.

Design principles

2. The scheme has been designed to:
 - minimise bureaucracy for businesses and for the council;
 - take account of the basis on which the Government has calculated the council's allocation of funding;
 - take account of other existing reliefs that are already available as a result of legislation or Government decisions;
 - minimise the potential for breaching State Aid limits. State Aid rules apply and these limit the amount of support that may be provided to an undertaking to €200,000 over a three year period (= c£170k);
 - take account of businesses' likely "ability to pay";
 - provide support only for businesses that contribute to the local economy.

Outline of the scheme

3. **No applications will be required. WFDC will automatically apply relief where eligibility criteria are met.** This approach to awarding revaluation support has benefits for businesses because they do not need to pay for rating agents to make applications on their behalf – WFDC will calculate the relief for any eligible business and send out an adjusted bill automatically. Any business that is unhappy with how the scheme has been operated in its case can make representations, which would be considered and might lead to a revised decision on eligibility for support. This will be handled under our "let us know" policy without the need for a complicated or costly appeals mechanism. <http://www.wyreforestdc.gov.uk/the-council/contact-us/let-us-know.aspx>
In order to mitigate the risk that State Aid limits might inadvertently be breached, recipients will be asked to contact the Council if the support causes or might cause issues under State Aid rules. In these circumstances, the Council reserves the right to review or remove revaluation support.
4. **The Council will focus support on trading local businesses.** This would maximise the number of local businesses that would qualify, while minimising or

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Appendix 1

avoiding State Aid issues and not providing additional relief to occupiers who already benefit from mandatory reliefs as a matter of law or Government-funded relief schemes. The scheme will also exclude from eligibility properties that may be being used in a way that avoids taxation, such as where there has been a change from empty property relief but the occupation has not been established for a lengthy period. The following hereditaments will not therefore be eligible:

Ineligible hereditaments	Rationale
Any hereditament where there has not been an increase in bills following revaluation.	Proposed Government condition for the grant.
Rateable value over £200k	<p>Government funding has not been provided in respect of such properties.</p> <p>They tend to be occupied by large businesses or organisations that “can cope” e.g. supermarkets.</p> <p>Providing support for such businesses could quickly reach State Aid limits and could leave little to support smaller businesses.</p>
Rateable value below £15k	Covered by small business rate relief.
<p>Hereditaments occupied by a national chain or organisation.</p> <p>Definition of “national chain or organisation”: any organisation which is known, or may reasonably be assumed by the Council, to occupy hereditaments in the areas of many billing authorities in several different regions of England. “Many” does not mean a “few”.</p> <p>Factors that will be considered in deciding whether an organisation is “national”:</p> <p style="padding-left: 40px;">a) a company that operates a</p>	<p>Excluding national organisations minimises risk of State Aid limits being breached.</p> <p>National organisations, including charities, are able to absorb costs more easily than independent and</p>

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Ineligible hereditaments	Rationale
<p>number of shops, factories or other undertakings only in the West Midlands region would not be likely to be considered “national”;</p> <p>b) location of the registered office/HQ of the company. If this is outside the West Midlands, it will be strongly indicative of a “national” organisation. Some national organisations have their registered office in Wyre Forest or nearby, and they can be ineligible as set out in the definition above.</p> <p>Exception: Places for People Leisure Ltd will not be treated as a “national organisation” in respect of Bewdley Leisure Centre. Paragraph 5 below is relevant to this hereditament</p>	<p>local organisations. Charities receive 80% mandatory relief.</p>
Doctors’ surgeries and any NHS establishment	<p>Surgeries enjoyed a significant reduction in bills as a result of an appeal in 2015. NHS bodies should continue to contribute their full business rates as they have done for decades.</p>
Schools	<p>Academies are eligible for mandatory 80% relief as charities, but the Council’s policy does not provide access to discretionary relief.</p> <p>Other schools should continue to contribute their full business rates as they have done for decades.</p>
Housing associations/registered social landlords	Consistency with

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Appendix 1

Ineligible hereditaments	Rationale
	the Council's existing policy which does not provide access to discretionary relief.
Empty hereditaments	Eligible for empty property relief for 3 months (6 months for industrial properties). No justification for providing revaluation support for buildings that continue to be empty – there is no economic activity associated with them.
Hereditaments that have benefited from empty property relief in the last 3 months (or 6 months in the case of industrial property)	<p>To prevent abuse of the business rates system by companies that use buildings for a short period (usually for storage) and then cease usage in order to qualify for a further period of empty property relief.</p> <p>This will not affect the Council's ability to provide support for genuine start ups. They can be eligible for support under the Council's existing discretionary relief policy.</p>

5. **Revaluation support will be provided to an organisation already in receipt of discretionary relief under the Council's existing policy, to cover 100% of any increase in the bill following revaluation.**
6. **Otherwise, revaluation support will be provided equally among potentially eligible businesses.** For 2017-18, the intention is to provide relief at the rate of 85% of the increase in the bill, and that this support will be phased out over the following three years. In 2020-21, the value of support is expected to be minimal and will disappear altogether in 2021-2022. The estimated value of support across the four years is expected to be as follows, although the actual figures for 2018-19 and later years can be confirmed only in the light of actual revaluation support payments made in earlier years, the impact of successful proposals/appeals to alter the valuation list, confirmation by the Government of ability to move resources between financial years etc.

2017-18	2018-19	2019-20	2020-21
85%	40-45%	20-25%	<5%

Other conditions of the scheme

7. The Council will recalculate eligibility for revaluation support in the event of a change to the rating list that affects an eligible property, whether retrospective or otherwise. For example, this might happen if the rateable value is changed because of a successful proposal or appeal.
8. The Council reserves the right not to award additional revaluation support in the event of a further increase in a property's rateable value, having regard to the total amount of Government funding being made available for revaluation support.
9. The Council will announce the precise level of revaluation support in 2018-19 and later years in advance of the start of the financial year. Businesses will be notified individually by means of their rates bill for the financial year, which will show the amount of revaluation support.

WYRE FOREST DISTRICT COUNCIL**CABINET REPORT****23rd May 2017****REPORT ON PROVISIONAL FINAL ACCOUNTS OUTTURN 2016/17**

OPEN ITEM	
CABINET MEMBER:	Nathan Desmond
DIRECTOR:	Chief Financial Officer
CONTACT OFFICER:	Tracey Southall Ext. 2100 tracey.southall@wyreforestdc.gov.uk
APPENDIX 1	Appendix 1 - Explanation of Major Variations on Revised 2016/17 Budget

1. PURPOSE OF REPORT

- 1.1 To receive the provisional outturn position in relation to the Final Accounts for 2016/17.

2. RECOMMENDATIONS

The Cabinet is asked to NOTE as detailed in Appendix 1:-

- 2.1 The most welcome news that a total saving of £1,112,540 has been achieved for 2016/17 reducing to £662,540 after the transfers to risk reserves as set out in 2.2 and 2.3 below. This has been achieved by prudent budget management, particularly in relation to Pay and General Administration budgets together with a robust review and release of circa £310,000 earmarked reserves no longer required.
- 2.2 That £150,000 from the 2016/17 savings has been used to increase the existing earmarked reserve for the Innovation Fund to continue to meet the costs of our challenging Wyre Forest Forward Programme as detailed in paragraph 4.6.
- 2.3 That £300,000 from the 2016/17 savings has been used to replenish the Business Rates Equalisation/Regeneration Risk Reserve to its previous level.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2015 have been incorporated into the Council's Financial Regulations. These regulations require that the Council's Statement of Accounts be produced and approved by the Chief Financial Officer on or before 30th June, 2017.
- 3.2 Regulations require an accelerated closedown table for the 2017/18 accounts with the draft accounts being prepared by the end of May and the final audited accounts by the end of July. As part of the preparations for this earlier closedown, the Finance team

has actively worked with Grant Thornton this year to bring forward the completion of closedown processes. This has been a successful exercise and providing learning points for next year when the earlier closedown is a statutory requirement.

- 3.3 The Audit Committee will be considering and endorsing the full Pre-Audit Statement of Accounts on 31st May 2017, and a full copy of the Statement of Accounts will be made available on the Council's Intranet for Members' perusal.
- 3.4 The Statement is then subject to audit. Whilst the Council's external auditor, Grant Thornton, has until 30th September 2017 to complete the audit, an earlier timetable of the end of July is planned for this year in preparation for the earlier statutory timeline for the 2017/18 accounts. We do however still have until the 30th September to formally publish the 2016/17 Statement.
- 3.5 Should it be necessary for Grant Thornton to agree technical changes with the Chief Financial Officer while the accounts are subject to audit, these will be made under delegated powers. All Members of the Council will be provided with an electronic copy of the Statement.
- 3.6 Members may wish to note that the Council's Accounts will be made available for public inspection as required by the Accounts and Audit Regulations 2015, for a period of 30 days between 5th June 2017 and 14th July 2017. The revised legal requirements no longer include an appointed day when external auditors must be available for questions or queries. If any local government elector for the area has any questions on the Accounts for the external auditor an appointment should be made in advance, in writing.
- 3.7 The provisional revenue outturn position has identified savings of £662,540. This is subject to audit and after the creation of the earmarked reserves for the top-up of the Innovation Fund £150k and £300k top-up of Business Rates Equalisation/Regeneration Risk Reserve. Appendix 1 summarises major variations from the Revised Budget for Members' information.

4. KEY ISSUES

- 4.1 The most significant issue facing the Council remains its financial position. The updated medium term financial strategy, approved by February Council, provides a balanced approach for the next three years. There is a planned contribution from reserves in 2017/18 of £308,420 and the forecast impact of changes to the Funding regime mean that by 2019/20 transfers from reserves are required of around £800,000. The overall funding gap increases to around £2m from 2019/20 and further work on the Wyre Forest Forward Savings Strategy is actively being progressed to close this gap and ensure the future financial sustainability of the Council. More certainty around the scale of future financial savings will be known following the release of further detail on the Funding Reform.
- 4.2 Business Rates – Provisional Final Position
 - 4.2.1 This has been the fourth year of the Business Rates Retention Scheme and the first year of operation of the smaller Worcestershire Business Rates Pool without Malvern Hills District Council. Draft results for this year are extremely positive for the Pool

overall and also for Wyre Forest with the Pool retaining total levy of £1.18m, of which 50 percent (after deduction of the £10k Worcestershire County Council administration fee) is held in a risk reserve with the remainder distributed to Pool members. This Council has achieved our revised budget estimate of £2.802m including our estimated share of retained growth of £200k over baseline.

4.2.2 Several factors have contributed to this good news. Firstly, growth has been more positive this year. Secondly, whilst appeals remain a risk, and the new Rating list issued by the Valuation Office effective from April 2017 has caused some concern, it has been possible broadly to manage new appeals and bad debt provision within our previous provision levels. These factors, together with no significant business failings in 2016/17, have contributed to the Council's results. Based on the membership agreement of the Worcestershire Business Rates Pool, we will pay circa £210k into the risk reserve this year, and the risk pot for the whole Pool will be circa £712k to take forward to 2017/18. We should receive a Pool payment for our share of the retained levy of £89k based on our growth. However, the increased risk around appeals in relation to Supermarkets, in particular, remains and although we have made provision within the accounts for such payments it is unknown if this will be sufficient.

4.2.3 As part of the 2015/16 Final Accounts Process a Business Rates Equalisation/Regeneration Risk Earmarked Reserve was approved of circa £570k towards risk mitigation of unforeseen increases in appeals, the impact of the ongoing Business Rates reform and or decline in growth. Approval of circa £140k from this reserve was approved for the demolition of Bewdley Medical Centre and it has also been necessary to apply a further £160k to achieve this year's estimated growth (as a result of the retrospective accounting requirement for business rates). To preserve this essential risk reserve at the previous level it is therefore necessary to allocate £300k as part of the Final Accounts process.

4.3 Included within Appendix 1 is the identification of the significant variances against the Revised Budget for 2016/17. These variances include:

- i) Pay, General Administration and Miscellaneous Corporate savings of £209k
These relate to various accounts across the whole of the Council rather than any single front line service. It is clear that reductions have been made in expenditure across the Authority as austerity continues. This includes savings in pay budgets of £94k most of which is for vacant posts where recruitment has taken longer than anticipated, reductions in overtime and agency and £52k of General Administration savings as a result of tight housekeeping on these generic budgets.
- ii) Revenues (Council Tax) service running costs, positive variance of £51k
The court costs related to debt recovery of the Revenues Service are lower than anticipated, together with savings in other general running expenses due to improved systems and processes.
- iii) Icelandic investment impairment improvement – favourable variance of £48k
These funds can now be released to general reserves following an improvement in the recovery forecasts and actual receipts to date received from the Administrators.

- iv) Property-related savings/extra income for Wyre Forest House and Other Property - favourable variance of £25k
The net favourable variance is made up of savings in property costs/extra income
- v) Depot services increased Income of £76k
Increased income as a result of promotional work at the depot.
- vi) Development Control – extra Income of £40k
Additional income over and above the budget estimate was received in the final quarter from Development Control for 2016/17.
- vii) Housing Benefit Overpayments – improved recovery of debts - £190k
Improved recovery of benefit overpayments during 2016/17.
- viii) Additional External Interest income/lower interest paid on loans of £71k
This additional interest on investments has resulted from slightly longer durations and robust treasury management of funds together with lower interest rates paid on external borrowing compared to budget assumptions.
- ix) Car parking savings in running costs of £54k
The costs of car parking repairs and maintenance, including site maintenance have been managed down to achieve budget savings.
- x) Cultural and leisure services net saving/ additional income of £20k
Careful management of this budget has resulted in reduced costs and increased income over most budget areas.
- xi) Additional Business Rates Equalisation/Regeneration Risk earmarked reserve for this year of £300k
The variance analysis includes expenditure to replenish the existing Business Rates Equalisation/Regeneration Risk earmarked reserve to its previous level of £570k towards risk mitigation of future appeals and the impact of the ongoing system reform as detailed in paragraph 4.2.
- xii) Release of earmarked reserves – favourable variance of £310k
Existing and new requests for earmarked reserves were subject to additional challenge this year and this resulted in a release into general reserves of circa £310k.
- xiii) Other additional earmarked reserves new for this year of £150k
The variance analysis includes expenditure of £150k to replenish the Innovation Fund to assist the Wyre Forest Programme of Innovation.

- 4.4 It is clear that the future financial position for the Council will continue to be challenging with austerity measures set to continue to balance the macro budget in the run up to and beyond the exit from the European Union. The reduced level of funding currently programmed for the Council in the future is being mitigated by a raft of innovative reviews being developed and implemented as part of the Wyre Forest Forward programme.

- 4.5 The draft position for 2016/17 demonstrates that through prudent financial management and the review and release where relevant of existing earmarked reserves resources were made available to fund additional earmarked reserves (net of release of reserves) as set out in paragraph 3.7.
- 4.6 The Innovation Fund set up in 2011/12 for one-off implementation costs to support the Wyre Forest Forward programme has been extremely successful in delivering the change programme. This report proposes an additional £150k to supplement this reserve from final account savings. Taking this into account £405k remains uncommitted from this fund at the end of 2016/17.
- 4.7 Cabinet is asked to note additional funding for the following significant earmarked reserves from the surplus in 2016/17. The first is the top-up of the Innovation Fund £150k, the second is the replenishment of the Business Rates Equalisation/Regeneration Risk Reserve by £300k.
- 4.8 It should also be noted that, the Working Balance remains at £1m to reflect the significant financial risks faced by this Council as a result of the planned fundamental changes to the Government Funding Regime in 2017/18 and beyond, inevitable further austerity measures expected and also the continuing Welfare Reform changes.

5. FINANCIAL IMPLICATIONS

- 5.1 It is very welcome that the positive variance of £1,112,540 compared to the Revised Budget, reducing to £662,540 following the creation of additional significant earmarked reserves, results in a contribution to General Reserves of £1,174,590 rather than the planned contribution to reserves of £512,050. The resultant reserves will be reconsidered in accordance with the Council's Finance Strategy, as part of the budget process for 2018/19 onwards. The saving is greater than reported at Quarter 3 budget monitoring due to a number of events and decisions in the last quarter coupled with year-end transactions and the release where possible of earmarked reserves.
- 5.2 These remain extremely challenging times for the Council given the impending changes to the landscape of the Government's funding regime that will continue to emerge as consultation papers are published. The saving on outturn is welcomed and has been utilised to earmark funds to meet potential liabilities, create resilience and also to increase General Balances compared to forecast, to mitigate the potential future impact of funding volatility.
- 5.3 Total general reserves available for the 2018/21 Financial Strategy should now stand at circa £3.914m compared to the previous forecast of £3.251m

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 None.

7. RISK MANAGEMENT

- 7.1 The principal risk to the Council is non-achievement of the Accounts and Audit Regulations 2015 deadline, in respect of production and approval of the Statement of

Accounts before 30th June 2017, and qualification of the Accounts by the Council's External Auditors.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 This is a financial report and there is no requirement to undertake an Equality Impact Assessment.

9. CONCLUSION

- 9.1 This report details the provisional outturn position as at 31st March 2017 and provides information on the creation of further significant earmarked reserves.

10. CONSULTEES

- 10.1 CLT/Cabinet

11. BACKGROUND PAPERS

- 11.1 Accounts and Audit Regulations 2015
Financial Strategy 2017/20

PROVISIONAL OUTTURN
MAJOR VARIATIONS BETWEEN REVISED BUDGET
AND ACTUAL NET EXPENDITURE FOR 2016/17

Total Revised Budget 2016/17	£ 12,681,140
LESS:	
Actual Net Expenditure - not finalised - still subject to validation	12,021,630
SAVINGS COMPARED TO 2016/17 REVISED BUDGET	(659,510)
Increase in Funding from Business Rates/other Govt funding	(3,030)
OVERALL SAVING COMPARED TO REVISED BUDGET INCLUDING FUNDING	(662,540)

Description of Estimated Major Variances	Extra Costs/ Reduced Income £	Savings/ Additional Income £
Chief Executive		
1. Housing Benefit - improved recovery of benefits overpayments during 2016-17		(189,500)
2. Wyre Forest House savings in property running costs and improved income		(21,300)
3. Council Tax - savings in service running costs including reduced fees for court costs		(50,600)
4. Bank Charges - good management of expenditure and income processes		(15,400)
5. Release of Earmarked Reserves to General Reserves (pensions and Benefits)		(190,000)
Community Well Being and Environment		
1. Depot Services - Increased income		(76,400)
2. Sport Pitches - reduced building and ground maintenance costs		(23,600)
3. Community Development - income target not achieved	12,000	
4. Nature Reserves - reduction in maintenance of grounds costs and grant income received for salaries		(23,300)
5. Car Parks - reduction in maintenance costs and increase in income		(54,100)
6. Kidderminster Town Hall - reduced income due to refurbishment works	15,700	
7. Release of Earmarked Reserves to General Reserves		(22,900)
Economic Prosperity and Place		
1. Other Property (including Industrial properties) - reduction in income due to write off	15,200	
2. Wyre Forest Property Services - reduction in consultancy fees		(19,400)
3. Development Control increased income received in final months of 2016/17		(40,000)
4. Building Control Fees - Release of funds		(20,400)
5. Release of Earmarked Reserves to General Reserves		(9,100)
Capital Account		
1. Interest - reduced interest on external borrowing due to Capital Programme rescheduling to later years/improved rates achieved and additional income from investments		(71,400)
2. Reversal of impairment to reflect improved final recovery for KSF Icelandic investment		(48,300)
3. Release of Icelandic Earmarked Reserves to General Reserves		(27,000)
Corporate Variations		
1. Payroll related savings		(93,600)
2. Admin Expenses - savings		(51,900)
3. Release of Ear Marked Reserve -for recovery of VAT re Trade Waste Voluntary Disclosure		(58,600)
4. Miscellaneous savings		(48,640)
5. Replenishment of Innovation Fund and increase in the Business Rates/Regeneration Risk Reserve	450,000	
	492,900	(1,155,440)
REDUCED NET EXPENDITURE ON YEAR 2016/17 - PROVISIONAL		(662,540)

WYRE FOREST DISTRICT COUNCIL

CABINET
23rd May 2017

Industrial Units Investment Outline Business Case

OPEN WITH EXEMPT APPENDIX 3	
CABINET MEMBER:	Cllr Ian Hardiman
RESPONSIBLE OFFICER:	Head of Economic Development & Regeneration – North Worcestershire
CONTACT OFFICER:	Dean Piper, Ext. 2192 Dean.piper@nwedr.org.uk
APPENDICES:	Appendix 1 – Land off Silverwoods Way – site boundary Appendix 2 - Proposed industrial units scheme layout Appendix 3 – Financial appraisal (EXEMPT)

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to agree the outline business case for the Council to proceed with investing in developing new small industrial units on a Council owned site; and to proceed with the project subject to the satisfactory completion of a detailed business case.

2. RECOMMENDATION

The Cabinet is asked to DECIDE:

- 2.1 To agree to the outline business case for the development of a new small industrial units scheme on Council owned land off Silverwoods Way in Kidderminster utilising borrowing capacity from the Council's Capital Portfolio Fund and funding from its Evergreen Investment Fund;
- 2.2 That delegated authority is granted to the Director of Economic Prosperity & Place, in consultation with the Chief Financial Officer, Solicitor to the Council and Cabinet Member for Planning and Economic Regeneration to:
- (i) Finalise and approve the detailed business case for the development of the new small industrial units scheme;

And subject to agreeing the detailed business case to:

- (ii) Appointment a contractor(s) to design, develop and build the units and to project manage the delivery of them.

3. BACKGROUND

- 3.1 As part of its medium term financial strategy, the Council has agreed a proposal to use its prudential borrowing capability to create a new Capital Portfolio Fund of up to a maximum of £25m. This allows Cabinet to proceed with individual investments without the need to seek further Council approval that support the Council's economic regeneration objectives.
- 3.2 One of the Council's Corporate Priorities 2014-19 is to "Support you to contribute to a successful local economy" and a Strategic Action to help business to start up and existing business to grow. The Council's Strategic Asset Management Plan and Enterprise and Business Growth Strategy build on these priorities and provide the strategic context for the Council to identify new opportunities to expand its current industrial unit portfolio to support its economic development priorities and to generate new revenue streams.
- 3.3 The Council has recognised that there is a strong demand for small industrial units of up to 6,000 square feet (sqft) and that this unmet demand is not being fully addressed by the private sector. In particular, there is a shortage of good quality units at the smallest end of the range between 500 and 1,000 sqft.
- 3.4 In November 2016, Cabinet approved a business case for the Council to invest in building six new small industrial units of between 2,000 and 4,000 square feet, which will provide much needed grow on space for existing companies within the area. In parallel, officers have been exploring a number of other opportunities to develop further industrial space both by building on Council owned sites or by purchasing suitable third party land.
- 3.5 The most immediate opportunity available to the Council is to develop a small parcel of vacant Council owned land off Silverwoods Way which is adjacent to the existing Council run Hoobrook Enterprise Centre. The proposed site comprises 0.26 hectares (0.64 acres) and is shown outlined in red on the plan attached at Appendix 1. The site was formerly occupied by a depot building owned by an automotive parts and accessories company which has since been demolished and the site has since been remediated. The parcel of land is in a prominent position and directly fronts to the newly built Hoobrook Link Road (Silverwoods Way), which improves the deliverability of a commercial scheme on the site. The land is in the Council's ownership and is available for immediate development. The site is within the boundary of the South Kidderminster Enterprise Park Local Development Order (LDO) area which provides a simplified planning process for commercial developments in this area and it is anticipated that any scheme brought forward on the site would be compliant with the LDO.
- 3.6 The Council has undertaken an initial feasibility study to ascertain the viability of developing a small industrial units' scheme on the site including an analysis of local market demand and the preparation of an outline business case incorporating a financial appraisal of delivering the scheme.

- 3.7 The Council's Overview and Scrutiny Committee considered the outline business case at its meeting on Thursday 2nd March and its recommendations will be reported at this meeting.

4. KEY ISSUES

- 4.1 To meet the identified gap in the market and to support the delivery of its Enterprise and Growth Strategy, the Council proposes to develop a suite of small industrial units on the vacant parcel of land that it owns off Silverwoods Way.
- 4.2 The proposed scheme provides the opportunity to provide an extension to the existing industrial estate and to increase the supply of small units in the Kidderminster area. Other options for development have been ruled out in the view of the small size of the site and the Council's ambitions to support local economic development and business growth. Based on an analysis of the capacity of the site an indicative scheme has been developed comprised of 9 small industrial units of 600 square feet each (total 5,400 sqft) plus car parking (see layout at Appendix 2). There is some flexibility to combine the units should tenants require larger accommodation of up to 1,200 sqft.
- 4.3 A demand assessment completed by Thomas Lister Ltd on behalf of the Council has confirmed that the site should be an attractive proposition for a small industrial units' scheme and would provide a natural extension to the existing Hoobrook Enterprise Centre, which is a very popular location and has maintained good occupancy levels in recent years. With the site currently vacant and the Hoobrook Link Road recently opened, it is considered that such a scheme would be capable of early delivery and would fulfil market demand for good quality small industrial units. The market analysis completed by Thomas Lister Ltd provides an assessment of the anticipated rental level for the units and the gross annual income that the units could yield on full occupation.
- 4.4 An outline cost plan has been generated for the proposed scheme, which is based on costings provided by Thomas Lister Ltd and additional support procured by NWEDR from an independent consultant PER Consulting Ltd. The outline costings include estimated costs for constructing the units, professional fees, contingencies and preliminaries. The costs would need to be tested and refined as part of the detailed business case and a detailed cost plan for the external build and internal fit out of the units would need to be prepared and verified by a qualified Quantity Surveyor.
- 4.5 Officers have undertaken an initial high level evaluation of the scheme in terms of its financial viability by using an Investment Appraisal Tool which calculates an estimated net rental income based on the estimated costings and income potential of the scheme (see Exempt Appendix 3). The appraisal takes into account the cost of borrowing from the Public Works Loan Board (PWLB) and the minimum revenue provision (MRP) the Council would be required to make based on the amount borrowed and the life of an asset.
- 4.6 Officers have sensitivity tested potential financial returns based on different rental levels and build costs. For purposes of the appraisal, officers have tested a range of scenarios including the impact of high, medium and low construction costs and high, medium and low rental levels being achieved. The estimated construction costs are

set out in Column A in the table at Appendix 3 and the estimated income levels are set out in Column B. In terms of assessing the income potential of the scheme, a void rate of 10% and a 5% rate for bad debt has been applied, which are standard metrics for considering developments of this type. For completeness, the appraisal sets out the notional land value for the site, which is based on advice obtained by Thomas Lister Ltd.

- 4.7 The outcome of the evaluation is that to ensure that the scheme generates an acceptable annual income stream; the Council will need to fund the project using recycled capital receipts from its Evergreen Investment Fund (EIF) and prudential borrowing from the PWLB. The proposed split of funding is set out in Column C in the table at Exempt Appendix 3. If the Council was to fund the scheme using solely funding from prudential borrowing then it becomes unviable, as the borrowing costs significantly diminish the projected income levels to a point where it generates a deficit.
- 4.8 Subject to the development of a satisfactory detailed business case, it is proposed that the Council directly delivers the scheme and procures suitably qualified and experienced contractors to construct the units to an agreed specification. As part of this process, officers will explore the potential to utilise existing public procurement framework agreements to identify suitable contractors to bring forward the delivery of the scheme as long as it can be demonstrated that best value can be achieved e.g. the SCAPE Group is a public sector organisation that offers local authorities access to a full suite of design and construction services via a framework agreement and the Council is already signed up to be able to access services via the SCAPE frameworks.
- 4.9 The scheme would be managed internally by the Council's new Property and Investment Manager when they are appointed, with specialist advice and support such as architectural support, financial viability testing and market analysis commissioned as and when required. The Director of Economic Prosperity & Place and Head of Economic Development & Regeneration – North Worcestershire would continue to act jointly as 'senior responsible officers' for the project. It is anticipated that the Council's Property and Investment team would be responsible for managing the units and dealing with lettings and tenancy agreements.
- 4.10 As part of the final business case, a more detailed financial appraisal will need to be undertaken to finalise project costs, including a detailed cash flow both through the construction period but also up until the proposed scheme is fully let and income generating. The assessment will programme project construction costs (based upon a detailed cost plan), professional fees and other costs such as void NNDR and management costs in order to assess the cash flow requirements and projected net returns to the Council of the proposed investment to the Council. The business case will also include further analysis on local market conditions and an assessment of project benefits, risks and timescales for delivery.

5. FINANCIAL IMPLICATIONS

- 5.1 The potential to bring forward schemes that generate new revenue streams is in line with the Council's strategic priorities and is part of the Council's overall plan towards achieving financial sustainability. The development of new commercial property

schemes is one way that the Council can achieve new income streams and support its economic development objectives subject to the project generating an acceptable return on investment.

- 5.2 The Investment Appraisal (see Exempt Appendix 3) demonstrates that the scheme is capable of achieving a positive financial return to the Council; the appraisal is based upon estimated construction costs, income projections and borrowing costs. The costs will need to be refined as part of the detailed business case and a detailed cost plan for the external build and internal fit-out would need to be prepared and verified by a Quantity Surveyor.
- 5.3 It is proposed that this development scheme will be financed utilising funds from the Council's innovative new £25m Capital Portfolio Fund and recycled capital receipts currently deposited in the Council's Evergreen Investment Fund. The scheme would be the first project to be funded from the new Capital Portfolio Fund.
- 5.4 In terms of on-going costs, the detailed business case will consider these further. However, it is expected that the Council will be responsible for carrying out the repairs and maintenance to the exterior of the industrial units and will seek to recover these costs on a pro-rata basis from the occupiers of the scheme via a service charge. The tenants occupying the units will be responsible for all internal repairs and maintenance to the premises that they lease from the Council. It is anticipated that the Council's Property and Investment Team will manage the units, taking responsibility for lettings and preparing tenancy agreements.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The construction contracts and associated legal documentation will be completed by the Council's Legal team to ensure that the Council's interests are protected at all times.

7. EQUALITY IMPACT NEEDS ASSESSMENT

- 7.1 An Equalities Impact Screening Assessment is not required at this present time.

8. RISK MANAGEMENT

- 8.1 A risk matrix for the scheme has been produced as follows. It is anticipated that further analysis of risks will be undertaken as part of the full business case for the scheme.

RISK REGISTER	Impact (H/M/L)	Likelihood (H/M/L)	Risk Rating (R/A/G)	Risk Mitigation
Construction costs are higher than anticipated	H	L	A	A detailed cost plan will be prepared by a suitably qualified and experienced cost consultant on the finalisation of the scheme layout and specification; the aim will be to secure best value on construction through a competitive tendering process.

RISK REGISTER	Impact (H/M/L)	Likelihood (H/M/L)	Risk Rating (R/A/G)	Risk Mitigation
Council unable to secure 100% occupancy of units	M	L	G	Market advice demonstrates that there is a strong demand for the proposed size of units from local SMEs. A void rate of 10% has been built into the Council's financial appraisal.
Economic conditions decline	M	M	A	Evidence suggests that there is strong demand for this type of units.
PWLB borrowing rates increase meaning the financial affordability test fails	H	L	A	Dependant on prevailing macro economic conditions and timing, it is likely that rates will increase slightly but that the scheme will remain viable.
Council unable to achieve desired rental levels for the units reducing the net income generated through the scheme	M	L	G	Demand assessment shows that the proposed rental levels are realistic and other Council run industrial units are achieving these values.

9. CONCLUSION

- 9.1 The Council has identified as a priority a need to support economic development and to work pro-actively to bring forward small and medium sized units, where the market is not delivering.
- 9.2 Based on market advice and a financial viability assessment, the proposed scheme at Land off Silverwoods Way provides the Council with a viable opportunity to build new industrial units to generate a sustainable income stream and provide good quality and modern accommodation for small-medium sized businesses. The units will complement the Council's existing portfolio of industrial units and help to satisfy current demand for small units in the district.
- 9.3 It is recommended that funding from the Council's Capital Portfolio Fund and Evergreen Investment Fund is allocated to the project to enable the construction of the new industrial units, subject to the development of a satisfactory detailed business case.

10. CONSULTEES

- 10.1 CLT/Cabinet

11. BACKGROUND PAPERS

- 11.1 Enterprise and Business Growth Strategy

11.2 Strategic Asset Management Plan

11.3 Capital Portfolio Fund

WYRE FOREST DISTRICT COUNCIL

**Cabinet
23rd May 2017**

**Overview and Scrutiny Committee
Thursday 6th April 2017**

Industrial Units Investment Outline Business Case

The Committee considered a report from the Head of Economic Development & Regeneration – North Worcestershire, which set out a proposal for the Council to develop a new small industrial units scheme on a Council owned site.

Members welcomed the proposal which would support the Council's economic development priorities and generate new revenue streams.

Recommend to Cabinet:

The proposal for the Council to develop a small industrial units scheme at Land off Silverwoods Way in Kidderminster be approved subject to the production of a satisfactory detailed business case.

Background papers:

Report to the Overview and Scrutiny Committee, Thursday 6th April 2017

<http://www.wyreforest.gov.uk/council/meetings/com193.htm#mt7616>



