

# NOTICE OF MEETING

<b>Meeting:</b>	<b>CORPORATE OVERVIEW AND SCRUTINY PANEL – SPECIAL MEETING</b>
<b>Date and Time:</b>	<b>FRIDAY, 16 DECEMBER 2016, AT 9.30 AM*</b>
<b>Place:</b>	<b>BRADBURY ROOM, APPLETREE COURT, LYNDHURST</b>
<b>Telephone enquiries to:</b>	<b>Lyndhurst (023) 8028 5000 023 8028 5588 - ask for Andy Rogers Email: andy.rogers@nfdc.gov.uk</b>

## **PUBLIC PARTICIPATION:**

**\*Members of the public may speak in accordance with the Council's public participation scheme:**

- (a) immediately before the meeting starts, on items within the Panel's terms of reference which are not on the public agenda; and/or**
  - (b) on individual items on the public agenda, when the Chairman calls that item.**
- Speeches may not exceed three minutes. Anyone wishing to speak should contact the name and number shown above.**

**Bob Jackson  
Chief Executive**

Appletree Court, Lyndhurst, Hampshire. SO43 7PA  
[www.newforest.gov.uk](http://www.newforest.gov.uk)

**This Agenda is also available on audio tape, in Braille, large print and digital format**

---

# AGENDA

## **Apologies**

**1. COMMERCIAL PROPERTY INVESTMENT (Pages 1 - 12)**

To discuss the Council's approach to commercial property investment.

**2. ASSET MAINTENANCE AND REPLACEMENT PROGRAMME AND CAPITAL PROGRAMME 2017/18 (Pages 13 - 20)**

To note the proposed revenue and reserve funded Asset Maintenance and Replacement Programme, Capital Programme and Outline Budgets to 2019/20.

**3. VIBRANT TOWNS AND VILLAGES (Pages 21 - 24)**

To receive an update from the Business Development Officer on the Town and Village Centre Workshops held in September and October, and related issues.

**4. DIGITAL APPRENTICESHIP SERVICE (Pages 25 - 28)**

To note the implication of the Government's changes to the Apprenticeships Schemes.

**5. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT**

To: **Councillors:**

M R Harris (Chairman)  
Mrs A M Rostand (Vice-Chairman)  
A R Alvey  
W G Andrews  
M J Kendal

**Councillors:**

Mrs A E McEvoy  
A D O'Sullivan  
M A Steele  
D B Tipp  
C A Wise

## CORPORATE OVERVIEW AND SCRUTINY PANEL – 15 DECEMBER 2016 CABINET – 4 JANUARY 2017

### PORTFOLIO: FINANCE AND EFFICIENCY

## STRATEGY PROPOSAL: TO INVEST IN COMMERCIAL PROPERTY

### 1. INTRODUCTION

- 1.1. This report looks at a proposal where the Council invests in commercial property. This could either be for the purpose of economic development or regeneration within the district, or for the purpose of income generation for the provision of services or a mixture of both.
- 1.2. This report considers the issues that should be taken into account when considering such a strategy and the general approach the Council should take in formulating the strategy.
- 1.3. It is recognised that further work will be required to complete the strategy but Cabinet will be invited to approve the overall “direction of travel” in connection with this proposal.
- 1.4. The medium term focus and so the direction of travel laid out in this report is on commercial property (office, industrial, retail) as a manageable piece of work. A separate paper can be prepared on a residential property investment strategy at a later date but this is a complex area.

### 2. BACKGROUND

- 2.1. The Council is considering a proposal to invest in commercial property. This could either be for the purpose of economic development or regeneration within the district, or for the purpose of income generation for the provision of services or a mixture of both.
- 2.2. Other authorities, including many in Hampshire, make significant investments in commercial property. Investments could be funded either from the Council’s own resources or by taking advantage of its ability to borrow at relatively low rates of interest from the Public Works Loan Board (PWLB) compared to the return on property assets.
- 2.3. The management of existing Council property assets (through its Asset Management Strategy) is a separate piece of work. The Council does have some existing property assets which might be thought of as “commercial property investments” as summarised below

	<b>Number of sites</b>	<b>Capital value</b>	<b>Gross rental income</b>	<b>Gross yield</b>
<b>Commercial and Investment Properties</b>	<b>23</b>	<b>£9,642,400</b>	<b>£672,508</b>	<b>7.0%</b>

- 2.4. Other Local Authorities in the region have extensive commercial property investment portfolios. However it should be noted that these have often built up over many years and so such authorities are in a different place to NFDC in this respect.
- 2.5. Commercial property investment opportunities often arise unexpectedly and it is important to be nimble in order to take advantage of opportunities when they arise. To that end an investment strategy is important so the Council can assess quickly whether an opportunity may be of interest to the Council. Commercial property can come to market either through the traditional route of a selling agent and bidding process, through auctions and even “off market” through direct approaches from prospective sellers who want to circumnavigate the formal marketing process in order to save time and risk of abortive costs. Receivers or administrators of distressed sellers may also seek offers for commercial property assets quickly. The Council therefore needs to be in a position to assess investment opportunities in a systematic manner but should also be able to move quickly when a compelling opportunity arises.

### **3. THE FINANCIAL STRATEGY AND BUSINESS CASE**

- 3.1. Should the Council decide to implement a commercial property investment strategy either for the purpose of economic development or regeneration in the district or for the purpose of income generation for the provision of services or a mixture of both, a key issue for the Council to decide would be the value of the property portfolio and the expected target net yield.
- 3.2. The initial view of officers is that a target for investment return would need to generate a net profit in the region of £500,000 per year.
- 3.3. The experience of other local authorities indicates a yield of between 5% - 7% on the value of the investment is achievable on the types of commercial property likely to be of interest to a local authority.
- 3.4. The Council holds a significant level of cash, held in a variety of investment types. The management of those funds is dictated within the Council’s Treasury Management Strategy. The average yield achieved in 2015/16 from these investments was 0.98%. The investment portfolio includes a modest sum (£3m) in pooled property funds which are higher earning (4.52% achieved), with the majority of other funds being held with less than 1 year to maturity and so low earning.
- 3.5. Officers believe that the Council could potentially borrow funds with the PWLB at a rate of around 2.5%. The PWLB needs to be satisfied the Council is acting lawfully when borrowing funds.
- 3.6. One-off and on-going costs would be incurred in order to deliver the strategy, including:
  - Finders Fees (0.5% - 1%)
  - Legal Fees (0.5% - 0.75%)
  - Stamp Duty (5% on freehold purchases over £250K)
  - Finance Costs (2. 5% PWLB) on borrowed funding
  - Business Rates (tenants should be covering these)
  - Repairs and maintenance (depending on lease type – probably covered in a service charge)

- Running costs of building, including building management (depending on lease type – again probably covered in a service charge)
- Additional Staff Costs (2 -4 people) to manage the portfolio

Note that bids would allow for transactional costs (finder's fees, valuations, legal costs, stamp duty, etc.) when calculating the yield.

- 3.7. NFDC already has substantial loans of c£144M following the HRA resettlement. The current prudential indicators agreed as part of the Council's Treasury Management Strategy limits borrowing to £178.1m in total. This means £34.1M is available for borrowing purposes at the present time.
- 3.8. By way of example only, considered on a prudent and cautious basis, an investment in the order of £25M funded by borrowing on a repayment basis may be required to achieve a net profit of £500k, based on a 6% gross target yield.
- 3.9. If the Council were to adopt an asset investment strategy, there will be staff and resource implications both to design a new asset investment strategy, to procure commercial properties and then to manage the properties in the future.
- 3.10. It is of course necessary that the Council takes a prudent approach to the management of its financial affairs. When assessing investments taking a prudent approach, the Council will need to consider such factors as the security against loss, the liquidity of the investment, the yield, change in interest rates and property values.
- 3.11. The Council will also need to consider the level of reserves that should be maintained, the effect of borrowing upon its credit score and its overall borrowing limits when preparing an investment strategy.
- 3.12. In short the Council must get right the balance between risk and reward in a prudent manner to ensure the cost of funding the proposal does not fall on the tax payer.

#### **4. WHAT ARE THE OPPORTUNITIES FOR NFDC?**

- 4.1. In preparing this report, officers have made enquiries about the activities of other local authorities investing in this market and their findings are summarised below. A number of key points emerge:
  - Investment portfolio range £16M - £57M.
  - Target yield 5 – 7%.
  - Finders fees up to 1%.
  - Some Local Authorities invest within their District, others more wide ranging (depends on whether investing own resources or PWLB loans and extent of local investment opportunities).
  - Some Local Authorities can buy “opportunistically” when attractive opportunities are presented.
  - Some Local Authorities have adopted a structured scoring basis to measure the strength of investment propositions (see table in Appendix 1 as an example).
  - Mainly commercial property (industrial, retail, office) is acquired, with tenants of between 5 – 10 years.
  - “Better” investments (strong tenants, minimum 10 year unexpired leases, fully let, good quality building) likely to be more expensive and generate lower yield (5%).
  - Invest in staff to take on more management intensive property and increase yield.

- 4.2. A recent market report (UK Commercial Property Investment Review Q3 2016 prepared by The Costar Group) indicates Local Authorities have invested over £786M in Q3 2016, more than in the previous 3 years combined. Spelthorne BC has recently invested £350M in the BP Campus Sunbury on Thames at an initial yield of c4.25%.
- 4.3. Costar's report says there has been a decline in UK commercial property activity over recent quarters, with an acute drop in Q3 2016 after the Brexit vote. In that respect the entry of local authorities into the market stands out. There appears to be cautious optimism in the longer term with yields from commercial property remaining attractive compared to other assets, low levels of vacancy and a large pool of capital (especially from overseas) available for investment. It may be that once valuations have stabilised the market will improve.
- 4.4. Were the Council to adopt an asset investment strategy, officers believe that to maximise the chances of securing good quality investments it would be beneficial to have the freedom to invest in a variety of locations. In order to prioritise property investment in the smaller towns within the District, that could be recognised within the property scoring matrix (see example in Appendix 1), which would increase the chance of bidding successfully on local properties.
- 4.5. Were the Council to adopt an asset investment strategy there may be circumstances where the Council may need to move quickly to secure such opportunities which may only rarely come onto the market.
- 4.6. Were the Council to adopt an asset investment strategy, then it would need a clear and efficient decision making protocol, e.g. delegated authorities, approved criteria for selecting properties etc. Rapid decision making is important in this market, and all the more so when purchasing property at auction or from receivers for example.

## **5. AN ASSET INVESTMENT STRATEGY**

- 5.1. If the Council is minded to adopt an asset investment strategy it would be important to prepare a clear asset investment strategy document to be applied when making investment decisions and to demonstrate the Council is acting prudently in the management of its financial affairs. There are a number of important matters an asset investment strategy must cover, for example:
  - 5.1.1. The Council should consider commercial property investment either as part of an economic strategy for local economic development and regeneration in the district, or for income generation for the provision of services or a mixture of both. The overall objectives for that programme would need to be set out as well as how particular properties would be selected for acquisition.
  - 5.1.2. The Strategy should identify the quality and type of commercial property to be acquired (the perceived level of financial risk on the property will affect prices and yield). Officers anticipate the Council would only deal with high quality prime or secondary market real estate with a low level of risk unless there were special factors such as development potential.
  - 5.1.3. The return the Council expects and over what time period. Officers anticipate a target yield of between 5 – 7% for the type of property the Council would consider. This would be in line with similar authorities.

- 5.1.4. Financing the programme. Is the Council prepared to borrow to fund investment or does it want to “start small” with local investment funded from existing reserves? It is anticipated that much of the strategy would be funded by borrowing and that the Council would take a prudent approach to its investment strategy. As outlined in paragraph 3.8, an investment in the region of £25M may be needed to produce a return of £500,000 per annum based on a 6% gross yield.
- 5.1.5. Nature of the portfolio. Officers anticipate a portfolio would be made up of several properties, with a variety of tenants and uses (for example offices, retail or industrial) and locations.
- 5.1.6. Will the Council go it alone or look for partners? In order to get the strategy up and running it would appear more appropriate to commence operations without seeking partners, at least to begin with.
- 5.1.7. Ongoing management of the portfolio. Property management varies between properties. Managerial issues include rent collection, service charge calculation and collection, building maintenance, security, dealing with tenants, re-letting empty units if they become available, negotiating terms of rent reviews, dilapidation claims and the general miscellany of property management. A decision would be needed as to whether such work should be undertaken in house or whether it should be contracted out to external property managers.
- 5.1.8. Exit strategy. Withdrawal from the programme must be considered. Properties should have good and marketable title. Exit success depends on the market conditions at the time. Can be a slow process.
- 5.2. The scoring matrix referenced in Appendix 1 may be used to assess the commercial property investment opportunities and appears to be the kind of tool that could be adopted by this Council.
- 5.3. The Council will need to consider whether to create a wholly owned property investment company through which to purchase commercial property. If the Council needed to borrow funds to buy commercial property solely for the purpose of income generation, this will need to be carried out through a property investment company.
- 5.4. However if the Council wishes to invest existing resources in commercial property (inside or outside the District), or if the Council were acting for the purpose of economic development or regeneration within its District using borrowed funds to buy commercial property, then no separate company would be required. If the Council had a mixed purpose of economic development and income generation then provided the economic redevelopment was one of the main purposes of the property acquisition this could be undertaken without using a company.

## **6. ACQUIRING AND MANAGING PROPERTIES**

- 6.1. If the Council were inclined to support the strategy to acquire commercial investment property this would be carried out in a prudent manner. The note attached as Appendix 2 sets out in broad terms how the Council would approach the purchase and ongoing management of commercial property. This would be carried out in a systematic manner, taking external valuation property and legal advice and undertaking thorough due diligence before entering into formal contracts to protect the Council’s position.

- 6.2. The current Estates and Valuation Manager has the relevant experience to support the acquisition process from an Estates perspective but is currently fully utilised on day to day business. To advance any of the above will create a significant impact on resources.
- 6.3. Appendix 2 also refers to the ongoing management of commercial investment properties. Managerial issues include rent collection, service charge calculation and collection, building maintenance, security, dealing with tenants, re-letting empty units if they become available, negotiating terms of rent reviews, dilapidation claims and the general miscellany of property management. Management of commercial investment property portfolios is commonly conducted by staff within the authority's Estates and Valuation team. However it should be noted that NFDC's property investment holdings are relatively small at present by comparison to other authorities. Staffing levels would need to be increased to cope with enlarged management commitments if new acquisitions are to be managed in-house.

## **7. RISK FACTORS**

- 7.1. Property investment brings with it the potential for significant losses if things go wrong.
- 7.2. A common risk area is that vacancies (voids) in the portfolio will reduce average yield. As well as lost rental income on vacant units, the Council could find itself liable for a share of on-going costs which a tenant would normally pay such as empty property rates.
- 7.3. Disputes with tenants are another risk area. Common disputes include ongoing maintenance and repair costs of buildings and the ability to recover those costs from tenants.
- 7.4. External factors. Property investment, whether direct or through pooled funds, is subject to factors the Council cannot control, e.g. failure of tenants, poor building management, changes in perception of what is a good location, economic downturn, increased borrowing rates, etc.
- 7.5. How long before Government intervenes to restrict such strategies?

## **8. PORTFOLIO HOLDERS COMMENTS**

- 8.1. I am pleased to see the Council developing an asset investment strategy that will promote economic development and regeneration in the district as well as giving the opportunity to derive financial benefit to the Council.

## **9. ENVIRONMENTAL IMPLICATIONS**

- 9.1. Any proposed commercial property investment and their environmental impacts would also be considered by the relevant officers at the planning development control stage if appropriate.

## **10. EQUALITY AND DIVERSITY IMPLICATIONS**

- 10.1. There are no equality and diversity implications arising from this report.



## **11. CRIME AND DISORDER IMPLICATIONS**

- 11.1. There are no existing crime and disorder implications arising from this report.

## **12. FINANCIAL IMPLICATIONS**

- 12.1. If the Council were to adopt an asset investment strategy, there will be staff and resource implications both to design a new commercial property investment strategy, to procure commercial properties and then to manage the properties in the future. These figures could be significant and will be clarified as part of the strategy as it develops.

## **13. CONCLUSION**

- 13.1. Should the Council decide to invest in commercial property either for the purpose of economic development or regeneration within the district, or for the purpose of income generation for the provision of services, or a mixture of both then an asset investment strategy should be developed.
- 13.2. Other local authorities are purchasing commercial properties in support of these goals and it does appear there are opportunities to secure good quality commercial property at a level that can generate a worthwhile yield albeit also recognising the risks that are involved in such investments.
- 13.3. Local authorities can borrow funds from the Public Works Loan Board to finance such strategies at competitive levels of interest.

## **14. RECOMMENDATION**

- 14.1. That the overall approach set out in this report is approved and requests that a commercial property investment strategy is developed for consideration by February 2017 Cabinet.
- 14.2. That a Task and Finish Group be established involving 3 members of the Corporate Overview and Scrutiny Panel to work with officers and the Portfolio Holder for Finance & Efficiency in developing the strategy.

### **For further information please contact:**

Grainne O'Rourke  
Executive Head  
Governance & Regulation

Andrew Smith  
Solicitor  
Legal Services

Derek Willis  
Estates & Valuations Manager  
Estates & Valuations

Alan Bethune  
Service Manager – Finance (S151) & Audit

Andrew Kinghorn  
Service Manager  
Legal, Procurement, Estates and Valuations

December 2016

## Appendix One

# Scoring Matrix

	Score	4	3	2	1	0
SCORING CRITERIA	Weighting Factor	Excellent / very good	Good	Acceptable	Marginal	Unacceptable
Location	12	Major prime	Micro prime	Major secondary	Micro secondary	Tertiary
Tenancy strength	10	Single tenant with strong financial covenant	Single tenant with good financial covenant	Multiple tenants with strong financial covenant	Multiple tenants with good financial covenant	Tenants with poor financial covenant strength
Tenure	9	Freehold	Lease 125 years plus	Lease between 50 & 125 years	Lease between 20 & 50 years	Lease less than 20 years
Occupiers lease length	5	Greater than 10 years	Between 7 and 10 years	Between 4 & 7 years	Between 2 & 4 years	Less than 2 years; vacant
Repairing terms*	4	Full repairing & insuring	Internal repairing - 100% recoverable	Internal repairing - partially recoverable	Internal repairing - non recoverable	Landlord
Lot size	2	Between £6m and £12m	Between £4m & £6m or £12m & £18m	Between £2m & £4m or £18m & £20m	Between £1m & £2m or £20m & £25m	Less than £1m or more than £25m

## APPENDIX 2

### PROCESS TO PURCHASE OF A COMMERCIAL PROPERTY INVESTMENT

#### 1. SALES PROCESS IN OUTLINE

- 1.1. There are many ways in which a commercial investment property can come to market. These could be a full marketing and sales exercise run by the seller's agent, an auction, an "off market" opportunity offered by a seller directly to the Council without public marketing or sales by the receivers or administrators of a distressed seller. The steps and timing of the process are usually set by the seller. However the kind of steps the Council would be expected to undertake in order to progress the transaction would include:
  - 1.1.1. Review of Seller's information memorandum or sales particulars on the proposed sale (including if any employees are included in the sale)
  - 1.1.2. Walk the site (externally)
  - 1.1.3. Meet with seller to get more detail and build relationship
  - 1.1.4. Complete formal confidentiality agreement
  - 1.1.5. Determine the Council's valuation of the proposed sale through internal and external valuation
  - 1.1.6. Negotiate and agree with seller the price and principal terms and timetable subject to contract, due diligence and necessary Council approvals.
  - 1.1.7. Obtain confirmation of EMT support (who will hold informal consultations with Members)
  - 1.1.8. Obtain confirmation of Cabinet / Full Council / Portfolio Holder support as required
  - 1.1.9. Confirm means of finance and instruct external solicitors
  - 1.1.10. Property Due Diligence – such as buildings / measured surveys as required using external surveyors.
  - 1.1.11. Legal Due Diligence, title check and comment on copies of legal documents / leases
  - 1.1.12. Contract negotiations
  - 1.1.13. Exchange contracts and complete
- 1.2. Of course some of these actions are concurrent. Without a sales process fixed by the Seller it is difficult to be specific about how the process will unfold and how long it will take. However a large and complex site involving multiple tenants and complex title can take up to 3 - 4 months to complete; a straightforward site with one or two tenants, say 2 - 3 months. Of course both parties will want to reduce the process period as much as possible.

#### 2. THE NEED FOR EXTERNAL ADVICE

- 2.1. If the project is large and complex, the Council will require external support in order to conclude it.
- 2.2. External valuers will be required to confirm the valuation of the asset and to support any internal valuation carried out by the Council. External surveyors will be necessary to carry out building and property surveys of the assets being sold.

- 2.3. External Solicitors will be necessary to carry out legal due diligence (which can be a significant piece of work) to check title, confirm details of the occupational leases, advise and negotiate contract documents and support the process.
- 2.4. Commercial property investment acquisitions represent a new area of activity for this Council and will impact significantly on present resources. Even with contracting out to external advisors there is a need to link with advisors, to process information, to seek instructions from senior people and drive the process forward. The seller is usually impatient to progress a deal especially if they think the Council has received a "good deal" by agreeing to a sale without a public sales process

### **3. ONGOING MANAGEMENT RESOURCES FOLLOWING PURCHASE**

- 3.1. Once a Property has been purchased, there will be an ongoing need to manage the Property. Managerial issues will include rent collection, service charge calculation and collection, building maintenance, security, dealing with tenants, re-letting empty units if they become available, negotiating terms of rent reviews, dilapidation claims and the general miscellany of property management.
- 3.2. The extent of property management depends on the property but these are the kind of issues that may arise.
- 3.3. In addition there may be further opportunities to negotiate with adjoining land owners if the Council wishes to use the purchase as an opportunity to undertake further economic redevelopment or regeneration opportunities following acquisition of the property.
- 3.4. Management of commercial investment property portfolios is commonly conducted by staff within the authority's Estates and Valuation team. However it should be noted that NFDC's property investment holdings are relatively small at present by comparison to other authorities. Staffing levels would need to be increased to cope with enlarged management commitments if new acquisitions are to be managed in-house.
- 3.5. The Council would need to decide whether to place such property management services with external property management companies at a cost (maybe 10% per annum of the annual rental income) or whether it would be more cost effective to create internal resource to undertake such work.

This page is intentionally left blank

## CORPORATE OVERVIEW SCRUTINY PANEL – 16 DECEMBER 2016

### ASSET MAINTENANCE & REPLACEMENT PROGRAMME AND CAPITAL PROGRAMME 2017/18

#### 1. PURPOSE OF THE REPORT

- 1.1 This report provides the panel with the proposed revenue and reserve funded Asset Maintenance & Replacement programme (AMR) and Capital programme for 2017/18 and outline budgets to 2019/20.

#### 2. BACKGROUND

- 2.1 The Council's General Fund revenue budget includes a large budgeted sum for the maintenance and cyclical replacement of Council owned assets. The AMR revenue budget for 2016/17 totalled £2.5m, with a further £405k of projects funded by reserves.
- 2.2 The October 2016 Medium Term Financial Plan included a revenue budget allowance of £2.8m for 2017/18, reducing to £2.3m for 2018/19. Due to further cost pressures that have come to light since October, the sum available for 2017/18 has now been reduced to £2.7m.
- 2.3 The Service Managers were initially asked to come up with their proposed projects for 2017/18 with a strong brief that the programme had to be realistic in terms of timeframes and deliverability. EMT reviewed the programme and Service Managers were then asked to reduce their requirements in order to fit in with the £2.7m available budget. The programme being proposed now fits in with the resources available.
- 2.4 Financial Monitoring Reports during the year have included net savings forecast for 2016/17 totalling £1.4m. These savings will be added to the Council's usable reserves. It has been made very clear that the Council needs a significant level of ICT investment in order to bring both hardware and software up to modern standards and requirements. It is envisaged therefore that a £1.5m 'ICT Protect and Maintain Front Line Services' programme over the 3 years covering 2017/18 – 2019/20 will utilise these savings.

#### 3. PROPOSED ASSET MAINTENANCE AND REPLACEMENT PROGRAMME 2017/18

- 3.1 The bid categories for the submitted programme for 2017/18 were;
- 1 – Protect & Maintain Front Line Service Delivery
  - 2 – Efficiency / Savings / Income Generation
  - 3 – Improve / Enhance Value of Asset
- 3.2 The summary programme covering 2016-17 – 2019/20 is included as Appendix 1.
- 3.3 The car park maintenance projects from 2017/18 onwards will be funded via parking and enforcement income generation rather than being included as part of this programme.

- 3.4 The 2017/18 proposed programme in order of bid category is included as Appendix 2. Category 1 bids have been sub-totalled to ensure the level of detail being reviewed by the panel is suitable.
- 3.5 The £500k 'non-core project fund' for 18/19 and 19/20 will be available for Service Managers to bid into, if their requirements outweigh the amounts as specified in their own service areas.
- 3.6 A task & finish group will meet to determine which Public Convenience is deemed as suitable for renovation in 2017/18. At that time, the project cost will be estimated and the budget included within the reserves funded programme, in line with the policy from previous years.

#### **4. CAPITAL PROGRAMME 2017/18**

- 4.1 The capital programme consists of projects funded by NFDC resources (capital reserve and receipts received), various grants / funds and Developer Contributions / CIL.
- 4.2 The proposed programme for 2017/18 totalling £5.976m for the General fund including the outline financing is included as Appendix 3. The project proposals for a 3 year period have been included for overall context, although only the projects in 2017/18 are gaining approval to proceed at this stage.
- 4.3 Members will note that the replacement of Vehicles & Plant (V&P) occurs on both the revenue AMR programme and the Capital Programme. The Council's policy is to capitalise individual items with a value greater than £10k and then depreciate these over their estimated useful life. The capital programme therefore includes the cash amount required to purchase the V&P, and the revenue programme includes the depreciation charge. The depreciation charge to revenue then makes a direct contribution towards the capital cost through a charge known as the Minimum Revenue Provision (MRP).

#### **5. CRIME & DISORDER / EQUALITY & DIVERSITY / ENVIRONMENTAL IMPLICATIONS**

- 5.1 There are no implications as a direct result of this report.

#### **6. CONCLUSION**

- 6.1 The AMR programme represents a significant element of the Councils annual net expenditure. The programme for 2017/18 totals £2.698m, in line with the sum as allowed for in the latest Medium Term Financial Plan.
- 6.2 The Council needs to invest in ICT and the savings as currently forecast in 2016/17 cover the vast majority of this essential requirement over the period 2017/18 – 2019/20.
- 6.3 The General fund Capital programme is funded in several ways, and the net NFDC funding requirement for 2017/18 after V&P MRP is £976k.



## **7. RECOMMENDATION**

- 7.1 That it be a recommendation to the Cabinet that the contents of this report be noted and that the schedule of projects as included at Appendix 2 and 3 of the report be agreed by the Cabinet for inclusion in the 2017/18 budget.

**Alan Bethune**  
**Service Manager – Finance (S151) & Audit**  
**Tel: 023 8028 5588**  
**Email: [Alan.Bethune@NFDC.gov.uk](mailto:Alan.Bethune@NFDC.gov.uk)**

**Background Papers**

This page is intentionally left blank

	£'000s 2016/17	£'000s 2017/18	£'000s 2018/19	£'000s 2019/20
<b>Asset Maintenance &amp; Replacement Programme</b>				
<b>Asset Maintenance</b>				
Health & Leisure Centres	467	938	500	500
Offices & Depots	342	300	200	200
Other Property Including Open Space	31	150		
Car Park Maintenance	70			
	<b>910</b>	<b>1,388</b>	<b>700</b>	<b>700</b>
<b>ICT Strategy</b>		165	185	185
Replacement Programme	125			
Existing Systems Developments (One-Off)	60			
Existing Systems Developments (Recurring)	85			
	<b>270</b>	<b>165</b>	<b>185</b>	<b>185</b>
<b>Asset Replacement</b>				
Health & Leisure Equipment Replacement	208	91		
Car Park Machines / Other Equipment	-			
Vehicles & Plant <£10k	23			
	<b>231</b>	<b>91</b>	<b>-</b>	<b>-</b>
<b>V&amp;P; Deferred Expenditure (Depreciation / MRP)</b>	1,149	1,139	1,000	1,000
<b>Non-Core Project Fund</b>			500	500
<b>Adjustments</b>				
Contingency	85			
Less: Proportion allocated to HRA	- 143	- 85	- 85	- 85
Third Party Contribution	- 2			
<b>Total Revenue Programme</b>	<b>2,500</b>	<b>2,698</b>	<b>2,300</b>	<b>2,300</b>
<b>Budget Available</b>	<b>2,500</b>	<b>2,700</b>	<b>2,300</b>	<b>2,300</b>
<b>Variance</b>	<b>0</b>	<b>- 2</b>	<b>-</b>	<b>-</b>
<b>Business Development and Third Party Grants</b>				
Public Conveniences Refurbishment	250	tbc	tbc	tbc
Leisure Business Development				
ICT Maintain & Protect		500	750	250
ICT Workplan	55			
ICT Workplan Recurring	41			
15/16 Retentions	12			
Community Grants - Health & Leisure (Building Projects)	47			
<b>Total Reserve Funded Programme</b>	<b>405</b>	<b>500</b>	<b>750</b>	<b>250</b>

Asset Maintenance & Replacement Programme - Project bid list 2017/18 (>£10k)

Category Key (can be more than just one): 1 = Protect & Maintain front-line Service Delivery  
2 = Efficiency / Savings / Income Generation  
3 = Improve / Enhance Value of Asset

APPENDIX 2

Service Area	Category Key (1 - 3)	Location	Short Project Name	AMR Prog. Value £	Revenue 2017/18	Revenue 2018/19	Revenue 2019/20	Revenue 2020/21	Project Description
Civic buildings Total	1			87,000	0	0	0	0	
Coast Total	1			65,000	0	0	0	0	
Depots Total	1			163,000	0	0	0	0	
ICT Total	1			500,000	0	60,000	80,000	100,000	Development of ICT to protect and maintain frontline services.
Leisure Total	1			415,100	0	0	0	0	
Transport Total	1			1,117,000	0	0	0	0	Cyclical replacement of Vehicles & Plant - revenue element (depreciation)

Grand Total				TOTAL: PROTECT AND MAINTAIN FRONT-LINE SERVICE DELIVERY	2,347,100	0	60,000	80,000	100,000	
Keyhaven River	1 & 2	Keyhaven River	New ICT mooring system	30,000						New ICT system to manage moorings, dinghy park and beach huts, to replace current antiquated paper system.
Leisure	1 & 2	Ringwood H&L	Ringwood gym and spin studio	294,700	-10,060	-74,460	-112,860	-132,060		A project to extend gym floor area and create a purpose built spin studio. Forecast income projections net of additional running costs achieves a payback in 3 years and 3 months.
Leisure	1 & 2	Ringwood H&L	Equipment replacement schedule	200,000						Ringwood Gym equipment now due for cyclical replacement in line with Life Fitness Contract.
Waste and Transport	1 & 2	Ringwood Depot	Increase garden waste collection rounds by one vehicle and crew	22,290	-14,600	-24,637	-35,115	-46,031		The garden waste collection service is a successful scheme with over 13,000 customers participating. The rounds have now reached capacity with no direct marketing and consideration needs to be given to increase the current scheme. It is expected that there will be greater demand for this service due to the closure of the three HWRC's in the District on a Thursday coupled with reduced opening hours by two hours per day. Vehicle cost is £156k, with an anticipated 4 years and 9 months payback.

TOTAL: PROTECT AND MAINTAIN FRONT-LINE SERVICE DELIVERY & EFFICIENCY / SAVINGS / INCOME GENERATION 546,990 -24,660 -99,097 -147,975 -178,091

ICTV	1 & 3	CCTV - ATC	Refurbishment of CCTV Control Room	55,000						Refurbishment of CCTV control room to include new flat screen monitors, furniture, decoration, carpeting
Civic buildings	1 & 3	Appletree Court	Upgrade showers and toilets	25,000						Refurbish toilet facility to include rerunning waste and pan connection to ensure flow. Refurbish shower area in both male ground floor and female first floor toilets
Depots	1 & 3	Claymeadow Depot	Refurbish toilet, shower mess room area	25,000						Refurbish toilet and shower facility to include new sanitary ware, flooring, cubicles, windows, sink unit and redecorate and upgrade lighting.
Leisure	1 & 3	All Centres	Internal decoration	25,000						Repainting of corridors, cafes, studios and changing rooms
Leisure	1 & 3	Ringwood H&L	car park/landscaping/external works	40,000						Engineers will do some prep work on car park reconfiguration and removal; of rear mound
Operations	1 & 3	TBC	Refurbishment Programme PC's	tdc						Task & Finish Group will recommendation location

TOTAL: PROTECT AND MAINTAIN FRONT-LINE SERVICE DELIVERY & IMPROVE / ENHANCE VALUE OF ASSET 170,000 0 0 0 0

ICT	2	Offices	Integration NFDC and NPA IT functions	40,000						Investigation and development of integration between NFDC and NPA ICT functions.
ICT	2	Offices	Improve Customer Interactions	50,000		0	10,000	15,000		Investigation, development and implementation of improvements to GOSS website for NFDC and links into back office systems, CRM and Waste Management systems.
ICT	2	Offices and Depots	Wireless connectivity in ATC & MLD	75,000		10,000	10,000	10,000		Investigation, selection, procurement, development and implementation of WIFI capability for ATC & MLD
Leisure	2	All centres	Installation of LED lighting and sports hall lamp replacement	20,000						LED lighting to changing rooms, cafes, reception corridors, studios. Effect will be enhanced light levels and lower costs
Leisure	2	New Milton H&L	2 x Squash Court Conversion	34,000	-2,350	-24,860	-36,380	-42,140		A project to develop a free weights area from existing (2) squash courts to respond to demand and increase income and throughput.

TOTAL: EFFICIENCY / SAVINGS / INCOME GENERATION 219,000 -2,350 -14,860 -16,380 -17,140

TOTAL PROGRAMME

LESS PROPORTION TO HRA (assume 20% of Civic & Depots and ICT bids 2 and 3)

TO BE FUNDED BY RESERVES: ICT PROTECT AND MAINTAIN FRONT LINE SERVICES

GRAND TOTAL GENERAL FUND REVENUE FUNDED

3,283,090	-27,010	-53,957	-84,355	-95,231
-85,000				
-500,000				
2,698,090	-27,010	-53,957	-84,355	-95,231

**CAPITAL PROJECTS REQUIREMENTS**

GF CAPITAL PROJECTS	Portfolio	PROJECT REQUIREMENTS			2017/18 PROJECT FINANCING			
		2017/18	2018/19	2019/20	Capital Resources	Better Care Fund	Grant	DC / CIL
Private Sector Renewal / Home Repairs	H&C's	102,000	102,000	102,000	102,000			
Disabled Facilities Grants	H&C's	901,000	901,000	901,000		901,000		
Social Housing Grant	H&C's	100,000	100,000	100,000	100,000			
Procurement of Land	ENV	17,000			17,000			
Barton on Sea Grounds Investigation Study	ENV	5,000					5,000	
Milford on Sea Emergency Works Phase 2	ENV	23,000					23,000	
Strategic Regional Coastal Monitoring	ENV	1,776,000	1,675,000	1,589,000			1,776,000	
Hurst Spit	ENV	241,000	204,000	3,850,000	91,000		150,000	
Beach Hut Replacement	ENV	25,000			25,000			
Milford on Sea Environmental Enhancements	ENV	25,000			25,000			
Barton Drainage Test	ENV		200,000					
Eling Tide Mill	H&L	174,000	309,000		17,400		156,600	
DEPOT; New Depot Site Feasibility	F&E	37,000			37,000			
V&P; Replacement Programme	F&E	1,651,000	1,487,000	2,391,000	1,651,000			
Open Space Schemes	P&T	589,000	425,000	350,000	50,000			539,000
Transport Schemes	P&T	310,000						310,000
<b>TOTAL GENERAL FUND CAPITAL PROGRAMME</b>		<b>5,976,000</b>	<b>5,403,000</b>	<b>9,283,000</b>	<b>2,115,400</b>	<b>901,000</b>	<b>2,110,600</b>	<b>849,000</b>
								<b>5,976,000</b>

**Contribution from Revenue (MRP)**

**-1,139,290**

**RESIDUAL NFDC RESOURCES REQUIREMENT**

**976,110**

This page is intentionally left blank

## CORPORATE OVERVIEW AND SCRUTINY PANEL 15 DECEMBER 2016

### IMPROVING THE VIBRANCY OF OUR TOWN AND VILLAGE CENTRES

#### 1. INTRODUCTION

- 1.1 In late September and October, the Employment & Tourism Team undertook a series of Town and Village Centre workshops to gain a better understand of the issues impacting local retail centres to identify ways in which these barriers could be overcome through collaborative working.
- 1.2 Four locations were identified that broadly represented the four areas of the New Forest to ensure that any business owner or resident who wished to attend had a workshop located close to them. They were as follows
- Fordingbridge – Wednesday 28 September
  - Hythe – Thursday 13 October
  - New Milton – Tuesday 18 October
  - Brockenhurst – Wednesday 19 October

#### 2. FORMAT

- 2.1 To ensure that both of geographically specific issues as well as those of a more generic nature were captured, each workshop was separated into seven sections, each exploring a separate theme. These were as follows
- **Introduction**
  - **Town & Village Centre Planning** - How to ensure the local plan meets local needs for the future, especially the importance of the right retail and leisure mix between the day time and night time economy, to maximise and, where possible, increase footfall and boost the local economy.
  - **Identifying & Sharing Best Practice** - Research and create a high street self-help toolkit, to share best practice, and help support businesses to grow their business and the local economy
  - **Common Strategies for Skills & Digital Training** - Research business skills and digital needs, then create and deliver a series of appropriate and affordable training relevant to High Street businesses.
  - **Innovation & Transformation** - Pioneering a hub space to support young businesses through open collaboration, particularly around digital technologies and giving young people a free platform for their creative talents to help reinvigorate high streets for the next generation.
  - **Brand New Forest** - Developing the existing loyalty scheme and campaign, to specifically focus on supporting our high streets and making the most of forest wide events, such as the upcoming New Forest Food & Drink Festival Week.
  - **Broadband & 4G** - Supporting continued investment in appropriate infrastructure, to ensure access to high speed broadband and 4G for all New Forest town and village centres.

### **3. OUTCOMES AND RECURRING THEMES**

#### **3.1 Town & Village Centre Planning**

The level of satisfaction of the quality and variety of retail offering varied across the four workshops although there was a regular theme that too many charity shops exist and concern at the loss of key High Street establishments, particularly banks. There was widespread support for pop-up shops, particularly where these can fill long standing vacancies and give opportunities to young entrepreneurs and/or emerging businesses.

It was commonly felt that high rentals and business rates discourage new businesses locating in centres. The issue of parking provided very mixed responses from at one extreme in Fordingbridge where much of the meeting was devoted to the subject to the other in Hythe where it was not felt to be a significant barrier in attracting footfall.

#### **3.2 Identifying & Sharing Best Practice**

There was widespread agreement that working together to improve the look and feel of town and village centres is important, there was however evidence that some towns have made greater progress than others in this respect. It was acknowledged that seeking to attract visitors from outside to the area could bring notable benefit to retail centres and as such, efforts should be made to work in partnership with the New Forest Tourism Destination Partnership to help bring in new footfall and external spend.

#### **3.3 Common Strategies for Skills and Digital Training**

Whilst it is widely acknowledged that High Street businesses face competition from those online, there was not universal appreciation that this was an issue in the four workshops, indeed some resist placing their businesses online in any form. Despite this, there is regular interest in the social media courses provided by New Forest Business Partnership and furthermore, funding has recently been obtained by New Forest District Council to provide basic digital training for local businesses. It was noted that where strong town/village centre business networks do not exist; online methods could be an efficient communication tool to share news, information and best practice.

#### **3.4 Innovation & Transformation**

Whilst many businesses are focussed on their own establishments; working within their own communities to improve the overall offer; most acknowledged that there is a need to look further afield in an attempt to attract new customers and potential funding. This includes working with Local Enterprise Partnerships (EM3, Solent and Dorset), National Park, District and County Councils as well as individual Town Councils. It was also noted that local retailers should seek to engage with currently underutilised establishments on their doorstep, particularly local schools and colleges.

#### **3.5 Brand New Forest**

Although it was widely recognised that Brand New Forest could be a significant aide to High Street businesses, there was mixed awareness of its existence and potential benefit. As a direct result of the workshops however, awareness is now drastically increased and many businesses have pledged to seek signups from other businesses immediately neighbouring them. Brand New Forest was therefore seen by all participants as a major opportunity to 'localise' many related solutions in the retail and service sectors.



**3.6 Broadband & 4G**

The perceived coverage of broadband varied not only from location to location but also within individual town/village centres. Despite some businesses not wishing to establish themselves online, it was generally accepted as a crucial service, increasingly from the customer base that demands/expects this as part of their shopping experience.

**4. FINANCIAL AND OTHER IMPLICATIONS**

4.1 There are no specific financial implications arising from this report although the outcome will be picked up within the ongoing Economic Development work programme.

4.2 There are no environmental implications arising from this report.

4.3 There are no crime and disorder or equalities implications arising from this report.

**5. CONCLUSION**

5.1 Most High Street businesses are positive about their future prospects and whilst they understand the pressures which come from larger retail centres and/or online they appreciate the individual customer experiences which their town/village centre can offer.

5.2 In seeking to exploit this special individual offer they are keen to work together to both promote their own destination and share best practice amongst themselves. Whilst networks of local businesses are stronger in some towns, there are examples of best practice which exist in each and these should be shared throughout the New Forest.

5.3 Although retail vacancies are not at the levels experienced elsewhere in the country they, along with the mixture of retail units available is a cause for concern amongst many. As such, innovative yet appropriate ways to overcome these should be explored and in doing so, encouraging new (young entrepreneurs to establish businesses)

**6. RECOMMENDATION**

6.1 That the Panel note the conclusions of this report

**For further information**

Matt Callaghan  
Business Development Officer

023 8028 5371  
Email: [matt.callaghan@nfdc.gov.uk](mailto:matt.callaghan@nfdc.gov.uk)

**Background Papers**

None

This page is intentionally left blank

**CORPORATE OVERVIEW AND SCRUTINY PANEL – 16 DECEMBER 2016**  
**IRC – 1 DECEMBER 2016**  
**EMT – 7 NOVEMBER 2016**

## **DIGITAL APPRENTICESHIP SERVICE OVERVIEW**

### **1. PURPOSE OF REPORT**

- 1.1 The purpose of the report is to give an overview of the changes to Apprenticeships planned for 2017, under the new title of the Digital Apprenticeship Service.

### **2. BACKGROUND**

- 2.1 The Council actively supports appropriate apprenticeship schemes to help develop the skills, knowledge and experience within the New Forest District.
- 2.2 Since 2010 we have recruited 30 apprentices, ranging from one to three year Apprenticeships. Four of these have gone on to study further apprenticeships with us, and five have gained employment within the Council.
- 2.3 During this time, the Council has been responsible for employee salary and apprenticeship training costs. The course costs have commonly been between £500 – £1,500 per apprenticeship.
- 2.4 Since 2010, apprenticeships have been developing in small stages to better meet all stakeholders needs. The most recent format has been the 'Apprenticeship Framework'.

### **3. THE WAY FORWARD**

- 3.1 In his November 2015 budget, George Osborne set out to achieve 3 million apprenticeship starts in the UK by 2020 (up by over 600,000 at the current time). To achieve this, the Government have enforced major changes to apprenticeships – moving from the 'Framework', to 'Trailblazer Standards' and introducing the Apprenticeship Levy; these two aspects will form the 'Digital Apprenticeship Service'. These changes will take effect from April 2017 (although this may be delayed due to the UK exit from the EU).

### **4. TRAILBLAZER STANDARDS**

- 4.1 The vision for Trailblazer standards, (overseen by the Institute for Apprenticeships for quality and consistency), is twofold;
- 1) For potential trainees to view apprenticeships as a high quality and prestigious path to a successful career
  - 2) For employers to be placed in the driving seat of designing quality fit for purpose standards which they are in control of to create buy in.
- 4.2 The Trailblazer standards will run from level two to degree level, across all sectors. There are 194 standards in place so far, with 64 at degree level. They will last for a minimum of 12 months and could last up to five years, depending on the course and level.

- 4.3 As well as the traditional method of taking on apprentices to complete these trailblazer Apprenticeship standards, (where we would recruit to an apprenticeship post and pay the apprenticeship salary), current employees can undertake a trailblazer standard as a method of their ongoing learning & development within their existing role (replacing the old NVQ method).

## **5. THE LEVY**

- 5.1 The levy is an additional 'tax' that will be applied to all businesses with total employee earnings of £3million or more. The tax will be 0.5% of the payroll with £15,000 offset against this.
- 5.2 The levy will be applied monthly from April 2017. The details of how this is calculated and paid, and how the offset will work are not finalised as yet, but it is likely to cost us around £120,000 per annum drawn monthly from PAYE.
- 5.3 This tax is then paid back to the employer in 'Digital Apprenticeship Vouchers'. Any not used each year are kept by the Government to help fund smaller employers apprenticeships.
- 5.4 Indications are that most trailblazer standards will cost between £9,000 - £12,000 per year, for the training alone - equivalent to approximately 10 apprenticeships for NFDC.
- 5.5 For those taken on as apprentices, the previously agreed salary rates will apply. This is the 16 – 18 year old national minimum wage rate for all apprentices in their first year, and the relevant national minimum wage rate for their age for any subsequent years. This is in addition to the training costs detailed above in 5.4 and will need to be funded outside of the Digital Vouchers, within business unit budgets.

## **6. FUTURE CONSIDERATIONS**

- 6.1 It is proposed that Service Managers consider together how the Digital Vouchers should be spent - eg priority areas for apprentices and training opportunities for existing employees.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 Based on last years' pay bill, the levy will enforce costs upon us of approximately £120,000, with £135,000 available in our 'Digital Account'. There will be one Account which will be managed corporately.

## **8. ENVIRONMENTAL IMPLICATIONS**

- 8.1 There are no envisaged implications

## **9. CRIME & DISORDER IMPLICATIONS**

- 9.1 There are no envisaged implications

## **10. EQUALITY & DIVERSITY IMPLICATIONS**

- 10.1 It is hoped that the levy will mean that we offer a wider range of apprenticeships.

## **11. EMT COMMENTS**

- 11.1 EMT continue to support developing Apprenticeships across the council. With the new Digital Service and the Levy, EMT have requested that HR develop a corporate guide to ensure we are consistent and proactive in our Apprenticeship recruitments and to ensure the apprenticeship budget is fully committed. EMT have asked for the guide to be bought to them early in 2017.

## **12. EMPLOYEE SIDE COMMENTS**

- 12.1 Employee side supports the opportunities presented by the Trailblazer funding and continued apprentice opportunities available to the Council, provided it does not restrict the training and development opportunities available to existing employees. Will this replace existing training budgets, or will funding remain available for training needs which are not covered by Trailblazer standards?

## **13. RECOMMENDATIONS**

- 13.1 That the move to the Digital Apprenticeship Service is noted.
- 13.2 That apprenticeships continue to be supported moving forward.

### **For further information contact:**

**Name:** Zoe Ormerod  
**Title:** HR Advisor  
**Tel:** 02380 285588  
**E-mail:** [zoe.ormerod@nfdc.gov.uk](mailto:zoe.ormerod@nfdc.gov.uk)

This page is intentionally left blank