



CABINET

Monday, 8th October, 2012

7.00 pm

Town Hall Watford

Publication date: 28 September 2012

CONTACT

If you require further information or you would like a copy of this agenda in another format, e.g. large print, please contact Pat Thornton Democratic Services Manager on 01923 278372 or by email – legalanddemocratic@watford.gov.uk .

Welcome to this meeting. We hope you find these notes useful.

ACCESS

Access to the Town Hall after 5.15 pm is via the Customer Service Centre.

Visitors may park in the staff car park after 4.00 p.m. and before 7.00 a.m. This is a Pay and Display car park; the current charge is £1.50 per visit.

The Committee Rooms are on the first floor of the Town Hall and a lift is available. Induction loops are available in the Committee Rooms.

TOILETS (including disabled)

Toilets are situated on the first floor, near the Committee Rooms.

FIRE/EMERGENCY INSTRUCTIONS

In the event of a fire alarm sounding, vacate the building immediately following the instructions given by the Democratic Services Officer.

- Do not use the lifts
- Do not stop to collect personal belongings
- Go to the assembly point at the Pond and wait for further instructions
- Do not re-enter the building until authorised to do so.

MOBILE PHONES

Please ensure that mobile phones are switched off before the start of the meeting.

CABINET MEMBERSHIP

Mayor	D Thornhill	(Chair)
Councillor	D Scudder	(Deputy Mayor)
Councillors	K Crout, I Sharpe and M Watkin	

AGENDA

PART A - OPEN TO THE PUBLIC

1. APOLOGIES FOR ABSENCE

2. DISCLOSURE OF INTEREST (IF ANY)

3. MINUTES OF PREVIOUS MEETING

To sign the minutes of the meeting held on 17 September 2012

4. CONDUCT OF MEETING

The Cabinet may wish to consider whether there are any items on which there is general agreement which could be considered now, to enable discussion to focus on those items where the Cabinet sees a need for further debate.

5. TO APPROVE THE VOLUNTARY AND COMMUNITY SECTOR COMMISSIONING FRAMEWORK 2013-16 (Pages 1 - 60)

Report of the Head of Community Services

6. TO APPROVE THE MEDIUM TERM FINANCIAL STRATEGY 2012/2017 (Pages 61 - 76)

Report of the Head of Strategic Finance

7. APPROVAL OF FINAL CHARTER PLACE LAND TRANSACTION WITH DELEGATED POWER TO THE MANAGING DIRECTOR TO ENTER INTO THE NECESSARY LEGAL DOCUMENTATION (Pages 77 - 88)

Report of the Managing Director

This page is intentionally left blank

PART A

Report to: Cabinet
Date of meeting: 8 October 2012
Report of: Head of Community Services
Title: Voluntary and Community Sector Commissioning Framework 2013 - 2016

1.0 **SUMMARY**

- 1.1 The current 3 year Voluntary and Community Sector [VCS] grant funding programme ceases on March 31st 2013. This report sets out the case for a new VCS Commissioning Framework and changing to a commissioning approach as opposed to an open grant application process. It also identifies the priorities for commissioning services with the limited funds available.
- 1.2 The Commissioning Framework is set in the context of the economic situation, budget pressures and public sector funding cuts. The council continues to have to make significant savings over the next few years with an additional £2m savings required but not yet identified. The council is continuing to take a hard look at its own services that it provides and making tough decisions given the limited resources available. The financial future is uncertain and the council has a responsibility to balance competing needs and to be clear about the affordability of any proposals this equally applies to the council funding of the VCS.
- 1.3 The draft Commissioning Framework document was prepared by officers and the process and documents were scrutinised by a Scrutiny Task Group of councillors prior to going out to public consultation between 25th June – 10th September 2012
- 1.4 The purpose of this report is to
- present the final draft of the Commissioning Framework document
 - examine the Scrutiny Task group recommendations
 - summarise and consider the feedback from the public consultation
 - request Cabinet to approve amendments to the Commissioning Framework document and agree the commissioning priorities in light of the feedback and recommendations

2.0 RECOMMENDATIONS

2.1 Cabinet are recommended to:

- 2.2 • Agree amendments to the draft commissioning framework [2013 - 2016] as identified in this report.
- 2.3 • Agree the service commissioning priorities as identified in 3.4 of this report.
- 2.4 • Agree the continuation of the Small Grants Fund and make recommendations for the outcomes to be achieved for 2013/14 taking account of the recommendations of the Scrutiny Task Group and public consultation identified in 3.5.1.
- 2.5 • Delegate responsibility to the Head of Community Services in consultation with the Portfolioholder to approve the eligibility criteria for the Small Grants Fund.
- 2.6 • Delegate responsibility to the Head of Community Services in consultation with the Portfolioholder to finalise the wording of the Commissioning Framework prior to publication
- 2.7 • Delegate responsibility to the Head of Community Services to implement the commissioning process for the service priorities identified in 3.8 to ensure services are in place from April 1st 2013, subject to Council approval of the Budget for 2013/14

Contact Officer:

For further information on this report please contact: Lesley Palumbo Head of Community Services telephone extension: 8561 email: lesley.palumbo@watford.gov.uk

Report approved by: Cate Hall Executive Director – Services

3.0 DETAILED PROPOSAL

3.1 Background summary

- 3.1.1 The council's current 3 year grant funding programme and the Commissioning Framework that supported that process ends on the 31st March 2013. The council intends to continue supporting the voluntary and community sector (VCS) recognising that they are sometimes best placed to deliver services. However there is a need for a change in approach and a wider understanding of the range of resources committed to supporting the VCS.
- 3.1.2 A draft Commissioning Framework document was prepared that identified the reasons for change; the range of support to be covered and the identified priorities for commissioning specific services from the VCS. This document was prepared by officers and was subject to input from the Scrutiny Task group and was circulated for consultation from the end of June to the 10th September.
- 3.1.3 Although the previous Commissioning Framework served the council well to date, it is clear from an analysis of the current context in which we are working, and feedback on the framework itself, that, in order to be fit for purpose for the challenges ahead, it

needed to be reviewed.

Previous comments/feedback

There have been issues raised regarding the current three year grant funding programme, including that it:

- favours those who have already successfully applied for grant in the past
- creates a dependency culture on council funding for those groups heavily reliant on core funding
- gives no flexibility to commission new activity when new priorities emerge
- stifles innovation and collaborative working
- requires significant commitment and time resource from applicants to complete an application process with no guarantee of funding at the end of the process
- requires significant time resource from the council to process applications.

Financial constraints

The council has long standing and positive relationships with VCS organisations and it deploys a significant proportion of its budget to support a number of them in a variety of ways.

However, in view of the economic situation, budget pressures and public sector funding cuts, the council continues with having to make significant savings over the next few years.

The council has already identified, and is on its way to achieving, over half of the £5 million saving it is required to achieve by 2014/15, but an additional £2 million needs to be identified.

The council is continuing to take a hard look at its own services that it provides, deciding what its future priorities are, and making tough decisions, given the limited resources available. The financial future is uncertain and the council has a responsibility to balance competing needs and to be clear about the affordability of any proposals. This applies to council funding of the VCS.

There is a need to understand that expenditure in one area of activity will potentially require cuts in other areas of activity; and also that new priorities may emerge over time, as well as new organisations capable of delivering services.

An updated version of the document taking on board feedback from the consultation and Scrutiny Task Group is attached to this report as Appendix A

3.2 **Scrutiny Task Group**

- 3.2.1 At the Overview and Scrutiny meeting held on the 22nd December 2011 there was a resolution that Overview and Scrutiny be involved in the development of the new Commissioning Framework. A Scrutiny Task Group was set up and met initially in May 2012 and then held a series of meetings up to the 5th September. A report on the work of the group is attached at **Appendix B**

3.2.2 During the course of the Scrutiny Task Group's work, members :

- examined in detail the background to the proposed introduction of a new Commissioning Framework in the context of financially constrained circumstances
- obtained a greater insight into the working of the wider voluntary and community sector and the environment in which those organisations operate
- received information on the methods used to monitor the outcomes and performance of organisations receiving council funding and the intention to re-focus and stream-line the approach in the future
- examined in detail the Council property related issues relating to the occupation by voluntary and community organisations
- received a report on the reasons for delaying the review of the policy for non-domestic rate relief in light of future government changes
- explored with officers the content of the draft Commissioning Framework and inputted into the final version that was consulted upon
- received a report on the feedback obtained through the consultation process and in the light of that feedback re-examined the priorities proposed and the issues relating to the small grants fund
- overall were content with the thrust of the Commissioning Framework

The recommendations of the Scrutiny Task Group are detailed in Appendix B and have been taken into account when making the final amendments to the Draft Commissioning Framework and recommendations to Cabinet.

They are summarised below;:

1. The Small Grants Fund should be continued.
2. The total Small Grant Fund should be £50,000.
3. The limit for individual small grants should be £2,000.
4. Application criteria should include projects and 'invest to save' initiatives
5. The process for Small Grant applications should encourage match funding.
6. The priorities in the draft Commissioning Framework document as detailed below are supported:
 - Infrastructure support to the voluntary and community sector
 - Enabling people with physical mobility problems to access services in the town centre
 - Advice services
 - Arts and Culture
 - Community Centres
 - Sport

3.3 Public Consultation

3.3.1 At the end of June 2012 the public consultation started and ended on September 10th 2012. The documents were made available on the WBC and the WCVS internet and sent out to key organisations and networks. A variety of mechanisms for feedback were provided and encouraged including

- completing a survey on line
- sending in comments by e-mail or post
- telephone discussion with one of the WBC funding Team.
- attending a consultation session with one of the WBC funding team

3.3.2 A summary of key issues raised is attached as **Appendix C**. The following action has been taken in response to the consultation.

- Amendments have been made to the draft document to incorporate issues raised whilst balancing the different views on the level of detail required within the document
- Officers will prepare an “easy-read” version of the final approved document to take account of a view that there was too much detail and jargon within the document
- Feedback received on the continuance of the Small Grants Fund and views on future criteria have been incorporated into the document. Later in this report members are asked to comment on the support for a Small Grants Fund and the purpose for which it should be used to enable officers to develop eligibility criteria.
- There were views expressed on expanding the service commissioning priorities identified in the document, in particular in relation to evidence of service needs relating to women at risk of domestic abuse. In response officers have undertaken further investigation into the commissioning responsibilities for domestic abuse services and obtained further understanding of the local evidence for service provision. The outcome of that investigation is included later in this report for members to agree a way forward.
- In response to feedback regarding the issue of the coverage of council-owned community centres across Watford, officers undertook a review of the relationship between the geographical spread of community centre provision and Indices of Multiple Deprivation (IMD) 2010. (see mapping document at **Appendix D**.)The outcome of that review has resulted in an amendment to the Commissioning Framework document to ensure there is adequate provision commissioned.
- The importance was expressed of services provided being targeted at the more vulnerable local population including elderly, sick, those with mental health problems, ethnic minorities and children. Also that services provided should be sensitive to the cultural and social needs of the community. It is proposed that, when specifying services to be commissioned, specific reference is made to meeting the needs of vulnerable service users and being sensitive to cultural and social needs.
- There were a range of views on the importance of arts and culture activities when balanced against the service needs of vulnerable people. It is proposed that the commissioned services are identified as separate funding streams within the overall council budgets to ensure separate identification of the cost of

provision.

- There was a recognition of the importance of completing an Equalities Impact Analysis. This has been completed and published on the internet.
- A number of comments were received on the Small Grants Fund. These are covered later within this report.
- There were comments supporting the continuation of applying the Non Domestic Rate Relief. These have been referred to our colleagues in Finance who will be reviewing this in line with the introduction of Local Business Rate Retention in April 2013. A separate report on any change to policy as a result of the review will be taken to Cabinet in due course

3.4 **Priorities**

3.4.1 There was general agreement on the importance of the priorities identified in the document. The identified priorities as listed below are therefore recommended to Cabinet for approval

- infrastructure support to the voluntary and community sector
- enabling people with physical mobility problems to access services in the town centre
- advice services
- arts and culture
- community centres
- sport

The feedback did specifically indicate a need to consider adding an additional priority regarding the provision of service delivery for victims of domestic abuse. A report on the additional officer review undertaken in response to this feedback is attached as **Appendix E**. Cabinet is asked to consider the detail in that report and the officers recommendation below

Domestic abuse is not the commissioning responsibility of the District Council but it is clear from our Equality Impact Analysis that there would be a disproportionate impact on a protected characteristic group if services were reduced ahead of any decision being made by the primary commissioning organisations regarding the long term support for these services.

Members are therefore recommended, in order to mitigate the EIA risks identified, to agree to provide funding support for 12 months to ensure service provision remains whilst Herts County Council and the local Community Safety Partnership are encouraged to consider the local service needs and priorities, particularly in the light of the positive impacts identified in relation to Children's Services.

3.4.2 Other priority issues raised during the consultation related to the need for services to support families and vulnerable people and those with mental and physical health issues. The primary commissioning responsibilities for support to individuals and families rests with Herts County Council from a social care and public health perspective and with GP commissioning bodies in respect of health support and not with the district council.

3.5 **Small Grants Fund**

3.5.1 The consultation on the future of a Small Grants Fund and the views of the Scrutiny Task Group highlighted significant support for continuation of this funding stream and a wide number of issues that could be taken into account when creating eligibility criteria for applications. The consultation feedback stressed the importance of the Council being clear what it would seek to achieve with this funding stream however there were many views on how the fund should be deployed and these are detailed as follows:

Suggestions made were that:

- The limit for individual small grants should be £2,000.
- Application criteria should include projects and 'invest to save' initiatives
- The process for Small Grant applications should encourage match funding.
- The fund should support innovation
- The fund should be deployed to undertake the following
 - Projects to support local individuals and families in need of support
 - Projects to improve the environment
 - Small very local projects that bring communities and residents together
 - Assist organisations to survive and continue the good works they do
 - Projects to support people through the current economic difficulties
 - Projects to support re-use and recycling
 - Support for events that bring different groups of people together
 - Support to help groups drive down their costs
- That the Small Grants Fund and its achievements are reviewed annually before agreeing the next years funding and criteria.

With so many diverse views on how the fund should be deployed it is important for Members to clearly define what they wish the expenditure to be focussed on and what needs to be achieved in 2013/14 as a deliverable outcome.

Cabinet is asked to consider the views above and decide

- 1) whether to agree a Small Grants Fund as a priority
- 2) if yes to identify the key outcomes and achievements that should be the target for 2013/14
- 3) delegate the responsibility to the Head of Community Services in consultation with the Portfolioholder to draw up the eligibility criteria

3.6 **General Principles underpinning the Commissioning Framework**

3.6.1 The following is a list of general principles and issues which have either influenced and or supported the development of the final version of Commissioning Framework

These are;

- a focus on existing council supported services,
- not supporting priorities where the commissioning responsibilities lie with other lead agencies e.g. health; social services etc.
- recognising that the responsibilities and resources of district councils in providing statutory and non statutory services are limited

- that in Hertfordshire, Hertfordshire County Council has the primary commissioning responsibility for a range of services
- feedback from public consultation and an internal Scrutiny task group and their recommendations,
- diminishing council funds due to current and future public sector funding cuts

3.7 Use of Council Owned Property by VCS Organisations

3.7.1 The Scrutiny Task Group undertook a review of the terms under which VCS organisations leased premises from the council. This established that the current policy agreed by cabinet in 2006 relating to leasing premises to VCS organisations was being implemented by Property Services as far as was practical when leases were either being renewed or granted for the first time. The review identified a few cases where it had not been practical to apply this policy. This was largely due to the state of the premises being let and the need for the organisation having the lease to commit a large capital resource to refurbish (Palace Theatre)(Scenery Store letting to Presence Retail Ltd /Presence Charitable Trust), or where the organisations original premises had prior to 2006 been used by the Council to support a redevelopment and the organisation had required to be accommodated elsewhere (Sheltered Workshop). It was also noted that the Council still had a number of historically long leases that had not come up for renewal since 2006 and the lessees were paying only a nominal rent (Exchange Road).

3.7.2 Some organisations were receiving support through the current grant process to assist them to meet their rental commitments under the terms of their leases and where in the future organisations receive support under the Commissioning Framework that support will continue.

From April 1st those organisations that are not supported under the Commissioning Framework, and who currently receive support will be responsible for paying the rent and their outgoings set out in their lease from their own resources.

3.8 Conclusions

3.8.1 The Commissioning Framework identifies the current priorities for the commissioning of services through the voluntary and community sector. It sets the framework for the future commissioning of services as new priorities emerge and funding resources become available.

3.8.2 As a result of adopting the Framework the services detailed below will continue to be provided to members of the community for a period up to April 2016 but will be subject to the availability of funding during that period as set out in the council's Medium Term Financial Strategy and annual budget setting process. The quality of the services will be monitored and the continuation of the service delivery as a priority for the council will be kept under review. Should the services commissioned be considered below quality or the need for the service reduced then the Service Level Agreements with the organisations commissioned will enable the council to de-commission or reduce funding as appropriate. In addition the negotiations on the affordability envelope for the commissioned services will ensure value for money at the outset and will include an expectation on services to deliver cost efficiencies during the commissioned period.

3.8.3 The services to be commissioned are:

- Community Centres in the following areas Meriden: Orbital; Radlett Rd; Holywell; West Watford; Leavesden Green
- Provision of motorised scooters to enable people to access shops, businesses and services including advice, health and leisure services in the town centre
- A quality accredited generic advice service with particular emphasis on benefits, immigration, debt and housing advice
- Infrastructure support to the voluntary and community sector to increase its capacity to promote and support itself
- Provision of a regional theatre and outreach programme ensuring a programme which meets the diverse needs of the community
- Support to develop the capacity of sports clubs and organisations to increase community participation in physical activity and sport to contribute towards a healthy town for Watford residents

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that it is anticipated that the financial support for commissioning the priority services identified within the Commissioning Framework will be contained within the Council's budget envelope for 2013/14 when approved.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that the Council has a wide variety of legal powers that are available to it to provide both financial and physical assistance to the voluntary and community sectors to enable them to undertake their functions. The priorities identified within the Commissioning Framework are all covered by those powers. The Council must have due regard to the Equality Impact Analysis and the effect of this Framework on those with protected characteristics and any mitigation before adopting the Framework as a new policy

4.3 **Equalities**

Watford Borough Council is committed to equality and diversity as an employer, service provider and as a strategic partner. In order to fulfil this commitment and its duties under the Equality Act 2010, an Equality Impact Analysis (EIA) has been developed and is published on the councils internet.

The new Commissioning Framework includes a number of proposed priorities which if not included would have a severe negative impact on service users as identified in the EIA. These priorities are advice services and services to enable people with physical mobility problems to access services in the town centre.

The service area that has not been included in the proposed priorities is support for domestic abuse issues. Domestic abuse is not the commissioning responsibility of the

District Council but it is clear from the previous EIA that there would be a disproportionate impact on a protected characteristic group if services were reduced ahead of any decision being made by the primary commissioning organisations regarding the long term support for these services. It is recommended that domestic abuse service provision should continue to be funded short term, to mitigate the risk, whilst further discussions take place to consider the local service needs and priorities

4.4 Potential Risks

Potential Risk	Likelihood	Impact	Overall score
Priorities not agreed at Cabinet	1	4	4
Funding not/ not all available for 2013/14	2	4	8
Future funding not/ not all available beyond 2015	3	4	12
<i>Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service's Risk Register.</i>			

4.5 Staffing

4.5.1 There are no staffing implications contained within this report.

4.6 Accommodation

4.6.1 There are no accommodation issues contained within this report

4.7 Community Safety

4.7.1 The issues relating to domestic abuse contained in this report have been identified through the Watford Community Safety Partnership and Herts County Council Domestic Violence and Hate Crime Unit where a multi-agency approach is undertaken.

4.8 Sustainability

4.8.1 The proposals in this report accord with the Council's approach on sustainable procurement to consider the social and economic impacts of the procurement or commission. Small firms, voluntary and community organisations and social enterprises are innovative and add value with an important role in the local economy and contribution to social cohesion.

Appendices

- A. Final draft VCS Commissioning Framework document and its appendix
- B. Scrutiny Task Group report and recommendations
- C. Summary of consultation feedback

- D. Community Centres map and deprivation indices
- E. Domestic abuse review

Background Papers

Scrutiny Task Group minutes and reports
Watford Cultural Plan
Sports Development Framework
Equality Impact Analysis

File Reference None

This page is intentionally left blank

Appendix A



Voluntary and Community Sector [VCS] Commissioning Framework

2013 -2016

DRAFT

Contents

- 1.0 Introduction
- 2.0 Background
- 3.0 What is Commissioning
- 4.0 Current approach
- 5.0 The case for change
- 6.0 Way forward - Commissioning
- 7.0 The priorities going forward
- 8.0 Proposed priorities and the supporting evidence
- 9.0 The Commissioning mechanism
- 10.0 Future Commissioning
- 11.0 Equality Impact Analysis

1.0 Introduction

Watford has a rich history of widespread community activity which adds value to the quality of lives of its residents and their neighbourhoods. Supporting this activity is a thriving voluntary and community sector (referred to within this document as VCS), which is actively engaged in providing services and support to a broad range of communities and individuals.

The groups that make up this sector are as varied as the services and activities they offer. They can range from small volunteer/single worker organisations to large and complex organisations with links to national agencies. The broader voluntary and community sector includes registered charities, voluntary organisations, community groups, and faith groups engaged in voluntary social action, not-for-profit organisations and social enterprises.

Watford Borough Council (referred to within this document as the council) recognises the value that the VCS brings to the borough and aims to work with the sector to the benefit of local residents and the community overall.

The council's Commissioning Framework sets out how it will support the work of the VCS and the relationship between the sector and the council. The framework aims to provide a new level of clarity, focus and approach in response to the many significant challenges and pressures that local councils like Watford and the VCS jointly face, which are described below.

The current economic climate means that all organisations, whether they be public, private or VCS, are having to look at the way they do things and consider what will best ensure long term sustainability for those services and activities that are important to local people and the community.

What is clear is, given the current and future pressures, the council cannot be all things to all people or provide the answers to, or solve all issues.

By working together in a collaborative way, including the statutory, non statutory and commercial sectors, different ways of working can be explored to ensure a healthy local voluntary sector continues to exist.

This Commissioning Framework, therefore, provides a strategic framework to take us forward and build a foundation for future resilience and sustainability.

2.0 Background

A successful community has a sense of its identity and of belonging; access to a range of clubs and societies and voluntary organisations; cares for its poor and vulnerable; and is characterised by altruism and neighbourliness. These things are often generated by voluntary organisations.

Watford is fortunate to have up to 400 VCS organisations. Only a small number of them receive direct funding from the council. The council will continue to encourage and nurture voluntary activities not just through funding, but also by sharing resources and skills, removing barriers, and building partnerships.

A healthy voluntary sector makes a significant contribution to a wide range of social and community benefits, such as:

- a sense of pride and ownership
- community spirit
- caring and helping others
- representation
- information sharing
- sharing of resources
- compassionate communities
- togetherness
- happiness
- well-being
- health
- inclusion
- empowerment

In addition, the council recognises that VCS are sometimes best placed to deliver services, this is due to their:

- ability to deliver user focused services
- insight into the needs of service users
- ability to encourage a high level of user and community involvement, particularly with vulnerable people
- independence from existing models of service delivery that enables innovation
- ability to draw in external funding and volunteer resources, adding value to the local community
- experienced and committed local leadership
- high level of local knowledge and data gathering

3.0 What is Commissioning?

There are many definitions of commissioning, but for the purpose of this new framework it is proposed that the following is used:

Commissioning is the process for ensuring that quality services meeting the identified priority needs of the community are provided by the best placed organisation to do so at an affordable cost to the council.

The commissioning process can be seen as a cycle of activity that works together and interactively to deliver the desired outcomes. The key steps in a commissioning cycle are:

- analyse from evidence what needs to be provided
- identify what finance and resources are available
- identify and specify what services can be delivered
- put in place the best method to obtain that service: options could include:
 - internal (council) service delivery
 - outsourced service delivery through a procurement process and contract from the commercial or VCS sector
 - grant funding a VCS organisation to deliver a specified service
- monitor and review the delivery of that service

4.0 Current approach

The council currently commits significant resources to supporting the VCS. These are summarised below.

£880,895*	-	3-Year Grant Funding Programme
£425,580	-	Community Centres
£53,500	-	Sports Commissioning
£37,000	-	Culture and Arts
£50,000	-	Small Grants Fund
£205,413*	-	Discretionary Rate Relief [NDR] (loss of income)
£1,652,388	-	TOTAL

* *Appendix 1* – provides more details on the current position above and outlines other factors that potentially impact on the funding available to the VCS.

The current Commissioning Framework moved the council away from a purely grant process by establishing three key “preferred provider” partners who received a grant based on a negotiated sum determined by the level of service provided and key outcomes delivered. These were:

- Watford Council for Voluntary Service
- Watford Citizens Advice Bureau
- Watford Palace Theatre

5.0 The case for change

Although the previous Commissioning Framework has served the council well to date, it is clear from an analysis of the current context in which we are working, and feedback on the framework itself, that, in order to be fit for purpose for the challenges ahead, it needs to be reviewed.

Previous comments/feedback

There have been issues raised regarding the current three year grant funding programme, including that it:

- favours those who have already successfully applied for grant in the past

- creates a dependency culture on council funding for those groups heavily reliant on core funding
- gives no flexibility to commission new activity when new priorities emerge
- stifles innovation and collaborative working
- requires significant commitment and time resource from applicants to complete an application process with no guarantee of funding at the end of the process
- requires significant time resource from the council to process applications.

Financial constraints

The council has long standing and positive relationships with VCS organisations and it deploys a significant proportion of its budget to support a number of them in a variety of ways.

However, in view of the economic situation, budget pressures and public sector funding cuts, the council continues with having to make significant savings over the next few years.

The council has already identified, and is on its way to achieving, over half of the £5 million saving it is required to achieve by 2014/15, but an additional £2 million needs to be identified.

The council is continuing to take a hard look at its own services that it provides, deciding what its future priorities are, and making tough decisions, given the limited resources available.

The financial future is uncertain and the council has a responsibility to balance competing needs and to be clear about the affordability of any proposals. This applies to council funding of the VCS.

There is a need to understand that expenditure in one area of activity will potentially require cuts in other areas of activity; and also that new priorities may emerge over time, as well as new organisations capable of delivering services.

6.0 Way forward – Commissioning

With limited resources at the council's disposal, taking on board the feedback on the previous grant funding programme and the national and local context, the council needs to deploy an alternative approach. The new approach needs to be robust, open, fair; yet radical enough to ensure it meets its service delivery priorities efficiently and effectively. This is why the council is moving towards a **fully commissioned** approach for future funding and will no longer have a 3 year grant bidding programme.

Below is an overview of the national and local context that provides a framework for the council's move to a fully commissioned approach.

i. National Context

Partnerships with the VCS are particularly important in the context of new legislation and guidance.

The *Localism Act 2011* and the *Public Services (Social Value) Act 2012* provide new powers for local government and for local communities and also some new duties, while *Best Value Statutory Guidance 2011* requires local authorities to be “responsive to the benefits and needs of voluntary and community sector organisations of all sizes (honouring the commitments set out in local compacts)” and not to pass on “disproportionate” reductions in funding.

The Public Services (Social Value) Act 2012

When times are economically tough it's important we get the most value from all public spending. This Act asks each local authority to consider the social value of each decision it makes. So in terms of commissioning services, the social value and benefits will be formally considered. This will ensure a joined up and collaborative approach for both the VCS and statutory agencies.

In addition the Local Government Association [LGA] developed a pledge which was recommended by the National Association for Voluntary and Community Action [NAVCA].

The following paragraphs are an extract from the LGA Procurement pledge 2012.

“Council spend in the private sector is worth over £62bn each year – councils recognise the need to maximise the opportunities that procurement provides in ensuring value for money, and in helping support their local economy. This is particularly so as councils wrestle with an average 28% reduction in their funding during the current spending review period, as well as the wider economic downturn.”

“The changing landscape of council contracting arrangements includes increasing numbers of shared service arrangements and pooling of resources. Reductions in funding mean that councils are seeking better value for the tax payer as services are reconfigured, and there is more co-production with citizens and the voluntary sector. “

“Any initiative that helps procurement to drive efficiency savings, achieves better outcomes, and makes it easier for councils and local providers to do business by reducing bureaucracy and simplifying processes should have the support of the sector.”

Our proposed way forward supports these national requirements.

ii. Local Context

The current Commissioning Framework and 3-Year Grant Funding Programme cease on 31 March 2013.

In the context of the impact of the economic climate, recession and the significant impact of public sector funding cuts, it is appropriate for the council to revisit its support for the VCS and ensure it has in place a clear understanding of its priorities and commissioning objectives.

This framework has been scrutinised by a group of councillors. Additionally there has been consultation and engagement with the wider VCS and the general public.

New Commissioning Framework

It is proposed that under the new Commissioning Framework the council moves to a fully commissioned approach with service delivery priorities identified, and a process to identify the preferred delivery partner rather than an “open grant application” approach.

Benefits of a fully commissioned approach

This framework and the move towards a fully commissioned approach will assist in the following:

- provide clarity over our current priorities
- make best use of limited resources
- provide clarity for the voluntary sector
- prevent unnecessary work for organisations
- reduce bureaucracy
- a streamlined process
- transparency
- contributions focused on a few priority areas of activity
- as new priorities and potential funding resources emerge it provides a way to commission new service provision

7.0 The priorities going forward

Apart from its statutory and non-statutory services that the council has currently chosen to deliver in-house, the council believes that the VCS is often better placed than the council to deliver in some or all of the following areas of district council activity:

- infrastructure support to the voluntary and community sector
- enabling people with physical mobility problems to access services in the town centre
- advice services
- arts and culture
- community centres
- sport

Small Grants Fund

However, it is also recognised that the small grant fund provides a degree of flexibility in responding to smaller yet evidenced very local needs.

It is, therefore, proposed to maintain a small grants fund to allow VCS groups the opportunity to apply for a grant.

The consultation on the future of a Small Grants Fund and the views of the Scrutiny Task Group highlighted a wide number of issues that could be taken into account when creating the criteria for applications:

- The limit for individual small grants should be £2,000.
- Application criteria should include projects and 'invest to save' initiatives
- The process for Small Grant applications should encourage match funding.
- The fund should support innovation
- It should be clear what achievements the Council is looking for from funding small projects
- The Small Grants Fund and its achievements should be reviewed annually before agreeing the next years funding and criteria.
- The fund should be deployed to undertake the following
 - Projects to support local individuals and families in need of support
 - Projects to improve the environment
 - Small very local projects that bring communities and residents together
 - Assist organisations to survive and continue the good works they do
 - Projects to support people through the current economic difficulties
 - Projects to support re-use and recycling
 - Support for events that bring different groups of people together
 - Support for groups to drive down their costs

The criteria for applications will be developed once Cabinet has identified the key outcomes and achievements required from the use of this fund.

8.0 Proposed priorities and their supporting evidence

The priorities identified were those that were existing priorities, are not the lead commissioning responsibility of another funder and were supported by clear evidence of need.

i. Infrastructure support to the VCS

The council will continue our support to developing and supporting the local voluntary sector infrastructure.

This service will be provided via a quality accredited and approved provider.

The evidence supporting this priority area is summarised in the following documents;

Commissioning Framework 2010-13

The current framework recognises the importance of focusing on building the Voluntary and Community Sector's capacity to support and promote itself and the benefits of an active thriving VCS. This support needs to be provided in the shape of:

- funding support [helping with collaborative bids, funding applications]

- training, [legal, human resources, financial requirements]
- office resources [sharing office space and support services]
- website including on-line forums and networks
- volunteering support e.g. Time bank
- quality accreditation [governance, systems]
- supporting and considering alternative delivery models e.g. social enterprise
- support for business planning and enabling organisations to be self-reliant

National Council for Voluntary Organisations

Recent research for the National Council for Voluntary Organisations [NCVO] indicates that the voluntary sector nationally is expecting a significant fall in public funding overall. This presents a real challenge for the sector and highlights that it will need to look at how it operates, and how it can do things differently to maintain services to the community. It will also need to consider whether there is scope for consolidation/closer working to improve effectiveness and efficiency and to make the most of reducing resources.

A recent analysis of the voluntary sector in Watford shows that there is a complex range of organisations operating within the sector, from those with over £1million turnover to those with little or no funding. This complexity means that those within the sector have very different experiences, face very different issues and have varying degrees of organisational structure and governance.

A key component in maintaining provision of infrastructure support to the community of VCS organisations is the grant funding currently used to secure the services described above.

In addition the Council will continue to enable and engage with forums and partnerships that bring VCS organisations together to work in a multi-agency way on a range of key issues such as housing, health, environmental and community safety issues.

ii. Enabling people with physical mobility problems to access services in the town centre

The council proposes to continue our support to ensure that our town centre and all its associated services, and retail outlets are accessible to people with physical mobility problems, seven days a week.

The supporting evidence for this is summarised below:

National statistics

Around 20% of the population in Britain has a disability of some sort: this figure increases to 33% in the age range 50-64.

The percentage of people with mobility difficulties in the general population is 14%. Mobility difficulties tend to affect older people more than younger people. 45% of those

aged 70 or over have problems walking or using a bus, compared with 5% of those aged 16 to 49.

Disabled people drive cars a lot less and are less likely to have one in their household. 60% of disabled people have no car available to their households, compared to 27% of the overall population.

Local profile

Watford has a vibrant and diverse retail, eating and drinking and entertainment offer within its town centre. The town centre also provides services for the community such as libraries, advice services, dentists, opticians etc. However, a large shopping mall such as the Harlequin Centre and even the current layout of Charter Place does make it more difficult to access all areas of the town for those with mobility impairment. A review of similar schemes throughout the county evidenced that this is a service significantly commissioned and funded by local district councils.

A key component in improving access to the town centre for those with mobility difficulties is the grant funding currently used to enable the use of mobility scooters and other equipment in the town.

iii. Advice services

The council proposes to continue support for a universal advice service, which can also provide appropriate support for Watford's diverse community and vulnerable groups.

This service will be provided via a quality accredited and nationally approved provider.

The evidence supporting this priority area is summarised in the following documents:

Commissioning Framework 2010-13

The importance of a provision of universal advice and guidance for a community the size of Watford was identified in the current framework document. However, since then the need for advice has increased as a result of the impact of the economic crisis and significant changes to welfare benefits, housing and other national policy changes.

National trends

Evidence from the national Citizens Advice Bureau, which collates statistics on the demand for advice/information, indicates that as of 2009, debt and benefit problems were growing at an annual rate of 21%. Fuel debt leading to fuel poverty has also been identified as an increasing problem nationally.

Local trends

Evidence for Watford indicates that the borough is in line with national trends. Fuel

poverty is estimated to be 9.5% of all households (2,988), of which 54% were identified as vulnerable (1,611): stock condition survey (2009). Homelessness is increasing: e.g. from 1 April 2010 to 31 March 2011 there were 117 households accepted as homeless compared with 70 in 2009-10.

A key component in maintaining a quality accredited provision of universal advice and guidance is the grant funding currently used to secure the provision of an advice service in Watford.

iv. Arts and Culture

The council proposes continuing our funding in arts and culture. This will mean continuing our support to town centre events and activities, including the world class performance on our streets at the Imagine Watford festival.

In addition, continuing support to the Watford Palace Theatre and Watford Colosseum, which bring cutting edge theatre and a wide range of entertainment to the town.

Finally, we propose to continue to enhance the proposed town centre improvements with a range of alternative markets and events.

The evidence supporting this stems from our Cultural Plan (2011) and our Purple Flag status (2012), both of which recognise the contribution arts and culture bring to the town. A summary of this is illustrated below:

Cultural Plan

The Cultural Plan (2011) was underpinned by a robust needs analysis and assessment. This identified a strong interest in participation in arts and culture in Watford but also the need to support what is termed the 'creative industry' sector.

The Cultural Plan analysis/assessment also identified the potential for growth within the town's night time economy, particularly in ensuring the development of the cultural offer with the recognition of the contribution this makes to employment and the local economy.

Purple Flag accreditation

The Purple Flag award (2012) identified the range of the town's arts and culture offer as a strength for Watford and highlighted the importance of ensuring there is a balanced offer within the night time economy as to the type of arts and culture available.

A key component to continue to deliver the Cultural Plan and maintain Purple Flag status is the council's commitment to financially supporting a regional theatre as a key delivery partner.

v. Community Centres

The council proposes continuing our support to community centres provided in council buildings to provide programmes of activities designed to meet the needs of the community they serve.

A key component to maintaining the provision of community centres is the funding committed to the not-for-profit organisations commissioned to manage them.

The supporting evidence for continuing a funding commitment is summarised below:

Cabinet report

In December 2010, a report was presented to Cabinet as to the future provision of community centres in Watford. This drew on the council's own review of community centres and on the Quirk Review on Community Management and Ownership of Assets.

The recommended approach, agreed by Cabinet, identified the benefits of encouraging greater community management of assets as a means of creating more stable and vibrant communities, as well as providing the potential to access external sources of funding.

This approach has since been developed nationally through the government's localism agenda.

Deprivation analysis

A review has been undertaken relating to the location of council owned community centres mapped in relation to the areas within the borough in most need in relation to deprivation. This evidenced that a number of community centres are located in or adjacent to areas where deprivation is potentially an issue for the communities they serve. The areas of deprivation differ between the communities but include:

- health and disability deprivation
- education and skills deprivation

The council will continue to commission VCS organisations to manage council owned-community centres to provide programmes of activities designed to meet the needs of the community they serve in areas which will support known areas of deprivation.

vi. Sport

A key component to supporting the delivery of the Sports Development Framework and supporting key priorities within the Watford and Three Rivers Health & Wellbeing Partnership is the financial support delivered through the sports development budget.

The council proposes to continue our commitment to sport through the sports development budget, which helps to support the local infrastructure and focuses on increasing participation, particularly from hard to reach groups.

In addition, the council intends to continue to commission, free swimming and free gym for children and young people during the school holidays.

There is supporting evidence for this priority area contained in the following key documents listed below:

- The Sports Development Framework
- Sports Facilities Study

These two documents are supported by a robust evidence base and reflect the benefits to physical health, particularly tackling obesity and mental well-being.

9.0 The Commissioning mechanism

Having identified the priority needs from evidence provided, the commissioning process will ensure that quality services meeting these priority needs are provided by the best placed organisation to do so, at an affordable cost to the council.

The key steps to this process are:

- i. Identify the finance and resources available to support the provision of services
- ii. Identify and specify what services are to be delivered through a *Service Level agreement*:
 - incorporating appropriate quality standards, including robust governance and finance systems
 - a sustainability plan including invest to save proposals and efficiencies required over the life time of the agreement
 - and performance monitoring information required
- iii. Choose the best method to obtain that service:
 - identify suitable providers
- iv. Invite them to submit proposals:
 - to demonstrate their ability to prove they can deliver the service required to an agreed standard based on the outcomes outlined in the service specification
 - to demonstrate they have mechanisms in place to deliver the performance monitoring information at the outset.
 - To demonstrate how they will work with service users to design and monitor their services to meet the Council's deliverables
- v. Negotiate on the final service delivery plan and finance available
- vi. Agree the following:

- grant to be provided over what period
 - service level agreement
 - service specification
 - performance monitoring information
- vii. Award funding
- viii. Commence monitoring
- ix. Review delivery of service
- x. Continue to support or commence new process to decommission or identify alternative provider.

10.0 Future Commissioning within the Framework

This document focuses on identifying the priorities established in 2012 for 2013/14 however the principles explained in the framework will be the foundation for the future commissioning and de-commissioning of services over the 2013-16 period.

In practice this will mean that, as the Council is made aware of new priorities for service delivery or where funding becomes available for specific initiatives that are thought to be best provided by the voluntary and community sector, the commissioning mechanism described above will be implemented unless a more formal procurement/tendering process is required under the Council's Contract Procedure Rules or EU rules.

11.0 Equality Impact Analysis [EIA]

In parallel with developing this Commissioning Framework and incorporated into the consultation, an EIA has been completed and published on the Council's website.

This page is intentionally left blank

<p>1. 3-Year Grant Funding Programme *</p>	<ul style="list-style-type: none"> • The current programme provides funding to 3 commissioned preferred provider organisations and 8 grant funded organisations to provide a range of services. This funding stream ends 31st March 2013. • * The budget of £841,165 includes an amount of £148,420 for property related issues, therefore the maximum amount available for future funding to support identified service delivery priority outcomes £732,745. • From April 1st 2013 the accommodation costs will be charged to the organisations leasing the council property that this relates to. • As the programme ceases, the budget of £732,745 will be reviewed and decisions made on how to deploy this expenditure on priority service delivery options identified in the Commissioning Framework and savings required.
<p>2. Community Centres</p>	<ul style="list-style-type: none"> • The council has for many years been pursuing a strategy to support VCS organisations to take over the management of council owned community centres. • 4 centres have successfully transferred to date. As part of this process the council has committed to providing a grant to each of the organisations to enable them to fund the management of the centres. This grant represented a cost saving on the management costs of the council running the service itself. • The service is monitored through an SLA. As each comes to an end, service provision, cost efficiency, value for money and future sustainability plans will be reviewed, refined and decisions made on the level of future funding.
<p>3. Discretionary Rate Relief</p>	<ul style="list-style-type: none"> • The council can use its discretion to award relief from the payment of business rates. Guidelines on awarding discretionary relief to registered charities were adopted by the council's

	<p>Executive on the 19 March 2007.</p> <ul style="list-style-type: none">• Each case must be considered on its own merit. Currently 88 charitable/not-for-profit organisations/sports clubs benefit from discretionary relief with a financial impact on the council of in excess of £200,000.• These guidelines are currently under review in the light of the introduction of Local Business Rate Retention in April 2013 and a separate process for reviewing and agreeing any changes to policy will be undertaken by Finance and reported to Cabinet in due course.
4. Property Rental *	<ul style="list-style-type: none">• Cabinet in 2006 adopted a policy which confirmed that all council rented premises should charge a market rent regardless of the status of the occupiers. (It should be noted that a market rent may not be the commercial rent achievable on a given property as the rental level will be assessed on the basis of the nature and use of the property. This means that a property agreed for community use will be assessed on the basis of that more limited market for the property)• Organisations not paying market rent were informed that from April 2007 the council expected payment of market rent when either the current lease expired or when there was an opportunity for a rent review within the existing lease.• In addition, it was agreed that not-for-profit organisations should be granted a lease that excludes external repairs and maintenance when their current lease expires except where the organisation has been complying with the terms of a full repairing lease and new not-for-profit organisation tenants should be granted a lease that excludes external repairs.• Some organisations in receipt of grant support have continued to receive grant through the 3-Year Grant Funding Programme to offset the market rent.

	<ul style="list-style-type: none"> • After the 31st March 2013 this support will cease. From April 1st those organisations that are not commissioned to provide services from council-owned buildings will be responsible for paying the rent set out in their lease through their own resources.
<p>5. Sports Commissioning</p>	<ul style="list-style-type: none"> • The Sports Development budget supports the actions agreed within the Sport Development Framework which are to: <ul style="list-style-type: none"> . Increase community participation in physical activity and sport to contribute towards a healthy town for Watford residents; . Develop capacity within the local sporting infrastructure, particularly around clubs, coaches and volunteers, to improve sporting opportunities. • A proportion of this budget is used to target low participation groups identified through the Active People Survey; such as women, people with disabilities, children and young people, 14 - 25, 55 plus and black and minority ethnic communities. • In addition, we subsidise the Coaching Bursary Scheme through the Herts Sports Partnership which encourages and supports more volunteers to obtain coaching qualifications. • A range of workshops on First Aid, Safeguarding, Equality and Coaching Disabled People are also subsidised to help improve the local sporting infrastructure. • The council commissions and subsidises the provision of free swimming and gym sessions for children and young people during the main school holidays.
<p>6. Small Grants Fund</p>	<ul style="list-style-type: none"> • The Small Grants Fund was created by amalgamating the Mayor's Community Fund and the Annual Fund thereby reducing the budget by 50%. There is therefore £50,000 committed for 2012/13.

	<ul style="list-style-type: none"> • This year the fund offers not-for-profit groups the opportunity to apply for a grant of up to £2000 for project based initiatives which meets one of the following criteria: <p>Enhance the town’s environment or heritage through:</p> <ul style="list-style-type: none"> . public area cleanups . improving the visual look of the town . an event or activity celebrating the town’s history <p>OR</p> <ul style="list-style-type: none"> . provide an event or activity which celebrates the town’s community and multi-cultural diversity. <ul style="list-style-type: none"> • The Small Grants Fund is reviewed annually and is responsive to changing priorities. • Going forward there will be a need to review whether to continue this funding and if so to agree the criteria and budget for 2013/14.
<p>7. Culture and Arts</p>	<ul style="list-style-type: none"> • The Watford Cultural Plan sets out the framework for the cultural rejuvenation of Watford for the next 5 years. • Through research and consultation, 4 development themes have been identified focusing on the town centre, but connecting assets and opportunities across communities. The 4 themes are: <ul style="list-style-type: none"> . Balanced Watford . Accessible Watford . Talented Watford . Participating Watford • A budget of £17,000 is used to commission artists and local organisations to carry out work to

	<p>deliver activities to support these themes e.g. Pop-Up Galleries, professional exhibition space [Space 2 Galleries], Imagine Watford and Watford Live festivals. £20,000 from the Local Authority Business Growth Incentive funding (LABGI) supports the Imagine Watford festival.</p> <ul style="list-style-type: none"> • In addition, significant investment goes to the Watford Palace Theatre (currently through the 3-Year Grant Funding Programme) and to Watford Colosseum. • The theatre delivers inspirational, diverse and cutting edge theatre and film performances with a wide regional and local community attraction and engages in extensive participatory work with young people and communities. This includes major celebrations in the calendar of local diverse communities. • The council has a contract with HQ theatres to manage and promote the recently refurbished Colosseum, which provides a wide range of entertainment including comedy, bands, classical music, musicals, some large scale theatre performances, restaurant as well as being the home of the BBC Concert Orchestra, a conference venue and available for community hires.
<p>8.Externally Commissioned Services</p>	<ul style="list-style-type: none"> • District councils are not best placed to undertake the commissioning process for areas of activity that are the primary responsibility of other commissioning services e.g. health care, social care, education, youth services, fire services, crime and disorder nor does the council have dedicated funding for these activities.

This page is intentionally left blank

SCRUTINY TASK GROUP REPORT

TASK GROUP PARTICIPANTS

Watford Borough Council

Committee Membership

Councillor Jeanette Aron .	Chair of the Task Group and Councillor for Nascot Ward
Councillor Ian Brandon .	Councillor for Callowland Ward
Councillor Sue Greenslade.	Councillor for Meriden Ward
Councillor Stephen Johnson	Councillor for Leggatts Ward
Councillor Anne Joynes .	Councillor for Leggatts Ward
Councillor Rabi Martins .	Councillor for Central Ward

Portfolio Holder

Councillor Keith Crout .	Portfolio Holder for Leisure and Community Services Councillor for Stanborough Ward
--------------------------	--

Non-Committee Members

Councillor Jackie Connal .	Councillor for Holywell Ward
Councillor Asif Khan .	Councillor for Leggatts Ward

Officer Support

Lesley Palumbo . .	Head of Community Services
Gary Oliver . .	Culture and Community Section Head
Prema Mani . .	Commissioning Manager
Carol Chen . .	Head of Legal and Property Services
Linda Newell . .	Property Manager
Sandra Hancock . .	Committee and Scrutiny Officer
Rosy Wassell . .	Committee and Scrutiny Support Officer

External Support and Information

Watford Community Voluntary Services

Bob Jones	Chief Executive Officer of the Watford Community Voluntary Services
---------------------	--

PROPOSED RECOMMENDATIONS TO PRESENT TO OVERVIEW AND SCRUTINY COMMITTEE

Proposed Recommendations:

1. The Small Grants Fund should be continued.
2. The total Small Grant Fund should be £50,000.
3. The limit for individual small grants should be £2,000.
4. Application criteria should include projects and 'invest to save' initiatives
5. The process for Small Grant applications should encourage match funding.
6. The priorities in the draft Commissioning Framework document as detailed below are supported:
 - Infrastructure support to the voluntary and community sector
 - Enabling people with physical mobility problems to access services in the town centre
 - Advice services
 - Arts and Culture
 - Community Centres
 - Sport

BACKGROUND INFORMATION

December 2011

Recommendation for this topic as a subject for scrutiny was the outcome of the Cabinet report of 5 December 2011 and the Overview and Scrutiny Committee meeting of 22 December 2011.

March 2012

At the meeting of the Overview and Scrutiny Committee on 7 March 2012 the Committee and Scrutiny Officer advised that she had spoken to the Community Services Section Head regarding the additional resolution at Overview and Scrutiny Committee meeting on 22 December 2011. This resolution is below:

that the Overview and Scrutiny Committee be requested to be involved in the development of the new Commissioning Framework.

Members at this meeting agreed that a Task Group be set up in May 2012 to review the draft Commissioning Framework prior to public consultation in June 2012.

The meeting agreed that:

- A Task Group be established to review the Draft Commissioning Framework
- All non-Executive Members be asked whether they wished to participate in the review
- The appointment of the Task Group membership be delegated to the Head of Legal and Property Services in consultation with the Chair and Vice Chair of Overview and Scrutiny Committee
- The outstanding actions and questions list be updated as agreed

Scope of the Task Group

The Task Group would review proposals for developing the Council's New Voluntary and Community Sector (VCS) Commissioning Framework.

The current framework and three-year grant funding programme would close on 31 March 2013. It was considered appropriate that the Council revisit its support for the VCS and ensure that there existed a clear understanding of its priorities and commissioning objectives. This was particularly important in the context of the impact of the economic climate, the recession and public sector funding cuts.

It was anticipated that the task group would:

- Examine the evidence
- Engage key stakeholders in testing the information provided
- Form a view on the priorities

At the close of the review, were it to be felt appropriate, the recommendations would be incorporated into the process of developing the new commissioning framework. .

Six Councillors had expressed an interest in working on this review; it was agreed that these Councillors would form the membership of the Task Group.

The Task Group would comprise:

Councillor Jeanette Aron – Councillor for Nascot Ward
Councillor Ian Brandon – Councillor for Callowland Ward
Councillor Sue Greenslade – Councillor for Meriden Ward
Councillor Stephen Johnson – Councillor for Leggatts Ward
Councillor Anne Joynes – Councillor for Leggatts Ward
Councillor Rabi Martins – Councillor for Central Ward

SUMMARY OF MEETINGS

First Meeting - 24 May 2012

The Task Group received the terms of reference for the review which had been drafted by officers from Community Services. The Head of Community Services explained the scrutiny suggestions and details of how Members could be involved in the development of the new Commissioning Framework; she also advised on background information for the grant funding process.

Members considered a discussion paper on the Commissioning Framework which set out areas for the group to examine. The discussion paper had included a definition of the term 'commissioning' as a 'process for ensuring quality services meeting the identified priority needs of the community'. It was intended that this service should be provided by the best placed organisation at an affordable cost to the Council. Items discussed by Members included funding and resources, services commissioned by other bodies and funding priorities.

Following discussion, it was agreed that the

- a meeting to discuss technical issues should be programmed to a meeting in July 2012.
- A representative from the CVS should be invited to a future meeting in order to answer any questions the Members may have.

Second Meeting - 19 June 2012

Members had been supplied with a variety of background documents.

The meeting discussed Joint Funding for cross boundary organisations and the sharing of resources.

The Head of Community Services advised on the proposed priorities and gave a brief comment on each of the recommendations. She also referred to the Service Level Agreement template and advised that a new version would be introduced.

The Task Group was provided with the latest edition of the draft Commissioning Framework and asked to forward their comment to officers. Consultation on the document would take place between 25 June and 10 September and officers would collate responses to present to the Task Group at the September meeting.

Third Meeting - 13 August 2012

The Chief Executive Officer (CEO) of the Watford Council for Voluntary Services (CVS) had been invited to the meeting to respond to the Group's questions. The CEO also advised on the proposed Watford Community Trust which, it was anticipated, would be launched in March 2013. He explained that it was hoped that under this scheme charities would become more financially independent.

The Property Manager tabled a list of Council properties used by charities and community and voluntary organisations. The Task Group discussed leasing

arrangement and rents charged for properties. It was agreed that officers would adjust the final version of the Commissioning Framework to clarify the property related issues discussed by the Group.

The Task Group also discussed issues related to Non Domestic Rate Relief and funding priorities and the delay proposed in reviewing this policy in the light of future government changes.

Final Meeting - 5 September 2012

Members discussed the feedback from the consultation.

Points noted included:

Commissioning Framework Document: This should be easier to read

Funding: Flexibility was required

An infra-structure support network for voluntary organisations was important

Commissioning Approach: The new approach would be monitored through Service Level Agreements.

Priorities: Members deliberated on a range of priorities as itemised within the survey responses

Members discussed how small grants should be deployed.

Recommendations were reviewed and determined prior to presentation to the Overview and Scrutiny Committee

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

During the course of the scrutiny task groups work, Members had :

- examined in detail the background to the proposed introduction of a new Commissioning Framework in the context of financially constrained circumstances
- obtained a greater insight into the working of the wider voluntary and community sector and the environment in which those organisations operate
- received information on the methods used to monitor the outcomes and performance of organisations receiving council funding and the intention to re-focus and stream-line the approach in the future
- examined in detail the Council property related issues relating to the occupation by voluntary and community organisations
- received a report on the reasons for delaying the review of the policy for non-domestic rate relief in light of future government changes
- explored with officers the content of the draft Commissioning Framework and input into the final version that was consulted upon
- received a report on the feedback obtained through the consultation process and in the light of that feedback re-examined the priorities proposed and the issues relating to the small grants fund

RECOMMENDATIONS

Recommendation 1 ~ The Small Grants Fund should be continued

The survey had shown that respondents felt there was a need for small grants.

The Head of Community Services counselled that were the Small Grants fund to be retained there must be clarity on anticipated achievements and outcomes and this must be clearly demonstrated within the application criteria. It would also be easier to encourage groups to apply if the criteria were clear.

It was suggested that small grants be maintained for two years and then monitored to evaluate whether it would be wise to continue with this scheme.

Recommendation 2 ~ The total Small Grant Fund should be £50,000

Grants had, in the past, been provided through two funds, the Mayor's Fund and the Annual Fund, which both had £50,000 available. During the previous year the two funds had been combined into one Small Grants Fund; this fund had then been reduced to £50,000 in total.

Members agreed that this budget should be maintained.

Recommendation 3 ~ The limit for individual small grants should be £2,000

The Head of Community Services advised that there was currently a limit of £2,000 for individual grants. Checks were made to ensure that the grants had been used appropriately. The decision to award a grant was delegated to Portfolio Holders.

Members agreed that the limit should be set at £2,000 and that monitoring should continue

Recommendation 4 ~ Application criteria to include projects and 'invest to save' initiatives

The Task Group noted that small grants would be useful for organisations as additional funding in the short term or to make the group more sustainable in the longer term. Several Members commented that a small grant for necessary expenses could, in some circumstances, make the difference to a group's continuance or closure.

Members also recommended that small grants be used to finance specific projects not ongoing revenue requirements.

Recommendation 5 ~ The process for applications should encourage match funding

It was noted that the three-year grant funding programme had caused service users to regard the ending of this scheme as a withdrawal of funding. This reinforced the view that funding created a dependency culture.

Members discussed the case for match funding in order to eliminate a sense of dependence. Responses within the survey had indicated that many organisations which received Council grants were then enabled to increase match funding from other sources.

Members agreed that the small grants application process should encourage match funding but that commissioned services needed to be able to recover the costs of the service required to be provided.

Recommendation 6 ~ Priority areas for grant funding should be:

(i) *Infrastructure support to the voluntary and community sector*

It was agreed that it was important to provide a support network for voluntary organisations and support to enable organisations to be business like in their approach and sustainable.

It was agreed that the principle of 'time-banking' be promoted.

(ii) Enabling people with physical mobility problems to access services in the town centre

A number of Members considered that access to services should be extended beyond the town centre and that the needs of those with disabilities other than physical mobility should be included.

The Head of Community Services advised that it was important to specify the town centre as this was the location for the delivery of many services. She added that were the service to be extended beyond the town centre considerable cost would be incurred. The Head of Community Services noted that 'Shop Mobility' currently provided this facility in the town centre where need had been demonstrated; no evidence of need had been proved in areas beyond the town centre.

Members discussed the suggestion that the wording of the priority should include the needs of those with disabilities other than physical mobility. After consideration it was agreed that the original term be retained.

(iii) Advice Services

Members agreed that this was an important priority through which social deprivation could be identified. It was agreed that commissioned services should be made accessible to all and would take account of culture and language needs, disability access and tackling debt and economic impacts

(iv) Arts and Culture

Members wished to be informed on how the Palace Theatre had benefited the community.

The Head of Community Services advised that the theatre had included a diverse range of events for the whole community and were actively engaging with different groups in the community in order to widen their audience.

Members considered that it was important to reach residents from all backgrounds and that 'outreach into the community' should be included in the Service Level Agreement.

(v) Community Centres

The mapping of council-owned community centres had identified that the centres were mainly in areas of social deprivation on large housing estates. Services and facilities to support local community needs could be based in the centres.

The Head of Community Services advised that the community centres had been asked to work with local communities to identify the needs of local residents and by providing services and other facilities to meet those needs. She explained that whilst the

Council did not run the centres, the Service Level Agreements could require the centres to act as vehicles to support individuals in their areas.

It was agreed that joint working with art and culture organisations should be included in the Service Level Agreements for community centres.

(vi) Sport

Members agreed that sporting facilities should be available for all residents and that groups who were currently non-participants should be encouraged to undertake physical activity because of the known health benefits.

High Level Consultation Summary

This document is a summary of the public consultation responses received through the online consultation software Survey Monkey which totalled 71, the 10 postal responses and 7 1-1 sessions held with organisations.

Total responses to the public consultation was 88

The table below combines all of the responses to the online survey, responses received by post and the 1-1 sessions held. It should be noted that not all respondents answered all of the questions which accounts for the range of responses received on each question.

Survey question	%yes	%no	% don't know	No of responses received	Comments
Is the commissioning framework clear on: <ul style="list-style-type: none"> • The proposed priorities • Reasons for change • Commissioning approach 	79%(57) 72.5%(50) 70.5%(48)	21%(15) 27.5%(19) 29.5%(20)	n/a n/a n/a	72 69 68	The majority of responders felt the framework was clear but helpful suggestions were made for clarification that have been incorporated into the latest version of the document.
Would you like further information or explanation included in the document?	60.5%(40)	39.5%(26)	n/a	66	Whilst a majority wanted additional information included a sizeable minority wanted a simpler version. Officers will ensure that an "Easy read" version of the document is produced once the document is in its final form
Do you agree that the priorities should continue to be supported	50%(34)	38% (26)	12% (8)	68	Although it appears only half of the respondents support the proposed priorities, the majority of those who answered 'no' to this question were not disputing the importance of them but wished for other priorities to be added. There was, therefore, general agreement

Survey question	%yes	%no	% don't know	No of responses received	Comments
					to support the priorities but with some respondents expressing a view that services for the vulnerable should be prioritised over those for Arts and Culture.
Do you agree that the Council should continue to provide small grants to local community and charitable organisations to fund local projects	93.3 (57)	1.7(1)	5.0 (3)	62	The vast majority of respondents were in favour of retaining this funding stream.
If a small grants fund was to continue, what would you expect to see achieved through that funding	n/a	n/a	n/a	47	A range of suggestions were received which have been incorporated in the Cabinet report for members consideration.
Any other comments	n/a	n/a	n/a	39	A wide range of comments were received. A number of these related to a specific service area and endorsed current service delivery.

It should be noted that this was an open consultation process and so anyone was able to access the survey and comment. An analysis of the responses indicates that there was a disproportionately high response from individuals in support of one or two individual organisations. A disproportionate level of similar responses in favour of one area within a survey or in the number of comments relating to one area can indicate that respondents have been directed how to complete the survey. This has to be taken into account when analysing and interpreting survey results.

This high level summary combines the responses to the online survey, responses received by post and the 1-1 sessions held.

Question	Key Comments	Response
<p>Is the Commissioning Framework clear on the proposed priorities?</p> <p>Is the Commissioning Framework clear on the reasons for change</p> <p>Is the Commissioning Framework clear on the commissioning approach</p>	<p>The main themes identified included comments around available funding, provision of services to vulnerable groups and lack of clarity as to which community centres are being referred to.</p>	<p>Financial support for commissioning the priority services will be identified within the council's budget envelope for 2013/14 when approved.</p> <p>The district council does not have the primary commissioning responsibility to deliver services to the vulnerable groups highlighted from the consultation e.g. support services for the elderly, children at risk; youth etc. However when providing services that the council has a primary responsibility to provide or commission we will ensure through our service level agreements with service providers that they are sensitive to the needs of the most vulnerable within the community. In addition, we will continue to work in partnership with other agencies through our network of partnerships and forums to support the vulnerable through a multi-agency approach to tackling the issues.</p> <p>The Commissioning Framework will be updated to clarify that reference to community centres are those in council owned buildings.</p>

Question	Key Comments	Response
<p>Would you like further information or explanation included in the document?</p>	<p>The main themes identified included comments around the need for an equalities impact analysis and also clarity on how the priorities were identified. Specific detail commented upon has been taken account when re-drafting the document where possible.</p>	<p>Under the Equality Act 2010, the council has a duty to complete an Equality Impact Analysis (EIA). This has been completed and is published on the council's website. We have given due consideration to those who fall within the protected characteristics and this is detailed in the EIA.</p> <p>The priorities identified were those that were existing priorities and are not the lead commissioning responsibility of another funder and were supported by clear evidence of need.</p>
<p>Do you agree that the priorities identified in section 7.0 of the draft Commissioning Framework should continue to be supported?</p>	<p>Overall the comments related to the proposed priorities were supportive but a significant number of comments were from those who felt strongly that the council should consider adding a priority relating to services that support vulnerable groups including women facing domestic abuse, children and young people, and those with health issues including mental health issues. Many of those who expressed these views also felt that arts and culture should not have such a prominence over the others.</p>	<p>The comments have raised questions about a possible gap in service provision to those women facing domestic abuse. The council has considered and examined evidence which supports the need for service provision and has been in contact with our partners in the Watford Community Safety Partnership and Herts County Council Domestic Violence and Hate Crime Unit to determine the commissioning responsibilities in this area. A separate analysis and recommendations have been included in the report to Cabinet</p>

Question	Key Comments	Response
		<p>Whilst the council acknowledge the importance of supporting children, young people and those with mental health issues, these are currently the primary lead responsibility of Herts County Council or the health service and not a commissioning responsibility of Watford Borough Council.</p> <p>As previously explained the council will continue to work in partnership with other agencies through our network of partnerships and forums to support these groups through a multi-agency approach to tackling the issues.</p> <p>All the proposed services commissioned including Arts and Culture will be expected to deliver services that meet the needs of the local community including those in vulnerable groups.</p> <p>There is a need to balance service provision for vulnerable people with the need to support arts and culture as a vehicle to deliver economic and other social benefits in line with the council's Cultural Plan and to fulfil the Council's vision. When reaching decisions through the budget setting process on how to deploy the funding available, members will need to make difficult choices. This</p>

Question	Key Comments	Response
		relates not only to the funding to commission services through the VCS but to the cost and provision of existing council in-house services.

Question	Key Comments	Response
If a small grants fund was to continue what would you expect to see achieved through that funding?	Continuation of a small grants fund was significantly supported. The key themes included the need to support vulnerable groups, small local community projects and support to transition VCS organisations to greater sustainability.	In the Commissioning Framework, the feedback has been incorporated into the views of the Scrutiny Task Group and they have highlighted a range of ideas that could be taken into account when creating the criteria. Given the small size of this fund, the challenge will be to select criteria which is specific enough to be meaningful, measurable and has tangible outcomes.

Question	Key Comments	Response
Do you have any other comments you would like to make?	<p data-bbox="817 1035 1420 1214">There were a range of comments around the level of detail within the document. Some views expressed that there was too much jargon whilst others considered that the document was not detailed enough.</p> <p data-bbox="817 1257 1420 1431">A couple of comments referred to supporting the continuation of the Non Discretionary Rate Relief and a request to ensure the VCS community are consulted when the guidelines are reviewed.</p>	<p data-bbox="1444 1035 2047 1174">We have noted this and it is our intention to produce an easy read version once the Commissioning Framework has been finalised.</p> <p data-bbox="1444 1257 2047 1431">Business Rates are currently subject to a change in Government Policy in the form of Local Business Rate Retention. This will impact on the income that Watford Borough Council receives through</p>

Question	Key Comments	Response
	<p>A large number of comments referred to the continuation of support to Watford Women’s Centre to deliver services to women experiencing domestic abuse.</p>	<p>Business Rates. It is the council’s intention that the guidelines on awarding Non Domestic Rate Relief are reviewed at a future date once the consequences of Local Business Rate Retention is fully realised. Finance Services have been advised of the request for consultation with the VCS when the guidelines are reviewed</p> <p>Officers have undertaken a further investigation into the commissioning responsibilities for domestic abuse services and obtained further understanding of the local evidence for service provision. The outcomes of this review have been incorporated into the report to Cabinet.</p>

This page is intentionally left blank

Community Centres Survey

Table of the 20 most deprived Lower Super Output Area (LSOA's) out of 53 in Watford by multiple deprivation

Watford Rank	Ward	Community Centre	LSOA code map reference
1.	Meriden	Meriden	E01023876
2.	Central	Centrepont – Radlett Road	E01023860
3.	Central	West Watford	E01023861
4.	Stanborough	Leavesden Green	E01023891
5.	Holywell	Holywell	E01023865
6.	Oxhey	On border with Three Rivers DC	E01023883
7.	Holywell	Holywell	E01023866
8.	Central	Centrepont – Radlett Road	E01023859
9.	Woodside	Orbital	E01023906
10.	Callowland	Harebreaks – The Square	E01023857
11.	Meriden		E01023873
12.	Leggatts		E01023870
13.	Meriden		E01023877
14.	Central		E01023862
15.	Woodside		E01023905
16.	Holywell		E01023864
17.	Leggatts		E01023869
18.	Vicarage		E01023899
19.	Leggatts		E01023869
20.	Holywell		E01023867

This page is intentionally left blank

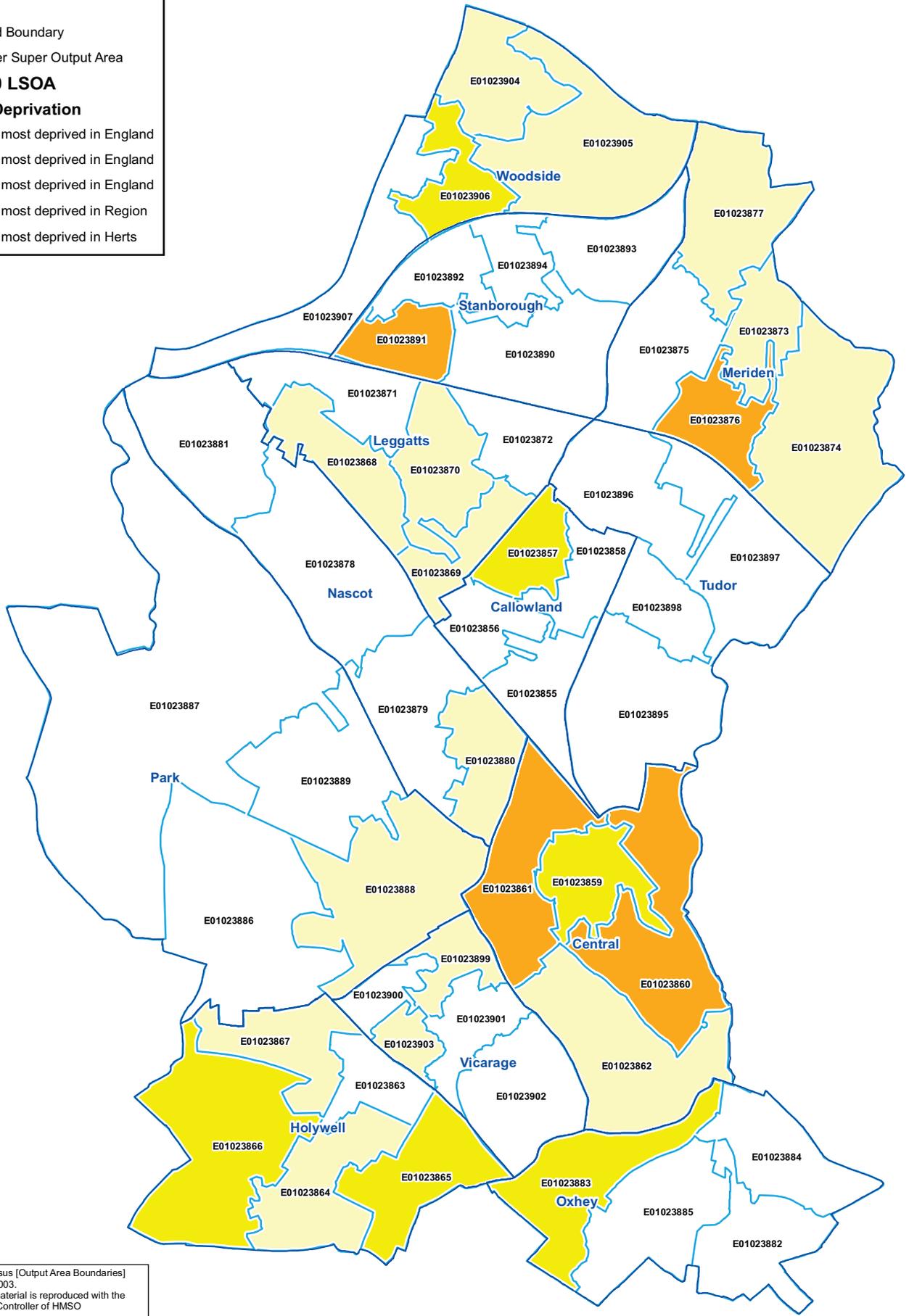
Legend

-  Ward Boundary
-  Lower Super Output Area

IMD 2010 LSOA

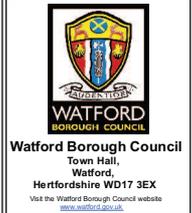
Multiple Deprivation

-  10% most deprived in England
-  20% most deprived in England
-  30% most deprived in England
-  20% most deprived in Region
-  30% most deprived in Herts



Source: 2001 Census [Output Area Boundaries]
 Crown copyright 2003.
 Crown copyright material is reproduced with the permission of the Controller of HMSO
 Department for Communities and Local Government, Indices of Deprivation 2010

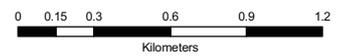
IGIS/MAP DATA REQUESTS:2011_04_13_CORP_IMDMapping_ChrisMcCWMAF_IMD2010_Map1.mxd - 10/10/2011 @ 12:28:13



Map 1: Indices of Multiple Deprivation (IMD) 2010
Multiple Deprivation by Lower Super Output Area (LSOA)

Analysis shows the extent of multiple deprivation in Watford by illustrating which LSOAs are ranked in the top 10%, 20%, 30% in the county, region or nationally

Produced by Paul Morton, Corporate GIS, May 2011



Scale: 1:30,000
at A4

ORDNANCE SURVEY LICENCE AGREEMENT
 © Crown copyright and database rights 2011
 Ordnance Survey 100018689
AERIAL PHOTOGRAPHY
 Copyright GeoPerspectives

This page is intentionally left blank

Report on officer's review of domestic abuse commissioning

County – wide Commissioning

In response to the feedback received as part of the Commissioning Framework consultation officers contacted the Programme manager for the Domestic Violence & Hate Crime County Community Safety Unit at Herts County Council. The purpose of the contact was to establish how services for those experiencing domestic abuse are commissioned at a county and local level. The information received as a result was the following.

Herts County Council take a county wide approach to managing a programme around domestic abuse. The domestic abuse programme is commissioned and co-ordinated by HCC ensuring that all high level DV cases are managed through the multi-agency MARAC process.

Working very closely with the Police, Independent Domestic Violence Advisers [IDVA] and applying the MARAC mapping service, hotspot areas are closely monitored weekly. In addition, by applying these processes, they seek to provide the right services in the most appropriate areas and appropriate allocation of resources.

Services provided are comprehensive but have to be resourced within the funding limits allocated by Government. There are some identified hot spot areas in Watford: the town centre, closely related to the night time economy, and recently one particular estate.

There is capacity in the HCC programme to support those at high risk in these areas.

In addition, as a result of a gap analysis relating to pro-active action with repeat offenders, the police have taken a proactive approach and are now more offender focussed. This approach and the focus on this is already yielding more effective results. In addition a new police unit will be in place Oct/Nov to support this continued approach

A county wide training programme is being rolled out to front line practitioners e.g. midwives, PCSOs and safeguarding leads etc. 22 people have been trained to lead this programme. To date 100 people have been trained in the forementioned front line services.

This programme will help colleagues to identify and respond to the prevention of domestic abuse at an early stage.

Overall in collaboration with the Police there are some comprehensive mechanisms in place to report, monitor and provide a training support programme, supporting a preventative approach to domestic abuse.

Local Commissioning

Domestic abuse is not a current priority for the Community Safety partnership but a local Domestic Abuse Forum (W&TRDAF) exists and is active in bringing together organisations who contribute to tackling the issues as it is a subject that requires multi-agency working to successfully tackle the range of issues that impact on this area of work.

There will be a councillor led Community Safety Scrutiny Task Group on the 10th October which will be focusing on domestic abuse in Watford and a range of agencies have volunteered to come forward and provide information and evidence on the current situation.

The W&TRDAF will also provide input into the Safer Watford Strategic Assessment for this year, which will support the strategic priority setting for next year for the Watford Community Safety Partnership

The Community Safety Manager reports that at the September Watford & Three Rivers Domestic Abuse Forum (W&TRDAF) agencies expressed their concern regarding a recent increasing trend they have experienced of women and children accessing services with domestic abuse related issues, particularly from the Asian and Polish communities.

Currently the Women's Centre provide training and support in response to these needs. There are concerns that any change to funding would leave agencies unable to refer people to a local service provision. The agencies currently referring include, the C.A.B. solicitors, doctors, police and Children's Services. Social Services are referring women as part of their Child Protection & Child In Need Plans, which can include a condition that women must attend the Women's Centre, to undertake a particular course 'My Life' which helps them recognise the risk of their situation and further supports their positive progress away from vulnerability. Concern has been expressed that if these services are not available locally for women to attend it may result in more children deemed 'at risk' the consequences of this could be that they are taken into care. This would reinforce the importance of these services being commissioned and funded through HCC. Currently no funding for this service is received from HCC.

The Women's Centre has provided a local confidential centre, supporting, referring, advising and guiding women and children with domestic abuse issues with one to one and group support. This is achieved with volunteer counsellors providing this year, 2,815 hours of their time, which would have a value of £147,245. 196 women accessed specialist legal services and volunteers provided 5,399 hours of support.

Conclusion

Ideally services to support victims of domestic abuse should be funded and commissioned in a joined up multi-agency way to ensure the provision of services is effectively integrated into the range of service needs that individual victims experience.

At present the county wide commissioning of services does not appear to clearly establish the local needs and how prevention activities should be commissioned and funded.

The Watford Community Safety Partnership will be undertaking the Safer Watford Strategic Assessment for this year and members will also be examining the issues around domestic abuse as part of scrutiny arrangements. This may raise the opportunity to influence a more joined-up commissioning approach in the future.

However this is unlikely to be clarified in time to influence other organisations funding decisions for the next financial year.

Officer Recommendation

Domestic abuse is not the commissioning responsibility of the District Council but it is clear from our Equality Impact Analysis that there would be a disproportionate impact on a protected characteristic group if services were reduced ahead of any decision being made by the primary commissioning organisations regarding the long term support for these services.

Members are therefore recommended, in order to mitigate the EIA risks identified, to agree to provide funding support for 12 months to ensure service provision remains whilst Herts County Council and the local Community Safety Partnership are encouraged to consider the local service needs and priorities, particularly in the light of the positive impacts identified in relation to Children's Services.

This page is intentionally left blank

PART A

Report to: Cabinet
Date of meeting: 8th October 2012
Report of: Head of Strategic Finance
Title: Medium Term Financial Strategy (MTFS) 2012/2017

1.0 SUMMARY

1.1 This report provides an overview of financial issues affecting the Council over the next five years and enables a strategy to be developed to achieve a sustainable budget and to set a Council Tax for 2013/2014.

2.0 RECOMMENDATIONS

2.1 That Cabinet consider the contents of this report and make observations/recommendations as appropriate.

2.2 That the Medium Term Financial Strategy be referred to the Budget Panel for consideration at its meeting on 23rd October.

Contact Officer:

For further information on this report please contact: Bernard Clarke, Head of Strategic Finance
telephone extension: 8189 email: bernard.clarke@watford.gov.uk

3.0 Background

3.1 Council on 25th January 2012 approved the revenue budget and capital programme to apply for 2012/13. It also recommended to Functions Committee the levels of council tax (no increase) to apply from 1st April 2012. These decisions were influenced by the Medium Term Financial Strategy which covered the period 2011 to 2016 and which has sought to achieve a 'sustainable budget' over the medium term.

3.2 It is now necessary to revisit the MTFs as an essential part of sound financial planning and will need to consider:

- the Revenue and Capital Outturns for 2011/2012
- any identified pressures during 2012/2013 and future years
- Watford Council's progress in meeting efficiency savings
- Forecast Net Expenditure
- Central Government Funding
- Watford's council tax base and collection levels
- The levels of reserves and balances

3.3 Subsequent sections of this report will consider each of these issues which will then be incorporated in a revised MTFs covering the period 2012/ 2017

3.4 There does need to be a general 'Health Warning' and that relates to the fact that fundamental changes to the financing of local authorities will be introduced within the next 6 months and there is currently a lack of information and great uncertainty regarding the effects upon individual councils. The Budget Panel will receive a report upon the Medium Term Financial Strategy at its meeting on 23rd October where it is hoped that more information will be provided.

4.0 Revenue and Capital Outturn 2011/2012

4.1 These were reported to Budget Panel and Cabinet at their September meetings and, in summary, the revenue outturn indicated a £251k underlying over spend but, due to one off Final Account issues, the level of reserves actually increased by £1,230,408. These headline figures have been reflected within the remainder of this Report.

4.2 With regard to the Capital Outturn, it indicated a capital spend (including Section 106 projects) of £10,066k in 2011/2012. The remainder of the current capital programme is anticipated to require funding of £24,744k which will effectively use up all available capital receipts. The MTFs has taken that into account when calculating future levels of investment interest accruing to the Revenue Account.

5.0 Identified Pressures During 2012/2013 and Future Years

5.1.1 The first pressures that need to be factored in relate to those variations within the 2011/2012 Outturn that will recur in 2012/2013 and future years. Some of these variances such as commercial rents and homelessness costs had already been built into the MTFs but it is anticipated there will be the following additional pressures:

- * Shared Services Operating Costs £200k (relates to Revenues & Benefits/ ICT)
- * NNDR Discretionary Rate Relief £ 70k (additional applications)
- * Shortfall in Income from parking £100k (excludes CPZ related parking)

5.1.2 Clearly there have been some off setting savings during 2011/2012, but it cannot be assumed that these will recur in 2012/2013. The MTFs will therefore make provision

for an additional £370k of pressures arising from the 2011/2012 Outturn.

5.2.1 In addition to Outturn variations, account needs to be taken of budgetary pressures arising in 2012/2013. At this stage of the year, there have been limited budget variations reported through the Finance Digest that have not been accommodated within 5.1 above. The only variations worthy of note include:

* favourable variance on community safety	(£70k)
* anticipated further loss of commercial rent income	£220k
- to reflect the full year effect of Peacock's closure	
* service prioritisation shortfall	£196k
- discussed later.	

5.2.2 The effect of these major variations results in a further £346k addition to the 2012/2013 budget.

5.3 As in the past, Heads of Service have been requested to consider any likely unavoidable/ statutory growth that may occur in 2013/2014 onwards. As part of that process they are also required to identify potential additional savings that have not already been identified. Leadership will consider any such variations which will be reported to Cabinet in December/ January.

5.4 The MTFs should also take into account any known pressures arising in 2013/2014 and will include any implications arising from Government proposals such as the local council tax benefit scheme. At this point in time it is assumed that it will be self financing—but will need to be reviewed before budgets for 2013/2014 and future years are finalised.

5.5 Finally, a review of inflation should be carried out to test previous assumptions. With regard to Pay Awards, the Chancellor of the Exchequer's Autumn Statement in November 2011, indicated it would expect public sector pay increases to not exceed 1% in 2013 & 2014.

For the purposes of the MTFs the following pay assumptions have been built in therefore:

2012/2013	Nil
2013/2014	1%
2014/2015	1%
2015/2016	1%
2016/2017	2% (to reflect the fact that inflation will start to rise)

(A 1% pay award equates to an additional circa £160k for Watford and Watford related shared services staff).

5.6 The staff pay model has been interrogated and full allowance for scheduled increments has been built into the MTFs. This is on the basis of current staff levels with adjustments where it is likely that staff changes will occur. Any potential outsourcing of services has been ignored within these staffing figures and any efficiency savings will be set against Roadmap savings discussed later in this report.

5.7 With regard to potential pensions (employers superannuation) implications, the MTFs continues to reflect advice from Herts County Council. No increase in the superannuation rate is anticipated until April 2014 when a 1% increase is anticipated (increasing the rate from 26.8% of gross pay to 27.8%). A further 1% increase is anticipated in 2016/2017. .

- 5.8.1 Finally with regard to price inflation, it was anticipated that this would fall consistently during 2012/2013 and be comfortably below the Bank of England target of 2%. The current rate of inflation (August 2012) indicates the Consumer Price Index (CPI) is 2.5% and the Retail Price Index (RPI) is 2.9% and is anticipated to fall slowly (but may be affected by oil price increases should supplies from Iran and neighbouring countries be affected).
- 5.8.2 In past years Watford has set a target for no increases in price inflation with most heads of expenditure being cash limited. The MTFS has assumed that will again apply throughout the five year profile and is based upon improved procurement and volume reductions to counter any inflation effects.
- 5.9 There will be exceptions to this cash limiting and that relates to any contracts where an inflationary uplift (such as RPI) has been built in. Inflation will also be applied to individual cost centre heads for all utility costs (gas, electricity, water) and fuel costs and for MTFS purposes provision of £70k year on year has been included and will be built into base estimates in due course.

6.0 Progress in Meeting Efficiency Targets

- 6.1 Cabinet will recall that a 'Service Prioritisation' process identified circa £3m of efficiencies to be realised during the period 2011/2012 to 2013/2014. Periodic reports have been produced both for Budget Panel and Cabinet and which has identified progress to date. The latest review of anticipated savings in 2012/2013 indicate a shortfall of £196k (against a target of £943k of efficiencies) and largely comprises a review of some of the initial proposals.
- 6.2 The original Service Prioritisation process had anticipated a final residual saving of £228k in 2013/2014 and essentially was the deletion of Executive Director Services and Head of Strategic Finance posts. There is likely to be a delay until end of June 2013 in deleting the finance post and, in addition, the probable replacement Joint Section 151 officer post with Three Rivers will only realise a full year saving of 50% of the revised proposals. The net effect will be a shortfall in 2013/2014 of £120k, with a shortfall thereafter of £100k both of which need to be reflected within the MTFS.
- 6.3 The Council has sought to build upon the Service Prioritisation process through a 'Future Council Roadmap' which has attempted to generate a further £2m of savings and a detailed programme is being evaluated at the present time. The revised MTFS has however included an initial profiled target saving (but has allowed for a £350k contingency for possible non achievement).
- 6.4 As part of this process, an outsource of ICT Shared Services has taken place (results currently being evaluated), a review of the Internal Audit Shared Service function is in progress, and the potential outsourcing of waste, re-cycling, street cleansing and parks and open spaces has just commenced. Channel shift and greater use of the internet is also being pursued.

7.0 Forecast Net Expenditure

- 7.1 A revised Forecast net expenditure for the Council covering the period 2012/2013 to 2016/2017 has been reflected within a revised MTFS attached at **Appendix 1**. This indicates a revised net expenditure of £15,633k for 2012/2013 and represents a £733k potential increase in the budget and reflects the variations referred to in paragraphs 5.1 & 5.2. Projections are also shown for 2013/2014 onwards.

7.2 This information in isolation is of limited use as it needs to be related to the funding available to the Council and that is covered in subsequent sections of this report.

8.0 Central Government Funding

8.1 Central Government Review of Public Expenditure Targets

8.1.1 Central Government carried out a spending review in Autumn 2010 and which would apply for a four year period 2011/2012 to 2014/2015. The consequence of that review was that there was a statement that all local authorities would receive 28% less Government support in cash terms (over the 4 year period) than was received in 2010/2011. The reality was that District Councils were treated adversely and, with the effects of inflation, reductions for Watford was 28% for the first two years alone.

8.1.2 The original proposals within the Spending Review indicated that the reduction in Government funding (nationally) for 2013/2014 and 2014/2015 would be 2.8% and 7.2% respectively. In July 2012 the DCLG published a technical consultation paper relating to the wider issue of Business Rates Retention and stated ...'in order to insure that there will be sufficient funding available to fund the New Homes Bonus, we will be removing £2 billion (per annum) for the entire NHB period...'

8.1.3 The Paper then continues to discuss the impact upon 'Control Totals' and indicates that local authorities will receive a reduced level of general funding of 12.3% in 2013/2014 (compared to 2.8% originally), and 8.7% less (compared to 7.2% originally).

8.1.4 A subsequent addition to this technical paper was published on 23rd August and indicated that it may reduce the original top slice of £2 billion to a reduced figure of £845m in 2013/2014 and circa £1.2 billion in 2014/2015. This should still guarantee that the New Homes Bonus will be met in full. Whilst this represented good news the additional paper also produced exemplifications of the likely base starting point for the Business Rate Retention scheme and this information was far from re-assuring and is discussed within section 10 of this report.

8.1.5 The Chancellor of the Exchequer does not intend to announce the 'Autumn' Statement until 5th December and no firm information will be produced by the DCLG until after that announcement. This is clearly unsatisfactory for financial planning purposes but nevertheless the revised MTFs has attempted to interpret the mixed messages emanating from Whitehall. Appendix 1 therefore assumes a 10% cash reduction to Revenue Support Grant/ Business Rates in 2013/2014 and 2014/2015 with a 5% year on year cash reduction in 2015/2016 and 2016/2017.

8.1.6 The consequence for Watford is that Central Government general funding support is forecast to reduce by circa £1,030k over the two year period 2013/2015 and these losses need to be a major consideration when considering the New Homes Bonus in the next section of the Report.

8.2 New Homes Bonus

8.2.1 Exemplifications have been produced by colleagues within the Housing, Planning and Revenues Divisions and have taken into account new housing schemes in the pipeline and it is currently estimated that Watford will receive the following Government grant from the New Homes Bonus:

	£k
2012/2013	1,516
2013/2014	1,540
2014/2015	1,895
2015/2016	2,221
2016/2017	2,420

8.2.2 Undoubtedly a large proportion of this NHB will need to compensate for the anticipated significant reduction in general Government funding referred to at paragraph 8.1. It was also anticipated that part of this funding would be allocated to the Capital programme of the Council where there are annual housing initiatives of £800k financed annually. The revised MTFs at Appendix 1 indicates however that the NHB will be required to support the annual revenue budget (if council taxes are not to rise).

8.3 Business Rates Retention (BRR)

8.3.1 Since its original announcement (which was reported to Budget Panel on 12th June) the Government has watered down the original concept by:

- retaining 50% of all present and future business rate income as part of the current Revenue Support Formula Grant system
- introducing tapers and safety nets which reduces much of the impact at a local authority level. It is also heavily skewed whereby it has been estimated that the risk reward ratio is 3:1 slanted towards risks to local authorities with very little reward.

8.3.2 As referred to at paragraph 8.1.4 a technical paper has been published on 23rd August 2012 and which released all individual authorities provisional 'Proportionate Shares'. What this effectively means is that a calculation has been made of the past 5 years business rates bases for all authorities. For Watford it has calculated that the base position for business rates collection will be £63,853,794. This appears extremely optimistic when actual and potential write offs have been taken into account. If this were to be confirmed then it would mean that Watford will be unlikely to collect this level of assumed income and would probably be a recipient of safety net protection. Further, if an artificially high base position is set at the outset then it is highly unlikely that any future growth will bring benefits as it would just move the business rate income closer to the unrealistic ceiling.

8.3.3 A further issue relates to assumptions to be made by the Treasury relating to the rate of business rate growth in the future. The Local Government Association is extremely concerned that forecasts are likely to be extremely optimistic and this again will disadvantage ('risk') authorities and provide no additional sources of income.

8.3.4 The original and additional technical consultation papers can be viewed on the DCLG website at:
<http://www.communities.gov.uk/publications/localgovernment/businessratestechnical>

8.3.5 The papers asked 84 separate questions many of which did not affect District Councils. As a consequence, the Head of Strategic Finance submitted a response that just covered the four main areas of concern and is reproduced below:

- Population: that the latest figures should be used (Interim 2011) rather than 2010 data (as Watford's population has increased and this should be recognised).

- New Homes Bonus: that only sufficient funding to finance the NHB/ capitalisation and safety net should be top sliced from the Revenue Support Grant system. The original intention was to top slice £2 billion regardless of whether it was required.
- Determining Proportionate Share: that it is optimistic and does not recognise the levels of write offs/ potential write offs –‘in administration’ that will actually occur.
- The Safety Net: in the light of the increased risk of shortfalls in Business rate Income, that the safety net should kick in after a 5% shortfall rather than the proposed 7.5% to 10% currently proposed.

8.3.6 The overall effect of potential shortfalls in business rates has been reflected within the assumption of a 10% year on year cash reduction in Revenue Support Grant/ Business Rates and as covered within Section 8.1.5 of this report.

8.4 Local Council Tax Benefit Scheme/ Universal Credit

8.4.1 The Government has previously announced a 10% reduction in the amount of benefit subsidy received by all local authorities in administering the Local CT Benefit scheme. In reality, due to increases in the volumes of benefits claimants in 2012/2013, the reduction may actually be closer to a 15% loss of subsidy. It has been assumed within this MTFs that, whatever the ultimate loss of subsidy, it will be compensated by changes implemented through a review of the local council tax benefit scheme.

8.4.2 It should be noted that many of the proposed amendments actually reduce current council tax discounts such as empty properties and will not directly affect the receipt of housing benefit. If these proposals are confirmed then the council tax base will increase and this is discussed at paragraph 9.2 below. No allowance for the potential effects of the introduction of Universal Credit in October 2013 (and the effect upon benefits administration) has been made within this revised MTFs.

9.0 Council Tax Base and Collection Levels

9.1 The net revenue expenditure of the authority is chiefly financed by Central Government support (Grant and Business Rates re-distribution) and from Council Tax. With regard to council tax the ‘yield’ is calculated by the actual council tax base (presented as ‘Band D’ equivalents), the collection levels of payment and the actual council tax levels set by the Council. The actual level will not be decided until January/ February 2013 when all relevant information is available.

9.2 The Council Tax Base is estimated geared to the latest information regarding the council tax base with an assumption for future net additional accommodation coming on stream. For the 2012/2013 budget setting a CT Base of 33,055 Band D equivalents (based on a 97.5% collection level) was assumed. The actual council tax base as at 31st March 2012 was 33,505 and reflects an increased supply of housing across the Borough. This is likely to increase further as part completions, reductions in numbers claiming single persons discount and empty property discounts take effect. The tax base is likely to be estimated to be 33,605 but this is based upon a 97.5% collection level (see next paragraph of the report). Should a 97% collection level now be assumed then the Council Tax base (at Band D equivalents) would be 33,433 (and is directly comparable with 33,155 initially assumed for 2013/2014). It should be noted that any increase in the base due to reductions in discounts (and as referred to at paragraph 8.4.2) has not been included within these calculations at this point in time.

9.3 The levels of council tax collected can be adversely affected by the state of the economy and individual householders disposable income. In that respect, the past few years have been difficult for many parts of the community. The 2012/2013 Council Budget was prepared on the basis that 97.5% of all Council Tax would eventually be collected. The latest collection figures show that, as at the end of August, 46% has been received (against a target and last year actual of 46.5%). Recovery procedures are reasonably up to date and this reduced level of collection may well indicate pressures individuals are experiencing.

9.4 Should there be an ultimate shortfall in collection for 2012/2013 then it is anticipated that this can be met from the statutory Collection Fund operated by the Council on behalf of Watford/ Herts County Council and Herts Police Authority. This is because the actual council tax base for 2011/2012 (as referred to at paragraph 9.2) was higher than anticipated and should result in an overall surplus which would then be available to cushion any shortfall in collection levels in the current year. For 2013/2014 and future years the collection level and the Medium Term Financial Strategy has assumed a collection level of 97%.

9.5 In summary, this section of the report indicates that the council tax base will be higher than originally forecast, but that collection levels will be worse. For future years an annual increase in the council tax base of 100 per annum to reflect additional properties has been assumed and factors in the fact that there may be an increased number of exemptions in the future if current regulations change.

10.0 Levels of Council Tax

10.1 Decisions upon the level of council tax to apply for 2013/2014 will not be taken until February 2013 when all relevant factors are known. For the purposes of financial planning the MTFS has to make some assumptions so that the effect upon use of reserves / achievement of a sustainable budget can be assessed.

10.2 For the purposes of the revised MTFS attached at Appendix 1 it has been assumed that council tax will not increase in 2013/2014 and 2014/2015 but will rise by 2.5% annually thereafter. As a guide, a 1% increase in council tax increases the council's income by circa £84k.

11.0 Conclusions from The Revised MTFS

11.1 **Appendix 1** indicates forecast expenditure and corresponding funding over a five year perspective. Over that period expenditure is anticipated to fall from £15,633k to £15,299k (a 2.1% cash reduction; or circa 12% reduction when inflation is applied). With regard to Central Government funding (from all sources) that is anticipated to fall from £7,142k to £6,381k (an 11% cash reduction).

11.2 In order to produce a balanced budget expenditure and income must be the same and in the absence of additional government support can only come from levels of council tax or reserves. Assumptions regarding council tax has been discussed at Section 10 of this report and it is now necessary to consider the availability/ use of reserves.

12.0 Availability of Reserves

12.1 **Appendix 2** attached to this covering report details the Council's total holding of reserves and balances. It is important to stress that earmarked reserves generally cannot be accessed as they are set aside for specific purposes or, in the case of the Charter Place reserve, is not actually the council's money.

- 12.2 A key question that is generally asked is 'what is the optimum level of reserves'. Opinion varies. The Secretary of State for Communities and Local Government would probably state 'as little as possible'. But that is not a sensible proposition. Paradoxically Watford's external auditors, Grant Thornton, take an opposite view as they wish to see a fair degree of resilience in order to meet any future adverse factors. It is certainly the case that some local authorities have reduced their levels of reserves (in order to avoid expenditure reductions) and might well be in a precarious position.
- 12.3 Watford would appear to have a good level of reserves and these have recently increased due to a few large 'balance sheet' favourable adjustments. There are however a number of **key risks** which have large financial 'penalties' attached to them and include:
- housing benefit subsidy is a £40m cost centre. The 2011/2012 claim for receipt of re-imburement from Central Government has yet to be audited by Grant Thornton. Should errors be discovered within the sample of benefit payments then this is 'extrapolated' as if it has been repeated throughout all calculations. Watford has suffered claw back of subsidy in the past.
 - there is an ongoing legal issue about whether all local authorities will have to pay back land charge income they have received in respect of personal local land charge searches in the past. The Council will need to ensure that it has sufficient funds to pay either any settlement agreed or any adverse judgment against it. Whilst it would be hoped that the Government might cover this, the council has to assume for these purposes that it wont.
 - A stock condition survey is to be carried out into the condition of the multi storey car parks in the near future. Any structural repair will be the responsibility of the Council. Whilst this would normally be a charge against the capital account, it is likely that all capital receipts will have been utilised. The Council does of course have the option to borrow from Government to fund any structural works but it is possible that reserves will have to be utilised. Alternatively, if the management of the car parks continues to be operated through the private sector then the works could be funded up front through private finance but our level of annual income would be reduced to finance the capital cost.
 - Commercial rents also continues to be a potentially volatile area as the retail sector in particular is continuing to experience adverse trading conditions. In the short term whilst there will be redevelopment at Charter Place (hopefully rent guarantees from Capital Shopping Centre may mitigate this risk) and possibly at Watford Business Park, then annual income may suffer.
 - Pay Inflation within the MTFs may well be understated. Whilst the Chancellor of the Exchequer in his Autumn 2011 Statement 'imposed' a 1% pay ceiling in 2013 & 2014 (following a pay freeze in 2011 & 2012) this is not binding on local authorities. Within the wider public sector industrial action is highly probable and some leeway may prove inevitable. It is understood that the local government employers may be considering a 3% pay award in April 2013 and if this were to occur, this would add £320k to base estimates in 2013/2014 onwards.
 - Local Council Tax Benefit Scheme/ Universal Credit. Should the Council not achieve necessary reductions to compensate for loss of Central Government funding then a potential £150k shortfall would occur (this is based upon a 15% reduction in Government Funding). With regard to Universal Credit which is anticipated to be introduced in October 2013, no financial effects have been included within the MTFs. It is probable that Housing Benefit Administration Grant will be reduced (currently £680k in 2012/2013) as responsibility for

administration is due to be transferred to HMRC). Should staffing levels need to be reduced then the Government has indicated that TUPE would not apply and any severance costs would fall to individual local authorities.

- Business Rates Retention-has been fully covered at Section 8.3 of this report.

12.4 **Appendix 2** has analysed Reserves into three different categories Earmarked; Capital Related; and General. Attention should be focussed upon those reserves loosely defined as being "General". Even within this category however there are reserves such as the Housing Benefit Subsidy (£997k) and Pension Funding Reserve (£1,375k) which may ultimately be required for specific purposes. With this caveat the level of General Reserves is £8,455k.

12.5 Paragraph 11.2 referred to the need each year to produce a 'balanced' budget whereby expenditure and income are equal. By reference to the revised MTFS at **Appendix 1** the balancing line (under 'Funded By') is 'From Reserves to Fund Overspend' and this indicates for 2012/2013 £383,029 will need to be taken from reserves in order to produce a balanced budget.

12.6 Over the five year period 2012 to 2017, £1,873k of reserves are required to finance ongoing deficits within the revenue budgets. This may be an optimistic scenario as proposed Road Map savings have yet to be realised and issues arising from potential key risks may materialise.

12.7 If the Revised MTFS were to be an accurate forecast then the General Level of Reserves would reduce to £6,582k and the Council would need to give serious thought if this balance was allowed to fall below £5m.

12.8 Against this background reserves could be utilised as follows:

- stop making any further efficiency savings and allow the expenditure base to increase. Against this is the fact that Audit Commission Profiles in the past has indicated that Watford was high cost. Further, the end of year external audit report to the Audit Committee on 25th September 2012 also highlighted... 'the achievement of efficiency savings remains of vital importance in order that the Council is able to continue to maintain a strong level of balances..'
- selectively increase expenditure in some areas. The extent of this additional spend will be important as it will become entrenched within base budgets for the foreseeable future.
- freeze all fees and charges within our control and this effectively occurred in 2012/2013. Fees and Charges proposals will be considered by Budget Panel in the first instance at its meeting on 27th November.
- Reduce Council Tax. Over the past three years the Council has reduced CT by 1.4% in 2010/2011 and did not increase it in either 2011/2012 and 2012/2013. The revised MTFS has assumed no increase in 2013/2014 and 2014/2015. In general terms people welcome this level of stability. If council tax were to be reduced then it should ideally be sustainable in future years as a one off reduction followed by a next year increase does not aid household planning. Nationally, all local authorities are experiencing severe Central Government funding reductions where Watford's council tax payers might prefer to see services maintained rather than tax reductions which might be viewed as a 'gimmick'.

13.0 CONCLUSION

- 13.1 The Revised MTFS has been updated to take into account latest (imperfect) financial knowledge. It indicates that the Council's medium term financial planning has been effective in avoiding sudden reductions in service delivery. It also indicates that there will be no immediate prospect of reductions in government funding being reversed.
- 13.2 What is also apparent however is that the sustainability of the revenue budgets is totally dependent upon utilising in full the New Homes Bonus. This should be reasonably secure for the duration of the current MTFS but should future government policy change (and the NHB funding was not ploughed back into general government grant support) then the Council would have a large deficit on its revenue account. This would of course apply to many other authorities.
- 13.3 Finally what the revised MTFS indicates is that the 2016/2017 budget would require a contribution of £213,913 from Reserves and would not have achieved the ultimate aim of producing a sustainable budget.

14.0 IMPLICATIONS

14.1 Financial Issues

It is good practice to regularly review the Medium Term Financial Strategy because that will provide an early indication whether the 2013/2014 Budget can be delivered within available resources. This report does provide that level of re-assurance.

14.2 Legal Issues (Monitoring Officer)

The Head of Legal and Property Services comments that any legal implications are contained within the body of the report.

14.3 Potential Risks

Potential Risk	Likelihood	Impact	Overall score
That there will be an overspend in 2012/2013 (which cannot be financed)	4	2	8
That over the medium term the Council will be unable to finance its revenue budgets.	1	4	4

14.4 Staffing

No Direct implications as a result of this report.

14.5 Equalities

- 14.5.1 Watford Borough Council is committed to equality and diversity as an employer, service provider and as a strategic partner. In order to fulfil this commitment and its duties under the Equality Act 2010 it is important to demonstrate how policies, practices, and decisions impact on people with different protected characteristics. It is also important that the Council is not discriminating unlawfully when carrying out any of its functions.

14.5.2 This report provides an overview of the Council's financial position and does not detail any specific decisions that have equality implications.

14.6 **Accommodation**

None Directly

Appendices:

Appendix 1 Revised Medium Term Financial Strategy

Appendix 2 Detail of Reserves as at 1st April 2012

Background Papers:

Business Rates Retention Consultation Paper: at web site

<http://www.communities.gov.uk/publications/localgovernment/businessratestechnical>

MEDIUM TERM FINANCIAL STRATEGY
General Fund Budget Projections 2012/13 - 2016/17 as at 23-July 2012

	2012/13	2013/14	2014/15	2015/16	2016/17	
Base	15,839,830	15,633,050	15,429,190	15,415,940	14,825,940	
Service Prioritisation: Phase I	(942,780)	(228,000)	-	-	-	Corp director £135K + Dir Fin £93K
Service Prioritisation shortfall	196,000	120,000	(20,000)	-	-	Based upon latest review
Savings per Cabinet 16-Jan-12		(37,170)	(2,250)	-	-	See cabinet report 16-jan-12
Variance on Community Safety	(70,000)	-	-	-	-	
Growth items in 12/13 that reduced in future years		(94,700)	(25,000)	-	-	See cabinet report 16-jan-12
Council Roadmap Efficiencies		(329,000)	(669,000)	(900,000)	(117,000)	To be specified?
Council Roadmap Contingency		-	100,000	250,000	-	
Reduced Investment Interest		55,000	50,000	50,000	-	BJA200-N0204
Commercial Rents	220,000	-	-	(200,000)	-	FPA000-I0633
Homelessness Bed and Breakfast		-	-	-	-	JAG000-B0307
Revenues and Benefits: Reduced administration grant		21,000	-	-	-	BAK900-J0109
Elections - cyclical profile		(80,000)	150,000	(70,000)	-	AGR000-D0101
Shared Services - Operating Costs / Phase 2	200,000	(50,000)	(50,000)	-	-	Pending Shared Service budgets
Pay Inflation / Increments		309,010	210,000	210,000	360,000	Pending salary recalculations
Employer's Superannuation Contributions		-	160,000	-	160,000	2014/15 as advised by HCC Pensions
Contract / Utilities / Fuel Inflation		70,000	70,000	70,000	70,000	Pending inflation assumptions
Fees and charges shortfall	100,000	40,000	-	-	-	Pending fees & charges report. Relates to non-CPZ income and Recycling AFM payments
NNDR Discretionary Rate Relief	70,000	-	-	-	-	
Salaries-Property Division	20,000	-	(20,000)	-	-	
Cultural Quarter reunning expenses		-	33,000	-	-	
Net Expenditure	15,633,050	15,429,190	15,415,940	14,825,940	15,298,940	
Funded By:						
RSG Formula Grant / redist. NNDR	5,418,740	4,876,866	4,389,179	4,169,720	3,961,234	BJA300-N0301 / BJA300-N0304
CLG Grant for Council Tax Freeze	206,460	204,688	204,688	-	-	BJA300-N0306
New homes bonus	1,516,360	1,540,000	1,895,000	2,220,586	2,420,000	BJA300-N0308
Planned contribution to Earmarked Reserves	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	BJA450-M0201-WRV026 (Vehicle resv)
From Reserves to fund overspend	383,029	604,735	699,188	(27,306)	213,193	BJA451-M0301-WRV025 (Econ impact)
	7,374,589	7,076,289	7,038,055	6,213,000	6,444,427	
Council Tax Requirement	8,258,461	8,352,901	8,377,885	8,612,940	8,854,513	BJA300-N0303
CTR target	8,258,461	8,352,901	8,377,885	8,612,940	8,854,513	
Council Tax Base	33,055	33,433	33,533	33,633	33,733	
Council Tax % increase	0.00	0.00	0.00	2.50	2.50	
Average charge	249.84	249.84	249.84	256.09	262.49	
Collection rate as a percentage	-	97.00	97.00	97.00	97.00	

This page is intentionally left blank

Cost Centre	Description	Balance 1-Apr-2012
VHF000	General Fund	-1,350,000.00
	<u>Earmarked Reserves</u>	
VFD000	Car Parking	-575,236.00
VGH000	Charter Place	-476,240.00
VGU000	Le Marie Centre	-12,868.00
VHL000	Rent Deposit	-100,000.00
VHM000	Homeless Prevention	-112,238.00
VNL000	Climate Change	-48,470.00
VNN000	Re-cycling	-11,700.00
VLU000	Budget Carry Forward	-301,337.00
	<i>Sub-total Earmarked Reserves</i>	<u>-1,638,089.00</u>
	<u>Capital Financing Reserves</u>	
VLM000	Capital Fund	-2,182,642.00
VG000	Multi-Storey Car Parks	-182,784.00
VHG000	Leisure Structural Maintenance	-422,513.00
VLN004	Vehicle Replacement	-425,000.00
	<i>Sub-total Capital Financing Reserves</i>	<u>-3,212,939.00</u>
	<u>General Reserves</u>	
VHN000	Housing Benefit Subsidy	-996,616.00
VLS000	Performance Reward Grant	-119,908.00
VLL000	Invest To Save	-1,419,580.00
VLP000	LA Business Growth Incentive	-641,145.00
VLR000	Area Based Grant	-86,050.00
VLT000	Housing & PDG	-300,934.00
VLV000	Economic Impact	-1,250,276.00
VLQ000	New Homes Bonus	-542,497.00
VHK000	Exam In Public - LDF	-312,722.00
VLN002	Future Pension Funding	-1,375,000.00
VLN003	Insurance Fund	-100,000.00
VLW000	Development Sites - Decontamination	-1,310,324.00
	<i>Sub-total General Reserves</i>	<u>-8,455,052.00</u>
	Grand Total Reserves	<u><u>-13,306,080.00</u></u>

This page is intentionally left blank

Part A

Report to: Cabinet
Date of meeting: 8 October 2012
Report of: Managing Director
Title: Approval of Final Charter Place Land Transaction with delegated power to the Managing Director to enter into the necessary legal documentation

The Mayor has agreed that this report can be dealt with as a late report. The reason the report was not circulated at the time of agenda publication is based on the fact that commercial negotiations with Capital Shopping Centres (CSC) are still ongoing.

1.0 **SUMMARY**

1.1 This report provides an update across a range of specific issues that have arisen during commercial negotiations with CSC. This follows Cabinet approval on 18th June 2012 to abandon previous OJEU procurement and negotiate detailed terms with them. Further, an all members briefing was held on 27th September 2012. None of the changes are considered material enough to affect the overall recommendation to proceed with CSC. Discussions with CSC have, however, particularly further clarified their management and financial proposals in respect of the four 'satellite' car parks and it is preferable for WBC to take these back and manage them using a national car park management company.

The report is designed to highlight the new issues and considerations as possible pertinent to Cabinet to enable it to make strategic decisions on the recommendations below. However, in such complex commercial property transactions it cannot provide full commentary on all detailed negotiation matters.

1.2 Recommendations are made to finalise and complete the land transaction with CSC along with related transfer of management to them, and to enable a new management strategy for the Satellite Car Parks.

The property team have investigated and evaluated two options for Satellite Car Parks.

1. CSC's proposal to continue leasing the Satellite Car Parks, and
2. WBC taking back the car parks and procuring a car park operator to manage the car parks on behalf of WBC

Financial modelling strongly indicates that Option 2 is financially more attractive to

WBC in particular in the medium to long-term. It would also enable WBC to exercise greater control over tariffs and general management. The Satellite Car Parks are crucial in contributing to the future growth and prosperity of the town and provide core income to WBC to support service delivery budgets.

A further recommendation is made to support the principle of Compulsory Purchase, if this is necessary to enable the redevelopment, subject to a full cost indemnity with CSC.

2.0 **RECOMMENDATIONS**

2.1 The following recommendations effectively update those contained in the Cabinet report of 18th June.

It is recommended that the Managing Director be authorised to:

1. Complete negotiations and the suite of legal documents with CSC (including relevant subsidiary group companies) and to enter into a binding agreement for the land transaction.
2. Complete the transfer of management responsibility for the existing Charter Place shopping centre and Charter Market to CSC, including TUPE transfer of current Council staff to Europa (CSC's Facilities provider), as soon as possible linked to completion of binding lease agreements.
3. Agree commercial terms and complete legal documentation regarding CSC's surrender of the Satellite Car Parks in 2013, or if this is not achieved exercise the Council's March 2015 break notice option in the existing lease.
4. Subject to achieving a surrender on the CSC's lease of the Satellite Car Parks, to commence procurement of an external partner to manage the car parks (including structural maintenance) on WBC's behalf, if necessary taking appropriate external independent advice. In the event that a surrender cannot be agreed, to commence procurement so that a car park management contract is in place from the return of the Satellite car parks in March 2015.

Additionally, in order to facilitate the redevelopment and comply with the terms of the agreements with CSC, that:

5. Cabinet agrees in principle to support a Compulsory Purchase Order to acquire such land holdings and any rights affecting those land holdings as may be necessary for redevelopment of Charter Place and adjoining holdings on the High Street, if requested to do so by CSC, and subject to a full funding indemnity by CSC, which is to be provided as part of the suite of documents comprising the land transaction with them.

Contact Officer:

For further information on this report please contact: Alistair Burg, Head of Property (extn 8221) alistair.burg@watford.gov.uk; Hannah Heinemann, Development Project Manager (extn 8212) hannah.heinemann@watford.gov.uk

Report approved by: Manny Lewis, Managing Director.

3.0 BACKGROUND

3.1 Activity since 18th June 2012

Since the previous Cabinet report, considerable work and negotiation has been undertaken refining the details of the Heads of Terms (HoTs) agreed between the parties. These outline the key points of the transaction but necessarily do not include more detailed legal and management issues. Charter Place is a complex building, reflected in the various legal rights and issues relating to it.

Legal and Property services have used the opportunity of the transaction with CSC to re-tender external legal advice, significantly reducing its cost by over £50k. Pinsent Mason, who have also been appointed to advise on Ascot Road, were appointed in July and have quickly and pro-actively 'got up to speed'.

As is normal for transactions of this type and scale, the Council has provided a range of 'due diligence' information to CSC. The draft suite of legal documents has been issued and detailed terms within these agreements are now being negotiated.

It was originally anticipated that CSC's lease of Charter Place, along with transfer of management responsibility, would take place on 1st October. This has not proved possible due to a small number of practical site management and related legal reasons particularly following various site inspections and surveys. Both teams remain optimistic that transfer will be achievable by the end of October.

Timing, funding and management options relating to the surrender of CSC's car park lease for the 'satellite' car parks (Palace (Charter), Gade, Sutton and Church) are discussed at section 4.5 below.

Options regarding provision, management and funding of a possible additional market are currently being explored in conjunction with the Market Working Group sub-group. WBC will need to consider whether to provide this additional market to accommodate possible demand from existing and new traders that cannot be met from CSC's 'new' indoor market. These options will be fully explored at the Market Working Group on the 9th October 2012 and in a subsequent Cabinet report currently programmed for November. It will be important to ensure that any new provision reflects realistic levels of demand from existing traders, as well as potential new ones to Watford.

4.0 DETAILED PROPOSALS

4.1 Key Heads of Terms

The core legal structure of the land transaction with CSC as previously advised to Cabinet comprised:

- a land transaction whereby WBC retains the freehold and grants a long lease to CSC for Charter Place, including the market, and the satellite car parks. The freehold of CSC's existing land interests on the High Street will also be transferred to WBC and in turn let to CSC.
- Pre-construction and during construction, a 'temporary' short lease is granted to CSC who would pay WBC an immediate rent of £1.8m pa (+VAT).

- Post construction, one overarching long-term (remaining term of the 999 year Harlequin Lease) head lease for Harlequin Centre, Charter Place and the car parks.

This legal structure and Key Heads of Terms have been refined during intervening negotiations. They now take into account “worst case scenarios” covering risks such as lengthy CPOs, potential Judicial Review and force majeure. The timescales are therefore NOT an indication of firm redevelopment timescales which remains as Christmas 2015 as the key target.

The legal structure is now as follows:

1. WBC grants CSC (or its nominated subsidiary) a temporary lease of 10 years to enable CSC to undertake vacant possession management and redevelopment of the site. The lease can be extended for a further 2 years should CSC be in the process of redevelopment when the lease expires
2. On granting of the lease, management responsibility for Charter Place would also then transfer to CSC who would then be responsible for all costs and receive all income from WBC’s existing tenants and market stallholders.
3. Both parties have the option to break the Temporary Lease after 5 years on 12 months notice (providing 12 months rental income)
4. The Council will receive a guaranteed income of £1.8m (+VAT) pre-construction, during construction and during the lease term. In respect of the £1.8m income, during pre-construction and construction, the rental income from BHS will be excluded from the figure and be paid direct to WBC. This is purely for technical reasons on their lease. After construction, BHS (and the income) will be included in the new long lease. Following the redevelopment, the Council will also receive an additional 7% of growth in net income.
5. Following redevelopment, WBC grants CSC (or its nominated subsidiary) two long-term leases (remainder of 999 year Harlequin Lease) on parallel terms, comprising a substantially modernised Harlequin lease (including the three Harlequin car parks – Kings, Queens and Palace (Harlequin)) and a separate lease for Charter Place.
6. As a land transaction, although there is no obligation on CSC to build the new centre, if it is developed the redevelopment must include:
 - High quality retail offer
 - Cinema
 - Enclosed market
 - Upgrade enhancement to Palace car park façade and ramp
 - Upgrade enhancement to Beechen Grove entrance
 - Enhancement to entrances to YMCA and rear of Poundland.

Note: the revised first floor walkway should enable the Watford Women’s Centre to remain in situ.

7. Under the modernised Harlequin lease, and parallel Charter Place lease, current consent conditions for retailer lettings will be relaxed. At present, any retailer letting, lease assignment or rent review requires formal WBC consent. This is no longer considered necessary or appropriate because:
- the Harlequin's and Charter Place's interests will be aligned rather than competing and
 - it creates an unnecessary level of control on CSC's activities as an expert owner and manager of shopping centres in the UK.

WBC will continue to be advised of all retailer transactions and will require CSC's agents to confirm (with a duty of care) that the letting or transaction is the best obtainable consistent with market conditions and the retailer and asset strategy.

Linked to the relaxation of consent conditions, WBC will have increased ability to challenge the 'net income' received from CSC, along with significantly improved general management information and income transparency. Previously presentation of income information by CSC along with resource constraints have meant that it has been difficult for the Council to challenge income received from CSC. New arrangements will include provision of improved income forecasting to WBC along with the ability for WBC to test and challenge using independent retail property experts if necessary.

4.2 Legal structuring issues relating to (Stamp Duty Land Tax) SDLT

The original proposal envisaged that the Harlequin Centre and Charter Place will fall under one lease. This will now be under two leases. The reason for this change is solely because the original structure would have resulted in a substantial SDLT (Stamp Duty) liability. There would have been no direct financial benefits or (other) costs to WBC from the single lease structure but it may have very marginally improved the value or saleability of CSC's interest. The two parallel leases structure retains many of the simplification benefits of a single lease through consistency of terms, but avoids unnecessarily crystallising the SDLT liability.

The two parallel leases structure also gives WBC the flexibility to sell one of its interests (i.e. Harlequin or Charter Place elements) independently. Each represents a substantial property investment asset. CSC have requested a right of pre-emption - i.e. first refusal at independently determined Open Market Value - if WBC wishes to sell one of the two interests but not the other at some point in the future. This is reasonable, since CSC would not wish to have two landlords for two halves of the same shopping centre, and has been agreed in negotiations.

It was also originally envisaged that the freeholds on the High Street of units currently owned by CSC would be transferred to WBC at the time of grant of the temporary lease. This would 'tidy up' legal interests although again without immediate financial benefit to either party. Further analysis has indicated that this would give rise to an SDLT liability to WBC of c£600k, which would be repeated if the redevelopment does not proceed and the units are transferred back to CSC.

Potential SDLT relief options have been investigated by both lawyers but at present it

may not be possible to arrange the transfer without crystallising the SDLT liability. The parties have agreed to work around this issue within the suite of documentation and to arrange the transfer now if possible or in future providing this can be done without substantial SDLT liability.

4.3 **Guarantor**

At present, CSC take the view that it is not their policy to provide a parent company (CSC PLC) guarantor for the obligations of the Special Purpose Vehicle (SPV, such as 'CSC Watford Limited' or similar) which they will use to redevelop Charter Place. This will only be necessary, in reality, if redevelopment of Charter Place becomes commercially unattractive and/or CSC are unable to meet the land transaction conditionality conditions of

- 50% pre-lets
- planning consent
- vacant possession
- and funding

leading to the SPV being wound up. However, WBC's property and legal team will do everything possible to obtain a guarantor. A more detailed briefing is provided in the Part B report.

4.4 **Completion of management transfer**

The majority of practical and management issues relating to transfer of management of Charter Place from WBC to CSC are in hand or finalised, subject to minor additional due diligence. The on-site management have met with CSC, and CSC's facilities partner who manage all 'soft' services at the Harlequin (Europa), and have provided various due diligence information.

To facilitate a smoother financial transfer, and avoid any payment interruption difficulties with market and local retail traders, Shared Services Finance will agree a Service Level Agreement with CSC's finance team to collect income for between 1-3 months from the management transfer date. This will give time for banking arrangements and communication with traders to be undertaken in a timely way.

Arrangements are also in place regarding protecting WBC's current legal notices and requirements for vacant possession of two national retailers at Charter Place. These costs should be recoverable from CSC.

At the temporary lease commencement date, full management responsibility will transfer to CSC. This includes the market and dealing with tenant legal and vacant possession matters in line with their vacant possession strategy – e.g. negotiating with retailers with units potentially available in the Harlequin. It will remove all vacant possession risk and management responsibility from WBC, transferring it to CSC. They will also be responsible for empty rates and non-recoverable service charges, other void and short term letting costs, etc, which have been an increasing drain on the net income from Charter Place.

4.5 Management of Satellite Car Parks

CSC currently lease all four 'satellite' (i.e. to the Harlequin) car parks from WBC and manage them directly. Under the terms of the lease, CSC pay a rent of £868,000 pa plus a 50% share of any net profits. The lease contains a mutual break clause in March 2015. At the time of the June 18th Cabinet report both parties were still considering the best way to take management of the car parks forward but had agreed that this could be dealt with as a separate issue from the main redevelopment.

CSC proposed a partnership and profits distribution arrangement for managing the car parks. Under this arrangement, CSC would have undertaken structural works as well as internal refurbishment and ongoing management, but would have required a prior return on their capital expenditure before any profits distribution.

To support their proposals CSC provided some high level income and cost assumptions. To assess these and the best way forward for the car parks, the Property Team, supported by external advice from Jones Lang LaSalle, have undertaken a combination of:

- pre-procurement soft market testing with two major UK car park operators, and
- detailed financial modelling and cash-flow analysis based on current tariff income, CSC's current management costs and indicative refurbishment and structural expenditure.

A key factor in the analysis was the assumption regarding income growth, particularly following opening of the redeveloped shopping centre. This is particularly difficult to judge but a conservative hybrid assumption has been adopted which combines CSC's expectations on customer footfall growth with potential car park tariff income.

The basis of a management contract arrangement would be the Council receiving all tariff income (and having control of tariffs) whilst paying the contractor a fixed annual fee, subject to RPI based increases, based on a 25 or 30 year contract, which will of course have all the appropriate KPIs and quality systems and standards. The Council can specify the exact contract scope and specification with the initial capital refurbishment and structural investment amortised over its duration. Analysis has been undertaken which also includes regular cyclical maintenance within the scope so that the car parks are managed and maintained to a consistently high standard throughout the life of the contract.

The outcome of the analysis clearly showed that a management contract could be much more financially beneficial to the Council than CSC's proposal, particularly in the long term. This was the case even allowing for the cost of structural, refurbishment and maintenance costs.

Whilst the council technically takes all income risk, providing tariffs are set carefully tariff income is expected to grow at least in line with inflation and more strongly following completion of the redevelopment.

A well-designed management contract model will also ensure that the car parks, their users, and the council, benefit from ongoing investment and operational best practice – keeping the car parks attractive and safe. In short, the Council will be in control.

By agreeing an early surrender with CSC, refurbishment and structural works can commence in late 2013/early 2014. This is well before the redevelopment opens and will help maintain the best possible 'welcome mat' into Watford whilst Charter Place is closed. Further information is provided in the Part B report.

4.6 Relocation of Town Centre CCTV

CSC have agreed to bear 50% of the CCTV relocation costs up to a cap of £250,000. Further information is provided in the Part B report.

4.7 Compulsory Purchase Order (CPO)

To facilitate redevelopment, CSC may need WBC to assist with the acquisition of various land interests on their behalf by CPO. A CPO allows public bodies to acquire land compulsorily where negotiations have failed to reach an agreement.

Further work needs to be carried out to identify all interest required for the redevelopment and Cabinet will be asked in the next few months to resolve to make a CPO.

If this is the case, the acquisition costs, fees and Stamp Land Duty Tax (SDLT) will be paid by CSC under an indemnity agreement which is part of the suite of documents currently being agreed.

As present, therefore, it is recommended that Cabinet agree to the principle of CPO linked to such an indemnity agreement. This will support negotiations by CSC.

5.0 IMPLICATIONS

5.1 Financial

The Head of Strategic Finance comments that the proposals within this report are wide ranging and complex. The intention of the proposals is to seek in the short term to protect the commercial rent portfolio (including car parking income) of the Council whilst enhancing the future long term income stream.

As the final details of any agreements are reached then they will be reflected within the Council's budgets and medium term financial strategy.

5.2 Legal Issues (Monitoring Officer)

As set out in the body of this report, this is a land transaction between the Council and CSC (or a subsidiary), there will also need to be a number of parallel agreements regarding novation or assignment of contracts. The Council has instructed external solicitors to assist with drafting and negotiation of the transaction. Also, WBC will continue to seek Counsel's advice on the legal documentation to minimise the risk of any legal challenge. In addition those staff currently employed at Charter place will be subject to TUPE.

5.3 Equalities

5.3.1 There are no specific Equalities impacts relating to the proposals in this report.

5.4 Potential Risks

Summary risks relating to the items in this report are indicated below.

Potential Risk	Likelihood	Impact	Overall score
Non-delivery of key (physical and transformational) objectives due to Land Transaction and lack of contractual control over design	1	3	3
Loss of car park income	1	3	3
Poorer tenant mix due to lack of WBC control	1	3	3

5.5 Staffing

5.5.1 Arrangements are now in place for Charter Place staff to be transferred to Europa, CSC's national soft services (Facilities Management) partner provider under TUPE. Due diligence is being undertaken on Europa, who are a national company with over 3000 employees and contracts including those with local authorities. Consultation is ongoing, WBC's HR team and Unison are fully involved in the transfer. There is an issue on pensions in respect of the transfer which all parties are seeking to resolve.

5.6 Accommodation

5.6.1 No implications in this report

5.7 Community Safety

5.7.1 The redevelopment, including the opportunity to incorporate state of the art shopping centre management technology, improved car parks, increased opening hours (i.e. including restaurants and leisure) are all likely to improve community safety – particularly for families and in the evening.

5.8 Sustainability

5.8.1 Whilst some of the proposed scheme is in the existing 1970s built Charter Place and there are some limitations as to improving sustainability (particularly energy consumption), all new build elements will be subject to modern building regulations and be highly energy efficient. Car park improvements are also expected to have energy efficiency benefits.

Appendices

None

Background Papers

*Charter Place Redevelopment - Additional information – Part B Not for publication
(Para 3, Schedule 12A)*

File Reference

None

