Cabinet

Members of the Cabinet

Mr J Fuller  
Chairman  
Leader, External Affairs

Mr M Wilby  
Vice-Chairman  
Deputy Leader, Communities and Localism

Portfolio Holders

Mrs Y Bendle  
Housing and Public Health

Mr D Bills  
Innovation and Efficiency

Mr K Kiddie  
Environment and Regulation

Mr G Wheatley  
Finance and Resources

Group Meetings

Conservatives:  
Cabinet Office  8.00 am

Liberal Democrats:  
Kett Room  8.15 am

Date

Monday 26 November 2012

Time

9.00 am

Place

Cavell and Colman Rooms  
South Norfolk House  
Swan Lane  
Long Stratton Norwich  
NR15 2XE

Contact

Claire White  tel (01508) 533669

South Norfolk District Council  
Swan Lane  
Long Stratton Norwich  
NR15 2XE

Email: democracy@s-norfolk.gov.uk  
Website: www.south-norfolk.gov.uk

If you have any special requirements in order to attend this meeting, please let us know in advance.

Large print version can be made available.
AGENDA

1. To report apologies for absence;

2. Any items of business which the Chairman decides should be considered as matters of urgency pursuant to Section 100 B (4) (b) of the Local Government Act, 1972; [Urgent business may only be taken if, "by reason of special circumstances" (which will be recorded in the minutes), the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency.]

3. To receive Declarations of Interest from Members;  
   (Please see guidance form and flow chart attached - page 6)

4. Minutes of the meeting held on Monday 29 October 2012;  
   (attached – page 8)

5. National Non-Domestic Rates – Mandatory & Discretionary Reliefs;  
   (report attached – page 20)

   Cabinet is asked to approve the National Non-Domestic Rate Relief guideline document attached.

6. Review of the Empty Homes Work Programme;  
   (report attached – page 30)

   The report reviews the progress made in reducing the number of long term empty homes following the introduction of a new methodology in 2010 and the range of measures available to the Council to support this work programme.

   Based on experience gained since its introduction, the report proposes increasing the number of empty homes contacted each year and to use the full range of advice and regulatory provisions to support this work programme.

   (report enclosed separately)

   This report seeks Cabinet approval for draft policies to be included in the ‘preferred option’ document for public consultation

8. A Possible City Deal for Greater Norwich;  
   (report attached – page 41)

   To consider participation in a Greater Norwich Development Partnership bid for City Deals, wave 2
9. **Destination Management Organisation – partnership with Visit Norwich Ltd;**  
   (report attached – page 46)

An updating report on discussions with Visit Norwich about South Norfolk Council participation in a new enlarged Visit Norwich Destination Management Organisation (DMO) and a request that officers be authorised to negotiate a partnership arrangement with Visit Norwich for an initial period of 3 years with annual review.

10. **Delivering Affordable Housing through Enabling Activity;** (report attached – page 53)

This report advises Cabinet on the detail of a proposed new scheme to enable financial support to be given to assist in the delivery of viable affordable housing projects that will help meet local need.

11. **Capital Strategy;**  
   (report attached – page 60)

The Capital Strategy sets out the Council’s approach to the use of its assets and resources and how this links with the Council’s priorities and corporate planning process. The strategy provides the framework for determining the capital programme and the effective use of the Council’s resources and will drive the construction of the capital programme for the next three years. The focus of the capital strategy will be around the use of capital resources to deliver either ongoing revenue savings or additional revenue income. This will be achieved by investing in the Council’s assets and within the district to create economic growth.

   (report attached – page 78)

This report proposes a number of changes to Contract Standing orders and the Rules of Financial Governance. It is good practice to review the Rules of Financial Governance and Contract Standing Orders to ensure they remain valid, in line with legislation and reflect changes to the working practices of the council. Although minor amendments have been made over the past year the last major revision was agreed by Council in December 2010.

13. **Council Tax Reform**

   Officers are currently working on a county-wide approach to Council Tax Reforms, but are unable to report proposals at this stage. A full report will be presented to all members at the Council meeting on 10 December 2012.

   Paul Chapman  
   Principal Policy Officer (Revenues & Benefits)
14. **Long Stratton Area Action Plan**

Following the agreement of the Vision and Objectives for the Long Stratton Area Action Plan (AAP) at the Cabinet meeting held 29 October, there are a number of issues that are currently being resolved before a full, draft AAP is recommended to Cabinet in early 2013.

Simon Marjoram  
Senior Planning Officer

15. **Long Stratton Conservation Area Character Appraisal**

The Long Stratton Conservation Area Character Appraisal is complete, but it is helpful for members to consider this item in conjunction with the Long Stratton Area Action Plan. This report is therefore deferred to a future meeting of the Cabinet.

David Edleston  
Conservation and Design Architect

16. **Cabinet Core Agenda**

(attached – page 130)

17. **Exclusion of the Public and Press;**

To exclude the public and the press from the meeting under Section 100A of the Local Government Act 1972 for the following items 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 (as amended)

18. **Unit 13 Wymondham Business Park Proposed Lease;** (report attached – page 131)

(NOT FOR PUBLICATION by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972)

The report details the proposed lease of Unit 13, Wymondham Business Park and seeks Cabinet approval under the Rules of Financial Governance.
19. **Update on CNC**;  

(report attached – page 134)  

(NOT FOR PUBLICATION by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972)

This report provides an update on progress in the evolution of the joint CNC Building Control function. The first stage of this is a revised arrangement for joint service delivery under the Local Government Act 1972, with the new service based at SNC. The report also seeks member approval for the second stage which is the development of a Joint Venture Company (JVC) to offer building control to other councils.

20. **Procurement of waste collection vehicles**;  

(report attached – page 140)  

(NOT FOR PUBLICATION by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972)

**Purpose** – to seek agreement to purchase waste collection vehicles  

**Summary** – Approval is sort for the letting of a contract to supply refuse vehicles following completion of an EU procurement law compliant procurement to purchase vehicles as part of a rolling programme of replacement.
Cabinet is asked to approve the National Non-Domestic Rate Relief guideline document attached.

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<tr>
<th>Cabinet member(s):</th>
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<tr>
<td>Yvonne Bendle</td>
<td>All</td>
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Contact Officer, telephone number, and e-mail: Paul Chapman 01508 533892 pchapman@s-norfolk.gov.uk

1. **Background**

1.1. The current approach to rate reliefs was approved by Council and then took effect from 1 April 2010 for a period of 3 years. It is therefore necessary to review this approach to ensure we have a basis established on which to award relief in respect of existing and new cases from 1 April 2013 onwards.

1.2. Under the Localism Act 2011 the Government brought in legislation widening the powers under which local authorities may award a relief or discount from Non-Domestic Rates.

1.3. All ratepayers currently in receipt of rate relief were advised in March 2012 that our approach to awarding relief was under review, and that their current award of relief may end on 31 March 2013. At least one financial year’s notice must be given to those in receipt of relief of any change to their entitlement.

1.4. We will carry forward entitlements on 1 April 2013, continuing relief awards at current levels without the need for those in receipt of relief to reapply. We will enclose a letter with the rates bill in March confirming the continuation of relief for a further year at a time, and that eligibility will be subject to periodic review in future (rather than a full re-application every three years).

2. **Current Position and Issues**

2.1. The Council continues to receive a steady increase in applications for Discretionary Rate Relief. This relief reduces rate bills which are subject to annual inflationary increases.
2.2. The economic climate continues to be difficult so officers consider that it is important to continue to support services that are vitally important to our rural communities.

3. **Proposal and Reasons**

3.1. A working group of elected members have been reviewing the existing approach to Council Tax and Non-domestic Rate discounts and reliefs. The view of the working group is that the current approach meets objectives, and thus supports the view that no further restrictions need to be placed on those organisations currently entitled to relief at this time.

3.2. The guidelines attached seek to ensure that our approach contributes to the aim of “preserving the special character of our market towns and villages”. In line with our previous approach to the award of rate relief we have prioritised the support to rural village shops, post offices, public houses and petrol filling stations, as critical services to our community. The government precludes local authorities supporting businesses in towns or villages with a population exceeding 3,000. South Norfolk can only then support smaller villages.

3.3. Certain criteria must be met before the Council can award Discretionary Rate Relief. Section 47 of the Local Government Finance Act 1988 permits the billing authority to grant discretionary rate relief to charities and other organisations of prescribed types subject to certain conditions being satisfied. These are:

   a) The ratepayer is a charity or trustees for a charity, and the hereditament is wholly or mainly used for charitable purposes; or

   b) The hereditament is not an excepted hereditament, and all or part of it is occupied for the purposes of one or more institutions or other organisations none of which is established or conducted for profit and each of whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or

   c) The hereditament is not an excepted hereditament, it is wholly or mainly used for purposes of recreation, and all or part of it is occupied for the purpose of a club, society, or other organisation not established or conducted for profit.

3.4. An excepted hereditament is a hereditament all or part of which is occupied (otherwise than as a trustee) by a billing authority, or by a precepting authority other than charter trustees, or by a functional body within the meaning of the Greater London Authority Act 1999.

3.5. The Localism Act 2011 (clause 69) introduced a general power for local authorities to reduce the business rates of any local ratepayer (not just those who could previously be granted discretionary relief). This is a wide power under which each case will need to be treated on it’s own merits. It is recommended that any application received be determined jointly by the Revenues & Benefits Manager and the relevant cabinet portfolio holder.
3.6. Relief will be awarded for one financial year at a time without any commitment on the Council’s behalf that it will run for a period of more than one financial year, as had previously been the case.

3.7. How the costs of such relief awarded will be borne from April 2013 onwards under the Government’s Business Rates Retention Scheme remains unclear. The costs of funding this relief will be looked at as part of the budget-setting process in future and members will be kept regularly informed of levels of awards.

3.8. Individual applications for relief will be considered on their merits. In deciding whether to award discretionary relief, we must also balance the benefit of the organisation to the local community, against the cost to the Council Taxpayers of South Norfolk of granting relief.

3.9. At a time when rural businesses, charities and other non-profit making organisations are facing real difficulties, we want to support them by protecting relief at previous levels.

4. Other Options

4.1. Members could consider approving revised guidelines that would reduce or remove the amount of discretionary rate relief awarded to local organisations if so minded.

4.2. Members could consider keeping the same level of support to businesses and non-profit making organisations, but in such a way that the Council is no longer tied into an approach for three years at a time.

4.3. Members could also decide whether to include or remove an additional clause in the guidelines to the effect that “discretionary relief will not usually be granted in respect of periods when any property is unoccupied”. This could ensure that support is generally only directed at supporting organisations for the periods when they are actually operating from premises in South Norfolk.

5. Relevant Corporate Priorities

5.1. Enhancing our quality of life and the environment we live in.

5.2. Promoting a thriving local economy.

5.3. Supporting communities to realise their potential.

5.4. Driving services through being businesslike, efficient and customer aware.

6. Implications and Risks

6.1. Financial

   a) The current scheme has grown beyond it’s budget of £107k
b) With the introduction of the Business Rates Retention Scheme how these reliefs will be accounted for is not yet totally clear, but it is likely that it will be a less direct expense of the billing authority.

c) Our approach in future years to discretionary relief will be considered with that wider funding scenario in mind, rather than to a designated budget.

d) Members are asked to agree that future awards should be determined, for a year at a time, in accordance with the attached set of guidelines, considering each case on its own merits. These guidelines are designed so that existing levels of support to organisations that are vital to local communities are maintained, while also giving the Council the flexibility to vary its approach in the future if considered necessary.

6.2. Risks

Some organisations will be unhappy if the amount of Discretionary Rate Relief they receive is reduced. For businesses this could impact on their ability to continue to trade, or in the case of non-profit making organisations they may have to pay rates for the first time and may need to look at how they fund that new or increased overhead.

7. Conclusion

7.1. The current scheme guidelines have been in force since 1st April 2010. The ever-changing nature of Business Rates dictates that we should review our existing approach on a regular basis.

7.2. The guidelines cannot capture every possibility, and each application must be considered on its merits alongside those guidelines.

8. Recommendations

8.1. Members are asked to approve the attached guideline document to maintain support for local businesses and non-profit making organisations at current levels.

Background Papers
Non-Domestic Rates - Mandatory & Discretionary Rate Relief Guidelines - at appendix A
Non-Domestic Rates - Mandatory and Discretionary Rate Relief Guidelines

The Local Government Finance Act 1988 requires local authorities to grant “Mandatory rate relief” to the following categories of Business Rates payer:

- Registered charities
- Village Post Offices, general stores, specialist food shops, public houses and petrol filling station – where they are in a designated rural settlement
- Registered Community Amateur Sports Clubs (CASCs)

The Local Government Finance Act 1988 also gives local authorities the power to grant “Discretionary rate relief” as follows:

- To make a further award on top of mandatory relief granted to registered charities
- To village Post Offices, general stores, specialist food shops, public houses and petrol filling station – where they are in a designated rural settlement
- To make a further award on top of mandatory relief granted to registered Community Amateur Sports Clubs (CASCs)
- In respect of sports grounds and clubs
- To other non-profit making organisations

The Local Government Finance Act 1988 also gives local authorities the power to reduce or remit the amount of rates liable to be paid on the grounds of hardship.

Guidelines Aim

These guidelines set out the Council’s intentions for dealing with discretionary rate relief applications from Charities, Community Amateur Sports Clubs (CASC’s), Non-Profit Making Organisations, and other businesses which are situated within the rural settlements of South Norfolk Council.

Through these guidelines, the Council is providing a mechanism to reduce or, remove the business rates liability for such charities, non-profit making organisations and certain rural businesses that are providing valuable facilities and services to communities within the South Norfolk area.

These guidelines aim to provide clarity around the process of administration of applications for Discretionary Rate Relief, consistency in the application of the guidelines and to ensure maximum take-up from potential qualifying organisations, which will in turn make a contribution to achieving the Council’s ambitions for the district.
MANDATORY RELIEFS

Mandatory Relief for registered charities.

Mandatory relief applies to registered charities or trustees for a charity where the rated premises are used wholly and mainly for charitable purposes. In the case of charity shops they must sell goods that have been donated to the charity. (This condition is also necessary for discretionary relief.)

The relief allowed is 80%.

Mandatory Relief for village post offices, general stores, specialist food shops, public houses and petrol filling stations.

The rural business must be in a rural settlement area that has a population of 3,000 or less.

a) Sole post offices and general stores with a rateable value of £8,500 or less are entitled to 50% relief.

b) Any village shop that sells food for human consumption but excludes restaurants, tearooms, fast or hot food shops and confectionary shops with a rateable value of £8,500 or less are entitled to 50% relief.

c) Where there is only one public house in a rural settlement, which has a rateable value not exceeding £12,500, there is an entitlement to 50% relief.

d) Sole petrol filling stations with a rateable value of £12,500 or less are entitled to 50% relief.

Mandatory Relief for registered Community Amateur Sports Clubs (CASCs)

Sports clubs that have registered with the Inland Revenue as Community Amateur Sports Clubs are entitled to 80% relief.

DISCRETIONARY RELIEFS

All Discretionary Relief applications must be accompanied by a Small Business Rate Relief application where applicable.

Throughout this policy document it shall apply that discretionary relief will be awarded only up to a maximum sum of:

- £4,000 per registered charity or Community Amateur Sporting Club (CASC) in any financial year
- £12,000 per non-profit making organisation or rural business in any financial year (not charities or CASCs)

Applications for relief to be backdated in to the previous financial year may only be accepted if the decision can be made by 1st October of the financial year in which the application is received.
All qualifying businesses and organisations are required to notify The Council of any change in circumstances that may affect their entitlement to Discretionary Rate Relief.

**Discretionary Relief for registered charities.**

Registered charities may apply for additional 'top-up' discretionary relief where 80% mandatory relief has been granted.

Applicants will need to demonstrate that the use of the premises is in furtherance of the objects of the charity, and that the property is wholly or mainly occupied by the charity.

Discretionary relief will not usually be granted:

1) to charity shops, or
2) in respect of periods where any property is unoccupied.

**Discretionary Relief for village post offices, general stores, specialist food shops, public houses and petrol filling stations.**

The rural business must be in a designated rural settlement area that has a population of 3,000 or less.

a) Sole post offices and general stores with a rateable value of £8,500 or less qualifying for 50% mandatory relief are eligible for 50% discretionary relief.

b) Where there is a second post office or general store or the only post office or store has a rateable value above £8,500 but not exceeding £16,500 they are eligible for 50% discretionary relief. Where there are more than two in a rural settlement no relief is granted.

c) Any village shop that sells food for human consumption but excludes restaurants, tearooms, fast or hot food shops and confectionary shops with a rateable value above £8,500 but not exceeding £16,500 are entitled to 50% relief.

d) The only public house in a rural settlement, which has a rateable value above £12,500 but not exceeding £16,500 will be awarded 50% discretionary relief.

e) Sole petrol filling stations with a rateable value of £12,500 or less qualifying for 50% mandatory relief are eligible for 50% discretionary relief.

**Discretionary Relief for registered Community Amateur Sports Clubs (CASCs)**

Some sports clubs have registered with HM Revenue and Customs as Community Amateur Sports Clubs. CASCs may apply for an additional 20% 'top-up' discretionary relief, in addition to the mandatory relief that CASCs are entitled to.
Discretionary Relief for sports grounds and clubs.

Both sports grounds and sports clubs may apply for discretionary relief with the amount to be awarded being on a sliding scaled percentage related to the balance between sporting and social membership and bar takings. The amounts are as follows:

- 100% relief where there is no bar, or the bar takings are below £8,000.
- 75% relief where bar takings exceed £8,000 but membership is mainly sporting.
- 50% relief where bar takings exceed £8,000 and membership is equally split between sporting and social.
- 25% relief where bar takings exceed £8,000 and membership is mainly social but there is an element of sporting membership.
- 0% relief where the club is operated primarily as a business enterprise and where the level of joining fees excludes membership by the public at large.

Exceptions to the above are:
- sailing, boating, and water sports clubs
- flying and gliding clubs

These will be eligible for 80% relief.

No discretionary relief will be awarded to golf clubs.

Cost to the council is 25% of the discretionary relief granted.

Discretionary Relief for other non-profit making organisations.

Village and Community Halls

a) Where the occupier is a registered charity and there is no bar at the premises an additional 20% discretionary relief may be applied for, on top of the 80% mandatory relief. No additional relief will be given if there is a bar.

b) Where the occupier is a non-registered charitable group and there is no bar at the premises 100% discretionary relief will be given.

c) Where the occupier is a non-registered charitable group and there is a bar at the premises 80% discretionary relief will be given.

Voluntary Bodies

Applications from non-registered charitable groups are to be considered on an individual basis.

Discretionary relief to a maximum of 100% is granted.
Conservation and Cultural Organisations

Premises will include:

- Museums
- Rehearsal rooms for bands or dramatic societies
- Premises occupied for preservation projects
- Premises occupied by Norfolk based wildlife groups

In addition to the ‘top-up’ 20% discretionary relief granted to registered charities, 100% discretionary relief will be granted to non-registered charitable groups.

Discretionary relief will not be given to nationally based groups.

Young People’s Activities

In addition to the ‘top-up’ 20% discretionary relief granted to registered charities, 100% discretionary relief will be granted to non-registered charitable groups.

This category excludes any hereditaments occupied for sporting activities.

Discretionary Hardship Relief

Section 49 of the Local Government Finance Act 1988 gives discretion to the billing authority to reduce or remit payments of rates in respect of both occupied and unoccupied premises. This award can be up to 100%. When making an award an authority must be satisfied that:

1) the ratepayer would sustain hardship if the authority did not do so, and
2) it is reasonable for the authority to do so, having regard to the interests of persons subject to its Council Tax.

Non-domestic Rates discount

The Localism Act 2011 (clause 69) introduced a general power for local authorities to reduce the business rates of any local ratepayer (not just those who could previously be granted discretionary relief). This is a wide power under which each case will need to be treated on its own merits.

Any application under this power must be made by the applicant in writing and will be determined jointly by the Revenues & Benefits Manager and the relevant cabinet portfolio holder.
Period of Award

The award period for new and renewal applications will be for a period ending with the end of the current financial year.

Review of Relief Award

The council will regularly review it's approach to the award of relief, and will periodically review the eligibility of qualifying businesses and organisations.

When a review of eligibility is carried out continuation of relief will be subject to satisfactory completion of review forms and provision of requested supporting information. Where a renewal form is not returned, relief will not be awarded and the business or organisation will be sent a rate bill for the full charge.

When completed forms are returned awards will be considered in the light of these or amended guidelines.

Prior to guidelines being revised organisations will be given at least twelve months notice that their eligibility to relief may change.
Review of the Empty Homes Work Programme

Housing Standards Manager

The report reviews the progress made in reducing the number of long term empty homes following the introduction of a new methodology in 2010 and the range of measures available to the Council to support this work programme.

Based on experience gained since its introduction, the report proposes increasing the number of empty homes contacted each year and to use the full range of advice and regulatory provisions to support this work programme.

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<td>All</td>
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Contact Officer, telephone number, and e-mail:  
Tony Cooke 01508 533754  
t Cooke@s-norfolk.gov.uk

1. Background

1.1. A key role for South Norfolk as Strategic Housing Authority is making best use of existing stock. Empty Homes are not only a wasted asset that should be contributing to meeting South Norfolk’s housing need but also lost revenue. A proactive programme of targeting empty homes is an effective way of reducing the number of such properties in a manageable, sustainable way.

1.2. The primary aim of the long term empty homes work is to minimise the number of long term empty homes in the district thereby maximising the use and effectiveness of the existing stock. The secondary aim is stopping empty homes becoming blight locally. The approach to the work is firstly to provide advice and assistance to help the owners of those properties to achieve a satisfactory outcome and secondly to use formal direct action in cases where a negotiated solution cannot be reached.

1.3. Unlike some other parts of the country, South Norfolk does not have large clusters of empty homes. The properties are “pepper potted” throughout the district and each has its own “story”.

Empty Homes Cabinet Report 121115
1.4. Prior to 2010 the Council’s approach to this work was reactive, responding to complaints and requests for assistance or periodic mail outs to empty home owners. In September 2010 the Council introduced a new methodology for responding to and dealing with long term empty homes which uses an assessment process to identify the properties that are having the most adverse effect on the surrounding neighbourhood and those that can make the most effective contribution to meeting housing need.

1.5. The 2010 Council Tax data base was used as a baseline and a risk based assessment was applied to those empty properties recorded as being in Council Tax categories ‘C’ (Empty properties where a 90% charge was due), ‘L’ (Re-possessed dwellings which were un-occupied) and ‘Q’ (Un-occupied dwellings formerly owned/leased by a bankrupt).

1.6. In 2010 South Norfolk reported 1560 empty homes of which 501 had been empty for more than six months. These were assessed and a priority based work programme was prepared of proactively engaging with owners.

1.7. Priority was given to those properties that had been on a 90% charge for at least six months. This means the prioritised properties will have been empty for at least twelve months and is a pragmatic view, recognising that the process of marketing, selling and reoccupying may take some time especially with the current state of the housing market.

1.8. Properties were assessed using a risk based assessment system and put into High, Medium or Low priority bands.

1.8.1. Properties assessed as highest priority accounted for 11% of empty homes).

1.8.2. Properties assessed as medium priority accounted for 60% of empty homes.

1.8.3. The low priority band accounted for 29% of empty homes.

1.9. Upon completion of the banding a rolling programme of action aimed at engaging with the owners of ten properties a month commenced.

1.10. For the period April 2011 to July 2012, 217 properties were investigated and their owners contacted. As a result of this contact, 118 properties were removed from the long term empty database; these included properties brought back into use by the owner, sold or following discussions with the owners, properly re-classified as second homes. 62 properties were considered to have a justifiable reason for still being empty; the main reason being issues around protracted probate and building works. These properties are kept under review. In 37 cases the owners have failed to respond to officers or we have not been able to locate an owner. Over this same period, other long term empty properties came onto the list.
1.11. Table 1 shows South Norfolk’s empty homes data as reported to the government for the 5 year period from 2007 to 2011. The large reduction in 2009 is accounted for by a change in the way data was collected. The underlying trend is down.

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<thead>
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<th>Year</th>
<th>Empty Homes Total</th>
<th>Empty over 6 months</th>
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<tbody>
<tr>
<td>2011</td>
<td>1503</td>
<td>438</td>
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<tr>
<td>2010</td>
<td>1560</td>
<td>501</td>
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<td>2009</td>
<td>1614</td>
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<td>1523</td>
<td>657</td>
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<tr>
<td>2007</td>
<td>1366</td>
<td>618</td>
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2. Current Position and Issues

2.1. There are currently some 470 long term empty properties in South Norfolk including a few properties that have been empty for over 10 years and some on which the owners have continued to both pay the appropriate council tax and undertake basic property and garden maintenance. The work currently being undertaken is to progressively tackle the homes that have been empty the longest, reducing the number to a residual level at which any action by the Council would be unreasonable or would not justify the resource required to undertake the work.

2.2. Additionally, the Council is currently liaising with other authorities in Norfolk regarding implementation of the Government’s changes to council tax exemptions and discounts on empty and long term empty homes. This is currently the subject of work by a county-wide Technical Leads Group and therefore is not the subject of detailed consideration here. However, the new provisions will increase the cost of an empty home, so it can be expected to reduce the overall number long-term empties; although to what extent is difficult to judge at this stage.

2.3. 31 of the 470 long term empty properties in South Norfolk are derelict properties which have been taken off the Council Tax database by the Valuation Officer because of their condition. These properties are still standing, though often in considerable disrepair, and can blight their neighbourhood.

3. Proposal and Reasons

3.1. The Council has a number of formal measures available in the cases where advice, persuasion and negotiation have been unsuccessful. Appendix One shows a list of the provisions available to the Council to deal with empty properties. They generally fall into two types of action.
3.2. The first action seeks to remedy the consequences of the property being empty in terms of the nuisance to neighbours and blight on the street scene. Experience shows that this type of action needs to be repeated as the situation that gives rise to property being empty remains unchanged.

3.3. The second type of action seeks to remedy the cause, and can range from removal (demolition) of an unsuitable property to a temporary or permanent forced change of ownership. The effect of this is to change the ownership to an owner who will bring the property back into use. The Council used this second type of action to deal with long standing problem properties in Caistor and Trowse. In the Caistor case the Council determined the most appropriate course of action was for the property to be demolished and the site cleared. In the Trowse case the Council imposed an Empty Dwelling Management Order causing the property to be renovated and let through our Home Options scheme. Under this type of action the freehold remains with the owner but the Council takes over the management of the property. This course of action can be costly. Although we are able to recover our costs, this can be over a long period of time as they are recovered through the rental income.

3.4. The Government has recently introduced a change to the Empty Dwelling Management Order (EDMO), requiring the property to be empty for a minimum of two years before an order can be imposed. This change will have little impact on our work programme.

3.5. Compulsory Purchase and Forced Market Sale provisions differ from EDMO’s in so far that the freehold is passed to a new owner. This type of action can be cost effective, enabling the Council to recover its costs at an early stage from the sale of the property or other use of the property. These provisions have been used elsewhere in Norfolk to tackle a number of high profile problem empty dwellings where the owners would either not engage or could not be found.

3.6. To date South Norfolk has not resorted to these measures but as mentioned in paragraph 1.10 above, we now have a number of cases (37 or 17% of property owners contacted) where the owners are not engaging or cannot be found. Compulsory Purchase or Enforced Sale need to be used cautiously but may be the most appropriate course of action in the most protracted difficult to resolve cases.

3.7. Based on our experience gained since 2011 it is proposed to increase the number of long term empty properties engaged with per month, with the aim of ensuring each property is reviewed within a twelve month period. It is also proposed to use the full range of support and regulatory provisions available to the Council, including Compulsory Purchase and Enforced Sale. A flow chart setting out this approach is attached as Appendix Two which will be incorporated as part of an empty Property Plan in the forthcoming review of the Council’s Housing Strategy.
4. **Other Options**

4.1. The Council could determine to move away from a proactive managed approach to dealing with Empty Homes to a reactive complaint led approach. Impact on the local neighbourhood including complaint is factored into the current assessment process and influences the priority. A complaint led approach could be seen as an inconsistent approach leading to lost opportunities for bringing long term empty homes back into use and negatively affecting Council Tax collection and New Homes Bonus allocations.

5. **Relevant Corporate Priorities**

5.1. Enhancing our quality of life and the environment we live in.

5.2. Promoting a thriving local economy.

5.3. Supporting communities to realise their potential.

5.4. Driving services through being businesslike, efficient and customer aware.

6. **Implications and Risks**

6.1. Financial - The New Homes Bonus is designed to reward local authorities for increasing the supply of housing, including bringing empty homes back into use. In the year 2011 the empty homes work programme contributed £42,000 to the Councils New Homes Bonus allocation.

   6.1.1. The amount of New Homes Bonus is not simply based on the net difference in empty homes year on year. It is calculated by comparing numbers in each Council Tax Band to produce an overall weighted notional number that is then compared year on year. The actual amount of the Empty Homes element of New Homes Bonus is influenced by the number of empty homes in each of the eight Council Tax Bands.

   6.1.2. There is a financial cost associated with taking formal action. Depending on the action that cost is recoverable as explained in Appendix One. The risk to the Council will be kept to a minimum by determining at an early stage the most appropriate course of action, including a cost-benefit analysis of the options, in respect of each particular empty home.

6.2. Legal – the Council could face a legal challenge if it failed to deal with an individual Empty Home which was causing a local problem. Opponents to new housing schemes use the number of empty homes to challenge the need for further housing.

6.3. Environmental – long term Empty Homes can blight the street scene, village view and local landscape.

Empty Homes Cabinet Report 121115
6.4. Crime Reduction – long term Empty Homes can be a focus for anti-social behaviour.

7. Conclusion

7.1. Long term empty homes are not only a wasted resource asset for the owner, but can also be a source of complaint to their neighbourhood. Empty homes brought back into use can contribute to the housing supply to meet local needs and help tackle homelessness and prevent neighbourhood decline. Bringing empty homes back into use is a priority for the coalition government and additional powers have given to Council’s to be able to increase the Council Tax on long term empty homes.

7.2. The Council needs a planned work programme to effectively manage this important area of work and to demonstrate that where appropriate it is prepared to use the necessary sanctions and measures where advice and assistance has not secured the best outcome for the neighbourhood.

8. Recommendations

8.1. Cabinet is recommended to agree the proposed revised approach to long term empty properties and that those properties are engaged with in accordance with the flow chart attached as Appendix Two.

8.2. Cabinet is recommended to agree that the Director of Development and Environment in consultation with the Portfolio Holder for Housing and Public Health has delegated authority to commence Compulsory Purchase and Enforced Sale action where that has been determined the best course of action to resolve a long term empty home.
Appendix One

The enforcement options

Prior to commencing any formal action an assessment is undertaken in every case to determine the most appropriate course of action for the particular circumstances. This process enables officers to consider all the possible options that are available to satisfactorily resolve the situation.

There are two main enforcement outcomes

1. To reduce the negative effect of an empty property on the neighbourhood
2. To effect a change of ownership that will bring the empty property back into use.

Enforcement to reduce the negative effect of a property on the neighbourhood.

Typically this would be used in the case where the primary concern was the detrimental effect the empty property was having on the surrounding environment. Works include action to improve or make safe the building itself or to clear the garden or site that was overgrown or was collecting rubbish. Such actions will not necessarily lead to the property becoming occupied and, unless the owner is cooperative, further similar actions will be needed in the future as the property is again neglected.

If the owner has been uncooperative the usual outcome is that the Council will need to undertake works in default of the owner and pay for the costs of the clearance/remedial works. The cost of these works, which are registered as a charge on the property, cannot be reclaimed until the property is sold.

Such enforcement action could be carried out under the following legislation

Town and Country Planning Act 1990 Section 215

This power allows the council to serve a notice on either land or buildings to improve the outside look of the property concerned. If the owner fails to comply the works can be carried out in default.

Building Act 1984 Section 79

This power allows the council to serve a notice on a building that is in a ruinous or dilapidated state and can require works of repair or restoration (or steps for demolition of any part of the building) to improve the outside look of the property. If the owner fails to comply the works can be carried out in default.

Housing Act 2004 Part 1

This Act gives the Council the duty to act when a category 1 hazard is established through a Housing Health and Safety Rating System (HHSRS) assessment. Whilst
mainly used for occupied property, the powers also apply to unoccupied accommodation as the assessment of risk is based on the most vulnerable potential occupant, whether or not the property is occupied at the time of inspection. An improvement notice can be served on the owner for works to be carried out to remove the category 1 hazards. If the owner does not carry out the works (and does not successfully appeal to the Residential Property Tribunal against the notice) the works can be carried out in default by the Council. The costs of the works can be recorded as a charge against the property.

Other legislation

The council does have a number of other powers it may choose depending on the exact circumstances of the case. These include the Environmental Protection Act 1990 sections 79-80, sections 77-78 of the Building Act 1984, Prevention of Damage by Pests Act 1949 section 4, section 34 of the Public Health Act 1961, the Local Government Miscellaneous Provisions Act 1982 section 29.

These have a similar effect of either reducing the negative impact of the building or removing a particular nuisance occurring at the property. They do not of themselves bring a property back into use or make it suitable for occupation.

Enforcement to effect a change of ownership that will bring the empty property back into use.

There are three main enforcement routes to actually bring the property back into use.

Compulsory Purchase Orders

Councils have powers to provide housing, and one of the ways they can do this is by buying land for building houses or by altering, adapting and improving existing buildings for housing. Specific powers in Section 17 of the Housing Act 1985 allow councils to compulsorily purchase individual empty homes to enable them to be used for housing or sold on for housing.

Councils also have wide ranging power to improve local well-being. This power is sometimes called the "well-being power" or "the power of first resort". It gives councils the power to do anything that they think is likely to improve the social, environmental or economic well-being of the area. This may include dealing with empty properties which are unsightly, or damage the local environment. Specific compulsory purchase powers are contained in section 226 of the Town and Country Planning Act 1990; these allow councils to compulsorily purchase land or property for the purpose of improving social, environmental or economic well-being.

Compulsory Purchase Orders (CPO's) must be formally approved by the Council and then follow a statutory process. Based on local experience the cost of an uncontested CPO is estimated at £6000, comprising legal and valuation costs, Land Registry costs, Estate Agents fees if selling etc. There is a potential to incur higher costs if the owner objects and a public enquiry is held and this could cost £25,000 to cover the relevant
objections and a public enquiry. The value can change between valuation, purchase and resale and there will always be legal costs to the procedure.

CPO costs are not usually recoverable. However a CPO will bring the property back into use by either a back to back arrangement with a Registered Housing Provider to purchase the property for letting or by the Council ensuring the property is renovated and occupied.

**Enforced sales**

Councils are able to force the sale of empty homes. They can achieve this through strategic use of legal powers designed to recover debt. Where homes have been abandoned it is not unusual for debts to accumulate through unpaid bills. Some debts may be charged against the property with a charging order. Where the council has debts charged in this way they can recover them through legal action. The outcome is that either the owner repays the debt or the property is sold in order to recover the debt.

Where, after payment is demanded by the council the debt remains unpaid, the council can serve a notice under section 103 of the Law of Property Act 1925 of their intention to make an application to sell the empty property. If payment has still not been made three months after service of the notice the Council can apply to the Local Land Registry to register the local land charges - in priority to any other charges - and to make a formal application for registration under the Law of Property Act. This gives the council the right to sell the property, and for the council's charge to take precedence over other charges on the property.

The property is then put on the market and sold to the new owner with a clean title, although the local authority may choose to sell the property with a specific condition that it will be renovated and brought into use within a specified time. The right of appeal by the owner is to the Court of Appeal. If the debt is due to unpaid council tax the council must follow a different procedure but the end result is the same.

The starting point for an enforced sale is registering a land charge debt on the property. This debt would usually be caused by works in default being carried out by the council under an enforcement measure to reduce the negative effect of the property on the neighbourhood. It is therefore important to be clear whether the council is prepared to use the enforce sale procedure at an early stage when dealing with an empty property so that the correct charge can be placed on the property when the owner subsequently does not cooperate. The advantage of an Enforced Sale is that unlike the CPO, the costs of the Enforced Sale can be recovered from the sale price.

The disadvantage from the point of view of bringing a property back into use is that the debt can be paid at anytime prior to the sale completion. If the debt is paid in full then the owner remains as an uncooperative owner of an empty home and other action would need to be started from the beginning.

3. **Empty Dwelling Management Orders**

Empty Dwelling Management Orders (EDMO's) are a legal power that enables councils to put an unoccupied privately owned home back into use. The provisions are contained
in the Housing Act 2004 Part 4. The powers ultimately allow councils to take over the management of a home for a period of up to seven years - the council is able to renovate the property, let it and collect the rent. The rent is paid to the council, who are able to recover any costs they may have incurred by taking possession of the property and making it habitable, as well as the routine costs of maintenance and letting. However, any money over and above these costs is to be paid to the owner of the property.

The Department for Communities and Local Government announced on 7 January 2011 they would be making changes to EDMO’s through amendments to secondary legislation by summer 2011. However this legislation has not yet been implemented. These changes limit the authorisation of interim EDMO’s to those properties empty for over two years; require the local housing authority to provide all the information they have that the empty property has been causing a nuisance to the community and that there is community support of the proposal of the local housing authority to take control of the empty home.

EDMO’s are not practical where the property is in a poor condition. The council has to pay for the works up front and where costs exceed around £30,000, the amount spent would not necessarily be able to be recouped over the seven year term of the EDMO. It is usually the properties that are in the worst condition that have been causing most nuisances to the neighbourhood and for these properties EDMO’s may be too expensive.

The council has one EDMO in place and was one of the first authorities to use this power. We are therefore confident that we can demonstrate our ability to use this power in the future where it is the most appropriate course of action. For future EDMO’s we would need to secure a partner managing agent. Our intention is to enter into discussions with a Registered Provider operating in the area.
Appendix Two
Empty Homes Workflow

Work Program

Initial letter to owner

Response Received

No

Reminder letter to owner 28 days

Response received

No

Site Visit 28 days

Warning letter to owner 14 days

Response received

No

Determine appropriate course of action

Commence Action

Agree course of action

Yes

Update records

Yes

No

Yes

No
1. Background

1.1 The Development Management polices will form part of the development plan; the starting point for all planning decisions for the development of land and buildings. The policies should all be linked to the Spatial Vision and Objectives found in the Joint Core Strategy, and should be compatible with national planning policies. The policies must be prepared in accordance with statutory regulations; with a separate Sustainability Appraisal process, several rounds of public consultation and a public examination process.

1.2 A first round of public consultation (from January to March 2012) focussed on what the policies should seek to achieve, with a consultation document that explored 40 questions about key ‘issues and options’ to be considered in preparing the policies. These questions reflected the guidance of the Cabinet, the Local Planning Steering Group and a discussion session held in the autumn of 2011 open to all Members.

1.3 The results of that consultation were assessed along with the recently published version of the National Planning Policy Framework (National Framework) and other inputs including discussion sessions with Parish Councils and planning agents active
in the area. A proposed list of the topics and scope of policies to be included in the
document was prepared under the guidance of the Local Planning Steering Group.
Following a further Member workshop and pre-scrutiny by the Scrutiny Committee in
May, the analysis of responses and proposed list and scope of policies required was
all considered and agreed by Cabinet on 11th June.

1.4 Since then a first and then further refined second version of the Development
Management policies has been prepared; this has involved working with a group of
senior planning and other technical officers and liaison with various neighbouring
authorities and other partners.

2. Current Position and Issues

2.1. The draft Development Management Policies Document is attached as
Appendix A. The document has been structured to reflect the National
Framework, alongside which it will normally be used. It starts with a Strategic
Policies section (these policies are intended to have the same strategic status
as the Joint Core Strategy), followed by three sections of policies on each of the
three dimensions of sustainable development – the Economic, Social and
Environmental dimensions.

2.2. The policies are listed on the contents page; the numbering of the policies
reflects the list agreed in June (but the subdivision or amalgamation of some
policies in the drafting process has resulted in some odd-numbering). The
policies will be entirely re-numbered before public consultation. As well as
generic Development Management Policies as originally intended, the document
now also includes a number of site / area designation policies and maps too.

2.3. Each policy has been prepared to a format of: Reasoned Justification to explain
the purpose and application of each policy; the Policy content in bold text;
followed by and a set of Notes to provide key cross references to other
particularly relevant Development Management Policies, the Joint Core Strategy,
National Framework, sources of evidence etc. All colour graphics and Maps are
currently included in an Annex. In due course Supplementary Guidance will be
prepared to ‘hang’ on and detail a number of the policies.

2.4. Key issues in preparing the policies have included the:

- Need to reflect the presumption in favour of sustainable development
  as the starting point, so that policies address where planning
  permission might be refused, whilst maintaining a positive and
  simplified stance

- Need to write the document to sit alongside the Joint Core Strategy
  and Site Allocations and Policies DPD, and customise the National
  Framework
2.5. The latest version of the draft policies have been considered in detail by the Local Planning Steering Group; this has resulted in some amendments but fundamentally, has confirmed that the policies do provide what Members wanted.

2.6. After the publication of this report the policies will be subject to two further reviews, the results of which will be report verbally to the Cabinet. Firstly, the policies will be tested against some real planning proposals in an exercise hosted by Local Planning Steering Group and involving other Members and officers. Secondly, the proposed policies and boundaries of the Town Centre Areas (Policies DM 2.4 & 2.5 and associated maps) will be discussed with relevant Parish and Town Councils before finalising.

3. Proposal and Reasons

3.1. The draft policies and text are attached for consideration and approval. Presentational and editorial improvements are ongoing, the public consultation document will be in a landscape format to improve the ‘fit’ on a computer screen and the document developed for use as an online resource, as was done with the Place Making Guide. Hyperlink connections to definitions in a Glossary or to referenced documents and resources will be set up at many points; currently these are indicated in bold text. Whilst the whole document will ultimately need to be ‘fixed’ and approved following an Independent Examination, it is hoped that the Notes sections can be regularly updated in someway to keep this information current.

3.2. Before public consultation commences it will also be necessary to complete the accompanying Sustainability Appraisal report and further mapping work, and to prepare suitable consultation questions, options and resources. Public consultation will commence in the first part of the New Year. The programme anticipates the Submission of the final document to the Secretary of State in the last quarter of 2013 for Examination.

4. Other Options

4.1. An option would be to rely on the National Framework and Joint Core Strategy but Cabinet have previously agreed that South Norfolk requires its own Development Management policies to customise these policies to apply to the distinct circumstances of South Norfolk.
5. Relevant Corporate Priorities

5.1. Enhancing our quality of life and the environment we live in: A variety of policies in Section 3 and 4 address how development should contribute to making social and environmental improvements.

5.2. Promoting a thriving local economy: The policies in Section 1 address the economic dimension.

5.3. Driving services through being businesslike, efficient and customer aware: The policies will run parallel with certain procedural and process changes.

6. Implications and Risks

6.1. Financial – There are no financial issues arising with the recommendations in this report, adequate resources are available in current budgets.

6.2. Legal – Whilst these Development Management policies will be amongst the first prepared under the new national policy regime of the National Framework and during a period where planning regulations have been changed, the timing of this work has allowed full consideration to be given to achieving consistency. Legal input has been sought on the content of some of the policies. There are no legal issues arising from the recommendations in this report.

6.3. Environmental – The draft policies maintain the environmental designations set by other bodies and propose to maintain or slightly amend those in the Council’s control. The Sustainability Appraisal will directly assess the environmental impact of the policies.

6.4. Equalities – There are no issues arising directly from the recommendations in this report; the Sustainability Appraisal will assess the impact on equalities directly.

6.5. Crime Reduction – There are no implications arising with the recommendations in this report; relevant policies address crime reduction as an aspect of design.

6.6. Risks – there are considerable risks and uncertainties for the Council if it does not adopt its own Development Management policies. Decision makers would then have to rely entirely on whatever national policies are in place and the only statutory development plan policies would be those in the shared Joint Core Strategy (and future site allocations document) which, cannot and do not, address all the issues important to the distinct circumstances of South Norfolk or best prepare the Council to be able to respond to future development pressures.

6.7. There are no unrecoverable risks arising from the decisions in this report. Approval of the document for public consultation only is sought; there will be opportunity to modify the policies in the light of consultation responses (or future government reforms) made before progressing to further stages in the policy preparation and Examination process.
7. Conclusion

7.1. The attached draft policies have been prepared following a thorough process of involvement of Members and stakeholders and a first ‘issues and options’ consultation. This has ensured that the policies provide what is wanted by Members.

7.2. Whilst these Development Management policies will be amongst the first prepared under the new National Framework and other continuing changes in national policy, the timing of this work has allowed proper consideration to be given to achieving necessary consistency.

7.3. Once the policies are agreed as the basis for a ‘preferred option’ public consultation the necessary work to complete the Sustainability Appraisal and options and questions for public consultation can be completed. Public consultation will commence in the New Year.

8. Recommendations

8.1. Cabinet are recommended to:

A) Consider and agree the policies in Appendix A as the basis for a Regulation 18 ‘preferred option’ public consultation; and

B) Delegate authority to the Leader and Chief Executive, to agree editorial and other necessary minor amendments to the policies, and approve the Sustainability Appraisal and the key public consultation material.
A possible City Deal for Greater Norwich

Head of Localism and Growth

To consider participation in a Greater Norwich Development Partnership bid for City Deals, wave 2

<table>
<thead>
<tr>
<th>Cabinet member(s):</th>
<th>Ward(s) affected:</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Fuller</td>
<td>All</td>
</tr>
</tbody>
</table>

Contact Officer, telephone number, and e-mail:
Christopher Hewitt – (Economic Development and Tourism Manager)01508- 533970
chewitt@s-norfolk.gov.uk

1. Background

1.1 This report informs members about the opportunity now available to South Norfolk Council to engage with organisations across the Greater Norwich area, including the private sector, Government, Norwich City Council, Broadland District Council and Norfolk County Council and the New Anglia Local Enterprise Partnership to develop a City Deals bid for Greater Norwich. The report recommends that Cabinet authorises officers to work with partners to prepare and submit an Expression of Interest to Government by 15 January 2013.

1.2 A City Deal has the potential to give the Council a stronger range of tools for economic development. These tools can include devolving greater powers to the local area; the access and control over current Government funding and the retention of additional funds locally to be retained and reinvested in the area.

1.3 The Greater Norwich area builds on the strong relationships and governance models applied to deliver the Joint Core Strategy through the Greater Norwich Development Partnership (GNDP). But City Deals goes further, and focuses on the delivery.
1.4 Such a deal could allow us to unlock the potential of locations and sites for strategic growth, through the reduction of regulation, quicker decisions, harnessing private sector input and driving efficiency in the use of public money.

2. Current Position and Issues

2.1 In July 2012 Government agreed the first wave of ‘City Deals’ with the eight largest cities outside London and their wider economic areas. The cities were: Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. These Deals were tailored to each location to reflect the different needs of individual places, but every deal aimed to:

- Give cities the powers and tools they need to drive local economic growth;
- Unlock projects or initiatives that will boost their economies; and
- Strengthen the governance arrangements for each city;

2.2 On Monday 29 October 2012, the Government announced a second wave of ‘City Deals’ by inviting 20 towns and cities in England to submit proposals for their own ‘City Deals’. Greater Norwich is one of those places invited to submit a proposal. In contrast to wave 1, however, wave 2 introduces an element of competition with only those most ambitious proposals likely to be accepted and progressed. It is understood out of the twenty cities invited to bid the Government will only secure 12 bids though this has not been confirmed.

2.3 Officers have held initial discussions with civil servants from DCLG and BIS. Initial feedback is that as the local authorities have strong track record of working together; that the ambition for economic growth is clear and strong; that authorities have already identified sources of funding which can contribute (eg Community Infrastructure Levy); and a strong relationship with the Anglia LEP; that the Greater Norwich City Deal has strong attributes.

2.4 A key factor of a City Deal is to identify areas of any silo working across Government departments and seek changes in the relationships with the Greater Norwich area so a clearer, better defined, more efficient and mature relationship can be built.

2.5 Greater Norwich now has the opportunity to secure significant additional powers to address economic challenges and unlock economic growth. Our bid will identify what those issues are, and how they can be overcome. In return, Government demands clear and accountable local leadership and governance across the city region (so there is confidence the City Deals proposal can be delivered) and the ability to lever in private sector investment, skills and effort. Government has been clear that wave 2 bids should be ambitious.

2.6 ‘Cities’ wishing to respond to this invitation to develop a City Deal for their area must submit an initial Expression of Interest outlining their proposal by 15
January 2013. Those propositions that meet the Government’s requirements will go forward to the negotiation stage in spring 2013.

2.7. The wave 2 city deals will include a core element, which is still being devised by Government, and a bespoke element, which is specific to a city and will form the transformative and innovative elements of any bid. These bespoke elements are where Greater Norwich has the ability to stand-out from the competition.

3. The Process

3.1. Each place and their respective Local Enterprise Partnership will be invited to put forward a landmark proposal to address a single economic challenge or opportunity which requires a transformative response.

3.2. Places are asked to submit an Expression of Interest (EOI) that describes their local growth opportunity/challenge and how they propose to address it. The emphasis of the EOI should be on clearly defining the issue and explaining how a ‘deal’ can unlock growth and jobs. The draft EOI must to be submitted by 30 November, with the final EOI being submitted by 15 January 2013.

3.3. Support in developing propositions is available from the Cities Policy Unit in the Cabinet Office as well as the relevant BIS Local office and contact has already been established with the relevant personnel.

3.4. Following submission in January 2013, the proposals will be assessed by the First Secretary to the Treasury and his team with an announcement on the successful bids made in February 2013. Bids will then be developed in detail and the final deals will be launched in November 2013.

3.5. The assessment of the initial Expressions of Interest will focus on five tests:

- Demonstrating the leading edge of the Government’s general economic strategy – to reduce regulation, create well functioning markets and promote an enabling environment for business and boost private sector growth and investment;
- Strong governance across the functional economic area so that decisions necessary for the growth of the area as a whole can be taken quickly and effectively;
- Ability to harness significantly greater private sector input, expertise and resources;
- Political commitment and readiness to put resources into delivering the deal;
- Driving efficiency in the use of public money in the area and doing more with less.

3.6. The focus of Wave 2 is the transfer of existing central government functions and finance. There will not be new money, but redirecting existing money, achieving better value for money and income generating. The process will be managed by
Greg Clarke, and an ad hoc ministerial group who will broker deals. The resultant City Deals will be announced in November 2013.

4. **Next Steps**

4.1. A small project team has been formed including officers from the Greater Norwich Development Partnership core team, Broadland, Norwich, South Norfolk and Norfolk County Councils, with the Broads Authority and the New Anglia Local Enterprise Partnership. The respective Leaders and Chief Executives are already engaged to collaboratively develop a proposal for Greater Norwich and agree how this initiative should be taken forward.

4.2. Time is extremely tight and if a credible bid is to be mounted effort will need to be focussed to maximise the chance of success.

5. **Relevant Corporate Priorities**

5.1. Promoting a thriving local economy.

6. **Implications and Risks**

6.1. Financial – As currently identified, this will be officer time, mainly staff within the Economic Development and Financial Services teams, which will be met from existing budgets. As the proposition develops there may be a requirement to increase the officer support for the initiative and/or make a financial commitment as yet unquantified. Commitments will not be entered into without Cabinet approval.

6.2. Legal – There are no legal implications arising directly from this report. A successful bid could have significant impacts in bringing land to generate jobs and growth. While this should generally be welcomed, the price being paid is to give up local planning control to sustain the bid outputs. Members will need to make a judgment whether this devolvement of powers is a price worth paying.

6.3. Equalities – There are no obvious direct impacts on equality, but it is worth considering that key growth sectors in the UK tend to be in low-paid, low-skill jobs (e.g. tourism, health & social care), largely undertaken by women and part-time workers. The temptation to target these sectors for quick wins should be resisted in favour of a more balanced approach to developing NRP and Hethel as wealth and jobs generators tied into a more comprehensive apprentice programme.

6.4. Risks – there are clearly significant risks from participating in the partnership arrangement, which will be resolved through agreeing governance arrangements which support the overall vision.
7. Conclusion

7.1. By changing the second wave of the City Deals programme to being bid-based, the Government has sent clear signals that bids should be creative, attainable, viable and realistic. Pooling resources and assets does give a larger critical mass of officer time, land, and money that is more attractive to private sector investment and can move major schemes forward much more quickly. South Norfolk is fortunate that it has some schemes already in the pipeline (NRP, Hethel) and should be in a prime position to generate high-value jobs and apprenticeships.

7.2. The Joint Core Strategy has identified the need for an additional 27,000 jobs between 2008 and 2026. A successful bid and partnership would be key to meeting the Joint Core Strategy target.

8. Recommendation

8.1. Cabinet is recommended to:

   a) Delegate authority to the Chief Executive in consultation with the Leader to work up a bid in partnership with others to the submission stage, and

   b) Bring a further report back to Cabinet when further details are available, including potential governance arrangements and any commitments required
1. Background

1.1 Visit Norwich Ltd is a Destination Management Organisation (DMO) incorporated as a not-for-profit company. It is a private/public sector partnership partly funded by Norwich City Council, and promotes the Norwich area locally, regionally, nationally and internationally.

1.2 A Destination Management Organisation is a partnership that shares tourism objectives and vision for an area, leading to greater co-ordination of targeted, efficient and cost-effective marketing, through non-duplication of activities, and better market intelligence and research. It also provides a collective ‘voice’ for public and private sector partners.

1.3 Discussions with Visit Norwich Ltd (VNL) about expanding their DMO partnership to include the South Norfolk area have been ongoing since June 2012. A high level proposal for consideration by the three organisations has been produced, outlining the functions and activities of a new enlarged Visit Norwich DMO and this is attached as Appendix One.
2. Current Position

2.1. The VNL proposal embraces a move to themed marketing (e.g. walking breaks, cycling breaks, angling breaks etc.), giving the opportunity to develop and promote new visitor experiences that link city and country. Their key current experiences are Norwich-centred and funded, and VNL explains that any new rurally-centred experiences would also need to be self-funding. VNL has 162 businesses as members, of which 32 (20%) operate in South Norfolk.

2.2. In addition to the direct costs of running Diss Tourist Information Centre and the Economic Development and Tourism team, the Council currently spends £33k p.a. on tourism promotion as follows: Visit Norfolk for strategic tourism services (£7k), visitor guide (£8k), tourist information service grants (£18k).

3. Proposal and Reasons

3.1. The proposal is for the Council to join with Visit Norwich to create a larger DMO with a wider range of themed tourism experiences. This will help to attract new customers to both areas, encourage longer and repeat trips and help to increase the value of tourism in both areas.

3.2. South Norfolk businesses will benefit from exposure to more potential customers, reduced marketing costs, and being associated with the city's heritage and shopping attractions. VNL will benefit from additional membership revenue, larger and more frequent marketing campaigns, and access to a new range of rurally attractions.

3.3. South Norfolk has some particularly attractive market towns, whose markets and range of individual, speciality shops will add greatly to the overall shopping experience for visitors to the city. In addition, different types of visitor accommodation (e.g. cottages, farm-based B&B and self-catering), will encourage family visitors for whom city-based accommodation would be beyond their budget, but who still want to enjoy city and country attractions.

3.4. An enlarged Visit Norwich DMO will also boost the Waveney Valley tourism project, helping it reach its aims of building its brand, raising quality standards, sustaining green tourism and promoting its traditional countryside accommodation and activities. There is great potential to help focus visitor attention on local produce through the new Waveney Valley Food and Drink festival, which this year linked into the Norfolk Food and Drink Festival. Including the Waveney Valley within the enlarged Norwich DMO will also help to soften the boundaries between Norfolk and Suffolk – a key aim of the New Anglia LEP.

4. Other Options

4.1. The Council’s alternative options are to work with Great Yarmouth Tourist Authority, try to form a new rural DMO with adjacent predominantly rural districts, or continuing as an ‘orphan’ authority with no access to DMO services.

4.2. Great Yarmouth’s mainly seaside tourism would clearly be inappropriate for South Norfolk, and setting up a new rural DMO from scratch would take significant resources and depend on the other authorities and their businesses being willing to participate. Running as an ‘orphan’ authority would isolate our
businesses from the rest of the county, reduce the marketing savings of a DMO, and weaken their access to customers looking for the added value of a city experience.

5. **Relevant Corporate Priorities**

5.1. Promoting a thriving local economy is the key corporate priority, and working more closely with Visit Norwich is a key activity in the Tourism Action Plan. Attracting additional visitors into the district and reducing tourism business costs should help to make the tourism sector more sustainable, and capable of growth.

6. **Implications and Risks**

6.1. Financial – No net increase in financial expenditure is proposed although the Directorate Planning process could lead to a shift of emphasis within the Economic Development budget. Until the new thematic campaigns and visitor experiences become established and self-funding, SNC’s existing tourism spending and some officer time (marketing, PR etc) would provide a stable underpinning contribution. This in-kind contribution would need to be identified and built into the Directorate Planning process, which would in turn help to set a value on this additional part of South Norfolk’s overall contribution.

6.2. Legal – Activity and expenditure of the enlarged DMO would be monitored and controlled by a programme management board comprising the SNC Chief Executive, the Chairman of Visit Norwich and a senior officer of Norwich City Council.

6.3. Risks – Doing nothing could cause local businesses to look elsewhere for their DMO membership services and promotion, fragmenting the local tourism sector and inhibiting the growth of tourism as a key sector and provider of jobs. The Council has recognised the importance and value of a cohesive tourism sector in its tourism strategy, where objective 4 states: *To work with tourism businesses to identify and act on the common needs of the sector in order to continue to support and develop tourism as a key sector of the local economy.* Preventing further fragmentation of the sector would maintain the Council’s aim of growing the tourism sector and the additional income and jobs that could be generated.

7. **Conclusion**

7.1. The case for the Council’s participation in an enlarged Visit Norwich DMO is very strong, providing benefits for our local tourism businesses and people employed by them. It is equally beneficial to city-based tourism businesses in Norwich. South Norfolk’s contribution is not just financial. We also offer officer time and skills, new membership revenue, an enhanced TIC service, new and exciting themed visitor experiences, and new customers.

8. **Recommendation**

8.1. **Cabinet is recommended to:**

(i) Authorise officers to negotiate a partnership agreement for participation in an enlarged Visit Norwich DMO.
Opportunity to work in collaboration to achieve growth within the tourism sector

VisitNorwich, Norwich City Council and South Norfolk District Council have a shared ambition for tourism growth within central Norfolk. The package of tourism product offers in the city and the surrounding countryside, including the Broads, is more compelling to a wide segment of visitors than is any one of those individual destinations alone. Many visitors to the Norwich area stay in accommodation outside the city but visit the city as part of their itinerary, likewise, visitors to the city often explore, and spend money more widely across the area.

In order to leverage the maximum value to the tourism sector, for growth within the destination it is recommended that teams are pulled together from across the 3 organisations to work on a project based approach where appropriate, to deliver:

- Destination marketing
- IT/digital
- Design
- Research
- Visitor Information

This paper describes a strategic partnership approach for delivering growth and collaboration through these mechanisms. An outline action plan is included. The proposal is for a three–year partnership subject to an annual review.

The product
VisitNorwich covers a geographical area with Norwich city centre at its core, and which includes a number of discreet and complementary destinations, including:

- The City of Norwich
- The periphery of the city and its hinterland
- The countryside around the city
- The Norfolk Broads

This strong tourism offer is particularly suitable for a thematic approach to marketing which builds on the existing tourism product and responds to customers interests. NB Customers includes visitors and people who live and work in the area.

The vision
To grow the value of the visitor economy in the destination
To develop the quality of the tourism experience
To raise the profile of the area
Strategic objectives and priorities

1. **Taking a lead on promoting and marketing the visitor destination**
   - Deliver a programme of tourism growth and retention marketing initiatives
   - Work with VisitEngland and VisitBritain to promote the destination to domestic and international markets
   - Work with tourism destination organisations at local, county and regional levels including Visit Norfolk partners and Visit East Anglia.
   - Engage with local stakeholders, industry partners, members and the tourism sector.
   - Engage with the Local Enterprise Partnership and Norwich Business Improvement District

2. **Developing the tourism product**
   - Represent the interests of the tourism sector to development and planning services to inform tourism needs
   - Promoting and supporting quality issues across the industry
   - Engage with cross sector partners to inform tourism needs
   - Seek to engage partners on sustainability issues
   - Actively engage with industry to inform and support tourism issues

3. **Utilise the existing tourism offer to develop themes which align with visitors' interests**
   - Engage with the industry and visitors to inform themes which link to visitors interests. Themes could include:
     - Culture: the wide ranging cultural offer of the area, e.g. UNESCO city of literature status
     - Heritage: buildings, landscape, people
     - Events: e.g. Norwich and Norfolk Festival, Norfolk Show
     - Water: Norfolk Broads, rivers, boating, activities,
     - Food and Drink: e.g. Food festival, local speciality suppliers, eating out
     - Shopping: Norwich, market towns, independents, antiques
     - Peace and quiet: rural, countryside
     - Activities: e.g. walking, cycling, Whitlingham outdoor sports

4. **Deliver high quality information to visitors through all stages of the visitor experience, maximising spend and encouraging repeat visits**
   - Engage with visitors on a personal level
   - Utilise social media to inform and engage visitors
   - Utilise digital media to inform and engage visitors

How it will work
Proposed way of working
It is suggested that a small programme management board is formed consisting of a senior representative from each of the three organisations (VisitNorwich, Norwich City Council and South Norfolk District Council) to ensure alignment of activities and delivery of the overall programme of activities against plan.

Timescales
Implementation of the partnership working could begin immediately agreement is reached. This could allow immediate input into the main campaigns delivered by VisitNorwich which are programmed in for Nov 2012 – March 2013.

Funding and resources
In recognition of the limited available cash resources available within the local authorities, there should be a shared approach to providing expertise to develop and deliver an agreed programme of activities and projects. Additional financial support for this programme should be leveraged from tourism sector members and partners.

Governance
Norwich City Council and South Norfolk District Council would be represented on the VisitNorwich Board.

Outline action plan

1. Taking a lead on promoting and marketing the visitor destination
   - Work with VisitEngland on their themed campaigns e.g. Cultural Cities, Great Active outdoors etc
   - Implement marketing initiatives using print
   - Implement marketing initiatives using digital and social media
   - Implement marketing initiatives using customer relationship marketing (CRM and eCRM)
   - Implement PR initiatives with press and media, familiarisation visits, and social media
   - Produce a set of key boiler plate positioning facts about the destination

2. Developing the tourism product
   - Work to attract a 5 star hotel in Norwich
   - Conduct research to define target growth segments and markets
   - Input to plans for transport infrastructure
   - Ensure accommodation sector partners meet quality standards

3. Utilise the existing tourism offer to develop themes which align with visitors interests
• Engage with industry partners and stakeholders to map existing product
• Realign visitor guides and associated projects to focus on visitor interests
• Review and adapt content on VisitNorwich .co.uk to reflect themes.
• Realign proactive marketing and PR to reinforce themes

4. **Deliver high quality information to visitors through all stages of the visitor experience, maximising spend and encouraging repeat visits**
   • Provide a Tourist information service
   • Provide a tourism website
   • Review new media infrastructure
Delivering Affordable Housing through Enabling Activity

This report advises Cabinet on the detail of a proposed new scheme to enable financial support to be given to assist in the delivery of viable affordable housing projects that will help meet local need.

Cabinet member(s): Yvonne Bendle  
Ward(s) affected: All  
Contact Officer, telephone number, and e-mail: Andy Jarvis 01508 533703 ajarvis@s-norfolk.gov.uk

1. Background

1.1 On 6 February 2012 Cabinet considered a report which reviewed current issues, opportunities and in particular the future of the Low Cost Housing Project and arrangements for delivering the Council’s affordable housing enabling role.

1.2 Cabinet resolved that a revised programme of affordable housing enabling activity be developed for 2012/13 onwards on the following basis:

(a) The funding is derived from the new homes bonus to the sum of £300,000 and future new homes bonus from the affordable homes supplement is allocated to this project. This future funding could amount to £1.4 million over 6 years.

(b) Officers develop a new scheme to enable financial support to be given to affordable housing projects; the scheme to be considered by the Housing and Public Health Policy Committee;

(c) The Council continues to support the principle of housing for local needs under the exceptions policy via an enabling mechanism and will not renew the Low Cost Housing Project agreement with Saffron Housing Trust.

2. Current Position and Issues

2.1 The Council determines the need for Affordable Housing in three main ways; by carrying out Housing Needs Research (HNR), by undertaking a Strategic Housing Market Assessment (SHMA) and by reviewing the South Norfolk Home Options Housing Register.
2.2. The last HNR was a Greater Norwich Housing Partnership project published in June 2006 and when updated in 2011 produced an annual unmet need figure of 193 households in South Norfolk.

2.3. In 2007 a Greater Norwich Housing Market Assessment provided a thorough analysis of the sub-regional housing market; since then the Government has issued guidance about producing a SHMA, which is essentially a methodology to establish need for affordable housing. The Greater Norwich councils have agreed undertake this research in 2013.

2.4. The Home Options scheme is not of itself a measure of need, but it can provide useful indicative information on households that are actively looking for accommodation. At the time of writing this report there are 671 applicants registered on Home Options and the general indication is that the need is greatest for 1 bedroom (392 – 59%) and 2 bedroom (180 – 27%) homes, with 18 households requiring wheelchair standard homes and a lack of large (4 and 5 bed) homes.

2.5. The 2006/7 research identified a possible surplus of 3 bedroom houses in South Norfolk, with unmet need for 1 and 2 bedroom homes in the affordable rented sector. An overall shortage of two-bedroom intermediate homes (for low cost ownership) was also projected. The shortage of smaller homes for affordable rent has been exacerbated by the revised Benefits Eligibility Criteria reducing the number of households that will qualify for Benefit on 3 or more bedrooms.

### Annual unmet need in South Norfolk. Source: ORS 2006

<table>
<thead>
<tr>
<th>Size Tenure</th>
<th>All Property Sizes</th>
<th>One bedroom</th>
<th>Two bedroom</th>
<th>Three bedroom</th>
<th>Four+ bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market</td>
<td>365</td>
<td>-18 **</td>
<td>-83 **</td>
<td>279</td>
<td>179</td>
</tr>
<tr>
<td>Intermediate</td>
<td>49</td>
<td>-</td>
<td>49</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Affordable Rented</td>
<td>71</td>
<td>67</td>
<td>76</td>
<td>-72 **</td>
<td>-</td>
</tr>
</tbody>
</table>

** = a surplus of this type of property

2.6. The table below summarises delivery during the last six financial years including 2012/13 to date.

<table>
<thead>
<tr>
<th>Source</th>
<th>2007/08</th>
<th>2008/09</th>
<th>2009/10</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13 (to date)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>S106 Agreement s</td>
<td>147</td>
<td>245</td>
<td>96</td>
<td>26</td>
<td>111</td>
<td>27</td>
<td>652</td>
</tr>
<tr>
<td>Other sources</td>
<td>98</td>
<td>158</td>
<td>115</td>
<td>128</td>
<td>92</td>
<td>34</td>
<td>618</td>
</tr>
<tr>
<td>TOTAL</td>
<td>245</td>
<td>403</td>
<td>211</td>
<td>154</td>
<td>203</td>
<td>61</td>
<td>1,270</td>
</tr>
</tbody>
</table>

2.7. Officers have been working with house builders and Housing Associations to increase the number of smaller homes. Between 2005 and 2010 the net increase in the number of homes for social rent was:
Since 2010 the number of new-build properties for rent (excludes private sector) have been 43 one bedroom and 135 two bedroom.

2.8 The Council has previously delivered some of this affordable housing through its Low Cost Housing Project, which has spent in excess of £1 million in supporting affordable housing provision. The Council operated a Design Review Panel, so schemes which came forward met our design aspirations. However, since the Low Cost Housing Project was launched, there have been a number of events which have driven the review of the project, namely:

a) Funding Regime- the Low Cost Housing Project was funded through recycling Right to Buy receipts. Funding from this source has reduced since 2007; however the New Homes Bonus funding stream identifies additional monies which come to local authorities based on increasing the provision of affordable homes. Cabinet has agreed that a portion of this funding should be ring-fenced to fund support to Housing Associations which further increases this provision.

b) Joint Core Strategy- this identifies the need for affordable housing, and the locations where the need is greatest. With the growth in housing numbers predominantly in our market towns, then affordable housing will be delivered alongside market housing. However, in rural areas, where additional housing numbers are much lower, schemes which include an element of affordable housing which meets local needs may be more difficult to make financially viable. Our new funding scheme will therefore concentrate on enabling such housing schemes to be delivered.

c) Place-making and Design Guide- this Guide will enable good design to be incorporated into future housing schemes. As such, there is no longer a requirement for a Design Review Panel.

d) Local Needs Affordable Housing Eligibility Cascade- the scheme which formed part of the Low Cost Housing Project was refined by Cabinet on 12th July 2012. With the clarity on how a cascade system works, and an increased level of enhancing local awareness, means the Council is in a stronger position to engage with and meet local people’s affordable housing needs.

3. Proposed Revised Programme of Affordable Housing Enabling Activity

3.1 It is proposed that the Council’s future Housing Enabling Activity will continue to involve undertaking Housing Needs Research to identify the areas where there is a need for affordable housing, supporting funding bids made by Registered Providers (RPs) to the Homes & Communities Agency, and through working in partnership with a range of partners who themselves have identified areas and opportunities to provide affordable housing.

3.2 Seventeen RPs currently have housing in South Norfolk; and it is proposed that these organisations will be advised that the Council is willing to provide financial support for local needs affordable housing provided either as new build or exceptionally by adaptation of an existing property. The proposed support would be available within the budget limits agreed by Cabinet and set out in paragraph
1.2(a) for affordable housing on sites either outside the development boundary (i.e. would not normally include ‘allocated sites’) or, where there is no significant land cost. On occasion it may be that the only way of meeting an exceptional need is by supporting development on an allocated site. It is proposed that such an eventuality would be considered on a case by case basis. Schemes would be assessed using a scoring matrix (Appendix A).

3.3 Support will be available up to a maximum of £10,000 per property and £100,000 per housing development. Preference will be given to properties that help address the identified shortfall in one bedroom properties and two bedroom houses in rural areas, where there is little or no market housing development identified through the Joint Core Strategy. Properties that are designed and built to accommodate residents with special needs will also score more favourably.

3.4 RPs seeking financial support would need to provide evidence of the financial viability of a proposed scheme, and how funding from South Norfolk Council can deliver a scheme which meets the identified housing need. Clearly, if a scheme can be made viable which meets the housing need that does not justify any financial contribution from the Council, and then these schemes will not obtain funding. The Council’s future enabling activity will not involve directly working on local needs exceptions site identification and promotion.

3.5 It is also possible that approaches may be made for support in excess of £10,000 per property and £100,000 for the development and might even be for funding a development in its entirety. In this event the matter would be brought to Cabinet for consideration.

4. **Funding Mechanism**

4.1. It is proposed that bids for Affordable Housing Grant would by considered by the Grants Panel. Bids could be made at any time on a variation of the existing Capital Grant application form and would be accompanied by an officer report giving an assessment of the likely contribution of the proposed affordable properties to meeting housing need. A “points” based evaluation process (form attached as Appendix A) would help determine which schemes should receive funding support.

4.2. Proposals will be required to evidence the housing need; the engagement of the community; the financial viability issues; the timeframes for delivery and how this Council’s financial contribution will be communicated.

4.3. The determination of grant will need to consider the timing of grant payments to the RPs (which should be linked to agreed outcomes e.g. occupancy of the funded properties) and the financial implications should the scheme not progress or any of the properties be sold at a later date (i.e. clawback arrangements).

4.4. It is proposed that, subject to Cabinet approval of this report, the Council would write to all RPs active in the district, and Town and Parish Councils to inform them of the new enabling mechanism. A timeline for initial bids would be set, so the Grants Panel is able to consider a range of bids in the new year.

4.5. The proposed scheme does not exclude an RP from seeking funding from other sources, including public bodies, to support their schemes. For example, the
element of the Community Infrastructure Levy which will go to Parish Councils could be a source of funding to bring affordable housing forward, and would show a strong engagement from our Parish Councils in seeking to provide affordable housing in their community. Indeed, it may be possible for Parish Councils to lead on submitting proposals.

4.6. The Council will not fund any schemes where an application for funding has been considered (whether approved or not) by any other part of South Norfolk Council. Furthermore, any scheme which is approved by the Grants Panel for grant support will not be eligible to seek any further financial support from the Council.

5. Other Options

5.1 The Council could provide support for other affordable housing approaches for example:

- Community Self-Build - such schemes have worked successfully elsewhere but are significantly more difficult to get off the ground, take longer to deliver and are more resource intensive.

- Live/work units – these schemes may be appropriate in specific locations but a robust mechanism would be required to ensure they are used in the way intended

- Major adaptations to an existing Housing Association property where other funding sources are insufficient.

6. Relevant Corporate Priorities

6.1. Enhancing our quality of life and the environment we live in – by providing suitable homes so that South Norfolk residents can retain their social, educational and employment connections.

6.2. Promoting a thriving local economy by contributing funding for construction and by helping to build homes in sustainable locations.

6.3. Supporting communities to realise their potential by providing affordable homes where people wish to live.
7. Implications and Risks

7.1 Financial – as set out in the report. A decision to have less involvement in exceptions policy schemes would reduce the amount of enabling activity, resulting in an amount of staff resource saving.

7.2 Risks - there is the possibility that there will be no interest in the funding offered, or the terms on which it is available, or proposals might not provide value for money. There is also the possibility that the complexity of delivering exceptions schemes will lead Housing Associations to lose interest in such projects.

8. Conclusion

8.1 The new approach this report proposes has the potential to provide better value for the Council’s money and to make a more direct link between the New Homes Bonus received for affordable homes and the future provision of further affordable housing. It also seeks to ensure continued provision of affordable homes for local people, meeting key corporate priorities.

9. Recommendations

9.1 Cabinet are asked to approve the new scheme for delivering the Council’s affordable housing enabling role.
## Appendix A

### Funding Affordable Housing – Assessment Criteria

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Requirement</th>
<th>Scoring</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivers SNC priorities</td>
<td>Supports 2 corporate priorities or Supports 3 or 4 corporate priorities</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Addresses unmet need</td>
<td>Evidence of need provided or Evidence of meeting multiple needs</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Community support</td>
<td>Evidence of liaison with Town/Parish Council (even if they do not support the proposal) or Town/Parish Council support</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Deliverability</td>
<td>Planning consent seems likely or Planning consent already obtained or not required</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Sustainability factors</td>
<td>CSH level 4 Or Higher than CSH level 4 or providing other environmental benefits</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Need for the Council’s funding</td>
<td>Quantified benefits of Council funding or The project is not viable without the Council’s funding.</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Negative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk of failure to deliver</td>
<td>The organisation has no record of delivering similar projects or The organisation has failed to deliver a similar project</td>
<td>-5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>Summary</td>
<td>In normal circumstance it will be expected that successful bids will achieve a minimum score of 30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Cabinet 26 November 2012

Agenda Item No 11

Capital Strategy

Head of Finance

The Capital Strategy sets out the Council’s approach to the use of its assets and resources and how this links with the Council’s priorities and corporate planning process. The strategy provides the framework for determining the capital programme and the effective use of the Council’s resources and will drive the construction of the capital programme for the next three years. The focus of the capital strategy will be around the use of capital resources to deliver either on-going revenue savings or additional revenue income. This will be achieved by investing in the Council’s assets and within the district to create economic growth.

<table>
<thead>
<tr>
<th>Cabinet member(s):</th>
<th>Ward(s) affected:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Garry Wheatley</td>
<td>All</td>
</tr>
</tbody>
</table>

Contact Officer, telephone number, and e-mail:
Debbie Lorimer 01508 533981
dlorimer@s-norfolk.gov.uk

1. Background

1.1. In the past South Norfolk Council has had a traditional capital programme with projects which have supported the community, delivered affordable housing and replaced and maintained its existing assets such as vehicles.

1.2. The Council has recognised that the current climate of reductions to the level of Government funding will continue beyond the current comprehensive spending review period and indeed the indications from central Government are that, due to the prolonged recession and the national deficit not reducing as quickly as anticipated, further cuts in public funding could last as long as 10 years.

1.3. These funding reductions will mean the Council will have to radically change the way it delivers services and reduce or even stop some services in future years unless it can either deliver on-going revenue savings or additional revenue income. Therefore the focus of this capital strategy is to use the capital resources available to the Council to invest in projects which will deliver these two aspects, alongside some aspects of the traditional capital programme, to provide the Council with the best chance of being able to deliver quality services to its residents.
1.4. The Comprehensive Spending Review 2010 (CSR10) announced not only the Government’s intention to concentrate their efforts in reducing the national deficit over the next four years but also a fundamental review of local government finance and new initiatives such as New Homes Bonus and the Community Infrastructure Levy.

The changes to the funding of local authorities from April 2013 through the Localisation of Business Rates reflects the Government’s agenda of promoting economic growth. In future those local authorities who promote and achieve economic growth will be rewarded financially.

The Government is also changing the Council Tax Benefit scheme to a discount scheme but with a 10% reduction in expenditure. Although there are no major direct implications on the capital strategy as a result of this there are large implications on the revenue budget and the potential volatility of demand.

Overall the effect of all the changes in local government funding is an on-going reduction in revenue funding.

1.5. This report presents the Capital Strategy for the financial year 2013/14 to 2015/16. The Capital Strategy sets out South Norfolk Council’s approach to the use of its capital assets and resources. How this links with the Council’s priorities and corporate planning process is contained within Appendix A. The Strategy provides the framework for determining the capital programme and the effective use of the Council’s resources and is reviewed and updated on an annual basis, setting the parameters for the capital budget preparation.

1.6. The Council’s corporate priorities are:

- Enhancing our quality of life and the environment we live in.
- Promoting a thriving local economy.
- Supporting communities to realise their potential.
- Driving services through being businesslike, efficient and customer aware.

1.7. This Capital Strategy focuses investment to:

- Support changes to introduce more efficient forms of service delivery
- Support opportunities to generate additional income
- Support economic development within South Norfolk

1.8. The Capital Strategy is closely linked to the Treasury Management Strategy which will be presented to members in February 2013. The prudential code permits Councils to determine the appropriate level of capital investment to deliver quality public services, subject to affordability.

1.9. With low interest rates continuing for the foreseeable future and the on-going volatility in the banking sector there remains the opportunity to invest monies in property as an alternative to bank deposits if the rate of return exceeds the rate of interest which would be achieved through cash investments. However Members need to be aware that this form of investment is deemed to be capital
and therefore if an investment property is sold the sale proceeds will be accounted for as capital receipts and cannot be used for revenue purposes in the future.

1.10. Member’s involvement is essential in order that the Council can demonstrate that capital expenditure plans are affordable, financing plans are prudent and sustainable, and that treasury decisions are taken in accordance with good practice.

1.11. Details on the definition of capital expenditure and on-going revenue implications is contained within Appendix A. Along with details on the process for procuring, prioritising and monitoring the progress of capital projects.

1.12. An overview of the Council’s current Assets, together with further details of Land and Buildings is contained within Appendix B for background information.

2. Future Capital Programme

The projects which will be incorporated into future year’s capital programmes focus on delivering either on-going revenue savings or additional revenue income by investing in the Council’s own assets and in the district. Details of the projects which will deliver this together with any service enhancements are described below and those projects which continue to deliver the traditional capital programme follow.

2.1. Projects to deliver on-going savings, additional income or service enhancements

a) Leisure Centres – (Enhancing our Quality of Life and the Environment we live in)

Investment in improving both the equipment and Leisure Centre buildings would lead to business growth, improvements to products and services, improved customer experience, improved reputation and a reduction in ongoing maintenance costs. A review of Leisure Centres and the services provided has been undertaken and proposals include upgrading the centres and the provision of a separate dry side centre in Diss. The provision of two children’s gyms at LSLC and WSFC will enhance the services offered, encouraging children to undertake fitness from an early age.

These improvements linked with a electronic booking system to enable on-line booking of classes, activities and swim school as well as other leisure activities will assist in reducing the subsidy of the Leisure Centres and improve the revenue generated. However any investment at Long Stratton or Wymondham Leisure Centres would be dependent upon the negotiation of long term leases.

b) Investment Property – (Promoting a thriving local economy)

Within the Economic Strategy for 2011-14 there are areas identified that need to be considered within the Capital Strategy. The focus is on the Council investing and developing a commercial property portfolio which will not only support economic growth through providing quality accommodation at affordable rents but also provide a return on the investment to support the revenue budget.
Developing commercial property will also support the local economy by providing jobs within the building sector.

The Council already manages an investment portfolio of £10.304 million with an expected return of about 7.4% for the current financial year which exceeds the return on investments made with bank accounts although the potential risk is greater.

Included within the investment portfolio are land, industrial units, business centres, and shops. Further strategic investment in a mixture of asset classes over the coming years will strengthen the Council’s portfolio. These investments would need to provide a suitable return on capital as well as contribute to the economic well being and regeneration of the district. The rental income would support the revenue budget and in the future would help to offset borrowing costs. Investing in commercial property is not entirely risk free as property investments may fall in value with reductions in rents. There is also the possibility that the Council might have to sell a property investment to obtain cash at a lower than market rate. Finally any proceeds from the sale of investment property will be classed as a capital receipt and cannot be used to support the revenue budget.

The current capital programme already includes the proposed development of land at Poringland. This would be a mixture of residential and commercial properties. It is envisaged that the Council will work with a developer to deliver the residential properties but would develop the commercial units itself which would then be retained by the Council. This scheme would bring benefits to the Council, in the form of rental income, CIL and NNDR income and provide a stimulus to the local economy. There will be a requirement to fund a spine road and costs for this will need to be reflected in the capital programme.

The other major area for development within the timeframe of this strategy would be Cygnet House at Long Stratton where an outline design has already been consulted upon. Again this mainly residential development would contain a small number of commercial units which the Council would develop and retain with the same benefits as outlined above.

The Council is working with Norwich Research Park (NRP) partners and a vision for the development of the whole NRP has been agreed. Currently there is a high quality laboratory and office accommodation available for business development. The government’s decision in 2011 to allocate £26 million for the development of the next phase of the NRP and the recent development of the Genome Analysis Centre proves there is commitment to the future development at the NRP. Again there may be opportunities around business growth as well as NNDR growth and also income from the Community Infrastructure Levy (CIL).

c) Infrastructure within the LIPP & CIL – (Promoting a thriving local economy)

It is important that investments are in appropriate infrastructure to ensure the areas are ready to take up the opportunities that arise when the economy does start to pick up. The funding from CIL is to be used to provide this infrastructure however there are timing issues between when CIL will be received and when
the infrastructure is required. There are also major infrastructure projects within the LIPP which are GNDP wide and partners are in the process of agreeing which projects will be delivered within the first five years.

There is a shortfall of £100 million for the 15 year LIPP between the three GNDP partners. Current regulations only permit Norfolk County Council to borrow the funds to deliver the LIPP, however South Norfolk Council would have to commit to using CIL funds to repay the relevant share of any borrowing and to support any shortfall in CIL income should that arise. Profiling the potential borrowing requirement over the 15 year timeframe and in particular focusing on the first 5 years there will be a requirement for South Norfolk Council to contribute to borrowing costs in 2015/16 and 2016/17. The Council could utilise any existing capital receipts to support any borrowing requirement however this would have a significant impact on the revenue budget with a loss of investment interest plus the additional cost of repaying the loans. The prudential code also has limits on the amount a Council can borrow which is set in its affordable borrowing limit and the Council will need to ensure any borrowing and its associated costs are realistic and affordable.

There is also the risk that CIL income does not materialise as profiled and therefore the amount of debt the Council would carry could increase.

d) **IT Investment – (Driving services through being businesslike, efficient and customer aware)**

As the Council is faced with having to make savings of £1.578 million over the next three years the ICT Strategy along with the LEAN process will aid the delivery of these savings through driving down operating costs while maintaining or improving service delivery. This may in some cases require the use of capital investment.

Projects will need to be evaluated, appraised and prioritised, taking into account any changes in the method of delivery of services such as shared services/outsourcing. In some cases systems require an option appraisal prior to any Business Case being progressed. The current capital programme currently has £850,000 funding to support new IT projects in the three year period 2012 to 2015.

Alongside the IT investment it is important that the Council’s continues, through its Moving Together Forward programme, to develop its staff to continually improve processes and service delivery to ensure the value of the IT investment is maximised.

e) **Ketteringham Depot**

The Council is considering its options around Ketteringham Depot and the need to expand the depot to cater for future growth in service demand. In the past year the Council has invested in the site to enhance its health and safety provision, however it is envisaged that there will be a requirement to invest in drainage improvements in the longer term.
f) Cleansing Vehicles – (Enhancing our Quality of Life and the Environment we live in)
Investing in street cleaning machines will enhance the cleansing service being delivered and improve its efficiency.

g) Provision of Country park – (Enhancing our Quality of Life and the Environment we live in)
The Council will work with partners to deliver a facility at Costessey which will provide a natural environment for its residents to enjoy. It is envisaged that external funding will be sought to achieve this.

2.2. Projects which continue to deliver the traditional programme

a) Affordable Housing – (Enhancing our Quality of Life and the Environment we live in)
The decision was taken by Members in setting the current capital programme to fund affordable housing from the affordable element of the New Homes Bonus. This was supplemented in the current year by £300,000 from the New Homes Bonus received in 2011/12. A paper elsewhere on this agenda proposes a mechanism for delivering this scheme.

b) Disabled Facilities Grant – (Enhancing our Quality of Life and the Environment we live in)
The Council receives 60% funding up to a level set by the government and traditionally have supported these grants. This has been valuable in keeping people in their own homes, although pressure will increase on this budget once funding for aids and adaptations ceases. The Council is waiting for the outcome of a national review which was to propose a simpler, more transparent and fairer method of allocating resources to local authorities.

c) Aids and Adaptations – (Enhancing our Quality of Life and the Environment we live in)
This has been funded from LSVT receipts and was for a 10 year period finishing in 2014/15. The Council will continue to fund these until then. Once funding ends applications will be considered through the Disabled Facilities Grant budget.

d) Decent Home Loans – (Enhancing our Quality of Life and the Environment we live in)
The Loans are placed on homes and are not repayable until the house is sold. The loans are one off payments to enable people to remain in their own homes by providing funding for essential maintenance.

e) Vehicle Replacement – (Enhancing our Quality of Life and the Environment we live in)
Since LSVT the Council has been using part of this receipt to fund the replacement programme. The replacement programme was established to finance the replacement of vehicles and equipment through direct purchases rather than lease financing. Refuse rounds have been reviewed and the life of
the vehicles has been extended. Although the Council could lease vehicles this would impact on the revenue budget which is already under strain, therefore the Council will continue to fund the replacement programme from the LSVT proceeds, where the revenue impact is the loss of investment interest.

f) The Localism Act – (Supporting Communities to realise their potential)

The Localism Act includes new rights for local communities to enable them to deliver the services they want and need. The act includes the Community Right to Buy and the Community Right to Challenge.

Community Right to Buy - under the Community Right to Buy important local amenities and buildings can be nominated for listing by the local authority as assets of community value. If an asset which is on the list then comes up for sale the community will be allowed extra time to prepare a bid to take them over. This will allow assets to remain in public use and part of the community. Apart from the requirement of the Council to maintain a list of community assets, any of the Council’s buildings could be included on the list and this could therefore impact on their disposal. For example this could include Public Conveniences, amenity land.

Community Right to Challenge – This enables voluntary and community bodies, employees of the authority that wish to form a mutual organisation to deliver the service, and parish councils the right to express an interest in running a local authority service. The authority must consider expressions of interest and, where they accept them, run a procurement exercise. The right provides an opportunity for groups to put forward their good ideas about how services can be run differently or better, ensuring their ideas get a fair hearing, and that they get the time they need to prepare effective bids for services. Under the act, the local authority in considering the expression of interest and running a procurement exercise, must take into account how it will promote or improve the social, economic or environmental well being of its area. This ensures that the local authority takes into account the benefit to the community over and above the delivery of the actual service. Under the act local authorities do not have to accept an expression of interest where it would breach other legislation, including the duty to achieve best value.

As a result of the right above, should an expression of interest be received which does fulfill the requirements of running a service more efficiently which is not to the detriment of other areas of the community, then capital assets may also transfer. Alternatively there may be a need to enhance existing assets prior to transfer to the community.

g) Capital Grants – (Supporting Communities to realise their potential)

The current capital programme includes funding of £100,000 in both 2012/13 and 2014/15 to support Neighbourhood Projects. This will be pump priming by the Council pending Neighbourhoods receiving income from an element of both the CIL and the New Homes Bonus.
3. **Financing the Capital Programme**

3.1. The Prudential Code has brought about more freedoms for Councils in determining how to finance their capital programme. In the past Councils have been given a limit on the amount they can borrow to finance their capital programmes, this regime no longer exists. Instead Council’s determine how much they want to borrow and set their own limits, as long as they are affordable and prudent, thus clearly linking the financing of capital with the Treasury Management Strategy and the preparation of revenue budgets. The Council can finance its capital programme from various sources as outlined below:

- **Revenue - General Fund revenue resources are not used.**
- **Reserves - from time to time existing reserves are used to fund specific projects. However a number of reserves are earmarked for specific use which does not include capital projects.**
- **Capital Receipts from asset disposals– When the Council disposes of any assets it holds, the income it receives can only be used to fund new capital projects.**
- **Right to Buy Receipts – as part of the LSVT agreement the Council will continue to receive income from the sale of right to buy properties. The amount per property is reduced on a sliding scale over the next 30 years and an administration fee from Saffron Housing Trust. The amount is paid over in a lump sum in the April following the financial year they relate to, which is subject to the Pooling Levy. Prior to LSVT there was a very buoyant Right to Buy market (85 sales in FY 2003/04); however since transfer the number of Right to Buy sales has fallen recession has also affected the number of sales and they continue to remain at a low level.**
- **LSVT Receipt – The Council received £31,659,527 from the transfer. Once payments have been made in respect of Sewage Treatment Works, Aids and Adaptations, financing replacement vehicles which had previously been financed through lease, it is estimated that there is a balance as at 31 March 2013 of around £8 million. This source of funding is being used to purchase replacement vehicles and equipment, which then frees up revenue resources. The investment of £8 million is earning interest of around 1.48% per annum; however the current capital programme expenditure would reduce this receipt to £3.6 million at the end of 2014/15.**
- **Grants - as well as government grants the Council has taken advantage of lottery and any other grants in the past. The Council encourages and supports partner organisations in making applications for external funding, assisting where possible by ‘pump priming’.**
- **Private Finance Initiative/Public Private Partnership – these can be used as a means of finance but so far there has not been a project, which makes this a viable proposition.**
- **VAT Shelter – Revenues and Excise have agreed that Saffron Housing Trust can reclaim the input VAT incurred on work carried out to ensure the housing stock meets the Decent Home standard. These works will reduce**
over time, and, as such, the VAT share will also reduce. The LSVT agreement provides the Council with a 50% share of this VAT, currently estimated to be approximately £50,000 in 2012/13 but reducing to a final receipt of £30,000 in 2013/14.

- CIL – This is a form of a levy on every property built in the district. The Council is estimated to receive around £105 million over the next fifteen years from this source of funding. The Localism Act assumes that a percent (between 5%-10%) will be set aside for local communities to use for their infrastructure requirements. The remainder will be spent on the infrastructure requirements outlined in the LIPP.

- Tax Increment Financing (TIF) – This allows local authorities to borrow against predicted growth in their locally raised business rates. The borrowing is used to fund key infrastructure and other capital projects, which will support locally driven economic development and growth.

- New Homes Bonus – The Government match funds the additional council tax raised on the net growth, of new homes and homes brought back into use, for a period of six years. An additional sum of £350 per annum is given for each new affordable house, again for a period of six years. The match funding is based on the national average council tax for each band and the District retains 80% with 20% going to the County. This scheme began in 2011/12. The funding can be used for either revenue or capital purchases. However after 2012/13 a large proportion is recycled Revenue Support Grant and therefore not additional money for the Council.

- Bonds – There is potential that the Council either on its own or within a consortium could offer bonds to source capital finance. A group of councils can create a special purpose vehicle so they would have a significant Bond to issue that the Capital Market investors would be interested in. A well known public sector bond created is from Transport for London with an issue of £200 million.

3.2. At the start of the current financial year the Council had over £30 million invested as listed below:

<table>
<thead>
<tr>
<th>Cash and Investments as at 31st March 2012</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term Investments</td>
<td>8,300</td>
</tr>
<tr>
<td>Cash</td>
<td>13,370</td>
</tr>
<tr>
<td>Short Term Investments</td>
<td>8,947</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30,617</strong></td>
</tr>
</tbody>
</table>

**Representing:**

<table>
<thead>
<tr>
<th></th>
<th>Use to fund the Capital Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Receipts</td>
<td>11,483</td>
</tr>
<tr>
<td>Working Capital</td>
<td>7,338</td>
</tr>
</tbody>
</table>
Usable Reserves (includes earmarked reserves) | 10,396 | Yes but prudently
---|---|---
General Fund Balance | 1,400 | No
**Total** | **30,617** |

The Treasury Strategy shows that over the next few years the total amount of investments and cash will fall as cash is spent on the capital programme and reserves are used to support the revenue budget. The current year’s capital programme will use £4 million from the capital receipts balance of £11 million.

3.3. As part of the budget setting process a review of all usable reserves will be undertaken. It is critical that the authority retains a level of reserves to enable it to cope with the uncertainty that will come with the new financing regime of local authorities. There will be a requirement to ensure sufficient levels of reserves are available to respond to this. It is vital therefore to retain earmarked reserves for particular risks e.g. volatility of business rates and council tax benefit claims. This means that any volatility in year can be managed through reserves rather than affecting services during that year. This protects service delivery by ensuring that there is no knee jerk reaction whilst allowing time to plan for the future.

Currently of the £10.4 million of usable reserves above, £6.4 million is earmarked for specific use including the renewals reserve and the Invest for the future reserve. The remaining £4 million relates to the revenue reserve, which is currently being used to support the reduction in funding of the revenue budget.

3.4. As shown above in 3.2 it would be prudent not to use all of the £30 million to finance the capital programme, of the Useable Reserves only the Renewals Reserve relates directly to capital expenditure. The proposed resources available to finance a capital programme going forward from 2013/14, based on this year’s capital programme and funding of the renewals reserve will be in the region of:

<table>
<thead>
<tr>
<th>Resources</th>
<th>£million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Receipts</td>
<td>6</td>
</tr>
<tr>
<td>Usable Reserves</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10</strong></td>
</tr>
</tbody>
</table>

The consequence of funding the capital programme with these resources is a reduction in the amount of cash available to invest and therefore a reduction in income from investments which supports the revenue budget. However this could be countered by investing in commercial property to achieve revenue income, this type of investment is classed as capital expenditure.
4. **Borrowing**

4.1. Within this strategy there is a great potential that within the five year period the Council will be in a position where it will be required to borrow, in particular to fund infrastructure as CIL will not provide all the resources required to deliver the LIPP. However any borrowing must be affordable in line with the requirements of the prudential code.

4.2. The need to borrow is not based on our levels of investments balances/reserves but on the Council's capital financing requirement (CFR). A certain level of cash will still be required for working capital; this can be held in money market funds, call accounts and short term investments. However the Council will not be permitted to make long term investments.

4.3. The most likely sources of borrowing would be through the Public Works Loan Board (PWLB); however there are alternative options which include the following:

- Borrowing from other local authorities
- Borrowing from institutions such as the European Investment Bank and directly from commercial banks
- Borrowing from the money markets
- Local Authority stock issues
- Local authority bills
- Commercial paper
- Structured finance

4.4. There is a trend now for Council’s to get themselves rated to increase their attractiveness to investors. The fee can range from £12,500 for a credit assessment to £40,000 for a full rating, but this can pay for itself if a higher quality lender is able to loan money at a reasonable rate below say the PWLB rate.

4.5. PWLB rates are currently around 5.67%, an example of a PWLB loan is as follows:

- Principal: £1,000,000, Years: 15, Coupon 2.44%

**EIP** (Equal Instalments of Principal) where the principal is paid back over the period equally plus interest would cost £190,400 interest over the 15 years.

**Annuity** (where an equal amount is paid back over the period) £207,007 interest over 15 years.

**Maturity** (interest only paid until maturity) interest would be £366,000 over the 15 years.

4.6. This is only an example but the additional pressure on the general fund will need to be considered when a decision to invest in significant projects that will lead us
to no alternatives but to borrow. The Treasury Strategy will provide greater detail around borrowing.

5. Relevant Corporate Priorities

The report covers all of the Corporate Priorities below:

5.1. Enhancing our quality of life and the environment we live in.

5.2. Promoting a thriving local economy.

5.3. Supporting communities to realise their potential.

5.4. Driving services through being businesslike, efficient and customer aware.

6. Implications and Risks

6.1. There are no further known risks that have not been highlighted elsewhere in this report.

7. Conclusion

7.1. The focus of this Capital Strategy is on the use of capital resources to deliver either on-going revenue savings or additional revenue income by investing in the Council’s Leisure Centres, IT systems and investment properties which will also promote economic development.

7.2. The outcome of this evaluation will be to propose a capital programme to cover 2013/14 to 2015/16 to Cabinet and Council in February 2013 which meets the priorities of the Council.

8. Recommendations

8.1. It is recommended that Cabinet adopts the Capital Strategy in order to guide the formulation of the new three year capital programme.
Definition of Capital Expenditure and Revenue Implications

1.1. The Local Authorities (Capital Finance and Accounting) Regulations 2003 states that capital expenditure is normally interpreted in accordance with proper accounting practices, however there are a few exceptions described below:

- Expenditure on computer software can be treated as capital expenditure. The cost of the purchased software together with the direct costs incurred in the commissioning or enhancement of the software are capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment (5 years).

- Loans or grants provided to a third party for capital expenditure. Previously known as Deferred Charges but now referred to as “Revenue Expenditure Funded by Capital under Statute”. These represent expenditure that may be capitalised under statutory provisions but which do not result in the creation of tangible assets. Deferred Charges incurred during the year are written off as expenditure to the relevant service revenue account in the year.

- Repayment of any grant or other financial assistance given to the Local Authority for capital expenditure

- The acquisition of share capital or loan capital

- Expenditure incurred on works to any land or building in which the Local Authority does not have an interest but which would be classified as capital expenditure if they did have an interest.

- Expenditure of Investment Properties to be used to gain income.

1.2. Capital expenditure relates to the acquisition or enhancement of assets, which have a useful life in excess of 12 months and is charged to the Council’s Balance Sheet and shown as a fixed asset. To be an enhancement the expenditure on the asset must either lengthen substantially the useful life of the asset or increase substantially the open market value of the asset or increase substantially the extent to which the Council can use the asset.

Any expenditure within the capital programme, which does not conform to the definition above is charged to the revenue account in the year it is incurred this includes loans or grants to third parties.

1.3. Where work has been carried out to an existing asset which would be classified as an enhancement as defined in 1.2 above, the advice of a valuer may be necessary to determine a new value/asset life.
1.4. Internal salary costs or external fees may be charged to a capital project provided they meet the definitions of capital expenditure.

1.5. Any preliminary expenses, directly attributable to the cost of acquisition or construction of an asset, which is then not actually acquired or constructed, must be transferred to a revenue account relative to the service that had initially intended to acquire or construct the asset.

1.6. There is a de-minimis level of £10,000 under which expenditure on assets will not normally be capitalised; this was adopted from 1st April 2005. There are no plans to increase the de-minimis level.

1.7. The capital programme impacts on revenue in three main ways as listed below.

- Cash flow and therefore investment income as a result of the use of cash to fund the projects.
- Contribution from revenue to cover capital expenditure
- Increased revenue costs to cover running expenses or a decrease if savings arise from a capital project.

1.8. Assets are required to be re-valued and given new lives to reflect significant changes in their value. It has been agreed with the auditors that all land and buildings (excluding Investment Properties) will be re-valued on a five year rolling programme. Investment Properties will be re-valued annually.

**Links to other relevant Strategies and Plans**

The documents that support the Capital Strategy are as follows

- Corporate Business Plan – this provides details of the Corporate Priorities.
- Directorate Plans – these provide the detail on how the Corporate Plan will be delivered.
- Asset Management Plan – this provides information on the requirements of the Council’s assets in relation to their upkeep and use and is reviewed by the Asset Management Group.
- ICT Strategy – this focuses on using IT to enable customers to self serve and thus reducing revenue costs in the future.
- Economic Strategy – this focuses on encouraging economic growth in the District, which is linked to the need to increase Business Rates income in the future in line with the Government’s proposal for the localisation of Business Rates.
Appraisal and Prioritisation

1.1. The Council reviews its Capital Strategy each year, which can influence the 3-year capital programme produced each year.

1.2. In relation to the prioritisation of projects, elements of the capital programme will be determined as follows:

- Vehicle replacement is driven by the replacement programme.
- The IT strategy outlines the general amount required and then the Corporate Management Team prioritises the list for cabinet to approve.
- Asset management plan will inform any asset maintenance work.

1.3. The revenue implications of any capital bids will be costed and considered in its appraisal as regard to affordability and sustainability.

1.4. In some instances a detailed business case will be required before the project can proceed.

Procuring Assets

1.1. The Council has a Procurement Strategy and this together with the Rules for Financial Governance, which includes Contract Standing Orders, will govern the procurement of capital projects. It encourages full evaluation of options and new ideas covering partnerships and developing the market to provide the appropriate services. The Council always evaluates options taking into account the full costs over the life cycle of the project.

Performance measurement and monitoring

1.1. Progress on capital projects are monitored monthly by Financial Services and the relevant budget managers. On a quarterly basis Cabinet reports are produced, which are open to review by the Scrutiny Committee and managers are asked to complete a formal budget monitoring form monthly which is used to compile this report.

1.2. Budget managers are encouraged to report changes to profiling as early as possible to enable the possibility of bringing other projects from future years forward and to request that the project slipping is included/completed in the following years programme. This action requires the agreement of Cabinet.

1.3. The capital funding is also reviewed quarterly to ensure sufficient resources are available to fund the capital programme or to enable the
programme to be reduced should there be a significant drop in funding available.

1.4. Bids for additional capital resources will only be considered if they comply with both the Corporate Plan and Capital Strategy. The decision on whether to fund such projects will depend on being able to afford both the capital cost and the revenue implication in future years.
Overview of the existing assets of the Council

1.1. The Council’s assets are split between physical tangible assets (e.g. building and land) and cash deposits. These two forms of assets are managed through the Asset Management Plan by the Asset Management Group and the Treasury Management Strategy respectively.

1.2. As at 31 March 2012 the Council’s Assets were valued at £58.512 million and was split as follows

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>As at 31/3/12 £ Million</th>
<th>As at 31/3/12 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land &amp; Buildings</td>
<td>15.612</td>
<td>26.7</td>
</tr>
<tr>
<td>Vehicles, Plant &amp; Equipment</td>
<td>1.979</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total Property, Plant &amp; Equipment</strong></td>
<td><strong>17.591</strong></td>
<td><strong>30.1</strong></td>
</tr>
<tr>
<td>Investment Properties</td>
<td>10.304</td>
<td>17.6</td>
</tr>
<tr>
<td>Cash</td>
<td>30.617</td>
<td>52.3</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>58.512</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

1.3. The Treasury Management Strategy details how the cash investments are monitored and the parameters within which those investments are made. Land and buildings and land awaiting development are monitored through the asset management plan. Both the capital programme and cash investments are monitored on a quarterly basis to Cabinet.

Existing Council Land and Buildings

1.1. The Council manages a portfolio of £17.591 million of property, plant and equipment, the upkeep of these assets is both revenue costs (maintenance) and capital. This is monitored through the asset management plan. The capital programme currently has £200,000 budget for asset management in 2012/13 and £500,000 in total over the next 3 years for the upkeep of the council’s buildings, including the Leisure Centres through regular maintenance. However this capital strategy proposes investing in the Council’s Leisure Centres to enhance the provision and increase income.
1.2. South Norfolk House – There are no major anticipated maintenance or repairs in the foreseeable future. There is no major upcoming liability on the building. The hosting of the CNC building control partnership will utilise the spare capacity within South Norfolk House and help to support the revenue budget.

1.3. Leisure Centres – Traditionally a leisure centre with a pool has a life expectancy of 10 years. Diss is over 20 years and Wymondham is over 10 years, however essential maintenance is carried out and structurally they are sound. The only main cost would be if a filter needed replacing costing £60-£70k per leisure centre. This is likely to occur in both centres in the next five years.

1.4. Ketteringham Depot – The depot provides a site from which all the cleansing services are delivered from. There are issues around the current drainage provision and the ability of the depot to expand to cater for increased demand in future services. The Council is considering its options around Ketteringham Depot. In the past year the Council has invested in the site to enhance its health and safety provision, however it is envisaged that there will be a requirement to invest in drainage improvements in the longer term.

1.5. The Council holds land awaiting development which predominantly consists of land at Poringland, Friars Croft Wymondham and Cygnet House Long Stratton.

In relation to the land at Poringland outline planning permission has been given and the Council proposes to fund and retain a number of commercial units on the site which will not only provide a return for the Council to boost its revenue budget but also assist economic development within the district.

There may be development opportunities at a site on Friars Croft Lane, Wymondham but it is dependent on a planning application and Broadland Housing receiving funding.

Potential designs for the development of land at Cygnet House have been consulted on and planning permission will be sought in the coming months. It is proposed that there will be a number of commercial units in the development which the Council will fund and retain to receive rental income which would support the revenue budget and assist with economic development in the District.
Review of Rules of Financial Governance and Contract Standing Orders

Head of Finance

This report proposes a number of changes to Contract Standing orders and the Rules of Financial Governance. It is good practice to review the Rules of Financial Governance and Contract Standing Orders to ensure they remain valid, in line with legislation and reflect changes to the working practices of the council. Although minor amendments have been made over the past year the last major revision was agreed by Council in December 2010.

Cabinet member(s): Garry Wheatley
Ward(s) affected: All
Contact Officer, telephone number, and e-mail: Debbie Lorimer 01508 533981 dlorimer@s-norfolk.gov.uk

1. Background
1.1. The rules of Financial Governance and Contract Standing Orders provide the Council with the regulations by which Officers and Members have to operate within.
1.2. Although recently revised at Council in July the changes were minimal to reflect the latest changes to the committee structures. The changes recommended in this report reflect a more fundamental review of the rules of Financial Governance and Contract Standing Orders.
1.3. The last major review of the Rules of Financial Governance and Contract Standing Orders took place in December 2010 and it is a requirement within the Rules of Financial Governance that a review is carried out at least every three years.

2. Changes proposed to Rules of Financial Governance (Appendix A)
2.1. The limits in Paragraph 6.1 have been amended from £10,000 to £20,000.
2.2. Paragraph 9.5 has been amended to state that receipts for cash received on behalf of the Council will only be provided when requested.
2.3. Paragraph 9.7 has been added to reflect the same as 2.1 above for other types of payment.

2.4. An additional paragraph has been added at 9.12 regarding interest charges to be levied on amounts to be repaid for works in default which have been carried out by the Council.

2.5. An additional paragraph has been added at 11.2 regarding the Head of Internal Audit’s responsibility for carrying out an annual audit needs assessment and producing the appropriate strategic and annual plans. These plans will be reviewed by the Finance, Resources, Audit and Governance Committee before being approved by Cabinet.

2.6. Paragraph 13.3 has been expanded to include the requirement to obtain VAT advice prior to land and property purchases with regard to opting to tax. Paragraph 13.3(a) has been expanded to include approvals for transactions under £20,000. Paragraph 13.3(e) has been amended so that acquisitions and disposals above £20,000 have to be reported and approved by the Corporate Management Team.

2.7. Paragraph 13.4 has been amended to clarify the time frame and to increase the limits.

2.8. Paragraph 14.5(c) now includes the requirement for choice of supplier to be as a result of following the Contract Standing Orders.

2.9. Section 15 has been expanded to allow for payments to suppliers to be made via Direct Debit.

2.10. Section 16 payments to Employees has been amended to reduce the time period allowed for submitting time records, travel and subsistence claims and other pay documents to three months.

2.11. Section 17 payments to Members has been amended to reduce the time period allowed for submitting Member allowances and other expense claims to three months.

2.12. Section 25 has been amended to permit Budget Managers to authorise virements between codes up to £5,000, however any virements between Directorates will require authorisation from either the Director or Head of Finance.

2.13. Job titles and roles have been amended to reflect the latest staffing structures and areas of responsibility. Committee names already reflect the latest Committee structure.

2.14. The Accounts and Audit Regulations 2003 have been superseded by the Accounts and Audit Regulations 2011.

2.15. An additional income policy was approved by Cabinet in 2010 recommending that additional income such as grants should be allocated to both service areas and corporate funds dependent on the value received. Due to the current economic climate and the uncertainty around future funding for local authorities, it
is recommended that this policy is revoked to allow funds to be matched to expenditure in appropriate areas.

3. **Changes Proposed to the Contract Standing Orders (Appendix B)**

3.1. The Contract Standing Orders now include reference to the Public Services (Social Value) Act which comes into force from January 2013. This places a duty on the Council to consider social value ahead of commencing any procurement exercise. Further details are contained within 10.5.

3.2. Section 6 has been expanded to provide further guidance on the tender process to ensure fairness and transparency together with requirements to assess Health and Safety risks and the impact to the Council when considering informal quotations and tenders.

3.3. The guidance around OJEU tenders limits has been expanded in relation to currency conversion rates for high value goods and services. Methods of advertising and electronic tenders have also been included to ensure maximum competition.

3.4. Paragraph 7.5 provides additional advice around amending PQQ’s to ensure that requirements are proportionate to the risks involved in awarding the contract.

3.5. Paragraph 7.8 (e) has been added around the mechanism for bidder clarification at the ITT (invitation to Tender) and RFQ (Request for Quotation) stages.

3.6. Section 7.13 has been expanded to clarify the requirement to produce a clear marking and evaluation schedule prior to tender and to set an affordability threshold.

3.7. Further guidance has also been added around managing clarifications required of bidders to ensure that these do not develop into unplanned negotiations.

3.8. Paragraph 7.20 includes guidance around amendments and re-tendering if the nature, scope or timing of the specifications change.

3.9. Section 9 has been expanded to explain the different procurements routes which may apply for contracts over the OJEU limit (currently £156,000) and the need for project management resources to be applied.

3.10. Paragraph 9.13 reminds officers that negotiation is not normally permitted in procurement exercises above the OJEU limit.

3.11. Paragraph 9.16 includes advice on giving feedback to unsuccessful bidders suggesting that legal advice may be sought.

4. **Relevant Corporate Priorities**

4.1. Driving services through being businesslike, efficient and customer aware.
5. **Implications and Risks**

5.1. Without concise, clear and relevant Rules of Financial Governance and Contract Standing Orders Officers and Members may contravene legislation and place the organisation at risk. This risk may take the form of legal challenges which could result in compensation being paid. There is also a greater risk of fraud, loss of income and the organisation not making the best use of its resources.

6. **Conclusion**

6.1. The changes proposed are to respond to the changing environment within which the Council operates, clarify areas which could be construed as ambiguous and to tighten up some of the rules to ensure that Officers and Members are clear of what is required of them in carrying out their financial duties.

7. **Recommendations**

7.1. That Cabinet recommend to Council to agree the revised Rules of Financial Governance set out in Appendix A

7.2. That Cabinet recommend to Council to agree the revised Contract Standing Orders set out in Appendix B
Part 4 Rules of Procedure

4.3 Rules for Financial Governance
(the rules by which the Council seeks to maintain proper financial and internal control of its activities)

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1. Introduction

1.1. This document provides a framework for the conduct of the contractual and financial business of the Council.

1.2. Its rules will be reviewed at least every 3 years by the Head of Finance in consultation with relevant officers.

1.3. Its provisions must be followed by:

(a) all members and officers of the Council;
(b) any third parties (e.g. contractors, consultants) used by Council for the delivery of services to the extent that they are relevant. The relevant Director must ensure that any such third party is aware of the obligations placed upon them, and subsequently abides by these obligations.

1.4. Whenever decisions are being made or specific requirements of these rules are being interpreted, the main principles under which they have been compiled should be considered. They are:

(a) the need to demonstrate clear public accountability and compliance with the seven principles of public life as defined by the Nolan Committee and any Council approved code of conduct for employees and code of conduct for members. This should ensure that the highest standards of personal and corporate integrity are maintained at all times;
(b) the requirement to achieve the Most Economically Advantageous position in the procurement of goods and services;
(c) the need to provide and maintain adequate internal and financial control over the Council’s affairs.

1.5. Reference to either the Corporate Management Team or Directors shall mean the Chief Executive, Deputy Chief Executive and Director of Development and Environment. The Deputy Chief Executive also holds the role of Monitoring Officer.

1.6. Where these rules refer to the Director, that term shall include the Chief Executive and Deputy Chief Executive.

1.7. These rules should be followed consistently. Exemption from them should only be sought in exceptional circumstances.

1.8. Any exemption must be approved by the Cabinet after the relevant Director has consulted with the Head of Internal Audit, the Head of Finance and the Monitoring Officer (if the Director is not the Deputy Chief Executive).

1.9. In the event of an issue requiring immediate action which would be in contravention of these rules, the Director should take whatever action is necessary, after consulting the Head of Internal Audit, Head of Finance and the Monitoring Officer (if the Director is not the Deputy Chief Executive) where possible, and report his/her action retrospectively to the next meeting of the Cabinet.

1.10. If in doubt about the requirements or interpretations of these rules, officers should seek advice from the Head of Finance and the Monitoring Officer as necessary.
1.11. References in these rules to the Chief Executive, the Deputy Chief Executive, or Director, either as a general term or by specific title, shall be deemed to include other individuals who have been given written authority by the Chief Executive, the Deputy Chief Executive, or Director to act on their behalf on specific matters.

1.12. If any officer has reason to believe there has been non-compliance with these rules, he/she must immediately notify the Head of Finance and the Monitoring Officer as appropriate, who will consult with the Head of Internal Audit as necessary (for Head of Internal Audit substitute the Deputy Chief Executive if the non-compliance involves the Head of Internal Audit) and then take action as necessary. If the officer believes non-compliance rests with the Head of Finance and/or Monitoring Officer, he/she must immediately notify either the Head of Service, Head of Internal Audit, Chief Executive or Director of Development and Environment.

1.13. The Head of Finance, after consultation with a Director concerned, shall report to Cabinet, as may be thought necessary by him/her on any instance of non-compliance with the Rules for Financial Governance. Any subsequent action will be subject to the Council’s Disciplinary Procedures

1.14. These rules are subject to:

(a) any directives and procedures which have been adopted in the UK by reason of its membership of the European Community;

(b) any Government regulations.

In the event of conflict, such directives, procedures and regulations shall take precedence.

1.15. Where electronic mechanisms are currently used or could be used in the future, to replicate processes described in these rules (e.g. electronic tendering, use of credit cards, texting, SMS messaging), they shall be allowable subject to prior agreement from the Head of Internal Audit, the Head of Finance and the Monitoring Officer.

1.16 The financial values referred to in these rules are deemed to be exclusive of VAT.

2 Banking Arrangements

2.1. The Head of Finance shall:

(a) make all arrangements with the Council’s bankers;

(b) operate such bank accounts as he/she considers necessary;

(c) order all cheques and make proper arrangements for their safe custody.

2.2. The Head of Finance may incur an overdraft at the Council’s bank not exceeding such figure as specified in the Council’s banking terms and conditions and in accordance with the authority given to him/her by the Cabinet.

2.3. Cheques shall be signed by the Head of Finance or any of two other members of Finance staff authorised by the Head of Finance. Current requirements are attached (Appendix 1 -Cheque signing arrangements and authorisation for electronic payments).
2.4. Payments made by electronic means shall be authorised in accordance with provisions made by the Head of Finance. Current requirements are attached (Appendix 1 - Cheque signing arrangements and authorisation for electronic payments).

3. **Budget Preparation**

3.1. The Head of Finance, in accordance with processes approved by the Cabinet, shall:

   (a) determine the form of capital and revenue budgets after consultation with the Chief Executive, the Deputy Chief Executive and Directors;
   
   (b) prepare estimates of income and expenditure on revenue and capital and present them to the Cabinet for subsequent approval by the Council.

3.2. The Head of Finance shall maintain a three-year revenue (medium term plan) and capital forecast (affordable capital strategy) (to include all significant commitments in future years). It is the responsibility of Corporate Management Team to ensure that budget estimates reflect agreed Directorate plans.

3.3. Directors will be required to confirm on an annual basis that he/she is able to provide services within the budget allocation provided.

3.4. The Head of Finance shall report to Cabinet on the level of financial resources proposed to be utilised in each financial year, advising on the robustness of reserves and the budget.

3.5. The Head of Finance shall consult with the Scrutiny Committee and any Council Panels as agreed by Cabinet.

3.6. The Head of Finance will advise Cabinet and/or full Council on prudent levels of reserves. The adequacy of the reserves will be reported to members as part of the budget preparation process. This will include advice on the levels of balances or reserves, in accordance with the Council’s overall financial position, the risks associated with holding reserves at certain levels, and their use. The Head of Finance will recommend appropriate action to remedy any concerns.

4 **Budget Monitoring**

4.1. Directors:

   (a) are responsible for controlling income and expenditure within the revenue and capital budgets approved by the Council;

   (b) shall consult the Head of Finance if any action they are contemplating is liable to substantially affect the Council’s finances or for which no revenue or capital budget exists;
(c) shall meet on a regular basis with a member of the Management Accounting team and sign off a summary monthly budget assurance statement for their directorate. Where the Directors have devolved budgetary responsibility to members of their team, then those Budget Managers shall also meet on a regular basis with a member of the Management Accounting team and sign off the monthly budget assurance statements relevant to the areas they manage.

(d) shall provide sufficient information to enable the Head of Finance to produce monthly budget monitoring information to the Corporate Management Team;

(e) shall provide sufficient information to enable the Head of Finance to produce regular monitoring reports on revenue, capital and key corporate projects' budgets for the Cabinet in parallel to quarterly performance reporting arrangements to identify any actions Cabinet require to adjust resource allocations. Such reports will contain explanations for projected or actual variations which cannot be funded.

(f) Expenditure & Income for projects will be managed as part of the normal budgetary process and will therefore be reported on as part of the regular monitoring of revenue and capital to Cabinet as described in section (e) above.

(g) shall consult the Head of Finance as to whether approval should be sought for a supplementary estimate if he/she anticipates there will be a deviation from budget which cannot be accommodated within the approved virement arrangements;

(h) shall inform the Head of Finance if it appears that there will be a shortfall of income compared to that budgeted.

5. Statutory Officers

5.1. The Monitoring Officer together with the Head of Finance is responsible for advising Cabinet or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the existing Council policy and/or budget. Actions that may be 'contrary to the policy and/or budget' include:

(a) initiating a new policy
(b) committing expenditure in future years to above the budget level
(c) causing the total expenditure financed from Council Tax, grants and corporately held reserves to increase.

5.2. The Head of Finance shall, for the purposes of Section 151 of the Local Government Act 1972, be responsible under the general direction of the Cabinet for the proper administration of the Council’s financial affairs. This statutory responsibility cannot be overridden. The Accountancy Manager is the deputy Section 151 Officer and is authorised to act as the Section 151 Officer in the absence of the Head of Finance. If for any reason neither the Head of Finance nor the Accountancy Manager are available, the Senior Accountant will act as the Section 151 officer.
5.3. The Head of Finance is responsible for:
   (a) setting and monitoring compliance with financial management standards
   (b) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
   (c) providing financial information
   (d) preparing the revenue budget and capital programme
   (e) treasury management

5.4. Section 114 of the Local Government Finance Act 1988 requires the Head of Finance to report to the full Council, Cabinet and external auditor if the authority or one of its officers:
   (a) has made, or is about to make, a decision which involves incurring unlawful expenditure
   (b) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Authority
   (c) is about to make an unlawful entry in the Authority’s accounts.

   Section 114 of the 1988 Act also requires the Authority to provide the Head of Finance with sufficient staff, accommodation and other resources including legal advice where this is necessary to carry out the duties under Section 114.

5.5. The Head of Finance, in consultation with the Corporate Management Team, shall prepare from time to time Rules for Financial Governance for approval by the Council. These Rules for Financial Governance shall deal with the preparation of the data necessary for the Council to consider the annual budget, the administration of the Council’s finances and such other matters as may be considered expedient. It is the responsibility of Directors to ensure that their staff are aware of the Rules for Financial Governance and comply with them.

5.6. The financial affairs of the Council shall be conducted in accordance with these Rules for Financial Governance in accordance with:
   (a) the CIPFA Code for Treasury Management and the Treasury Policy Statement adopted by the Council;
   (b) the relevant CIPFA Codes of Practice;
   (c) the Accounts and Audit Regulations 2011;
   (d) any other operational guidelines approved by the Cabinet;
   (e) The Council’s Constitution;

5.7. Corporate Management Team has a responsibility to establish proper systems of internal control, financial or otherwise, in order to provide assurance to the Section 151 Officer that the financial affairs of the Council are being administered properly, in accordance with the Accounts and Audit Regulations. The Chief Executive is
responsible for ensuring that Members of Cabinet are advised of the financial implications of all proposals, having been agreed with the Head of Finance.

5.8. Directors are required to manage the resources allocated to them in accordance with these Rules of Financial Governance. These Rules define the nature of the Directors roles and responsibilities, and should be read in conjunction with other agreed procedures e.g. Delegation Arrangements.

5.9 The Head of Finance will issue financial instructions for use by all staff, dealing with matters delegated to him/her. Directors will ensure that staff comply with them and with the Rules For Financial Governance.

6 **Disposal of Scrap and Assets (excluding land and buildings and stores)**

6.1. Scrap and assets which are surplus to requirements shall be disposed of in the following manner:

(a) estimated value of the total disposal less than £20,000
   ⇒ by whatever means the relevant Director shall decide consistent with the main principles of these rules;

(b) estimated value of the total disposal greater than £20,000
   ⇒ by tender sought by public advertisement, by public auction or such other means as the Head of Finance shall approve after consultation with the Head of Internal Audit.

6.2 Tenders for disposal of scrap or assets shall be returned in a sealed envelope so marked to the Monitoring Officer for safe keeping. At the appointed time they shall be opened by the Monitoring Officer in the presence of the relevant Director (if this is not the Deputy Chief Executive). The most economically advantageous bid shall be accepted, unless approved otherwise by Cabinet.

7 **Financial Systems and Accounting Procedures**

7.1. Unless agreed otherwise by the Head of Finance, the duties of officers shall be allocated to provide adequate segregation of duties and internal control, according to the following principles:

(a) officers calculating, providing information for, checking or recording amounts due to the Council shall only be responsible for collecting such amounts where there are appropriate management oversight controls (e.g. independent review) in place to ensure sufficient segregation of duties;

(b) officers calculating, providing information for, checking or recording amounts due from the Council shall not also be responsible for disbursing such amounts;

(c) officers examining and checking accounts of cash transactions shall not also be engaged in any of those transactions.

7.2. The Head of Finance shall:

(a) determine the financial and accounting systems of the Council;

(b) determine the form of accounts and supporting records for the Council in accordance with proper accounting procedures, codes of practice and professional guidance;
(c) be responsible for the production of annual accounts and financial management information, with support from Directors in meeting agreed timetables and making qualitative records available.

7.3. Any changes made to the existing financial systems or establishment of new systems must be approved by the Head of Finance.

7.4 Directors operating any financial systems will provide a regular and timely reconciliation of financial transactions on a regular basis as specified by the Head of Finance.

8 Fraud and Money Laundering

8.1. All employees and members are expected to act in accordance with the Council’s strategy to help fight fraud and corruption.

8.2. They must report any concern or suspicion that something fraudulent or corrupt has happened (or is about to happen) to the Council’s Head of Internal Audit. Suspicions or concerns should be expressed in the manner outlined in the Council’s Whistleblowing Policy, and any investigations into the matter will be undertaken in line with the procedures outlined in the Counter Fraud and Corruption Strategy – Fraud Response Plan.

8.3 All employees and members are expected to report suspicions that where a transaction the Council has entered, or is due to be entered into, may be subject to money laundering. Such transactions should be reported to the Council’s Senior Fraud Investigations Officer (as the Money Laundering Officer).

9 Income

9.1. Directors shall:

(a) agree with the Cabinet which fees and charges the Cabinet will approve and which the Director will approve;

(b) review all fees and charges on an annual basis in accordance with the Council’s charging policy in consultation with the Head of Finance and the relevant Cabinet member, this to be undertaken annually;

(c) provide the Head of Finance with details of work done, goods supplied, services rendered or other amounts due to the Council to enable correct recording and prompt rendering of accounts to take place;

(d) consult with the Head of Finance prior to applying for any grants or other sources of income to ensure that the Council can support any future obligations arising.

(e) send to the Head of Finance (and where required, the Head of Internal Audit) for examination and certification any grant claims before they are submitted unless he/she agrees otherwise;

9.2. The Head of Finance will ensure the regular monitoring reports to Corporate Management Team and Cabinet include the levels of outstanding debt and recovery action taken in relation to trade debtors.
9.3. Staff using the Council’s main financial management system will only be able to do so if authorised by the Head of Finance, having regard to the level of training received in VAT and other accounting matters.

9.4. Unless otherwise agreed in writing, any documentation or equipment used to confirm receipt of money shall be approved by, ordered and supplied by the Head of Finance, who shall be satisfied regarding the arrangements for its control and safe custody.

9.5. Every sum received in cash on behalf of the Council shall be:
   (a) paid in its entirety and without delay direct to the Council’s bank account.
   (b) where requested, acknowledged immediately by the issue of an official receipt, licence, ticket or equivalent documentation;

9.6. If monies are paid direct to the Council’s bank account, the person should be encouraged to enter on the paying in slip a reference to identify the origin of the payment (e.g. receipt number or name of payee). For cheques the same identifying reference shall be entered on the reverse of the cheque.

9.7. Other than cash payments, receipts will not be issued for all other forms of payment received by the Council unless specifically requested by the customer.

9.8. Changes to income transactions (e.g. use of credit cards) must be agreed in advance with the Head of Finance.

9.9. Personal cheques shall not be cashed out of official Council funds.

9.10. Every transfer of official funds from one person to another must be confirmed by the signature of the receiving person.

9.11. Write off of debts shall be approved by:
   · the Head of Finance if the individual debt does not exceed £25,000;
   · the Cabinet in all other cases.
   · the Head of Finance shall set write off limits for Directors below the £25,000 limit in accordance with procedures approved by him/her. Directors may in turn authorise limits for officers, up to the limit set for the respective Director, in consultation with the Head of Finance.

9.12. Where works in default have been carried out and the cost cannot be recovered immediately, a charge will be put on the property concerned and annual compound interest will be charged up to 2.5% above base rate until repayment in full has been made. The interest charge can be waviaed in exceptional cases on the agreement of the Corporate Management Team and the Head of Finance.

9.13. Towards the end of each financial year the Head of Finance shall require Directors to inform him/her by a stated date of all significant items of outstanding income relating to that financial year.

10. Insurance Arrangements

10.1. The Head of Finance shall
   (a) periodically review (at least annually) all insurances in consultation with Directors;
   (b) effect all insurance cover;
(c) negotiate all insurance claims on behalf of the Council;
(d) give advice regarding the level of insurance cover required by individuals or organisations working or wishing to work for the Council;
(e) monitor compliance with such advice.

10.2. Directors shall:
(a) promptly notify the Head of Finance of all new risks, properties, plant, equipment and vehicles which require to be insured and any other alterations affecting existing insurances;
(b) promptly notify the Head of Finance of any loss, damage or event likely to lead to an insurance claim and, where appropriate, inform the police;
(c) pass to the Head of Finance, without delay, any third party claims against the Council;
(d) consult the Monitoring Officer and the Head of Finance respecting the terms of any indemnity which the Council is requested to give.

10.3. Where insurance cover does not exist, the Head of Finance shall forward any claims to the Monitoring Officer for consideration.

10.4 Officers and members of the Council have a responsibility to manage risks effectively in accordance with the Council's Risk Management Strategy. Officers will communicate actions surrounding risk management to Cabinet on a regular basis. The Head of Finance will determine in consultation with Corporate Management Team those risks which the Council will insure itself against.

11 Internal Audit

11.1. The Council shall maintain an adequate and effective internal audit function in accordance with the Accounts and Audit Regulations 2011, and shall comply in all significant aspects with the CIPFA Code of Practice 2003 for Internal Audit in Local Government. Day to day control of internal audit is the responsibility of the Head of Internal Audit. In discharging his/her responsibility the Head of Internal Audit shall regularly consult with the Head of Finance and the Monitoring Officer to assist them in fulfilling their roles of Section 151 Officer and Monitoring Officer.

11.2. The Head of Internal Audit shall carry out an annual audit needs assessment and produce appropriate strategic and annual plans. These will be reviewed by the Finance, Resources, Audit and Governance Committee before being approved by Cabinet.

11.3. The Head of Internal Audit shall produce an annual report and opinion, a summary of internal audit activity and the level of assurance it can give on the council's systems of internal control to the Finance, Resources, Audit and Governance Committee. This will include oversight of the Annual Governance Statement.

11.4. The Finance, Resources, Audit and Governance Committee shall review the effectiveness of the system of internal audit on an annual basis in order to support the Annual Governance Statement.
11.5. Responsibility for developing and managing the Council’s overall assurance framework rests with the Deputy Chief Executive, who shall consolidate the work on risk, audit, internal control and governance.

11.6. Internal Audit’s primary roles are:
   (a) to objectively examine, evaluate and report on the adequacy of the control environment within the Council;
   (b) to assist managers in preventing and detecting fraud and abuse.

11.7. The Head of Internal Audit and any persons authorised by him/her shall have authority to:
   (a) enter any Council premises or land;
   (b) examine all records, documents and correspondence (in manual or electronic form) relating to any activities of the Council;
   (c) require and receive explanations from any employee or other persons engaged by the Council concerning any matter under examination;
   (d) require any employee or other persons engaged by the Council to produce on demand any cash, stores or other Council property under their control.

11.8. The Head of Internal Audit shall:
   (a) have the right to report unedited in his/her own name to any person employed by or body constituted by the Council;
   (b) have direct reporting access to Corporate Management Team, Deputy Chief Executive, Chief Executive, Cabinet and full Council.

11.9. The Head of Internal Audit shall be notified immediately by Corporate Management Team or Director concerned of any circumstances which might suggest the possibility of irregularities affecting cash, stores, income, expenditure or other property of the Council. This regulation shall in no way relieve any member of Corporate Management Team or Director from dealing with any legal and/or disciplinary action.

11.10 It is the responsibility of Directors to ensure that recommendations in audit reports are considered and responded to promptly, and to ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.

11 Inventories

12.1. Directors shall:
   (a) maintain inventories in accordance with the requirements of the Head of Finance (Appendix 2-Inventory requirements);
   (b) ensure that all items on the inventory are checked at least annually;
   (c) report any discrepancies without delay to the Head of Finance.

12.2. Unless specific written approval has been given otherwise by the relevant Director, Council property shall:
   (a) not be used for non Council purposes;
(b) only be removed from Council premises in accordance with the ordinary course of the Council’s business. A formal record of removal and return shall be kept;
(c) be marked with the Council’s ownership.

13. Land and Properties

13.1. The Head of Finance shall maintain a record of all land and properties owned by the Council recording:
(a) the location;
(b) extent and plan reference;
(c) purchase details;
(d) purpose for which held;
(e) nature of interest;
(f) rents payable or receivable;

13.2. All title deeds to property owned by the Council shall be held securely in the custody of the Compliance and Risk Manager.

13.3. Acquisition and disposal of any land or property shall, following consultation and agreement with the Head of Finance, and in all cases supported by a financial appraisal providing the budgetary implications and for acquisitions having examined the VAT implications around the option to tax, be approved as follows:
(a) Transactions including Assets and Disposals up to a value of £20,000 per annum per asset will be approved by the Head of Asset Management and either the Deputy Chief Executive or Head of Finance.
(b) By the Corporate Management Team, subject to the recommendation of the Asset Management Group, if the estimated proceeds or costs are below £250,000;
(c) By Cabinet if the estimated proceeds or costs are greater than £250,000.
(d) In exceptional circumstances, an opportunity may arise which maybe time limited and the decision would have ordinarily been approved at Cabinet; however no Cabinet meeting is to be held within the timeframe. In such circumstances, the decision can be delegated to the Chief Executive in consultation with the Leader of the Council and the relevant portfolio holder. A retrospective report must be taken to the next Cabinet or Council meeting whichever is sooner.
(e) In cases c) and d) above a report must be submitted to the Council’s Corporate Management Team for approval.

13.4. All leases, whether as landlord or tenant, shall be dealt with as follows:
(a) In all cases approval shall only be given if supported by a financial appraisal from the Head of Finance giving the budgetary implications
(b) leases of up to and including 5 years and/or up to a value of £20,000 per annum to be negotiated and concluded by the Head of Asset Management;
(c) leases which are over 5 years and up to and including 20 years and/or between £20,000 and £50,000 per annum to be approved by the Corporate Management Team.
(d) leases which are longer than 20 years and/or greater than £50,000 per annum to be approved by the Cabinet;

13.5 Approval of rent reviews shall be subject to the same limits as in paragraph 13.4 above.

14 Orders for Goods and Services

14.1. All official orders shall be:

(a) in an electronic format approved by the Head of Finance;
(b) signed only by those persons authorised by the Chief Executive or Head of Finance in accordance with the financial limits set by the Chief Executive or Head of Finance, subject to a maximum limit of £100,000;
(c) countersigned by the Deputy Chief Executive, Chief Executive or Head of Finance if in excess of £100,000.

14.2. A list of such persons authorised, showing the limitation of their individual authority in terms of value and areas of responsibility, shall be kept by the Director, the Human Resources (HR) Manager and Head of Finance and updated promptly by him/her when changes occur.

14.3. Official orders shall be issued for all goods and services with the exception of:

(a) utility services;
(b) payments from petty cash accounts;
(c) periodic payments such as rents;
(d) services/goods paid for using the Council credit card;
(e) such other exceptions as the Head of Finance shall agree in writing.

14.4. Official orders:

(a) shall be issued through the Council’s financial management system, so that the use of suppliers and budgets are effectively controlled;
(b) should the Council’s financial management system be unavailable then with the specific authority of the Head of Finance, orders can be placed, but must in all cases be confirmed through the financial management system as soon as it is available.
(c) only be issued if budget provision exists for the cost involved. If insufficient budget exists, refer to virement and supplementary estimate rules at para 25;
(d) where these relate to contracts, all contracts and any variations to those contracts have been undertaken in line with the Council’s Contract Standing Orders.
(e) identify completely and accurately the goods or services required;
(f) use existing corporate contract arrangements where suitable, unless there is an auditable reason not to, which has been agreed with the Head of Finance; further details are contained within the Contract Standing Orders;
(g) refer to any relevant contract, quotation or agreement;
(h) show an estimated or actual cost.
14.5. Prior to raising orders on the Council’s financial management system:

(a) Check to ensure the Supplier already exists on the financial management system;

(b) If the purchase order is to be raised for a new supplier then the potential new supplier should be requested to complete the “New Supplier” form available on the Council’s intranet;

(c) An assessment of the potential new supplier should be carried out which is proportionate to the risks involved; this should include the financial standing, suitability & reliability; in line with the contract standing orders, a pre-qualification questionnaire may be required where large-scale spending is anticipated with the supplier. The new supplier must have been chosen as a result of the following Contract Standing Orders.

(d) A re-evaluation of existing Suppliers, in relation to the financial standing, suitability & reliability, should also be carried out on a periodic basis where either contracts are for large sums of money and/or the supplier provides goods or services which, if they ceased to be available, would place the Council’s services at risk.

14.6. Each order shall conform to any directions of the Council in respect of environmental standards, central purchasing and the standardisation of supplies and materials.

14.7. All invoices from Suppliers, with the exception of those listed in 14.3 above, shall be required to contain a relevant purchase order number in order to be paid. Invoices which do not contain the purchase order number will not be considered as an authorised supply and will therefore be returned unpaid to the Supplier. Where individual services persistently receive invoices from suppliers where a purchase order has not been raised, the relevant Director will be informed.

14.8. Ordering goods through the Council’s credit card must comply with internal procedures held by the Head of Finance. These mirror the procedures applied to the conventional ordering of goods as described above. The credit card must only be used where it is in the business interests (not administrative convenience of officers) of the Council to do so, and in all cases must not be used to circumvent the controls inherent within the purchase ordering system. Credit cards may be issued to the Chief Executive, Deputy Chief Executive, and Directors, who will ensure sufficient controls and segregation of duties being in place. Use of the card is appropriate for:

(a) One-off payments, where it is unlikely that the same supplier will be used again;

(b) Course, travel or hotel bookings where payment in advance is needed to secure places, tickets etc;

(c) Where the supplier concerned trades wholly or primarily over the Internet and card payment is the only practical option.

(d) Where the need for goods or services is urgent and card use would secure prompt delivery. But not for:

(e) For travel expenses etc under £50 per occasion – these should be paid personally and re-imbursement claimed through salaries in the normal way.

(f) Where current corporate contracts or other arrangements exist.

(g) Where the supplier is set up as a supplier on Integra.

(h) For minor items for which payment could conveniently be made personally and reimbursement claimed through Petty Cash.
15. Payment of Accounts

15.1. The responsibility for making payments (other than from petty cash accounts) rests with the Head of Finance using whatever means he/she considers appropriate.

15.2. Unless the Head of Finance believes that further enquiries are necessary, payment shall be made promptly on receipt by him/her of properly certified invoices, other acceptable payment documents or properly authorised electronic data (Appendix 3 – Payment Voucher Certification).

15.3. Payment to suppliers will be made via BACS unless they have been paid by petty cash, the company credit card or Direct Debit.

15.4. Officers of the service which has issued the official order or which will incur the expenditure are responsible for certifying the amount to be paid in accordance with the Goods Receipting process or the payment voucher certification processes attached.

15.5. A list of persons who can certify invoices and other payment documents shall be supplied to the Head of Finance by Directors, Deputy Chief Executive and the Chief Executive. The list shall contain:
   (a) the specimen signature of such persons; and
   (b) the limitation of their individual authority in terms of value

   The relevant Director shall notify the Head of Finance when changes occur. All lists shall be reviewed and updated annually.

15.6. Directors can authorise individual invoice payments up to a value of £50,000. Payment vouchers in excess of this will require secondary certification by the Chief Executive, Deputy Chief Executive, or the Head of Finance.

15.7. Towards the end of each financial year the Head of Finance shall require Directors to inform him/her by a stated date of all significant items of outstanding expenditure relating to that financial year.

15.8. No amendments shall be made to VAT invoices. If such invoices are incorrect, they shall be returned to the relevant creditor for correction in accordance with the VAT regulations.

15.9. Amendments to any other payment documents must be made in ink, signed by the person making the alteration and endorsed with the reason.

15.10. Ex gratia payments to persons other than employees shall be approved by:
   a. the relevant Director if less than £5,000 in total, provided the Head of Finance, the Head of Human Resources and Organisational Development and the Monitoring Officer are in agreement;
   b. the Deputy Chief Executive or Chief Executive in all other cases.

16. Payments to Employees

16.1. Appointment of all employees shall be in accordance with the regulations of the Council and the approved establishment, grades and rates of pay. All recruitment to vacant posts, or changes to the existing establishment, must be agreed by Corporate Management Team. A recruitment assessment form must be completed.
by the service, which is then approved by the Head of Finance, the Head of Human Resources and Organisational Development and Director, prior to presentation to Corporate Management Team; the form should then be certified by the Chief Executive.

16.2. Each Director shall consult the Head of Human Resources and Organisational Development on terms and conditions affecting employees.

16.3. The responsibility for making payments by way of salaries, wages and other emoluments to all employees and former employees rests with the Head of Human Resources and Organisational Development.

16.4. The Head of Human Resources and Organisational Development shall be notified by the Directors without delay of all matters affecting such payments. Notification shall include:

(a) appointments, resignations, dismissals, suspensions, transfers and secondments;
(b) sickness and any other absence other than annual or flex leave;
(c) changes in remuneration other than normal increments, pay awards and other matters of general application;
(d) information necessary to maintain records of service for superannuation, income tax, national insurance and any other required purpose.

16.5. All time records and other pay documents shall be in a form prescribed by the Head of Finance and be certified by Directors. They shall be submitted within three months of occurrence to the Head of Human Resources and Organisational Development to enable payment to be made on the due date.

16.6. A list of persons who can certify time records and pay documents shall be supplied to the Head of Human Resources and Organisational Development by Directors, Deputy Chief Executive and Chief Executive. The list shall contain:

(a) the specimen signature of such persons; and
(b) the limitation of their individual authority in terms of value.

The relevant Director, Deputy Chief Executive and Chief Executive shall promptly notify the Head of Human Resources and Organisational Development when changes occur. All lists shall be reviewed and updated annually.

16.7. Payment of honoraria to employees and ex gratia payments, following consultation with the Head of Human Resources and Organisational Development shall be approved by:

(a) the relevant Director if less than £5,000 in total;
(b) the Deputy Chief Executive or Chief Executive if greater than £5,000 in total.

16.8. Persons certifying claims for travel and subsistence shall be satisfied that:

(a) allowances and other expenses are necessarily incurred;
(b) they are in accordance with the Council’s approved scheme;
(c) they are properly payable by the Council;
(d) they are supported, where appropriate, by VAT receipts;
(e) the claim is arithmetically correct.
(f) The claim relates to a recent period (not greater than three months ago)

17. Payments to Members

17.1. The Monitoring Officer shall certify entitlement to allowances and other expenses claimed by members. In so doing he/she should be satisfied that:
(a) allowances and other expenses are necessarily incurred;
(b) they are in accordance with the Council’s approved scheme;
(c) they are properly payable by the Council;
(d) they are supported, where appropriate, by VAT receipts;
(e) the claim is arithmetically correct;
(f) The claim relates to a recent period (not greater than three months ago).

17.2 All payments shall be made by the Payroll Manager upon receipt of the duly completed forms.

18 Petty Cash Accounts

18.1. The Head of Finance shall provide such petty cash accounts as he/she considers necessary for paying minor items of expenditure. They shall be operated in accordance with his/her directions. The maximum individual amount which shall be payable from such accounts will be £50 unless otherwise agreed by the Head of Finance.

18.2. Income received on behalf of the Council shall not be paid into any petty cash account but accounted for separately as provided elsewhere in these rules.

18.3. Officers responsible for petty cash accounts shall provide a certificate to the Head of Finance regarding the state of the account whenever he/she requires.

18.4. On ceasing to be entitled to hold a petty cash account, an officer shall account to the Head of Finance for the amount for which he/she was responsible.

18.5 The need for the continued existence of petty cash accounts shall be reviewed annually by the Head of Finance.

19 Security

19.1. Each Director shall:
(a) maintain adequate security for all buildings, stores, furniture, equipment, cash and anything else of value for which he/she is responsible;
(b) consult the Head of Finance if he/she thinks security is defective or circumstances arise where special security arrangements may be needed;
(c) agree with the Head of Finance maximum limits for amounts of cash to be held in person or on Council premises, which shall not be exceeded without the permission of the Head of Finance;
(d) ensure compliance with any statutory requirements in respect of data protection.

19.2. Keys to safes and other secure containers will be issued and monitored by the Head of Finance to named individuals who shall sign to confirm receipt. Such keys shall be kept on the person and any loss must be reported to their Director immediately.
19.3 Security and privacy of information held in the central computer installation and on networked or stand alone PC’s shall be maintained in accordance with instructions issued by the HR and OD Manager.

20 Stores

20.1. All records relating to stores shall be kept in a form approved by the Head of Finance.

20.2. Directors shall:
   (a) arrange for stock checks to be carried out at least annually by persons independent of those responsible for day to day operations of the stores;
   (b) ensure that stock holdings are not in excess of reasonable requirements;
   (c) review slow moving and obsolete items at least annually;
   (d) approve any stock write off.

20.3 Where stores are no longer required arrangements for disposal shall be agreed by the relevant Director and the Head of Finance.

21 Treasury Management

21.1. The Head of Finance will maintain an effective treasury management function, complying with the strategy and policy approved by Cabinet:
   (a) The Council will put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of the treasury management activities.
   (b) The Council’s policies and practices make clear that the effective management of risk, having regard to return, is a prime objective of the treasury management activities.
   (c) The pursuit of best value in treasury management, and the use of suitable performance measures, is valid and important tools for responsible organisations to employ in support of their business objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.
   (d) The Council adopts the Treasury Management Policy and Practices.
   (e) To facilitate effective Treasury Management, this Council will create and maintain a treasury management policy statement, stating the policies and objectives of its treasury management activities, and suitable treasury management practices (TMPs) detailing how the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
   (f) Full Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close.
(g) The Council delegates responsibility for the monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Head of Finance who will act in accordance with the Council’s policy statement and TMPs and if a CIPFA member, CIPFA’s Standard of Professional Practice on Treasury Management. The Head of Finance will maintain this function in accordance with CIPFA Codes of Practice.

21.2. The Head of Finance will advise the Cabinet on a range of Prudential Indicators in accordance with the Prudential Framework. This information must incorporate:

(a) Capital Strategy - including 3 year forecast
(b) Revenue budget forecasts
(c) Asset Management Plans

21.3. Full Council will determine future prudential indicators having regard to affordability, capital strategy and the advice of the Head of Finance.

21.4. All investments of money under Council control shall be made by the Head of Finance, in the name of the Council or in the name of nominees approved by the Council. Bearer securities shall be exempt from this regulation but any purchase of such securities shall be reported to the Council.

21.5. All borrowings, including operating leases or other financial instruments, shall be effected by the Head of Finance in the name of the Council.

21.6. The Head of Finance shall be the Council’s registrar of bonds and mortgages and shall maintain records of all borrowings of money by the Council.

21.7. The Head of Finance shall inform and advise the Cabinet upon the need and methods for the financing of all capital expenditure. He shall be responsible for the raising of all loans and repayments of loans in accordance with policy and arrangements approved by the Council through Cabinet.

21.8. All trusts funds shall wherever possible be in the name of the Council.

21.9. Officers acting as trustees by virtue of their official position shall deposit any securities relating to the trust with the Monitoring Officer unless the trust deed provides otherwise.

21.10. Any officer who, in the course of their official duties, has in their care assets or income which are not owned by the Council has a duty of care to the owner to ensure that such assets or income are treated with the same propriety as if they belonged to the Council.

22 Voluntary Funds

22.1. All voluntary funds operated by employees in connection with the work of the Council must be notified to the Head of Finance and be operated in accordance with his/her written instructions.

22.2. Such funds may be subject to review by internal audit as if they were official funds of the Council.
23. External Arrangements

23.1. The Cabinet is responsible for approving delegations, including frameworks for partnerships. The Head of Paid Service (Chief Executive) or officer nominated by him/her represents the Authority on partnership and external bodies. The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to governance and financial administration in partnerships that apply throughout the Authority.

23.2. The Head of Finance must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

23.3. Directors are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

23.4 Bodies who receive grant funding from the Council should ensure they have appropriate records in place to support how that funding will, or has been spent. All applications for funding will be treated in a fair and consistent manner and processes will be in place to scrutinise applications to ensure that they have been appropriately and accurately completed, are in line with corporate objectives and are likely to deliver the benefits identified. There will be robust processes in place to ensure that grant funding awarded has been used in the manner agreed as outlined in the conditions attached to the grant.

24. Variation Or Revocation

24.1. Any motion to add to, vary or revoke these Rules for Financial Governance shall be adjourned to the next ordinary meeting of the Council (unless Cabinet recommends an addition or variation to the Council).

25. Virements, Supplementary Estimates and Slippage

25.1. Budget items that are considered to be controllable (as defined by the Head of Finance) may be vired between cost centres, at CIPFA subjective classification levels.

25.2. The relevant Budget Manager or Accountancy Manager, or Head of Finance can authorise virements between codes for amounts up to £5,000. If virements are between Directorates the Directors or Head of Finance are required to authorise the virement.

25.3. The relevant Director, (Directors if virements are across Directorates) or in their absence the Head of Finance can authorise virements between codes up to an annual limit of £100,000 per individual code.

25.4. Any virement which would mean an individual code has had more than £100,000 vired from/to it in the financial year will need to be approved by the Corporate Management Team.

25.5. Individual revenue or capital virements exceeding £100,000 will also require the approval of Cabinet.
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25.6. Individual virements on revenue or capital schemes exceeding £250,000 will require the approval of Cabinet and Council.

25.7. It is for the Director to ensure that virements comply with the Council’s stated service policies, and specifically expenditure from virement will not be permitted where Cabinet and/or Council have previously decided that such expenditure should not be incurred. Virements must also not incur recurring expenditure.

25.8. Virement will not be allowed in respect of previous budget slippage, nor from supplementary estimates.

25.9. Where no budgetary provision exists and the scope for virement appears limited, then supplementary estimates will be sought from Corporate Management Team or Cabinet, subject to a maximum limit of £50,000 and £100,000 per annum respectively. Any supplementary estimates, which would exceed this overall limit, can only be approved by Council.

25.10. Should there be an underspend at the end of a financial year in both the overall Council budget and the relevant service budget, Directors may request slippage. This relates to commitments entered into as at 31 March for which there is no adequate provision in the subsequent year’s revenue or capital budget.

25.11. Slippage requests will be approved by Corporate Management Team and Cabinet. Slippage sought for the same item for a subsequent year will only be permissible with the approval of Corporate Management Team, Cabinet and full Council.

25. Major Incidents and Emergencies

26.1. The following framework is established to deal with a major incident or emergency, as defined in the council’s Major Incidents and Emergency Plan.

26.2. The Chief Executive (or a Director nominated to act as Acting Chief Executive in her/his absence) is authorised to incur expenditure of up to £100,000 without prior member involvement, but a report must be submitted to the Leader of the Council as soon as possible.

26.3. Directors are to obtain the Chief Executive’s prior approval for any item of expenditure in excess of £10,000 but they may incur expenditure below this level with follow up notification to the Chief Executive at the earliest opportunity.

26.4. The Chief Executive will advise the Head of Finance when authorisation to incur expenditure has been given.

26.5. An Emergency Committee, comprising five elected members as indicated in Part 13.2 of this Constitution be authorised to sanction expenditure in excess of £100,000 subject to a maximum limit of £500,000. However, where expenditure is expected to exceed £500,000, a special meeting of Council must be called to consider the matter.

26.6. A report on the cost to the Council of any major peacetime emergency, with an indication of how much could be recoverable through insurance, Government grant and other sources, is to be made to the next available meeting of Cabinet which will give consideration to the approval of a supplementary estimate; the net cost being found from balances.
Appendix 1

CHEQUE SIGNING ARRANGEMENTS AND AUTHORISATION FOR ELECTRONIC PAYMENTS

1. Cheque signing

1.1. Cheques shall bear the facsimile signature of the Head of Finance or be signed by the Head of Finance, or any of two other members of Financial Services staff authorised by the Head of Finance.

1.2. Signatories must not sign cheques which are supported by payment vouchers which they themselves have certified for payment.

1.3. Cheques raised manually shall be signed by:
   · one authorised signatory if the value of the cheque is less than £50,000; · two authorised signatories if the value of the cheque is greater than £50,000.

1.4. Cheques produced by the normal computer runs shall be manually signed by:
   · one authorised signatory if the value of the cheque is between £20,000 and £50,000;
   · two authorised signatories if the value of the cheque is greater than £50,000.

2. Authorisation for electronic payments

2.1 Designated individuals are authorised to set up payees on the system and set up sums to be paid. The computer system does not permit the same individual to do both. Release of funds is only possible when the transactions have been authorised by one of the cheque signatories listed above using password control. After authorisation, funds are released using an electronic device held by a nominated individual.

2.2 The computer system will not permit release of funds by a cheque signatory who has set up that same payee.
INVENTORY REQUIREMENTS

1. Items to be included/not included In Inventories

The inventory is used to record low, and middle value assets of the Council which have a “fixed” element to them, i.e. they will last, and be used for, more than 1 year. Items of ongoing, disposable stock, which is replaced on a frequent basis and not used for more than a year should be contained within the service stock records, and is not considered inventory for this purpose.

1.1 Personal computers/related hardware/software

All personal computers and related hardware and software acquired via the IT section will be entered in an inventory maintained by that section. Other Directors need make no provision for inclusion of such items in their inventories.

1.2 Office furniture

No office furniture is to be included in inventories.

1.3 Other equipment

Equipment which falls outside the definitions given above must be included in inventories if the replacement value is estimated to be more than £1,000. Equipment whose replacement value is estimated to be less than £1,000 but which is considered to be “portable and attractive” may be included at the discretion of the Director. This also includes equipment which is located outside of South Norfolk House.

2. Format of the Inventory

2.1 The inventory should be kept in a format which records:

(a) the description of the item together with the serial number or similar identifier where available;

(b) the location of the item;

(c) the date of acquisition (where known);

(d) the estimated replacement value;

(e) the date the existence of the item was last confirmed;

(f) the date and method of disposal (where items have been disposed of).
PAYMENT VOUCHER CERTIFICATION

1.1 Before certifying a payment voucher the certifying officer must be satisfied that:

(a) the payment is one which the Council is empowered to make;
(b) the account is the liability of the Council;
(c) the goods have been received, examined and approved as to quality and quantity, or the service rendered or work done has been performed satisfactorily;
(d) the prices are in accordance with quotations, contract or current market rates or otherwise reasonable;
(e) the account is arithmetically correct;
(f) the account has not previously been certified for payment;
(g) there is provision in the budget for the expenditure;
(h) the coding is correct;
(i) the account is charged to the correct financial year;
(j) particulars of the payments have been endorsed on the copy of the order;
(k) if necessary, entries have been made in stores records or inventories.

1.2 The payment voucher should normally contain 3 signatures (not initials):

(a) one to confirm the goods/services have been received (unless no tangible goods or services are involved);
(b) one to confirm the account has been checked;
(c) one to certify payment.

As a minimum, 2 of these signatures must be those of different officers.

1.3 If the payment is not for tangible goods or services no signature to confirm receipt is required.
Part 4 Rules of Procedure

4.5 Contract Standing Orders

1 Purpose and Status

1.1 These Standing Orders are made and approved by the Council to regulate and ensure probity in all its dealings with suppliers and contractors. In following these procedures, officers of the Council must:

- Ensure value for money is achieved
- Ensure fairness in allocating public contracts
- Comply with all legal requirements
- Be consistent with highest standards of integrity
- Support the Council’s aims and policies

1.2 Compliance with these Standing Orders is mandatory for all staff employed by or on behalf of South Norfolk Council, and failure to observe them without good and sufficient reason will be treated as a disciplinary issue. Staff letting or managing contracts must ensure that all contractors are aware of their provisions and comply with them.

1.3 When commissioning work through consultants or other forms of agent, the staff concerned must ensure that the said agents adhere strictly to these same Contract Standing Orders as if they were employees of the Council. Agents or consultants must not make any decision as to whether to award a contract, or whom a contract should be awarded to. Such decisions should only be made by a Council Officer with delegated authority. This applies to any agent and consultant commissioned by the Council, be they employed directly to provide advise, support and guidance on a specific contract, or employed to fulfil a more general role within the Council.

1.4 All staff and members involved in any way in dealing with suppliers or contractors on behalf of the Council must be aware of and pay full regard to the requirements in the Council’s Constitution to declare as provided for any interests, whether pecuniary or otherwise, that they may have in any such matter. Specific guidance is included separately in Codes of Conduct for members and officers.

1.5 These Standing Orders also apply to the appointment of Consultants as they constitute the provision of a service.

1.6 These Standing Orders are the minimum standards which should be followed. Further advice is available from the procurement team or the Head of Finance.
2 The contract value

2.1 The first step is to identify what services/goods are required and to estimate the cost for these. A detailed cost estimate should be drawn up; for higher value contracts, professional estimators should be considered to ensure estimates and tenders subsequently received are realistic and provide value for money for the Council. The timeframes over which you should estimate costs apply as follows:

- If it is a construction project, the total costs over the full life-time of the project
- If it is a fixed-term service contract, the total costs over the full fixed-term of the service provided
- If it is an indefinite life service (e.g. something the Council intends to buy over a number of years, or you are not sure when it will end), the costs you would expect to pay over the first 4 years of that service being provided.

2.2 The total cost for the whole council should be considered, not just within the individual service. There are numerous permutations but they might include:

- A one off purchase
- A one off purchase which requires on-going costs such as servicing and maintenance
- A regular supply of a service
- An initial contract for particular goods / services, with options for future purchasing / add-on purchases within that same contract

Alternatively there could be more than one contract with different suppliers; the supply of the equipment, the installation and the on-going maintenance cost for four years. In this instance all three would need to be a separate contract, however each would have to stand up to independent scrutiny without any premeditated outcome on who the supplier will be. The breaking down of a supply cannot be used to justify the circumvention of the rules.
3 Is a new contract required?

3.1 If an existing contract is in place under which the new supply of goods/services can be obtained then this should be used.

3.2 There is also the option of using a framework agreement. Frameworks are pre-tendered contracts, which the Council can use, providing we operate to the pre-approved terms. They have usually been commissioned by buying consortia such as ESPO or a Government department or agency, and are compliant with the EU rules of procurement. There are several types of these arrangements such as:

- One supplier who has won a specific tender for a specific contract. The Council has to continue to operate to the terms and conditions set out in that contract.
- Several suppliers who have been invited to tender to meet specific terms. The Council can vary these terms, but should we do so, we must hold a “mini-competition” between the various suppliers.

3.3 The advantage of using such arrangements is to gain the benefits of bulk purchasing whilst avoiding the need to spend time setting up a tendering/quotation exercise. However there are several issues which must be considered:

- The conditions of the framework agreement must allow use by the Council.
- The goods/services being requested must be covered in full by the framework.
- The life of the framework and its end date.
4 Exceptions to tendering and quotation procedures

4.1 It shall not be necessary to invite tenders/quotations: -

(a) Where effective competition is prevented by governmental control or market monopoly. The Officer must prove to the satisfaction of the Head of Finance that there are no alternative providers;

(b) Where purchase is made at public auction;

(c) Where procurement is made through a purchasing consortium; Officers must assure themselves and the Head of Finance that the contract has been subject to the appropriate tendering process and covers call off by other parties which would include the Council

(d) Where procurement is in conjunction with a third party; i.e. a shared procurement exercise; it must be conducted to the satisfaction of the Council.

(e) Where it is in the business interests of the Council not to seek formal tenders (e.g. urgent action is required); prior to commissioning works the following applies:

- Value is below £20,000 agreement from Head of Finance must be sought
- Value is between £20,000 and below £100,00 agreement from CMT and the Head of Finance must be sought
- Value is above £100,000 agreement from the Corporate Management Team, the Head of Finance, and the Leader of the Council must be sought. A subsequent report will be made to Cabinet.

5 Tendering and Quotations

5.1 Tenders and quotations are both offers to supply goods, works and services.

5.2 A quotation is a competitive written quotation of price and any other relevant matter. This is typically used for purchasing standard items e.g. IT equipment, which are available from different sources and prices may be expressed in terms of a discount on a standard price list.

5.3 A tender will normally be used for more complex circumstances where the goods/services need to be defined in detail as they are non-standard, with bidders entering their prices for work against a schedule of separate elements.
6  **Value of Contract is expected to be under £20,000**

6.1  A minimum of three “informal” quotations/tenders must be obtained, unless agreed by the Director and Head of Finance.

6.2  These quotations/tenders can be obtained in a variety of ways which may include phone, internet, letter, face to face, however the information needs to be recorded. Where quotations / tenders are obtained via phone or face to face interaction, these should be confirmed in writing (e.g. send e-mail or through third party providing written quote)

6.3  Quotations/tenders will be received by the Officer commissioning the goods / services. They should ensure that any suppliers offering tenders of quotes to the Council are aware that the Council complies with the Government’s transparency agenda and in doing so will be required to publish data related to expenditure, contracts and invitations to tender.

6.4  Evaluation of quotations/tenders should take into account the whole life costing of the goods, works or services, including any maintenance requirement and their ultimate replacement where appropriate. Issues around sustainability and social value should also be considered. The decision as to which offer should be accepted should be based on the best overall economic advantage to the Council, which does not always mean the lowest price.

6.5  Wherever possible suppliers should be advised of factors to be considered in selecting the successful informal quotation/ tender so that equal treatment is evident. This will protect the Council’s against challenge and generate good will for any future procurement.

6.6  In considering informal quotations or tenders the purchasing officer should pay due regard to the Council’s Health and Safety policy, particularly for operational type services which could expose members of the public or officers to the risk of injury or the property of third parties to the risk of potential damage. In the event of any concern the purchasing officer should consult the Council’s Health and Safety advisor.

6.7  Where any of the following circumstances prevail, a Director may, prior to the formal agreement of any contract, or instruction to commence works, carry out negotiations to clarify offers received or otherwise to agree the prices and other terms of the contract proposed:

(a)  Where one or more offer is accompanied by alternative proposals;

(b)  Where examination of offers reveals errors, discrepancies or misunderstandings which would affect the contract price;

(c)  Where the relevant Director considers that the best offer
presented does not represent the best Value For Money that can reasonably be obtained.

6.8 In all cases the following provisions shall apply:

- All bidders shall receive fair and equitable treatment and shall be given equal opportunity to clarify their offers or to submit alternative proposals;
- The relevant Director(s) shall ensure that all negotiations are fully documented and that this documentation and all other evidence of negotiations is collated and filed so as to be readily available for audit or other inspection as required. All such evidence shall be retained in accordance with the Council’s Document Retention Policy;
- At no time shall a bidder be informed of the detail of any other bid.

6.9 The decision on who to award the contract to shall be recorded in sufficient detail for the logic to be apparent to anyone who subsequently reviews the circumstances.

6.10 Formal contracts are not required but may be useful, depending on the circumstances. There should be a written record of the agreement, although a simple exchange of letters/emails may often suffice.

6.11 Where, during the process of tendering for the contract, it becomes clear that the nature, scope or timing of the specifications changes in such a way as to significantly alter the goods/service being tendered, the tendering process should immediately be halted. Discussion should be held with the procurement team as to the process that should be followed, although it is anticipated that significant changes will require the entire tender process to be re-started. Suppliers should be kept informed.
7 Contract value is expected to be between £20,000 and £100,000

7.1 If the service which you are procuring is towards the top end of this financial envelope please ask for advice. The OJEU limit is subject to currency conversion rates and additional incidental items could inflate the cost of what you are procuring.

7.2 Advice should be taken on the means by which the tender is to be advertised so as to maximise competition.

7.3 Advice should be taken as to whether an electronic portal could be used to streamline your procurement process

7.4 A minimum of three written “formal” quotations or tenders is required before placing orders or creating contracts of this value. Formal and detailed specifications should be produced to determine the nature, scope, and timing of the goods / services to be performed.

7.5 Tenders/quotations will be based on the specification, standard Pre tender Qualification Questionnaires (PQQs), and an invitation to tender setting out the terms and conditions proposed. PQQs may be sent out with the invitations to tenders and tender specification if there is limited time available. The PQQs can be amended to reflect the requirements of the individual tender and need to be proportionate to the risks involved in awarding the contract.

7.6 The PQQs will be assessed as follows:

- The Health & Safety Officer will ensure compliance with Health & Safety requirements.
- Financial Services will be responsible for ensuring the viability of the organisation.
- The client service will be responsible for the quality of the service/goods tendered for.

7.7 The relevant Director will be required to:

- Approve the specification of the works, including any specifications that may restrict those parties that are invited to tender (e.g. covenants which favour local organisations)
- Approve the list of parties invited to quote or tender, where this list is restricted to several named organisations.

7.8 To enable well-considered bids to be submitted, there must be sufficient time allowed. Only for the simplest of works should a period significantly less than 40 days be assumed. All invitations to tender (ITT) or requests for quotation (RFQ) should include:

(a) A list of the criteria to be applied in bid evaluation (for example how price, quality, social value and sustainability might be...
scored);

(b) Details of the information required from bidders against each of the criteria;

(c) A full set of contract documentation, including where appropriate the conditions of contract, functional specification and any other document necessary to fully describe and specify the Council’s requirements;

(d) Full details of the timescales and other conditions for return of bids;

(e) Details of the mechanism by which bidders may ask any clarifications of the council. Note: - some clarification answers may need to be shared with all bidders; some may need to be kept confidential. Please ask for advice on this point.

(f) A declaration form to sign stating that the Contractor will not collude with other companies during the bidding process (excepting joint / combined bids with other parties), which clearly states that whilst tenders will be treated in the strictest confidence, they will be made available to Trading Standards, the Office of Fair Trading and other regulators when undertaking any investigations, and that legal action will be taken against false declarations.

(g) A statement that the Council complies with the Government’s Transparency agenda, and, in so doing, will be required to publish data relating to expenditure, contracts and invitations to tender.

Further advice is available from the Procurement Team, including standard templates.

7.9 Where any Director wishes invitations to tender, requests for quotations or submissions in response to be in any form other than original documents on paper, that Director shall first in each case agree suitable arrangements with the Monitoring Officer and the Head of Finance. Any such arrangements must provide at least the same degree of anonymity, security and confidentiality until the scheduled time of opening as the arrangements specifically detailed in these Standing Orders. This provision is expressly designed to facilitate the use and development of electronic tendering procedures, where appropriate and to the benefit of the Council. Further advice and assistance is available from the Procurement Team.

7.10 All tenders and quotations shall be returned in sealed envelopes that shall be:
  • Marked clearly to indicate that it contains a tender or quotation and have no means by which the bidder can be identified;
  • Endorsed to identify the goods, services or works to which it relates;
  • Addressed to the Monitoring Officer who shall keep them unopened in safe custody until the deadline for receipt has passed.

7.11 No tender or quotation can be considered as valid if:
  • The envelope bears any mark by which the bidder can be identified;
• If it is received after the deadline for receipt set out in the Invitation to Tender (ITT) or Request for Quotations (RFQ);
• If for any reason the envelope has been opened prior to the deadline;
• If for any reason the bidder has failed to comply with any of the instructions contained in the invitation.
• Where there is clear evidence of inappropriate behaviour during the bidding process (fraud, corruption, bribery) on the part of the organisation submitting the bid.

7.12 Tenders and quotations shall be opened at one time in the presence of the relevant Director and the Monitoring Officer.

7.13 Evaluation of quotations/tenders should take into account:

• The whole life costing of the goods, works or services, including any maintenance requirement and their ultimate replacement where appropriate.
• The added social value and sustainability of the proposals made
• The extent to which the contractor has designed a safe system of work in discharge of its obligations under prevailing Health and Safety legislation (please ask for advice from the Health and Safety Officer on this point)
• The decision as to which offer should be accepted should be based on which is the most economically advantageous to the Council, which does not always mean the lowest price. Officers should design arrangements for the evaluation of the most economically advantageous tender before the documents are despatched to bidders and this marking scheme should be shared with suppliers before they submit. Evaluation should be strictly in accordance with the published scheme
• Quotations and Tenders should be subject to critical evaluation to ensure that they are affordable. It is good practice to set an affordability threshold at the commencement of the procurement.
• Advice should be sought where any tender or quotation appears abnormally low
• Ensuring bid information contains sufficient detail upon which to determine that the contractor has appropriately costed all aspects of the bid. The Council has the option of asking clarification questions of bidders; but this has to be tightly managed so that it does not develop into an unplanned negotiation. Please ask for advice on this point and see 7.16 below.

7.14 Where any of the following circumstances prevail, a Director may, prior to the formal agreement of any contract, clarify offers received or otherwise to agree the prices and other terms of the contract proposed:

(a) Where examination of offers reveals errors, discrepancies or misunderstandings which would affect the contract price;
7.15 Where any of the following circumstances prevail, a Director may, prior to the formal agreement of any contract, carry out negotiations to agree the prices and other terms of the contract proposed:

(a) Where one or more offer is accompanied by alternative proposals;
(b) Where the relevant Director considers that the best offer presented does not represent the best Value For Money that can reasonably be obtained.

7.16 In all cases following provisions shall apply:

- All bidders shall receive fair and equitable treatment and shall be given equal opportunity to clarify their offers or to submit alternative proposals;
- The relevant Director(s) shall ensure that all negotiations are fully documented and that this documentation and all other evidence of negotiations is collated and filed so as to be readily available for audit or other inspection as required. All such evidence shall be retained in accordance with the Council's Document Retention Policy;
- At no time shall a bidder be informed of the detail of any other bid.

7.17 Any such negotiations shall be conducted strictly in accordance to the following rules:

- They shall take place at predetermined times and places;
- The Monitoring Officer and the Head of Finance must be notified of the time and venue of all negotiations;
- More than one officer of the Council shall be present at all times, including the Monitoring Officer and the Head of Finance, or their senior representative.
- The signed record of all meetings shall be kept on file and a copy supplied to the Monitoring Officer, the Head of Finance and the bidder.
- In the event of a contract being awarded, the relevant signed records of meetings shall be bound into the contract.

7.18 Acceptance of tenders/quotations shall be by the relevant Director. Provided that:

- Adequate budget provision exists for both capital and revenue expenditure.
- All relevant approvals have been obtained in accordance with the Council’s Project Management Guide.
- A proper evaluation has been carried out in compliance with these Contract Standing Orders which clearly demonstrates that the tender/quotations in question constitutes the most economically
advantageous for the Council, according to the pre-set evaluation criteria (quality, price, social value, sustainability etc)

7.19 Formal contracts will be required and may be executed under seal depending on the nature of the work and degree of protection required.

7.20 Where, during the process of tendering for the contract, it becomes clear that the nature, scope or timing of the specifications changes in such a way as to significantly alter the goods/service being tendered, the tendering process should immediately be halted. Generally a new procurement will be required. It is important that bidders are advised of the change in circumstances promptly and in such a manner as to maintain interest in bidding for the Council’s work. Please ask for advice from the Council’s Procurement Team.

8 Contract value is expected to be between £100,001 and the OJEU limit. (See Finance for details of the OJEU limit)

8.1 If the service which you are procuring is towards the top end of this financial envelope please ask for advice. The OJEU limit is subject to currency conversion rates and additional incidental items could inflate the cost of what you are procuring.

8.2 Advice should be taken on the means by which the tender is to be advertised so as to maximise competition.

8.3 Advice should be taken as to whether an electronic portal could be used to streamline your procurement process.

8.4 A minimum of five formal competitive tenders are required. Formal and detailed specifications should be produced to determine the nature, scope, and timing of the goods/services to be performed.

8.5 Tenders/quotations will be based on the specification, standard Pre tender Qualification Questionnaires (PQQs) and an invitation to tender setting out the terms and conditions proposed. PQQs may be sent out with the invitations to tenders and tender specification if there is limited time available.

8.6 The PQQs will be assessed as follows:

- The Health & Safety Officer will ensure compliance with Health & Safety requirements.
- Financial Services will be responsible for ensuring the financial viability of the organisation.
- The client service will be responsible for the quality of the service/goods tendered for.
- Social Value (how what is being procured might improve the economic, social and environmental well-being of the relevant area)
- Sustainability (measures to protect the environment in the delivery of the service) may be assessed if appropriate

8.7 The relevant Director will be required to:
- Approve the specification of the works, including any specifications that may restrict those parties that are invited to tender (e.g. covenants which favour local organisations)
- Approve the list of parties invited to quote or tender, where this list is restricted to several named organisations.

8.8 To enable well-considered bids to be submitted, there must be sufficient time allowed. Only for the simplest of works should a period significantly less than 40 days be assumed. All invitations to tender (ITT) should include:

(a) A list of the criteria to be applied in bid evaluation (for example how price, quality, social value and sustainability might be scored);
(b) Details of the information required from bidders against each of the criteria;
(c) A full set of contract documentation, including where appropriate the conditions of contract, functional specification and any other document necessary to fully describe and specify the Council’s requirements;
(d) Full details of the timescales and other conditions for return of bids;
(e) Details of the mechanism by which bidders may ask any clarifications of the council. Note: - some clarification answers may need to be shared with all bidders; some may need to be kept confidential. Please ask for advice on this point.
(f) A declaration form to sign stating that the Contractor will not collude with other companies during the bidding process (excepting joint / combined bids with other parties), which clearly states that whilst tenders will be treated in the strictest confidence, they will be made available to Trading Standards, the Office of Fair Trading and other regulators when undertaking any investigations, and that legal action will be taken against false declarations
(g) A statement that the Council complies with the Government’s Transparency agenda, and, in so doing, will be required to publish data relating to expenditure, contracts and invitations to tender.

Further advice is available from the Procurement Team, including standard templates.

8.9 Where any Director wishes invitations to tender, requests for quotations or submissions in response to be in any form other than original
documents on paper, that Director shall first in each case agree suitable arrangements with the Monitoring Officer and the Head of Finance. Any such arrangements must provide at least the same degree of anonymity, security and confidentiality until the scheduled time of opening as the arrangements specifically detailed in these Standing Orders. This provision is expressly designed to facilitate the use and development of electronic tendering procedures where appropriate and to the benefit of Council. Further advice and assistance is available from the Procurement Team.

8.10 All tenders and quotations shall be returned in sealed envelopes that shall be:
   - Marked clearly to indicate that it contains a tender or quotation and have no means by which the bidder can be identified;
   - Endorsed to identify the goods, services or works to which it relates;
   - Addressed to the Monitoring Officer who shall keep them unopened in safe custody until the deadline for receipt has passed.

8.11 No tender or quotation can be considered as valid if:
   - The envelope bears any mark by which the bidder can be identified;
   - If it is received after the deadline for receipt set out in the ITT or RFQ;
   - If for any reason the envelope has been opened prior to the deadline;
   - If for any reason the bidder has failed to comply with any of the instructions contained in the invitation.
   - Where there is clear evidence of inappropriate behaviour during the bidding process (fraud, corruption, bribery) on the part of the organisation submitting the bid

8.12 Tenders and quotations shall be opened at one time in the presence of the relevant Director and the Monitoring Officer.

8.13 Evaluation of quotations/tenders should take into account:
   - The whole life costing of the goods, works or services, including any maintenance requirement and their ultimate replacement where appropriate.
   - Social Value (how what is being procured might improve the economic, social and environmental well-being of the relevant area)
   - Sustainability of the proposals made
   - The decision as to which offer should be accepted should be based on the best overall economic advantage to the Council, which does not always mean the lowest price.
• Quotations and Tenders should be subject to critical evaluation to ensure that they are affordable; this particularly applies where any quotations / tenders show any indication of being abnormally low costed
• Ensuring bid information contains sufficient detail upon which to determine that the contractor has appropriately costed all aspects of the bid

8.14 Where any of the following circumstances prevail, a Director may, prior to the formal agreement of any contract, carry out negotiations to clarify offers received or otherwise to agree the prices and other terms of the contract proposed:

• Where one or more offer is accompanied by alternative proposals;
• Where examination of offers reveals errors, discrepancies or misunderstandings which would affect the contract price;
• Where the relevant Director considers that the best offer presented does not represent the best Value For Money that can reasonably be obtained.

8.15 In all cases following provisions shall apply:
• All bidders shall receive fair and equitable treatment and shall be given equal opportunity to clarify their offers or to submit alternative proposals;
• The relevant Director(s) shall ensure that all negotiations are fully documented and that this documentation and all other evidence of negotiations is collated and filed so as to be readily available for audit or other inspection as required. All such evidence shall be retained in accordance with the Council’s Document Retention Policy;
• At no time shall a bidder be informed of the detail of any other bid.

8.16 Any such negotiations shall be conducted strictly in accordance to the following rules:

• They shall take place at predetermined times and places;
• The Monitoring Officer and the Head of Finance must be notified of the time and venue of all negotiations;
• More than one officer of the Council shall be present at all times, including the Monitoring Officer and the Head of Finance, or their senior representative.
• The signed record of all meetings shall be kept on file and a copy supplied to the Monitoring Officer, the Head of Finance and the bidder.
• In the event of a contract being awarded, the relevant signed records of meetings shall be bound into the contract.

8.17 Acceptance of tenders/quotations shall be by the Management Team (with a retrospective report to Cabinet for information). Provided that:
• Adequate budget provision exists for both capital and revenue expenditure.
• All relevant approvals have been obtained in accordance with the Council’s Project Management Guide.
• The tender accepted presents the most economically advantageous position for the Council.

8.18 Formal contracts under seal are required unless the Risk and Compliance Manager deems them not to be necessary.

8.19 All original copies of the contract are to be held by the Risk and Compliance Manager.

8.20 Where, during the process of tendering for the contract, it becomes clear that the nature, scope or timing of the specifications changes in such a way as to significantly alter the goods / service being tendered, the tendering process should immediately be halted. Discussion should be held with the procurement team as to the process that should be followed, although it is anticipated that significant changes will require the entire tender process to be re-started.
9 Contract value is over the OJEU limit.

9.1 EU procurement rules stipulate that higher value contract opportunities should be subject to additional rules and controls. Any proposed purchase of goods or contract for services where the estimated value exceeds approximately £156,000 or for works where the value exceeds approximately £3,900,000, is caught by these provisions. (These monetary limits are subject to change as they are determined by exchange rates, if the tender is around these values you must contact the Finance Team to check the limits currently set.) The terms goods, works and services have precise definitions within the legislation but these broadly follow a common sense understanding. “Works” involves works of design, construction or maintenance to any land or buildings and specifically includes anything normally defined as building or civil engineering work. The detailed provisions are set out in Directives issued by the EU administration which have been incorporated into UK law and MUST be complied with. Further details are available in the CIPFA guidance. If in any doubt, be sure to consult with Nplaw or the Procurement Team. The Procurement Team will provide guidance at all stages of the process.

9.2 Contracts caught by the EU provisions as described above must first be advertised in the Official Journal of the European Union (OJEU). The procedures vary with the nature of the work involved and can sometimes require you to advertise for expressions of interest well in advance of actually inviting tenders.

9.3 Sufficient time must be set aside to ensure compliance with the European Tendering regulations.

9.4 Advice should be sought on the procurement route to be used. Briefly the choice is as follows:-

(a) If the Council’s requirements are eminently clear, there are no issues of risk partition, and there is no need to discuss matters with suppliers then the restricted route (PQQ and tender) can be used

(b) If the Council’s requirements are complex, there are areas of uncertainty, there are issues of risk partition, there are other partner Councils, there is a need to discuss matters with suppliers then the competitive dialogue route should be considered (PQQ, dialogue, selection, dialogue, tender for example)

(c) Officers should note that the negotiated procurement route is no longer routinely available under EU regulations, save for circumstances where there has been e.g. a failure of competition

9.5 Advice should be sought on how, what is evidently a major procurement, should be marketed. This might include for example the
use of soft market testing to inform the council’s specification writing and catalyse greater interest from firms bidders

9.6 Procurements of this importance will require strong governance and the use of project management techniques. Dedicated project resources are very likely to be necessary and external advice (financial, legal and technical) may also be required.

9.7 All invitations to tender (ITT) must include as a minimum:

(a) A list of the criteria to be applied in bid evaluation (for example how price, quality, social value and sustainability might be scored);
(b) Details of the information required from bidders against each of the criteria;
(c) A full set of contract documentation, including where appropriate the conditions of contract, functional specification and any other document necessary to fully describe and specify the Council’s requirements;
(d) Full details of the timescales and other conditions for return of bids;
(e) Details of the mechanism by which bidders may ask any clarifications of the council. Note: - some clarification answers may need to be shared with all bidders; some may need to be kept confidential. Please ask for advice on this point.
(f) A declaration form to sign stating that the Contractor will not collude with other companies during the bidding process (excepting joint / combined bids with other parties), which clearly states that whilst tenders will be treated in the strictest confidence, they will be made available to Trading Standards, the Office of Fair Trading and other regulators when undertaking any investigations, and that legal action will be taken against false declarations.
(g) A statement that the Council complies with the Government’s Transparency agenda, and, in so doing, will be required to publish data relating to expenditure, contracts and invitations to tender.

Further advice is available from the Procurement Team. In a competitive dialogue there will be evolution of these core documents and the Procurement Team would be happy to discuss this further.

9.8 Where any Director wishes invitations to tender, requests for quotations or submissions in response to be in an electronic format, that Director shall first in each case agree suitable arrangements with the Monitoring Officer and the Head of Finance. Any such arrangements must provide at least the same degree of anonymity, security and confidentiality until the scheduled time of opening as the arrangements specifically detailed in these Standing Orders. This provision is expressly designed to facilitate the use and development of electronic tendering procedures where appropriate and to the benefit of the Council.
9.9 All tenders and quotations shall be returned in sealed envelopes that shall be:
- Marked clearly to indicate that it contains a tender or quotation and have no means by which the bidder can be identified;
- Endorsed to identify the goods, services or works to which it relates;
- Addressed to the Monitoring Officer who shall keep them unopened in safe custody until the deadline for receipt has passed.

9.10 No tender or quotation can be considered as valid if:
- The envelope bears any mark by which the bidder can be identified;
- If it is received after the deadline for receipt set out in the ITT or RFQ;
- If for any reason the envelope has been opened prior to the deadline;
- If for any reason the bidder has failed to comply with any of the instructions contained in the invitation
- Where there is clear evidence of inappropriate behaviour during the bidding process (fraud, corruption, bribery) on the part of the organisation submitting the bid.

9.11 Tenders and quotations shall be opened at one time in the presence of the relevant Director and the Monitoring Officer.

9.12 Evaluation of quotations/tenders will be only as per the published criteria and these should take into account:
- The whole life costing of the goods, works or services, including any maintenance requirement and their ultimate replacement where appropriate.
- Social Value (how what is being procured might improve the economic, social and environmental well-being of the relevant area)
- Sustainability of the proposals made
- The decision as to which offer should be accepted should be based on the best overall economic advantage to the Council, which does not always mean the lowest price.
- Quotations and Tenders should be subject to critical evaluation to ensure that they are affordable; this particularly applies where any quotations / tenders show any indication of being abnormally low costed
- Ensuring bid information contains sufficient detail upon which to determine that the contractor has appropriately costed all aspects of the bid
9.13 Where the EU procedure by strictly defined exception (competition failure etc) permits post-tender negotiations then a Director may, prior to the formal agreement of any contract, carry out negotiations to clarify offers received or otherwise to agree the prices and other terms of the contract proposed:

(h) Where one or more offer is accompanied by alternative proposals;
(i) Where examination of offers reveals errors, discrepancies or misunderstandings which would affect the contract price;

For the avoidance of doubt negotiation is not normally permitted in a procurement above the OJEU limit

9.14 In all cases following provisions shall apply:

- All bidders shall receive fair and equitable treatment and shall be given equal opportunity to clarify their offers or to submit alternative proposals;
- The relevant Director(s) shall ensure that any (by exception) negotiations are fully documented and that this documentation and all other evidence of negotiations is collated and filed so as to be readily available for audit or other inspection as required. All such evidence shall be retained in accordance with the Council’s Document Retention Policy;
- Prior to the awarding of the contract, at no time shall a bidder be informed of the detail of any other bid

9.15 Any such negotiations shall be conducted strictly in accordance to the following rules:

- They shall take place at predetermined times and places;
- The Monitoring Officer and the Head of Finance, must be notified of the time and venue of all negotiations;
- More than one officer of the Council shall be present at all times, including the Monitoring Officer and the Head of Finance, or their senior representative.
- The signed record of all meetings shall be kept on file and a copy supplied to the Monitoring Officer, the Head of Finance and the bidder.
- In the event of a contract being awarded, the relevant signed records of meetings shall be bound into the contract.

9.16 Acceptance of tenders/quotations shall be by the Management Team, with a retrospective report to Council if less than £250,000. If greater than £250,000 then acceptance must be provided by the Cabinet. Provided that:
• Adequate budget provision exists for both capital and revenue expenditure.
• All relevant approvals have been obtained in accordance with the Council’s Project Management Guide.
• A proper evaluation has been carried out which clearly demonstrates that the tender/quotation in question constitutes the best economic advantage to the Council, taking into account quality, price, social value and sustainability.
• The tender accepted presents the most economically advantageous position for the Council.
• All candidates must be notified of the full reasons of the Contract award simultaneously and as soon as possible after the decision has been made (i.e. at the commencement of the standstill period, see below). This notification must be in writing, and to ensure speed in notifying should be made via e-mail. The information sent to the unsuccessful candidates must include characteristics and relative advantage of the successful tender; identity of successful tender; the score of the tender receiving the notice and the successful tender; a copy of the standstill notice. Although consideration should be given to disclosure of confidential information when notifying, the principle that the notification should include all the information that would be necessary for the unsuccessful bidder to determine whether or not a decision is well founded must apply. In giving feedback legal advice should be taken to protect the Council from the risk of challenge.
• If yours is a multi stage procurement involving selection and de-selection of candidates as several points in the process please ask for advice.
• There is a statutory standstill period of 10 calendar days (The “Alcatel” period) which must be provided between the decision being made to appoint a contractor and the signing of the contract with the successful candidates. This is to allow the unsuccessful candidates’ time to ask for more information concerning the award decision. Should, at any stage of the contract or tendering process, legal challenge be made to the process, then the contracting or tendering process should immediately halt, and no further progress be made until on advice from the Compliance and Risk Manager.

9.17 Formal contracts under seal are required unless the Compliance and Risk Manager deems them not to be necessary.

9.18 All original copies of the contract are to be held by the Compliance and Risk Manager.

9.19 Where, during the process of tendering for the contract, it becomes clear that the nature, scope or timing of the specifications changes in such a way as to significantly alter the goods/service being tendered, the tendering process should immediately be halted. Discussion
should be held with the procurement team as to the process that should be followed, although it is anticipated that significant changes will require the entire tender process to be re-started

10 Forms of Contract

10.1 Exchange of Letters

The minimum formality required to record an agreement is an exchange of letters setting out the terms of that agreement. It can be a very simple note or a more substantial document, for example to accept a written quotation on agreed terms and conditions. Where no other specific terms and conditions have been agreed, the Council’s standard terms will apply. Details are available on e-link or from the Procurement Team.

Any such exchange should set out clearly the nature and extent of the goods, works or services to be provided and the terms under which they are to be provided, including a clear statement of the price or other consideration to be paid. It should also include reference to the timescale involved and make it clear if time is to be of the essence of the contract.

10.2 Standard forms of contract

There are many different standard forms of contract, particularly in the construction and engineering industries and for professional services. When obtaining tenders or quotations for goods, works or services, be aware of and make sure you understand the terms and conditions involved. Some examples are those published by the Royal Institute of Chartered Surveyors or Institute of Civil Engineers and available on their respective websites. If in any doubt, be sure to consult with NplawCouncil bespoke contract for work of value greater than the relevant OJEU limit

Procurements above the OJEU limit will have a specific contract made available to the bidders during the procurement process

10.3 Suppliers terms and conditions

You should never accept without critical examination any terms and conditions offered by suppliers or contractors. These can contain provisions which might seriously compromise the Council’s rights should things not go as planned and you should always ensure that the Council’s interests are properly recognised in any terms and conditions
you are offered. The Council’s Standard Terms and Conditions, available on e-link, provide the basic minimum default provisions. You should not agree anything less favourable without the specific authority of the Head of Finance. If in any doubt, be sure to consult with Nplaw.

10.4 Other Bespoke contracts

From time to time, you may be involved in work for which few or no precedents exist and a bespoke form of contract is required. In any such case, you should always consult with Nplaw and the Procurement Team at the earliest possible opportunity and take their advice on the form of any contractual arrangements necessary.

10.5 Equalities, social value and sustainability

All forms of contract need to reflect the Council’s commitment to equalities and sustainability. Copies of the Equalities Framework for Local Government and guidance on sustainable procurement are all available on e-link and all officers involved in preparing contracts or otherwise commissioning the supply of goods, works and services should familiarise themselves with these documents and ensure that their proposals take their provisions into account. All contracts should include a clause requiring compliance with good equalities practice. Specific clauses for inclusion in Council contracts are being developed. Until they are available staff should consult with Nplaw.

The Public Services (Social Value) Act 2012, places a duty on the Council to consider social value ahead of commencing any procurement exercise. The Act applies to the provision of services, or the provision of services together with the purchase or hire of goods or the carrying out of works. The wording of the Act states that. The Council must consider:

(a) how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and

(b) how, in conducting the process of procurement, it might act with a view to securing that improvement.

The Council should only consider matters that are relevant to what is proposed to be procured and, in doing so, must consider the extent to which it is proportionate to include them. Also the Council should consider consulting on them.

The Act does not define what is meant by social value but

10.6 Legal Advice

If in any doubt, be sure to consult with Nplaw.
11 Contract Variations

11.1 In line with paragraphs 6.9, 7.16, 8.18 and 9.18 above, where a significant change occurs to a specification during the course of the contracting process, that process should be stopped and, ordinarily, it will be expected that the entire process should be restarted.

11.2 Contract variations during the term of the contract will be undertaken through evaluation of the terms and conditions of the variation, and approval as appropriate. Prior to any contract variation being approved, the full cost, timing and other implications should be identified, and agreed with the contractor.

11.3 Should it become clear that any contract variations would have led to the tendering process used being inappropriate (e.g. shortly after commencing the contract, additional terms are recognised which meant that an EU process should have been followed), guidance should be sought from the Head of Finance as to whether the contract should be halted and re-tendered.

11.4 All contract variations should be notified to all relevant parties in writing and subject to authorisation by both the Council and the Contractor. The contract should clearly identify appointed officers of both parties who have the authority to agree variations.

11.5 Council officer authority should be given in line with delegated authority levels as prescribed in the Rules of Financial Governance. Where the cost implications of a variation total between £100,000 and £500,000, then these should be approved by Corporate Management Team, with subsequent notification to Cabinet. Where cost implications total more than £500,000, then these should be notified to Cabinet for approval.

12 Novations to contracts

12.1 Should one party wish to novate a contract to a third party, approval to do so should be given in line with delegated levels of authority. All novations between £100,000 and £500,000 should be approved to Corporate Management Team, with notification to Cabinet, and all above £500,000 notified to Cabinet for approval.

12.2 Where service managers become aware that a contract of value above £20,000 may be subject to novation, they should notify the Head of Finance and the Procurement Team. The Procurement Team will undertake a qualification questionnaire on the party to whom the contract will transfer, to identify any particular risks that the novation may present to the Council, and take any necessary action as a result.