

Borough Council of
**King's Lynn &
West Norfolk**



CABINET

Agenda

**TUESDAY, 30 JULY 2013
at 5.30pm**

in the

**Committee Suite
King's Court
Chapel Street
King's Lynn
PE30 1EX**



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Borough Council of
**King's Lynn &
West Norfolk**



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CABINET AGENDA

DATE: CABINET – TUESDAY, 30 JULY 2013

VENUE: COMMITTEE SUITE, KING'S COURT, CHAPEL STREET, KING'S LYNN

TIME: 5.30 pm

This agenda gives notice of an item to be considered in private as required by Regulations 5 (4) and (5) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

1. MINUTES

To approve the Minutes of the Meeting held on 1 July 2013.

2. APOLOGIES

To receive apologies for absence.

3. URGENT BUSINESS

To consider any business, which by reason of special circumstances, the Chairman proposes to accept, under Section 100(b)(4)(b) of the Local Government Act 1972.

4. DECLARATION OF INTEREST

Please indicate if there are any interests which should be declared. A declaration of an interest should indicate the nature of the interest (if not already declared on the Register of Interests) and the agenda item to which it relates. If a

disclosable pecuniary interest is declared, the member should withdraw from the room whilst the matter is discussed.

These declarations apply to all Members present, whether the Member is part of the meeting, attending to speak as a local Member on an item or simply observing the meeting from the public seating area.

5. CHAIRMAN'S CORRESPONDENCE

To receive any Chairman's correspondence.

6. MEMBERS PRESENT PURSUANT TO STANDING ORDER 34

To note the names of any Councillors who wish to address the meeting under Standing Order 34.

7. CALLED IN MATTERS

To report on any Cabinet decisions called in.

8. FORWARD DECISIONS LIST

A copy of the Forward Decisions List is attached (Page 5)

9. MATTERS REFERRED TO CABINET FROM OTHER COUNCIL BODIES

To receive any comments and recommendations from other Council bodies some of which meet after the dispatch of this agenda. Copies of any comments made will be circulated as soon as they are available.

Resources and Performance Panel – 23 July 2013
Regeneration and Environment Panel – 24 July 2013

10. REPORTS

1) Materials Recycling Facility - page 8

This report outlines the process, outcome and implications of the procurement which has been undertaken by the eight Norfolk Authorities for the future recycling of dry recyclable material collected at the kerbside across Norfolk. The process has been undertaken in accordance with EU procurement rules to select the most economically advantageous bidder.

The report also seeks authority to enter into a 10 year contract with Norse Commercial Services Ltd and for this to be then delivered via a Teckal-compliant Joint Venture Company (JVC)

which will be formed involving the company and all local authorities.

2) Council Call Recording Policy - page 25

In order to protect both employees and the council, from time to time it may be necessary to record incoming and outgoing telephone calls which are handled by our staff for the purpose of improving customer service, training and for monitoring purposes. To legally record calls, the council must publish its Call Recording Policy on its website and take reasonable steps to inform callers that call recording may take place. This document outlines the Borough Council of Kings Lynn & West Norfolk's draft policy on the recording of telephone calls across the authority.

3) King's Lynn Town Centre Action Plan - page 34

Nationally town centres are facing a number of external challenges to their economic vitality and viability and King's Lynn has not been immune from these. Central government has acknowledged that there are risks to traditional town centres and taken some steps to help mitigate the impact including commissioning the 'Portas Review' and implementing some of the recommendations and making changes to the national Planning framework aimed at supporting the viability of town centres. However these national initiatives need to be supported and supplemented by local actions in response to local issues and opportunities.

The report sets out the priorities and key actions in the draft King's Lynn Town Centre Action Plan which seeks to create a holistic approach to strengthening the town centre 'offer' for residents, businesses and visitors.

4) Major Housing Development – Procurement Phase - page 54

This report updates members on progress made on this project since the last report to Cabinet on 30th October 2012 and requests authority to take the proposal to market.

The proposal is to build an estimated 587 housing units of which 87 (15%) will be affordable units, with an extension clause purely at the discretion of the Borough Council to extend the project to up to 1,000 units. The project is aimed at achieving a significant delivery of housing over a 4-5 year period, a commercial return for the Council over the longer term and act as a stimulus to the economic activity in the local area including the creation of apprenticeships in West Norfolk.

All options / models presented to the Council in response to the procurement exercise will be appraised against a pre agreed set

of evaluation criteria as laid out in the European Union's procurement regulations.

EXCLUSION OF PUBLIC

The Cabinet is asked to consider excluding the public from the meeting under section 100A of the Local Government Act 1972 for consideration of the item below on the grounds that it involves the likely disclosure of exempt information as defined by Paragraph 3 of Part 1 of Schedule 12A to the Act, and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

PRIVATE ITEMS

Details of any representations received by the Executive about why the following report should be considered in public will be reported.

5) Asset Management – Proposed Sale of Land at Gaywood - page 69

This report sets out the provisionally agreed terms for a proposed disposal of land and buildings in King's Lynn, and authority is sought from Cabinet to progress this disposal through to completion.

To: Members of the Cabinet

Councillors N J Daubney (Chairman), A Beales, Lord Howard, A Lawrence, B Long, Mrs E A Nockolds, D Pope and Mrs V Spikings.

Cabinet Scrutiny Committee

For further information, please contact:

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FORWARD DECISIONS LIST

Date of meeting	Report title	Description of report	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
30 July 2013	King's Lynn Town Centre Plan	Report setting out proposed town centre plan.	Non	Cabinet	Regeneration Chief Executive		Public
	Major Housing Investment Procurement Phase	Consideration of the Council building and/or acquire market housing	Key	Council	Community & Regeneration Chief Executive and Deputy Chief Executive	None as yet	Public
	Materials Recycling Facility (MRF) Contract	Report on the outcome of the of the MRF contract negotiations	Key	Cabinet	Dep Leader Exec Director - C Bamfield		Public
	Call Recording Policy	New policy	Non	Council	Leader Exec Director – D Gates		Public
	Asset Management – proposed disposal of land at Gaywood, King's Lynn	Report setting out proposed terms of sale	Key	Cabinet	Regeneration and Assets Deputy Chief Executive		Private- Contains exempt Information under para 3 – information relating to the business affairs of any person (including the authority)

Date of meeting	Report title	Description of report	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
3 September 2013	Town Heritage Initiative		Key	Council	Regeneration Chief Executive		Public
	Empty Property Strategy	Update to Strategy	Non	Council	Community Chief Executive		Public
	Discharge Of Homelessness Duty – Private Rented Sector		Non	Cabinet	Community Chief Executive		Public
	Corporate Enforcement policy	Update to Policy	Non	Council	Community Exec Director, G Hall		Public
	Asset Management: Residential Property Investment	Consideration of the use of the Council's assets to invest in residential property.	Key	Council	Resources Deputy Chief Executive		Public
	Asset Management – Grain Silo Site		Key	Council	Regeneration Deputy Chief Executive		Private- Contains exempt Information under para 3 – information relating to the business affairs of any person (including the authority)

Date of meeting	Report title	Description of report	Key or Non Key	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
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			Decision				
16 September 2013	Statement of Accounts			Council	Deputy Chief Executive Leader		Public
	Annual Governance Statement		Non	Council	Exec Director – D Gates Leader		Public

Date of meeting	Report title	Description of report	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
1 October 2013							

Date of meeting	Report title	Description of report	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
5 November 2013							

REPORT TO CABINET

Open		Would any decisions proposed :		
Any especially affected Wards	Discretionary	Be entirely within Cabinet's powers to decide	NO	
		Need to be recommendations to Council	YES	
		Is it a Key Decision	YES	
Lead Member: Cllr Brian Long E-mail: <i>cllr.brian.long@west-norfolk.gov.uk</i>		Other Cabinet Members consulted: Leader		
		Other Members consulted: -		
Lead Officer: Barry Brandford E-mail: <i>barry.brandford@west-norfolk.gov.uk</i> Direct Dial: 01553 782074		Other Officers consulted: Dale Gagen, Ray Harding		
Financial Implications YES	Policy/Personnel Implications YES	Statutory Implications NO	Equal Impact Assessment NO If YES: Pre-screening/ Full Assessment	Risk Management Implications YES

Date of meeting: 30 July 2013

1 MATERIALS RECYCLING FACILITY

Summary

This report outlines the process, outcome and implications of the procurement which has been undertaken by the eight Norfolk Authorities for the future recycling of dry recyclable material collected at the kerbside across Norfolk. The process has been undertaken in accordance with EU procurement rules to select the most economically advantageous bidder.

The report also seeks authority to enter into a 10 year contract with Norse Commercial Services Ltd and for this to be then delivered via a Teckal-compliant Joint Venture Company (JVC) which will be formed involving the company and all local authorities.

Recommendation

Cabinet is recommended to :

1) Award to Norse Commercial Services Ltd ("Norse") a ten year contract for the recycling of dry recyclable material (being the enhanced contract with glass) pursuant to the procurement process carried out, on the basis that such contract be entered into between the District Councils of the Norfolk Waste Partnership and the JVC (as defined below);

2) Approve the entry into of a joint venture shareholders' agreement between the District Councils and Norse on the basis of the Memorandum of understanding attached at Appendix 1 for the

purposes of establishing a joint venture company (the “JVC”) to be the contractor under the recycling contract; and

3) Approve the entry into of such ancillary documents as shall be necessary pursuant to the establishment of the JVC and the recycling contract to the JVC.

4) Grant delegated authority to the Chief Executive in consultation with the Portfolio Holder for the Environment conclude those agreements and ancillary documents on behalf of the Council including any minor changes to approve the final terms of the Memorandum of Understanding and Contract with NORSE, including the interim arrangements between the start date of the new contract and the commissioning date of the new equipment to be installed to enable the extended ranged of materials to be efficiently and cost effectively recycled

5) Grant delegated authority to the Legal Services Manager to complete the contract with NORSE and the Joint Venture Company, and all ancillary documents.

Reason for Decision

To ensure that arrangements are put into place to process the day recyclates collected in the Borough from the 1 April 2014. To achieve an increase in recycling rates.

Background

- 1.1 The seven Norfolk district councils are waste collection authorities (WCAs) and provide a service for the collection of dry recyclable waste to their respective residents. Norfolk County Council is the waste disposal authority (WDA) which also collects a range of dry recyclable material through its household waste recycling centres (HWRCs). The County Council currently also pays recycling credits to the WCAs at a set rate per tonne of recyclables collected from domestic sources.
- 1.2 The WCAs, acting as a consortium, have an existing commercial contract with Norfolk Environmental Waste Services Ltd (NEWS) for the sorting, bulking and sale of the household recycling material collected across the districts. NEWS is a subsidiary of Norse Commercial Services Ltd which is in turn a part of Norse Group, a holding company wholly owned by Norfolk County Council.
- 1.3 The existing recycling contract commenced in 2003 and was extended, within the terms of the contract, to its end date of March 2014. The materials processed within this contract are paper and card, plastic bottles, and steel and aluminium cans.
- 1.4 During 2012 consideration was given to a further extension of the existing contract but this option was discounted in favour of tendering the service in the open market. Accordingly, and having taken

guidance from Members (via the Norfolk Waste Partnership – NWP), officers progressed the procurement based on the following principles:

- That it would be better to work together as a consortium to achieve economies of scale and a better financial position through competitive bidding process.
- That there is a genuine need to be able to collect a wider range of materials as consistently requested by the public and Members.
- That there is a need to maximise recycling rates, as per the agreed Norfolk Waste Strategy.
- That the future consortium model should be based on all Councils being equal in terms of the same cost per tonne regardless of location and transport costs.

1.5 Officers were therefore instructed to move forward with an EU Compliant procurement process, which would allow a range of contract options to be considered, giving bidders the opportunity to propose variant solutions as well as 'base' bids compliant with the specification. This meant that a competitive dialogue procurement process was appropriate, as there was the potential to have to compare a range of very different proposals and get the best from the market.

1.6 The County Council which was not party to the previous contract, joined the consortium, to potentially deal with the dry recycle arising from its operation of the HWRCs. This was agreed on a "nil obligated tonnage" basis.

2. Consortium procurement process

2.1 In February 2012 the NWP agreed the following principles:

- Working together is preferred to working as individual authorities.
- That all Councils would be equal partners in the consortium (*this relates to governance arrangements within the consortium; i.e. each Council has one vote on decisions*).
- Services procured must be value for money – economic imperatives require maximising financial gain.
- The local economy will be supported as far as possible, within procurement rules.
- There will be more recycling and less landfill than currently.
- Services will be easy for customers to use.
- Existing inequities between partners should be addressed whilst respecting financial pressures on each authority e.g. by the provision of a mechanism to compensate those who have

furthest to travel to disposal/processing facilities, wherever this might be located.

- 2.2 All Councils agreed, through their own decision making processes, that they would enter into a consortium procurement based on an EU compliant process to appoint the next contractor for this service area. It was also agreed that Kings Lynn and West Norfolk Council (KLWN) would act as the formal Procuring Authority for the purposes of the legislation and would also provide the project and financial management for the project.
- 2.3 In addition, independent, expert support was required for legal services, waste technical consultancy and procurement advice and all authorities agreed to fund these in equal share, with KLWN handling formal instruction, financial payments, etc. Subsequently, Walker Morris (legal), Birketts (legal), White Young Green (waste technical consultancy) and ESPO (procurement advice) respectively, were appointed to support various parts of the project.
- 2.4 In May 2012 the majority of the Councils within the NWP agreed that financial stability and therefore guaranteed prices (as opposed to a more risk –based market price solution) was the most important issue for councils going forward. This factor would drive the financial evaluation model to be used for the procurement process.
- 2.5 The consortium also agreed that, in response to the desire to recycle an extended range of materials, the new service should include mixed rigid plastics (e.g. yogurt pots, margarine tubs and food trays) and that bidders should provide proposals both with and without glass bottles and jars. This would have the effect of responding to customer aspirations, diverting more material from landfill and boosting recycling rates across the county.
- 2.6 Given the above much work was undertaken in developing and agreeing on the form of the contract, specification, etc and undertaking a complaint competitive dialogue process. The dialogue process involved a number of stages which concluded with a preferred bidder in April of this year.

3. Bid evaluation

- 3.1 At the conclusion of the bidding process, detailed solutions had been received from two bidders. These solutions were evaluated by a team consisting of waste management officers from each Council, along with the appointed consultants and financial support. A preferred bidder was appointed in consultation with the NWP and following this further work was undertaken to test the robustness of the bid in terms of the business case along with a number of bid clarifications.
- 3.2 The NWP agreed financial evaluation involved three areas: guaranteed gate fee, income/profit share proposals and the robustness of the figures used by each bidder. All of the financial evaluation process has been peer reviewed by White Young Green, the Councils' advisor on

these matters and finance officers lead by King's Lynn and West Norfolk BC.

- 3.3 To allow contracts of differing structure to be compared a mechanism was used whereby for the guaranteed cost part of the evaluation each bidder's figures, together with the agreed tonnage were used to calculate the contract value for each year. This annual figure has been adjusted each year to take account of agreed £/tonne savings relating to the cost of disposal, which will result from the increased diversion of waste from landfill and to recycling. The net annual figure is then discounted by 3 % each year and the total contract sum then divided by the number of years in the primary period for the contract, giving the average annual cost to the Consortium. Scores are then distributed according to each bidder's position in relation to the best bid which is awarded 100 points; the worst bid being awarded 0 points, as shown in **Table 1** below.

Table 1 – summary of the financial evaluation of the bids

Rank	Company	Type of bid	Materials	Average Discounted Price	Score
1	Norse	Enhanced	With Glass	£271,937.03	100.00
1	Norse	Variant	With Glass	£271,937.03	100.00
3	Norse	Enhanced	Without Glass	£397,850.53	95.51
3	Norse	Variant	Without Glass	£397,850.53	95.51
5	Bidder B	Variant	Without Glass	£1,032,530.77	72.87
6	Bidder B	Variant	With Glass	£1,284,965.01	63.87
7	Bidder B	Enhanced	Without Glass	£2,286,127.53	28.16
8	Bidder B	Enhanced	With Glass	£3,075,531.32	0

- 3.4 The profit/income share proposals, which accounts for 6.5 points, were evaluated by examining the robustness of the proposals and the scale of financial benefits that would be available to be shared by the Councils. In doing this, the evaluation team has had to consider the credibility of the assumptions used, completeness, quality, and integrity of information provided, reasonableness of rates and margins, the

acceptability of the level of third-party income assumed, reasonableness of equity IRR, reasonableness and robustness of the business case, and the completeness of the bid forms/pricing schedules.

3.5 The robustness of the figures used by each bidder, accounting for 5.85 points, was evaluated by examining the following:

- Cost assumptions;
- Asset management plans;
- Operational methods and planned efficiencies;
- Market assumptions and projections;
- Income assumptions and projections;
- Strategic and corporate objectives for the Contract;
- identified dependencies;
- Perceptions and management of Contract risks
- Deliverables from the Contract.

The score for all three of these elements were then added into the overall scoring grid.

3.6 The future assumptions made by the bidders have been rigorously cross checked as part of the evaluation process to test their financial, inflation and waste arising models, as follows:

- Basket of recyclate materials including likely reduction in paper over time and resultant change in overall composition
- Inflation basket e.g. fuel, labour; and resultant impact on operational costs
- Machinery wear and tear, replacement and capital expenditure over the period of the contract

3.7 The reasons for the differences in the Norse and Bidder B bids were also analysed and are acceptable to the evaluation team and our consultants, as follows:

- Transport costs higher for Bidder B
- New glass removal plant for Bidder B
- Exposure to Far East markets for recyclate for Bidder B
- Need to raise capital funding for Bidder B

3.8 As regards the overall evaluation incorporating the quality scoring elements the summary outcome is shown in **Table 2** below –

Table 2 – overall evaluation scores

Ranking	Bidder	Bid type	Service	Score %
1	Norse	Variant	With glass	81.03

2	Norse	Compliant	With glass	78.43
3	Norse	Variant	Without glass	77.37
4	Norse	Compliant	Without glass	76.07
5	Bidder B	Variant	Without glass	67.56
6	Bidder B	Variant	With glass	62.82
7	Bidder B	Compliant	Without glass	44.02
8	Bidder B	Compliant	With glass	29.19

4. Successful bid

- 4.1 As is apparent from the above the variant solution with glass tendered by Norse Commercial Services Ltd was the most economically advantageous tender and the clear 'winner' based on the evaluation criteria. As this solution has also proposed the formation of a joint venture company (JVC), representatives of the NWP and their legal advisors met with Norse to determine the headline terms and conditions of the proposal. These are outlined at 5.3 below.
- 4.2 The financial assumptions made in this bid have been further cross-checked as part of the evaluation process including the examination of future trends for a 'basket' of recyclate material, the effects of inflation and the robustness of the technical and logistic solutions.
- 4.3 The headline terms of the JVC has been clarified with NORSE by an officer group from the Officer steering group involving Chief Executives, representative local authority Leaders with the assistance of Birketts solicitors LLP (as agreed by the NWP). The key elements are:
- Any joint venture company will be constituted with a newly formed special purpose vehicle, NEWCO.
 - Each of the Councils will be entitled to 7% of the shares in NEWCO. If any of the Councils do not participate in the joint venture, their 7% entitlement will be taken-up by Norse.
 - The Councils will not be permitted to trade the shares held by them in NEWCO; if any of the Councils leaves the joint venture it will be required to transfer its shares to Norse at nil cost.
 - Norse is prepared to allow the assets to remain in, or to the extent not already owned by NEWCO to be transferred to, NEWCO in consideration for the Councils paying to Norse an

amount equal to 50% of the net asset value of NEWCO. Total net asset value of NEWCO in 2013 balance sheet is likely to be in the region of £4.7m. Norse has confirmed that it is not prepared to negotiate on the purchase price for the assets.

- The Councils will not be required to pay any amount for the shares in NEWCO *if* Norse retains the assets of NEWS and allows NEWCO to operate them for the purposes of the joint venture.
- The Board of NEWCO is to consist of 4 directors appointed by Norse, and 3 directors appointed by the Councils.
- Norfolk County Council must be represented at board level from one of the 4 directors appointed by Norse. This is linked to achieving Teckal status.
- Norse and the Councils will need to negotiate and agree a shareholders agreement in respect of the shares held by each of them in NEWCO. This is a key document as it will contain the shareholder protections in favour of the Councils (as well as Norse), it will also regulate how the shares are held and will set out how NEWCO is to be governed.
- Norse has agreed to indemnify NEWCO and the Councils in respect of any liabilities incurred by NEWCO or the Councils in connection with the employees at the end of the Recyclables Contract and/or joint venture arrangements.
- Norse has agreed to indemnify NEWCO and the Councils in respect of any liabilities incurred by NEWCO or the Councils in connection with the Edgefield landfill site.
- Norse is prepared to consult with relevant 'white collar employees', being those that are essential to the operations of NEWCO, to see if those employees would be willing to transfer to NEWCO.
- It will be important for the Councils to have visibility over the financial aspects of NEWCO e.g. the sale price of the raw materials and who the raw materials are sold to.
- The Councils will individually have the opportunity, but not obligation, to support the development of NEWCO by providing loans to NEWCO on commercial terms.

4.4 Given that the most economically advantageous bid was received from Norse Commercial Services Ltd it is proposed that the contract award will be made to this entity and thereafter, with the benefit of legal

advice, using a recognised procurement 'change mechanism' the contract will then concurrently be placed with a Joint Venture Company (JVC), who will then deliver it..

5. Glass recycling

- 5.1 There were some initial concerns that mixing glass with the other recycling streams may be detrimental to the overall quality of the sorted recyclate, in particular the paper product recovered. However, the Norse solution deals with glass and the potential contamination of other recyclate using a well developed method statement which has been verified by our consultants, White Young Green. The bid's pricing reflects modern glass removal technologies and Norse have independently checked the likely market values for recyclates with Price Waterhouse Cooper. The results of this evaluation have been studied by the evaluation team. As a result, officers are confident that the recycling credits arising from the amount of glass collected outweighs the potentially lower prices that may be received for paper and cardboard which has been co-mingled with glass.

6. Financial implications

- 6.1 The MRF is located at Costessey on the outskirts of Norwich. For Norwich, Broadland and to a large extent South Norfolk Councils recycling collection vehicles can tip directly at the MRF site but for those located further afield it is necessary to tip collected recyclate at transfer stations and then bulk haul the material to the MRF. The operation of these transfer stations attracts some considerable costs which are currently borne by the individual districts.
- 6.2 The procurement process started with the clear understanding that the geographical location of Councils should not disadvantage any single authority going forward; i.e. that the costs per tonne of material and any profit share arising, would be the same for each Council. It was important that the overall financial position improved for the consortium as a whole, however, it was always recognised that the position of individual Councils may well change compared to the existing NEWS contract as a result of historic contractual issues and that these changes could be positive or negative.
- 6.3 Based on the predicted total annual tonnage of 86,000 the initial financial evaluation suggests that three of the districts will be worse off (compared to the base year of 2013/14 as agreed by s 151 officers) as a result of the new contractual arrangements. It is proposed that this differential is addressed by a 'smoothing' mechanism whereby Councils who improve their position foregoing some income. The basis of the smoothing agreement proposed and agreed by all participating Councils at the NWP is set out in Appendix 2.
- 6.4 The overall financial benefit for the Norfolk Councils involved in this procurement, arising from the Norse bid, is based on three main principles, as follows:

- The initial gate fee offered is lower than the existing gate fee (£21.08/tonne) although it should be acknowledged over the life of the contract it increases to above this level.
- a projected 'profit share' rate is available (based on the joint venture model) albeit this is not guaranteed. Norse is however reasonably confident that their business projections are robust and this has been considered by finance officers.
- The districts will be recycling more and disposing of less – as projected by technical work undertaken by White Young Green and previously presented to the NWP.

6.5 The overall “profit share” is made up of two parts:

- An Income Share, when income from the contracted services and materials reaches a certain point
- A Profit Share, arising from NEWS operations only (but with no liabilities for closed landfills)

6.6 It should be recognised that the 'profit share' outlined above is not fixed or guaranteed and will be dependent on commodity prices and the return on the investment within any JVC.

6.7 A smoothing adjustment mechanism was agreed in principle at the NWP meeting of 28th June 2013. This allows those authorities who are worse off under the new arrangements to be compensated by those who are better off under the new contract. The basis of the proposal are as follows : -

Year	1	2	3	4	5	6	7	8	9	10
Maximum Rebate to cover Losses	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%

6.8 It was further agreed that should any of the following instances occur then the smoothing adjustment would end.

- (i) Recycling Credits end
- (ii) A Norfolk wide waste Authority is agreed
- (iii) Unitary government is introduced to Norfolk

6.9 Any and all adjustments are calculated in relation to the 2013 / 2014 actual outturn and contributing Authorities should not be asked to give more than 75% of their gain.

6.10 Although the contract award was made using a global tonnage figure of 86,000 tonnes for the county, WYG the authorities paid advisor estimated the minimum tonnage the Norfolk authorities should expect to collect each year to be over 96,000 tonnes. This figure was calculated taking into account 'near neighbour's' who already collected similar materials to those proposed under this contract. Due to the effect that additional tonnages have on the financial position of this

authority; which is directly attributable to the impact of recycling credits, the financial situation of each authority changes considerably between these two different tonnages . The financial impact the different tonnages would have on our authority are shown below.

	Current	Evaluated	WYG Minimum Estimate
Tonnage (All Authorities)	60,000	86,000	96,000
Tonnage King's Lynn - Mixed	10,096	15,480	17,745
Tonnage King's Lynn - Glass	2,126	-	-
Total Tonnage King's Lynn	12,222	15,480	17,745
	Estimated Financial Position		
	£	£	£
Net Position including Recycling Credits	(504,720)	(732,590)	(830,849)
Smoothing Adjustment Year 1	0	186,740	65,700
Net Position Year 1	(504,720)	(545,850)	(765,149)
Net Benefit from Current Contract		(41,130)	(260,429)
Smoothing Adjustment Year 2	0	136,170	36,890
Net Position Year 2	(504,720)	(596,420)	(793,959)
Net Benefit from Current Contract		(91,700)	(289,239)
Smoothing Adjustment Year 3	0	105,370	21,840
Net Position Year 3	(504,720)	(627,220)	(809,009)
Net Benefit from Current Contract		(122,500)	(304,289)

6.11 In addition to the above the Council will make further saving of £ 95,000 per year relating to the current cost of collecting glass at bring banks.

7. Policy Implications.

- 7.1 The policy of the Council is to minimise the impact that we have on our environment through amongst other measures recycling more waste. The proposed contract will enable householders to recycle more of their waste in the green bin by adding a significant range of new materials in to the green bin including plastic pots, tubs and trays, tetra pak cartons, aluminium foil and foil trays and glass bottles and jars.
- 7.2 The Council has had a policy of providing brings sites for glass and paper at both village and supermarket sites. The need for the provision of these facilities will no longer be necessary as the materials collected are predominantly glass. When the full service is commenced for the service the council will cease to provide bring sites for glass or paper.
- 7.3 The Council recognises the benefit of bring sites in encouraging the recycling of materials and will work with those who currently host bring sites to provide opportunities for further recycling. The Council works with the Salvation Army for the provision of bring sites for textiles. The Council currently pays £20 per tonne from its revenue of recycling credits to hosts of these bring sites where they are on Parish or other community land whom are entitled to receive these payments as not for profit organisations. The Council in continuing to recognise the value of the work done by the Salvation Army and those who host sites will identify further sites and make them freely available to the Salvation Army as the council's supplier of community textile banks and pass on credits to suitable hosts.
- 7.4 The financial impact of the contract will also be to make the provision of commercial recycling more attractive and will encourage businesses which produce quality materials which may be recycled under the councils scheme to do so.
- 7.5 The greater the amount of waste recycled the amount of waste that needs to be treated through landfill or other disposal mechanisms, including incineration. The proposed contract does not have any impact on the contract with material works as the changes in materials being delivered for mixed dry recycling was included in that negotiation.

8. Implications and Risks

- 8.1 Financial - there are a number of risks which could arise during the life of this contract.

These include:

- change of law – covered by the normal legal approach to such contracts
- material composition and volume changes – the risk is borne by the contractor albeit that negative impact is likely to reduce realisable income to Councils

- equipment/technology effectiveness – primarily a risk borne by the contractor
- loss of recycling credit payments – risk to the Councils
- commodity values and market changes – the risk is borne by the contractor albeit that negative impact is likely to reduce realisable income to Councils.

8.2 Legal – as with any EU procurement there is a risk of challenge on contract award and thereafter depending on how the contract is administered. It should be recognised that in depth legal advice has been sought throughout this process and the Eastern Shires Purchasing Organisation (ESPO) have provided specialist procurement support. The proposed JVC will obviously need to be legally compliant and advice will be taken to ensure that risks are minimised. Detailed legal advice has focused on ‘covering off’, sharing or minimising risks given the contract terms, conditions and specification along with a robust examination of the underlying business case. As the basic payment mechanism is based on a fixed gate fee and given the proposal of a JVC, the financial risks apart from the income share and profit share outlined above have been minimised. It should be recognised that a JVC, by its nature, involves a degree of risk sharing. The Teckal approach will also need to be considered by legal advisors.

8.3 Environmental – there will be a positive environmental impact from additional landfill diversion and increased recycling and

9. Next Steps

9.1 Following agreement from each Council to award the contract to Norse Commercial Services Ltd the following matters will need completing ahead of the start the new service.

	Action	Responsible Officer/Group
1.	Negotiate and draw up legal contracts (a) main Contract (Via Walker Morris) (b) JV agreement (to be confirmed) Complete financial due diligence (c) Review of documents prior to signing	<ul style="list-style-type: none"> • Project Group • Project Sponsors • Member Reference Group
2.	Mobilisations (a) What happens on 1 April	<ul style="list-style-type: none"> • Project Sponsors

	<p>2014</p> <p>(b) Initial Service and cost</p> <p>(c) Reject % during interim arrangements</p> <p>(d) When and how the new service will be delivered</p> <p>(e) Formulise tipping points to be used from 1 April 2014</p>	<ul style="list-style-type: none"> • Project Group
3.	<p>Produce Inter authority agreement</p> <p>(a) Sign of agreement</p>	<ul style="list-style-type: none"> • Project Sponsors • Project Group
4	<p>Publicity Planning</p> <p>(a) Contract award</p> <p>(b) New service start date</p> <p>(d) Communication plan</p> <p>(d) Leaflet and letter drop under contract conditions</p> <p>(e) Delivery mechanism and costs of delivery leaflet.</p>	<ul style="list-style-type: none"> • Project Sponsors • Communication Officers

10. Conclusion

10.1 The procurement process for the sorting, bulking and sale of the household recycling material collected across Norfolk has tested the market and returned a result which provides greater benefits for residents and the consortium authorities. The closer ties between the districts which have been forged during the procurement and evaluation process will be further enhanced through the operation of the new JVC. This should provide additional benefits going forward, through closer cooperation and future sharing of information, experience and best-practice.

10.2 Each authority will obviously need to make its own arrangements to award and to sign up to the contract given their individual constitutional requirements.

11. Equality Impact Assessment (EIA)

(Pre screening report template included as background papers)

12 Background Papers

Previous Cabinet reports

Appendix 1

Subject to Contract

Tender for Mixed Dry Recyclables Processing Service

Memorandum of Understanding

1. BACKGROUND

- 1.1 Norse Commercial Services Limited ("Norse"), and Breckland District Council, Broadland District Council, Great Yarmouth Borough Council, Borough Council of Kings Lynn & West Norfolk, North Norfolk District Council, Norwich City Council, Norfolk County Council and South Norfolk District Council (together "Councils") are proposing to enter into a joint venture in respect mixed dry recyclable processing ("Joint Venture").
- 1.2 This memorandum of understanding sets out the proposed principal terms of the Joint Venture following negotiations between the Councils and Norse. It is not intended to be exhaustive, and it is not, and is not intended to be, legally binding.

2. PRINCIPAL TERMS

- 2.1 The Joint Venture will be conducted through NEWCO.
- 2.2 Norse is to retain ownership of all the assets currently held by NEWCO on its balance sheet.
- 2.3 NEWS is to be owned 51% by Norse and 49% by the Councils.
- 2.4 The Councils will not be required to pay any amount for the shares in NEWCO.
- 2.5 Each of the Councils will be entitled hold 7% of the shares in NEWCO. If any of the Councils do not participate in the joint venture, their 7% entitlement will be taken-up by Norse.
- 2.6 The Councils will not be permitted to trade the shares held by them in NEWCO; if any of the Councils leaves the joint venture that Council will be required to transfer its shares to Norse at nil value.
- 2.7 The Joint Venture will operate the assets retained by Norse and fulfil the main dry recyclables contract ("Recyclables Contract") in favour of each of the Councils.
- 2.8 The Recyclables Contract will be for an initial term of 10 years, but there is an expectation of greater permanency.
- 2.9 The Councils will receive a profit share equal to 50% of the operating profits of the combined operations of NEWCO.
- 2.10 NEWCO is to be Teckal compliant and the flows of payments to the Councils are not taxable.
- 2.11 The board of NEWCO is to consist of 4 directors appointed by Norse, and 3 directors appointed by the Councils.
- 2.12 Norfolk County Council is to be represented at board level from one of 4 directors appointed by NORSEs.
- 2.13 Norse and the Councils will negotiate and agree a shareholders agreement in respect of the shares held by each of them in NEWCO. It will contain the

shareholder protections in favour of the Councils and Norse, regulate how the shares are held, and will set out how NEWCO is to be governed.

- 2.14 Norse has agreed to indemnify NEWCO and the Councils in respect of any liabilities incurred by NEWCO or the Councils in connection with the employees at the end of the Recyclables Contract and/or joint venture arrangements.
- 2.15 Norse is prepared to consult with relevant 'white collar employees', being those that are essential to the operations of NEWCO, to see if those employees would be willing to transfer to NEWCO.
- 2.16 Norse has agreed to indemnify NEWCO and the Councils in respect of any liabilities incurred by NEWCO or the Councils in connection with the Edgefield Site.
- 2.17 Norse has agreed to indemnify NEWCO and the Councils in respect of any transfer stations owned by NORSE and used by NEWCO, and the site at Costessey
- 2.18 The gate fee is set for 10 years and includes all management charges including any charges relating to the properties. There are no other charges that Norse will be imposing.
- 2.19 The Councils will have the opportunity, but not obligation, to support the development of NEWCO by providing loans to NEWCO on commercial terms.

Each party hereby confirms agreement to the terms contained in this memorandum of understanding.

Adrian Possener - Nathan Muskett

14 June 2013

Proposed MRF Net Income Smoothing Adjustment

1. Principles for all Income Smoothing adjustment Models

1.1 The following smoothing adjustment models have been agreed for all these models that if:-

- (i) Recycling Credits end
- (ii) A Norfolk wide waste Authority is agreed
- (iii) Unitary government is introduced to Norfolk

that the above smoothing adjustment would end.

1.2 Any adjustment made is calculated in relation to the 2013 / 2014 actual costs

1.3 Contributing Authorities should not be asked to give more than 75% of their gain.

2. Basis for calculating the Adjustments

2.1 The following list shows which costs and income streams should be compared with the new service costs and receipts.

Payments 2013/2014 Actuals

- Processing costs (inc ret gate fee)
- Transfer Station Charged Elsewhere
- Returned gate fee
- Contribution for the Plastic sorter
- Haulage costs
- Disposal costs
- Glass Collection Costs
- Gross Current Cost of Service

Income 2013/2014 Actuals

- Recycling Credits - Mixed recyclables
- Recycling Credits - Glass
- Profit Share

3. Agree Smoothing Model

Model	Year	1	2	3	4	5	6	7	8	9	10
3	Maximum Rebate to cover Losses	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%

3.1 It has been agreed that the maximum rebate to cover losses is as illustrated below:

REPORT TO CABINET

Open		Would any decisions proposed :		
Any especially affected Wards None	Mandatory/	Be entirely within Cabinet's powers to decide	NO	
	Operational	Need to be recommendations to Council	YES	
		Is it a Key Decision	NO	
Lead Member: Councillor Nick Daubney E-mail: cllr.nick.daubney@west-norfolk.gov.uk		Other Cabinet Members consulted:		
		Other Members consulted:		
Lead Officer: Honor Howell CIC Manager E-mail: honor.howell@west-norfolk.gov.uk Direct Dial: 01553 616550		Other Officers consulted: Ray Harding, Nicola Leader, Andrew Howell, Martin Chisholm, John Greenhalgh, Debbie Gates, Becky Box, UNISON		
Financial Implications NO	Policy/Personnel Implications YES	Statutory Implications YES	Equal Impact Assessment YES – PRE-SCREENING	Risk Management Implications NO

Date of meeting: 30th JULY 2013

2 COUNCIL CALL RECORDING POLICY

Summary

In order to protect both employees and the council, from time to time it may be necessary to record incoming and outgoing telephone calls which are handled by our staff for the purpose of improving customer service, training and for monitoring purposes. To legally record calls, the council must publish its Call Recording Policy on its website and take reasonable steps to inform callers that call recording may take place. This document outlines the Borough Council of Kings Lynn & West Norfolk's draft policy on the recording of telephone calls across the authority.

Recommendation

It is recommended that Cabinet approve the attached policy on call recording by the authority, that the policy be formally adopted by the council and to note the areas in which call recording may occur.

Reason for Decision

The interception, recording and monitoring of telephone calls is governed by a number of different pieces of UK legislation. The main ones are:

- Regulation of Investigatory Powers Act 2000 (RIPA)
- Telecommunications (Lawful Business Practice)(Interception of Communications) Regulations 2000
- Data Protection Act 1998
- Telecommunications (Data Protection and Privacy) Regulations 1999
- Human Rights Act 1998

This policy will ensure that any call recording that takes place is appropriate and governed under the procedures and requirements of the Council's Policy.

1. Background

- 1.1 In order to protect both employees and the council, from time to time it may be necessary to record incoming and outgoing telephone calls which are handled by our staff for the purpose of improving customer service and training and for monitoring purposes. In order to record calls legally, the Council must have a Call Recording Policy in place. The draft policy attached to this report outlines the Borough Council of Kings Lynn & West Norfolk's policy on the recording of telephone calls across the authority. Once adopted, any calls recorded by the Council will be made under the guidelines set out in this Policy and only for the purposes stated.

2. Options Considered

- 2.1 The interception, recording and monitoring of telephone calls is governed by a number of different pieces of UK legislation. The main ones are:

- Regulation of Investigatory Powers Act 2000 (RIPA)
- Telecommunications (Lawful Business Practice)(Interception of Communications) Regulations 2000
- Data Protection Act 1998
- Telecommunications (Data Protection and Privacy) Regulations 1999
- Human Rights Act 1998

In order to operate within the law for the recording of telephone calls, the council must formally adopt and publish its call recording policy.

3. Policy Implications

- 3.1 This is a new policy to be formally adopted by the council.

4. Recording of Calls

- 4.1 If the policy is agreed, the intention is to record a small number of telephone calls in the areas identified below:

- Treasury Management (to provide a formal record of discussions taking place in respect of Treasury Management)
- CCTV Suite (out hours calls which may be of an emergency nature)
- Parking Enforcement (which may pertain to formal legal action)
- Council Information Centre (see paragraph 5.1)

5. Financial Implications

- 5.1 There are no financial implications of adopting the policy. It is intended to use a bespoke solution, utilising the existing software to initially record calls in the CCTV Suite, in Treasury Management and within the

Car Parks Department. However, to extend call recording into the Council Information Centre, a more robust solution will be sought which digitally records calls, date and time stamps them and stores the calls in a fully retrievable system. A separate proposal for this will be made through the ICT Development Group.

6. Personnel Implications

- 6.1 As well as informing customers that telephone conversations may be recorded, it is a requirement that staff are informed that their calls may be recorded. The policy will be taken to the Senior Management Trade Union Meeting (SMTU) in July for consultation and a copy of the policy will be placed on Insite. Staff will be informed in advance of any recording taking place. It is not the intention to record telephone calls between extensions.

7. Statutory Considerations

- 7.1 Formal adoption of the call recording policy will ensure the council adheres to legislation around the recording of calls.
- 7.2 Under the terms of the council's Payment Card Industry Data Security Standard (PCI-DSS) the council is prohibited from retaining payment card data in any format, including call recording. It is a direct contravention of the standard to store both the long card number and the three-digit security codes (always used on 'card not present' transactions) on the premises, which together can be used to make fraudulent transactions. Any call recording which is taking place must be stopped if there is a requirement to take a payment from the customer over the telephone.

8. Equality Impact Assessment (EIA)

- 8.1 Pre-screening form attached. A full assessment is not required.

9. Risk Management Implications

- 9.1 Any member of staff must be fully aware of the legislation governing the recording of telephone calls and operate within the terms of this policy to minimise any potential risk.

10. Declarations of Interest / Dispensations Granted

- 10.1 None

11. Background Papers

- 11.1 None



**BOROUGH COUNCIL OF KINGS LYNN &
WEST NORFOLK**

I

TELEPHONE CALLS RECORDING POLICY

Author	Honor Howell
Version	V1.0
Issue Date	
Last Updated	

1. Introduction

1.1 In order to protect both employees and the Council, from time to time it is necessary to record incoming and outgoing telephone calls which are handled by our staff for the purpose of improving customer service and training. In order to legally record calls, the Council must have a Call Recording Policy in place. This document outlines the Borough Council of Kings Lynn & West Norfolk's policy on the recording of telephone calls across the authority. Any calls recorded by the Council will be made under the guidelines set out in this Policy and only for the purposes stated.

2. Why are calls recorded?

2.1 It has become common practice to record calls due to the growth of business conducted by telephone. Recording customer conversations allows organisation to assess customer satisfaction, train and develop staff, review call quality and have access to a verbal record of what is said by both parties in the event of a subsequent complaint.

It also hopefully means employees feel more protected knowing that any threatening behaviour can be evidenced and acted upon where necessary.

3. How will call recordings be used?

- 3.1 **Quality monitoring.** Written records only provide partial information. A call recording provides a more rounded view and allows us to better understand customer experience and assess the process applied. This can help us identify any improvement areas
- 3.2 **Training and Development.** Listening to a sample number of calls allows managers to identify training needs. Sample training scenarios can be based on the recordings but anonymised prior to being used
- 3.3 **Gaining a better understanding of our customers.** Many calls are verbally resolved without the need to complete any records. Listening to sample calls will help us better understand our customer needs and gain a more informed view of organisations we signpost to.

- 3.4 **Complaints and disputes.** Some calls are verbally resolved. Where information is entered onto an electronic system this becomes the established record. In the event of a complaint or dispute, a call recording (if available) may provide additional information to help us investigate any allegations.
- 3.5 **Employee safety and wellbeing.** A recording may become a vital piece of evidence in the event of any threats being made to the organisation or an individual
- 3.6 **For the detection of fraud and error.** Developments in the ICT systems available will mean more and more transactions are being carried out electronically and checkbox signatures being used. Call recording may provide the evidence required in the event of a subsequent dispute or if a fraud has been committed.

4. Call Recording Legislation

4.1 The Council is authorised to record telephone calls under the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000 Act, made under the Regulation of Investigatory Powers Act (RIPA) 2000. This Policy will also ensure the council complies with:

- The Privacy and Electronic Communications (EC Directive) Regulations 2003
- The Data Protection Act 1998
- The Human Rights Act 1998

4.2 The Regulation of Investigatory Powers Act 2000 (RIPA) permits a company to lawfully record conversations only to:

- Establish facts;
- Ensure regulatory compliance; or
- Demonstrate standards that are achieved or need to be achieved by training

Any recording retained must be relevant to that business and only used for that business and all reasonable efforts must be made to inform the parties that the conversation is or was recorded

4.3 This procedure applies to all employees of the Council where calls are recorded. An employee is as defined in section 43k of the Employment Rights Act 1996 or any substituting or amending legislation. This will therefore include employees, agency workers, contractors and trainees.

5. Call Retention

- 5.11 Any call recorded by the council will normally be retained for a period of 28 days and then automatically deleted.
- 5.12 Some recordings may be retained for longer than 28 days for the following reasons if:
- Required for a complaint. In this case the recording will be retained until the completion of the complaint procedure and the expiry of any appeals period. If necessary the recording will be retained until the end of any employment tribunal hearings
 - They have been identified as valuable for staff training. In this case the recording will be retained until it is no longer useful for this purpose
 - If identified as evidence for the record keeping requirements of the Council's procedure for dealing with unacceptable behaviour towards staff and unreasonably persistent complainants

6. Access Controls

- 6.1 As per the requirements of the Data Protection Policy, recordings will only be made accessible on the basis of need.
- 6.2 Need will be judged in relation to the purpose to which the recording was made (see the list in this policy under 'How will call recordings be used').
- 6.3 Access (whether direct or by means of a copy or transcript) will be controlled by the Service Head of that section who will grant it only if he or she is satisfied that it is:
- Necessary for one or more of the purposes in this policy, or
 - In fulfilment of a legal right of access (e.g. a Freedom of Information Request), or
 - Both necessary and proportionate within the terms of an exemption to the Data Protection Act non-disclosure provisions (e.g. crime prevention)

It is a breach of this policy to provide recordings to others or to use or listen to them, other than for the purpose set out in this policy. Any such incidents will be reported to the Deputy Chief

Executive and Personnel Services as this is a serious offence in accordance with the Data Protection Act 1998.

7. Scope of the Policy

- 7.1 The Policy will cover all incoming and outgoing calls made by Borough Council staff in their dealings with the general public. No calls between staff or members extensions will be subject to any type of recording.

8. Call recording and PCI-DSS Compliance

- 8.1 Under the terms of the Council's Payment Card Industry Data Security Standard (PCI-DSS) the Council is prohibited from retaining payment card data in any format, including call recording. It is an offence to store both the long card number and the three-digit security codes (always used on card not present transactions) on the premises, which together can be used to make fraudulent transactions. Any call recording which is taking place must be stopped if there is a requirement to take a payment from the customer over the telephone. Any member of staff undertaking call recording and taking card payments must receive full training to ensure the policy is understood and no breaches of the PCI-DSS compliance occur.

9. Communication

- 9.1 Under call recording legislation, the Council is required to make reasonable efforts to communicate to both its staff and the public that calls will be monitored and recorded. This will be carried out by:
- Publishing the information on our website together with a link to a copy of the policy
 - Communicating to all staff and members via internal communications that call recording may take place
 - Include this information on brochures, forms and web pages where possible
 - Adding a notification to the relevant standard letter templates
 - Informing partner organisations
- 9.2 Consultation will also take place with UNISON prior to the formal adoption of this policy.
- 9.3 In order to inform customers that their calls may be recorded, an upfront (IVR) message will be placed on the Council Information Centre's Automatic Call Distribution (ACD) software. However,

this will not be available for external calls made directly to individual extensions. Therefore, if call recording does take place with these calls, the member of staff must disclose the call recording to the customer, prior to starting the recording.

10. Implementation and training

- 10.1 This policy will be made available to all staff via Insite. This will be reinforced with training and management supervision as appropriate.

11. Complaints

- 11.1 The Council's Corporate Complaints Procedure (available on our website) will be applied in the event of any complaint received about this policy.

12. Policy Review

- 12.1 This policy will be managed and reviewed every year and updated as necessary in line with new risks, procedures and/or changes in legislation.

REPORT TO CABINET

Open		Would any decisions proposed :		
Any especially affected Wards	Operational	Be entirely within Cabinet's powers to decide	YES	
		Need to be recommendations to Council	NO	
		Is it a Key Decision	NO	
Lead Member: Councillor Beales E-mail: Cllr.Alistair.Beaales@west-norfolk.gov.uk		Other Cabinet Members consulted:		
		Other Members consulted: REC Panel		
Lead Officer: Ostap Paparega E-mail: Ostap.paparega@west-norfolk.gov.uk Direct Dial: 01553 616890		Other Officers consulted: Management Team		
Financial Implications NO	Policy/Personnel Implications NO	Statutory Implications NO	Equal Impact Assessment NO If YES: Pre-screening/ Full Assessment	Risk Management Implications NO

Date of meeting: 30th July 2013

3 KING'S LYNN TOWN CENTRE ACTION PLAN

Summary

Nationally town centres are facing a number of external challenges to their economic vitality and viability and King's Lynn has not been immune from these. Central government has acknowledged that there are risks to traditional town centres and taken some steps to help mitigate the impact including commissioning the 'Portas Review' and implementing some of the recommendations and making changes to the national Planning framework aimed at supporting the viability of town centres. However these national initiatives need to be supported and supplemented by local actions in response to local issues and opportunities.

The report sets out the priorities and key actions in the draft King's Lynn Town Centre Action Plan which seeks to create a holistic approach to strengthening the town centre 'offer' for residents, businesses and visitors.

Recommendation

That the King's Lynn Town Centre Action Plan is approved as the draft for consultation with the King's Lynn Town Centre Partnership and other key stakeholders

Reason for Decision

The purpose of the King's Lynn Town Centre Action Plan is to bring together in one place the priorities and plans for the town centre. As the Plan needs to be as comprehensive as possible the input and endorsement from the King's

Lynn Town Centre Partnership and other key stakeholders is important.

The draft King's Lynn Town Centre Action Plan addresses the following Corporate Business Plan priorities and outcomes:

- People in West Norfolk benefit from a growing economy
 - Develop vibrant town centres: help our town centres adapt successfully to changing retail, cultural and leisure trends
 - Work with partners to redevelop King's Lynn town centre
- Improve our built environment
 - Support the preservation and enhancement of our historic and built heritage
- Help people value their cultural heritage
 - Preserve and enhance the cultural and historical assets of the area

1 Background

1.1 The Town Centre Action Plan has been produced as a response to the threats to the vitality and vibrancy of the town centre. It also sets out the approach to attracting more people to the town centre and to encourage them to remain longer. The actions include those for which the Borough Council will lead on but it also identifies those which will be delivered by partners and the private sector.

1.2 The threats to the town centre come from:

- the closure of a number of traditional high street names and the resultant vacant units;
- continuing increase in the market share of on-line retailing;
- competition from edge of town retail parks such as those on the Hardwick Road;
- impact of major edge of town supermarkets which are increasingly offering 'one stop retail' by selling groceries as well as general merchandise; and
- competing, often larger, destinations such as Cambridge, Norwich and Peterborough or shopping and leisure centres such as Westfield, Lakeside and Meadowhall.

1.3 The Action Plan draws together in one place the priorities and plans set out in other Council policy documents and in its capital programme along with the known plans of other partners and the private sector. By doing this it creates a holistic approach to attracting more people to the town centre from both the existing catchment and the wider visitor market.

1.4 The Plan has been summarised into 6 themes:

- 1 High quality public realm and spaces: Creating variety and enhancing the quality and distinctiveness of the public realm to improve the perception of the town;
- 2 Maximise historic assets: Utilising the town's historic assets to improve the town's regional position in the visitor market;

- 3 Diversify the town centre offer: Increasing activity in areas other than the retail area, particularly along the waterfront, and vary the town centre provision;
- 4 A town that is easily accessible: Creating a pedestrian friendly town centre environment enhancing transport access and facilities;
- 5 A place for people to live, work and socialise: Focussing residential development appropriate to the intimate nature of King's Lynn and in the historic core and creating a lively and vibrant environment which meets the needs and aspirations of people of all ages;
- 6 Events and promotion: Marketing the town locally and regionally through a variety of small and large activities, events and promotional material.

1.5 In developing the priorities for the plan a number of stakeholders were asked for their views on and the priorities for the future of the town centre. The consensus view was that the focus should be on: utilising the heritage assets to broaden the overall town centre offer; enhancing the quality of the public realm, increasing activity and creating places for people to socialise; and developing the markets to broaden the products available and the overall offer.

1.6 The Council now needs to consult with the King's Lynn Town Centre Partnership and other key stakeholders on the actions identified under the 6 themes.

2 Options Considered

None

3 Policy Implications

3.1 There are no policy implications from this report as it is a summary of existing and proposed projects.

4 Financial Implications

4.1 The Action Plan includes a variety of schemes that are privately funded, attract Section 106 or grant funding or are part of the Council's Capital and Revenue Programmes. Significant levels of spend will come from the private sector. Those schemes subject to Council spending will be funded through the existing Financial Plan 2013/2016 or if necessary shown as part of amendments in the monthly monitoring reports.

Personnel Implications

4.2 There are no personnel implications arising from this report as it is a summary of existing projects and proposed projects

5 Statutory Considerations

5.1 There are no statutory considerations relating to this report as it is a summary of existing and proposed projects

6 Equality Impact Assessment (EIA)

6.1 There are no impacts on equality arising from this report as it is a summary of existing and proposed projects

7 Risk Management Implications

7.1 There are no statutory considerations relating to this report as it is a summary of existing and proposed projects

8 Declarations of Interest / Dispensations Granted

8.1 None

9 Background Papers

9.1 None

Draft King's Lynn Town Centre Action Plan

A framework and actions for a successful town centre

July 2013

Borough Council of
**King's Lynn &
West Norfolk**



Foreword

Successful, vibrant, attractive town centres are a key factor in creating a “sense of place” amongst local communities and a pride in their “home town”. However, traditional retail sectors (often now referred to as “bricks and mortar” retailers) face a number of very significant challenges. This is particularly the case for medium sized town centres such as King’s Lynn. The threats to the economic vitality and viability of town centres like King’s Lynn include:

- Rapid and ongoing increase in market share of on-line retailing.
- Out of town retail parks such as those found on the Hardwick Road.
- Competing (larger) destination retail attractions such as Cambridge, Norwich and Peterborough.
- Major out of town supermarkets, such as the huge new Tesco Extra style format offering a “town centre in one store”.

Recently, government policy has recognised the risks to traditional town centres and strengthened local planning authorities’ hand in supporting the viability of their town centres.

There is a growing consensus amongst retail analysts that to thrive in the future town centres must change and adapt.

Nevertheless, town centres and indeed retail as a sector have always been dynamic and ever changing and King’s Lynn itself has seen many changes over the years.

The Borough Council is committed to playing its part in helping to develop the undoubted potential that is evident in King’s Lynn to successfully adapt by raising the quality and significantly broadening of the overall town centre ‘visitor offer’ (the mix of retail, culture, arts, leisure, public space and amenity) by maximising the potential of the town’s retail, heritage, residential and waterfront assets is crucial to retaining and enhancing the competitive edge of King’s Lynn as a sub regional centre.

In response to this the Council has developed a Town Centre Plan which sets out how the economic potential of the catchment population of 200,000 people and the wider visitor markets can be realised in terms of spend and how additional activity and investment can be secured

The Town Centre Plan draws together the aspirations, priorities and plans set out in other policy documents and the capital programme into one place so as to create a holistic approach to attracting more people to the town centre by facilitate amenity improvement, attracting investment in a wider range of retail, culture and leisure based economic activity, encouraging housing development, and creating quality public spaces. It will also contribute to attracting wider economic investment based on the quality of place and the range of amenities and the wider King’s Lynn “offer” to residents, visitors and business.

This is not a new strategy. The Local Development Framework Core Strategy, in conjunction with the Sustainable Community Strategy and the evidence base of the Urban Development Strategy, sets out the Council's vision and objectives for King's Lynn Town Centre.

A. The Town Centre Plan

There is no requirement to develop a new strategy for the Town Centre. The Council has a significant body of evidence and a number of strategy and policy documents have been developed covering King's Lynn Town Centre. These form the basis on which the priorities and actions have, and will be, developed to ensure the continued viability and vibrancy of the town centre.

In developing the actions and priorities for the plan we engaged with key stakeholders to understand their views on and priorities for the future of the town centre and establish where there are opportunities to work in partnership.

In summary, there was a consensus view that in order to respond to the future threats facing the town centre, the town should focus on;

- Utilising the heritage assets to broaden the overall Town Centre offer
- Enhancing the quality of the public realm and increasing activities and places for people to 'socialise.'
- Developing the markets to broaden the products and offer.

1. Themes of the Town Centre Action Plan

The Town Centre Action Plan has been summarised into 6 themes contained in the Urban Development Strategy;

1. **High Quality Public Realm & Spaces:** *Create variety and enhance the quality and distinctiveness of public realm to improve the perception of the town.*
2. **Maximise Historic assets:** *Utilise the town's historic assets to improve the town's regional position in the tourism market.*
3. **Diversify the town centre offer:** *Increase activity in areas other than the retail area, particularly along the waterfront and vary town centre provision.*
4. **A town that is easily accessible:** *Create a pedestrian friendly town centre environment enhancing all forms of transport access and facilities.*

5. **A place for people to live, work and socialise:** Focus residential development appropriate to the intimate nature of King's Lynn and in historic core and create a lively and vibrant environment which meets the needs and aspirations of people of all ages.
6. **Events & promotion:** Market the town locally and regionally through a variety of small and large activities, events and promotional materials.

2. Town Centre Area

The study area is bound by Boal Street in the south, London Road/Blackfriars Road to the east, North Street in the north and the River Great Ouse in the west. This covers the main town centre zones of retail, leisure and heritage as well as the main car parks and transport interchanges.



B Action Plan

Theme 1: High Quality Public Realm & Spaces: *Create variety and enhance the quality and distinctiveness of public realm to improve the perception of the town.*

Actions	Key Tasks	Timescales	Costs	Funding	Lead Organisation or Service Area
Enhancement of Tuesday Market Place	Develop and cost options Implementation	2012 Summer 2013	£900,000	Capital programme	Commercial Services
Remove street clutter	Work with the County Council to rationalise the amount of street signage and furniture	2013 onwards	Staff costs	Existing resources	Commercial Services & Regeneration & Economic Development
Improve public areas by providing and maintaining quality street furniture and paving	Review progress of Street Audit and continue the street furniture refurbishment and replacement programme	2013 onwards once Section 106 funds are released	£100,000	£100,000 from S106 contributions (Tesco Campbell's Meadow)	Commercial Services & Economic Development
Improve shop fronts and reduce areas of dead and neglected frontage	Develop proposals for a grant/loan scheme	Commence April 2014	£75,000	£75,000 Section 106 (Tesco Campbell's Meadow)	Regeneration / Commercial Services
Amien Inner Purfleet Enhancements	Tender works Site clearance Installation of water garden and new bridge	2012 March 2013 Summer 2013	£95,000	£70,000 S106 funding (Sainsburys) £24,900 Amiens Arts Cities & Landscapes EU	Commercial Services

				Project £13,500 L&PS budget	
Regenerate southern part of Town Centre shop frontages and public realm	Stage 1 application approval	March 2013	£2,500,000	£1m HLF Townscape Heritage Initiative £1m from Capital programme £0.5m property owners contribution	Regeneration & Economic Development
	Appoint THI Project Officer	June 2013			
	Complete Stage 2 application	December 2013			
	Commence THI programme	April 2014-2019			
Promote planting in the Town Centre	Promote King's Lynn in Bloom Identify opportunities for further planting	Annually			Commercial Services
Improvements to car parks/ arrival points	Majestic Cinema extension – public realm works to rear (St James Court car park)	2014 onwards	£1.2m	Private finance	Majestic Cinema/Paul Jervis
	Identify other locations for improvements	Summer 2013	£30,000	£30,000 from S106 public realm contributions (Tesco Campbells)	Commercial Services & Regeneration & Economic Development
	Implement improvement schemes	January 2014			

				Meadow)	
Improvements to Saturday Market Place		2014			Commercial Services

Theme 2: Maximise Historic assets: *Utilise the town's historic assets to improve the town's regional position in the tourism market.*

Actions	Key Tasks	Timescales	Costs	Funding	Lead Organisation or Service Area
Undertake improvements to Town Hall, increase public access and expand the role of the Town Hall as a stronger attraction	HLF application approval Stage 2 application Implementation of scheme	April 2013 November 2013 July 2014-2015	£2.3m	£500,000 Capital Programme £1.7m Heritage Lottery Funds £100,000 Other contributions	Commercial Services
Implement the Maritime Trail	Design Implementation	2012 Summer 2013	£10,000	Capital Programme	Regeneration & Economic Development
St Nicholas Chapel refurbishment	HLF application approval Implementation of scheme	April 2013 2013-14	£2m	£1.8m Heritage Lottery Fund £210,000 Churches Conservation trust & Friends of St Nicholas Chapel	Friends of St Nicholas Chapel
Refurbishment of Hanse House	Refurbishment works	2012-13	Unknown	Private finance	James Lee

Theme 3: Diversify the town centre offer: *Increase activity in areas other than the retail area, particularly along the waterfront and vary town centre provision*

Action	Key Tasks	Timescales	Costs	Funding	Lead Organisation or Service Area
Improve the viability and attractiveness of the Markets	Test the Market Initiative	2012-13	£10,000	£90,000 from Tesco (Campbell's Meadow) S106 contribution	Commercial Services
	Examine ways of integrate the other markets more into main retail circuit		£20,000		
	Purchase new pop up stalls/marquees for markets	From December 2013			
	Introduce Christmas and Specialist Markets				
Increase the retail offer by up to 20,000 sq m(in accordance with the LDF allocation)	Develop scheme in partnership with landowners and developers	2012	£40m	Private finance + land	Lotus Group / Regeneration & Economic Development <i>Links to improve public transport facilities at the Bus Station Theme 4</i>
	Memorandum of Understanding	By September 2013			
Encourage additional activity at the Outer Purfleet	Explore the options to bring Purfleet House back into use.	Ongoing	Staff costs	Private finance	Regeneration & Economic Development
	Continue to market the				

	opportunity to bring a ship into the Outer Purfleet				
Develop 'cultural quarter' centred the King's Lynn Arts Centre		2012 onwards			Arts Centre trust
Install pontoons at South Quay for mooring of visiting leisure craft.	Undertake technical feasibility Agree terms with Conservancy Board Obtain consents/permissions Installation	2011 January 2013 June 2013 August 2013	£162,500	Capital Programme	Regeneration & Economic Development

Theme 4: A town that is easily accessible: *Create a pedestrian friendly town centre environment and enhancing all forms of transport access and facilities.*

Action	Key Tasks	Timescales	Costs	Funding	Lead Organisation or Service Area
Strengthen the pedestrian link between the Bus and Railway stations	Design work 2013 Implementation (2014 onwards once Section 106 funding is released)	Implementation 2014	£75,000	Inc in £500k S106 contribution (Sainsbury)	Regeneration & Economic Development/NCC Highways
Review and update destination signage on key road traffic routes		2014-15	£25,000	Capital programme	Commercial Services
Review the directional pedestrian signage/fingerposts	Implementation	2013	£75,000	£50,000 from Tesco (Gaywood) S106 contribution	Regeneration & Economic Development / Leisure & Public Spaces
Improve public transport facilities at the Bus Station	Develop and cost the enhancement options Consult with Bus Operators and landowners Implement agreed improvements	2013 2014 2014-5 onwards once Section 106 funding is released	£1m	£500,000 from Sainsbury (Hardwick) S106 contribution £500,000 from Tesco (Campbell's Meadow) S106 contribution	Regeneration & Economic Development

Improve visitor signage at train station	Design signage Install	March 2013 Summer 2013		Tourism revenue budget	Regeneration & Economic Development
Improve Visitor Signage at Car parks and Information Points	Design signage scheme Installation	2013 Spring 2014		£25,000 from S106 contributions (Tesco Campbells Meadow)	Regeneration & Economic Development /Commercial Services
Increase parking provision at West Lynn Ferry	Acquire land Design car park Construct car park	Awaiting funding to proceed	£400,000	Funding required to acquire land and construct	Regeneration & Economic Development / Developer
On street / off street car park settlement review	Review Implement recommendations	2013/14 2014		Car Parking Enforcement funding	Commercial Services/NCC Highways
Install Variable message signage for car parks at key arrival points into the town centre	Design Implementation	Autumn 2013		£190,000 from Sainsbury (Hardwick) S106 contribution	NCC Highways / Parking Operations

Theme 5: A place for people to live, work and socialise: *Focus residential development appropriate to the intimate nature of King's Lynn and in historic core and create a lively and vibrant environment which meets the needs and aspirations of people of all ages.*

Action	Key Tasks	Timescales	Costs	Funding	Lead Organisation or Service Area
Secure quality residential development in the town centre (in accordance with the Site Specific Allocations in the LDF).	Identify key sites Prepare development briefs/guidance (where appropriate) Work with developers on design etc	2013 2014 onwards As sites come forward	Staff time	Private finance	Development Services
Redevelopment of key sites in town centre	Former post Office, Baxter's Plain: Develop feasible scheme Planning consent Implement Hillington Square: Planning Construction Waterfront Regeneration Area redevelopment: Prepare outline scheme	2013 2013/14 2014-15 2012 2013-14 2014	Unknown £25m Unknown	Private finance £2m VAT shelter (BCKLWN) £23m Freebridge Not secured	Regeneration & Economic Development / Telereal Freebridge Community Housing Regeneration & Economic Development
Increase and diversify the leisure provision	Expansion of Cinema in Town Centre	2014		Private finance	Majestic Cinema/Paul Jervis

Offer Car Parking promotions	Develop promotions Advertise promotions	2014-15	£100,000	Commercial Services Revenue Budget	Commercial Services /Parking Operations
Implement Street Café Licensing arrangement within designated areas	Adopt Licensing arrangement	2013			Licensing/ Commercial Services
	Implement	2014			

Theme 6: Events & promotion: *Market the town locally and regionally through a variety of small and large activities, events and promotional materials.*

Action	Key Tasks	Timescales	Costs	Funding	Lead Organisation or Service Area
Work with Vancouver Quarter to develop a calendar of events and activities for the town centre	Develop programme and organise events	5 years programme from receipt of Tesco (Campbell's Meadow) S106 contribution	£30,000	£30,000 over 5 years from Tesco (Campbell's Meadow) S106 contribution	Town Centre Partnership / Town Centres Manager/Vancouver Quarter
Marketing of King's Lynn beyond immediate catchment (Cambridge & North Norfolk)		5 years programme from receipt of Tesco (Campbell's Meadow) S106 contribution	£20,000	£20,000 over 5 years from Tesco (Campbell's Meadow) S106 contribution	Regeneration & Economic Development
Organise and promote the GEAR 10k run		Annually	£0	Self-Financing	Commercial Services
Provide point of arrival information	<i>Improve visitor signage (theme 4)</i>				Regeneration & Economic Development
Continue to produce and circulate the 'Discover King's Lynn' Leaflet		Annually	£6,000	King's Lynn Marketing Budget	Regeneration & Economic Development
Continue to produce and circulate the King's Lynn Mini Guide		Annually		Tourism Marketing Budget	Regeneration & Economic Development

Support the work of the Town Centre Partnership to establish a Business Improvement District		BID steering group is working towards a vote late 2013	£35,000	Town Centre Partnership, Local Businesses , BCKLWN	KL BID Steering Group/ Town Centre Manager
Continue to promote and deliver the Ambassador Programme	Deliver 6 courses and at least one familiarisation walk	Annually	£2,500	Economic Development Budget	Regeneration & Economic Development
Supporting and organising Festivals		Annually		Borough Council, Businesses	Regeneration & Economic Development

REPORT TO CABINET

Open		Would any decisions proposed :		
Any especially affected Wards Kings Lynn area	Operational	Be entirely within Cabinet's powers to decide	NO	
		Need to be recommendations to Council	YES	
		Is it a Key Decision	YES	
Lead Member: Cllr Alistair Beales and Cllr Adrian Lawrence E-mail: cldr.alistair.beales@west-norfolk.gov.uk and Cllr.adrian.lawrence@west-norfolk.gov.uk		Other Cabinet Members consulted:		
		Other Members consulted:		
Lead Officer: Dale Gagen E-mail: dale.gagen@west-norfolk.gov.uk Direct Dial:01553 616505		Other Officers consulted: Management Team, Lorraine Gore, Duncan Hall		
Financial Implications YES	Policy/Personnel Implications NO	Statutory Implications YES	Equal Impact Assessment YES: Pre-screening	Risk Management Implications NO

Date of meeting: 30 July 2013

4 MAJOR HOUSING DEVELOPMENT – PROCUREMENT PHASE

Summary

This report updates members on progress made on this project since the last report to Cabinet on 30th October 2012 and requests authority to take the proposal to market.

The proposal is to build an estimated 587 housing units of which 87 (15%) will be affordable units, with an extension clause purely at the discretion of the Borough Council to extend the project to up to 1,000 units. The project is aimed at achieving a significant delivery of housing over a 4-5 year period, a commercial return for the Council over the longer term and act as a stimulus to the economic activity in the local area including the creation of apprenticeships in West Norfolk.

All options / models presented to the Council in response to the procurement exercise will be appraised against a pre agreed set of evaluation criteria as laid out in the European Union's procurement regulations.

Recommendation

Cabinet is recommended to;

- (1) Approve a Procurement Exercise**
- (2) Require the response on the procurement of the Developer Phase to include options for the Council to:**
 - **Contribute land only**
 - **Contribute land plus funding to achieve 50% of the total development costs**

- (3) Require the response on the procurement of the Investment Phase to include options for the Council to consider:**
- An Investor/Council partnership with the Council contributing land only agreeing in principle that the Council will act as the guarantor for the investor subject to owning the secured asset at the end of the investment period**
- (4) Approve a budget of £168,000 to progress the procurement to the award stage.**
- (5) Require a further report by 28 February 2014 when bids will be reduced to a maximum of 3. The report will consider and evaluate the risk and financial implications of each of the remaining bids to enable Cabinet to consider the final proposals to put to Council.**

Reason for Decision

To invite bids for the proposal to build an estimated 587 housing units (with an extension clause at the discretion of the Borough Council to extend the project to up to 1,000 units).

1 Background

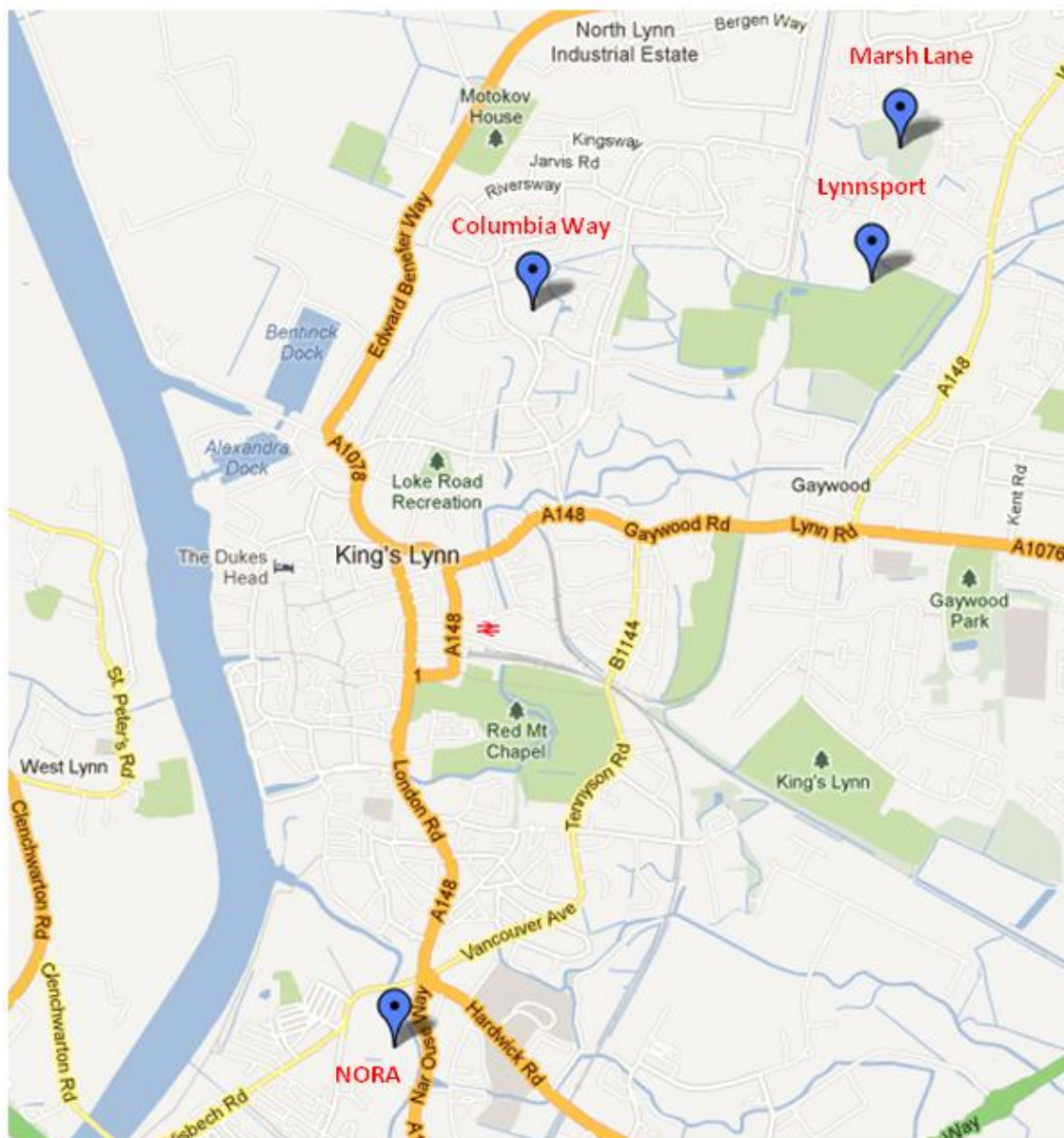
- 1.1 On the 30th October 2012 the Council instructed officers to progress a proposal on a major housing development on certain sites of its housing land. Under the proposed arrangements the Council would retain an equity investment in the development (based on the perceived land value) rather than simply disposing of the assets.
- 1.2 To help progress the project Savills have been engaged to assess the project's viability and to support development of the proposition and procurement. Part of this process resulted in a soft market testing exercise being undertaken with interested parties, to understand the likely interest in the project and to ensure that it is appropriately structured.
- 1.3 The project is aimed at achieving a significant delivery of housing over a 4-5 year period, accelerating house building in the local economy by bringing forward public land for development which would otherwise not be developed in the medium term. This contributes directly to the Government policy recently announced as part of the spending review. It will also provide for a commercial return for the Council over the longer term and act as a stimulus to the economic activity in the local area including the creation of the apprenticeships in West Norfolk.
- 1.4 The proposal assumes that the Council will:
- Use Council owned land (and possibly HCA land) as an investment to stimulate new housing delivery on up to 4 specific sites.
 - Accept a deferred receipt/revenue stream for the land.

- Consider model options that include the receipt of market rent in the early years and capital receipts as properties are sold when markets permit.

2 The Sites and Property Types

Housing Sites

2.1 The locations of the proposed sites are shown on the following map:-



Source: Google Maps

2.2 The Lynnsport site is the largest of the four, measuring approximately 8.4 hectares (21 acres). The site currently consists of large open areas and sports pitches alongside mature trees, with one building to the south east corner. The site forms part of the wider Lynnsport and Leisure Park complex, which would continue to be located to the south of the site (current proposals include the relocation of sports pitches on the subject site to other parts of this complex).

- 2.2.1 A residential estate is located to north and east of the site, with existing roads providing partial access to site boundaries.
- 2.3 Marsh Lane measures 5.2 hectares (13 acres) and is located to the north of the Lynnsport site. It contains dense woodland which will require clearing before development can commence. Furthermore an ancient orchard is located on the site and investigations are continuing as to the potential impact this may have on the delivery of this site.
- 2.3.1 The site is bounded on three sides by low-density estate housing and a primary school is located on the south east boundary. Industrial uses bound the site to the west. A footpath / cycleway provides access to the west and south of the site, with the latter converting into Marsh Lane carriageway on the south eastern boundary.
- 2.4 The third site forms part of the Nar Ouse Regeneration Area (NORA) site, and falls under the ownership of the Council and the Homes and Communities Agency (HCA) who have provided strategic support for the project. Together the two parcels measure 0.8 hectares (2 acres), and are cleared with good access to the town centre. This site is earmarked for extra care housing, but the Council is flexible on this point and open to discussion with bidders. It should be noted that there is potential for this site to increase by developing into the retail area, which measures a further 1.2 hectares (3 acres), with ownership split between the Council and private developers Morston Assets.
- 2.5 The fourth site is currently considered optional to the overall delivery of new homes as part of this development programme. Columbia Way is located to the west of the Lynnsport and Marsh Lane sites, in relatively close proximity. It measures 2.9 hectares (7 acres) and is located in a fairly low value residential area characterised by local authority housing. The site is partially cleared with some mature trees on the western side. The “Waterside” sheltered housing scheme is located adjacent to the eastern boundary of the site. Columbia Way runs to the east of the site, while access is provided by Salters Way to the south.
- 2.6 Based on work carried out to date it is anticipated that the sites have an aggregate potential capacity for up to 800 units, although the viability testing underpinning the most recent analysis has focused upon delivery of just under 600 units. This figure is considered a minimum target for delivery by the Council, and assumes the following densities:

Unit Type	Potential Capacity
Lynnsport (Part)	250
Marsh Lane	176
NORA	73
Columbia Way	88
TOTAL	587

- 2.7 Alongside the four identified sites the Council has further landholdings that could form part of a second stage of development activity. Including these sites would introduce the potential for total delivery to exceed 1,000 new homes.

Property Types

- 2.8 The Council anticipates a varied tenure mix to be delivered reflecting a range of products likely to appeal to the market. It is recognised that the absorption rate for new sales would act as a significant constraint to delivery based on the scale of proposed development. There will therefore need to be consideration of alternative options to owner occupation, including the provision of both short and long-term market rented products.
- 2.9 It is proposed that 87 (15%) of the overall number of units delivered will be affordable tenure, in line with the Council's current policy. The agreed split between rented and LCHO tenure is expected to be determined between the Council and its preferred development partner at the appropriate time and will reflect current market conditions. Affordable units are expected to be developed across each of the sites, subject to discussion with delivery partners.
- 2.10 The proposals align with adopted planning policy insofar as assisting the Council to achieve its housing growth target of approximately 7,000 additional homes between 2009 and 2026. Two sites (Lynnsport & Marsh Lane) are already identified in the draft Site Specific Allocations and Policies plan, whilst the NORA site already has an existing planning permission for residential development (albeit this is unlikely to be implemented).

3 Kings Lynn Housing Market

- 3.1 As part of the project Savills has carried out a housing market assessment to establish an understanding of current market conditions. Their assessment focused upon a series of key areas in both the sales and rental markets which informed the financial modelling of the report.
- 3.2 In general Savills found that the Kings Lynn's housing market is currently active, although values have generally not moved in the last 12 months. Significant demand comes from buyers attracted by lower house prices compared to some neighbouring areas. The good direct rail service to Cambridge and London is also attracting commuters to look and buy in Kings Lynn.
- 3.3 Demand is particularly strong for family-sized housing, with smaller 3 bedroom homes reported to be the most popular house type by agents. Flat units are generally in lower demand, which is reflected in the supply on the market and the view taken by house builders.

- 3.4 The table below sets out the average sales values and transaction numbers in Kings Lynn by house type for the period April-September 2012, highlighting the preference towards larger homes:

Unit Type	Transactions	Average sales value
Flat	30	£78,298
Terraced	103	£103,730
Semi Detached	105	£137,896
Detached	73	£199,908

- 3.5 There are variances within the Kings Lynn market with value hotspots to the north east, either side of the A148 ranging through to North Lynn, South Lynn and West Lynn which are lower price areas.
- 3.6 The centre of the town is a complete mix of properties with character properties selling at a premium, alongside properties located on better quality streets around the railway station. Overall there is approximately a 20% variation in price between the best and worst locations.
- 3.7 The new build market is currently made up of two large developments. Current asking prices are between £130k-£140k for 2- bedroom properties and £135k-£160k for 3- bedroom properties, with sales rates being in the region of 3-5 per calendar month.
- 3.8 A large proportion of purchasers are first time buyers and those moving out of the rented sector. Investors are also attracted to the market given the good value for money on offer.

4 Rental Market

- 4.1 With respect to the rental market, local agents report that there continues to be good demand due to the many would-be purchasers that are still unable to raise a sufficient deposit to buy, and the transient workforce based around the low wage economy in Kings Lynn. There is good demand from residents in receipt of benefits, but many private landlords are unwilling to accept them as tenants.
- 4.2 The following rental values are generally applicable to the current market:

Unit Type	Rental Value
1 Bedroom Apartments	£350 to £450
2 Bedroom Apartments	£450 to £575
2 Bedroom Houses	£450 to £595
3 Bedroom Houses	£550 to £695
4 Bedroom Houses	£695 to £750

- 4.3 In terms of supply, there are generally similar numbers of flat units and family houses available, with the exception of large 4-bedroom properties for which there is very little availability.

5 Project Model Structure

- 5.1 In view of the scale of development in relation to the local housing market and its impact on the housing market a model has been developed dividing the overall project into two phases:
- **Development Phase** – This will take place over a 5-year period covering all sites, delivering the Marsh Lane site as a first phase, including selling to the market a pre-agreed level of sales, and an affordable housing element. The remaining built properties would be sold to an Investor company at a pre-determined price to be let.
 - **Investment Phase** – acquisition of built properties from the developer by an Investor company at a pre-determined pace, scale and value. The Investor company would then have the flexibility to release further properties to the market and to offer the remaining for occupancy at a market rent.
- 5.2 The use of such a model allows the developer to engage and withdraw in a short term with the Investor company looking for longer term returns. It also allows the Council to make stepped decisions on what to bring to the project, what role it wishes to play and when to withdraw.
- 5.3 Whilst the Council will seek a return on its land investment in the project it will need to recognise that some of this may be deferred until after the development phase and may be generated through the Investor company.
- 5.4 The procurement exercise will outline this model as the Council's proposed route and will allow the two phases to be bid for separately or together. However, it will also be made clear that the Council will consider alternative models that would achieve its aims.

6 Development Phase

- 6.1 The Development Phase deals with the construction of an estimated 587 units and subsequent disposal – 87 units will transfer to a social landlord to be let as affordable units with the remaining 500 units sold through market sale or transferred at an agreed value to the Investor company.
- 6.2 The aims of the development will be to deliver a mix of properties informed by the findings of current supply and demand set out in the Council's housing market assessment. This indicates a mix heavily in favour of family housing with a maximum of 10% of flat units.
- 6.3 It is assumed that it will be a 5-year build programme with build costs based on average price information for estate housing. Sales values will reflect the findings of the housing market assessment and cover a 5-year sales period, commencing one year into build programme.
- 6.4 Allowances must be made for additional costs / fees, statutory payments and market-adjusted developer return.

6.5 At the end of the 5 year period the Development Phase will end and the remaining unsold units will be transferred to the Investor company on an agreed sale value.

7 Council Options at Development Phase

7.1 At the Development Phase the Council has two options to consider:

- Will the Council's contribution to the development be land only, or
- Will the Council contribute land plus finance toward the development costs

7.2 Clearly there are rewards and risks associated with both options.

Council Contributes Land Only

7.3 If the Council limits its contribution to land only in the Development Phase then the return on the investment will be capital receipts on land values. The traditional approach to the sale of land would be to seek a capital receipt from the sale to a developer and take no further part in the project. This would equate to an estimated £15,000 per unit which would give a land value of the 500 properties of £7.5m. However, these 'normal' market conditions do not apply in the current economic climate and in order to progress the delivery of built units it will be necessary for the Council to take a more active part in the development.

7.4 The Council could consider sharing receipts as a partner with the developer but this would more likely be over a period of possibly 10/15 years. This would likely result in the Council producing a slightly higher level of receipts over the period as inflation gives rise to a higher value of the land element of the sale of a unit.

Illustrative figures:

	£	%	Sale 500 units £
Borough Council Land	15,000	10	7,500,000
Developer Build Costs	105,000	70	52,500,000
Developer Profit	30,000	20	15,000,000
Sale Price of Unit	150,000	100	75,000,000

* Assuming a unit price on the properties is £150,000 then if the sale price of the units rises over the period then the Council's share of 10% also rises in value.

7.5 It is highly unlikely that the development which is planned to build 100 units in each of the five years (excluding the 87 affordable units) would be able to achieve sales of 100 units in each year. In the absence of an Investor company this would either slow down the build of the units or bring about the need to place the unsold units on the short term rental market. Rental income could be credited to the development account

and be shared pro rata between the Council and developer. This would add to the income/receipts recovered from the development.

- 7.6 The build and rent option would provide for the delivery of the 500 units in the five year period but there would be an ongoing risk of achieving the necessary sale of units. There would also be an overhanging debt on the cost of construction that the developer would need to finance until all the sales of the units are completed. This is not believed to be an attractive project for a developer.
- 7.7 In order to reduce the risk to the Council and developer and to ensure that the whole scheme was progressed over the short period of 5 years then there would be a need for an Investor body to take up the properties not sold rather than the Council/developer acting as landlords. This would require a transfer of properties to an Investor body at an agreed price at regular intervals. In this model the Investor Company would 'purchase' the properties at a value of £115,000 – no account would be taken of the Developer Profit and the value of Council land would be less. The advantage is that the construction costs would be paid and this reduces the risk to the Council and Developer – it does however reduce the return from £7.5m to £6m.
- 7.8 On the assumption that the Council/Developer could only sell 200 units in the 5 year period (based on current levels of sales on existing sites) then the Investor Company would 'purchase' 300 units at an agreed price. This price would reflect the value based on a rental return which is different from a market sale value. The Council's land element is estimated to reduce from £15,000 market value to £10,000 rental return value.

Illustrative figures:

	Land Value Per unit £	200 Sales £	300 Transfers £	Total £
Development sales*	15,000	3,000,000		3,000,000
Investor Co transfer	10,000		3,000,000	3,000,000
Total land Receipts		3,000,000	3,000,000	6,000,000

* Assuming a unit price on the properties is £150,000 then if the sale price of the units rises over the period then the Council's share of 10% also rises in value.

- 7.9 The table shows that the use of an Investment Company in this model reduces the Council's capital return to £6m.

Council Contributes Land and Funding of Development Costs

- 7.10 The Council could increase its involvement in the Development Phase by also acting as funder of a proportion of the development costs taking the opportunity to invest more than just its land value and

receive an enhanced return from the project. Any additional investment would result in the Council receiving an increase in its share of developer profits proportional to its investment.

Illustrative figures:

	£ Per unit	%	Sale 500 units £
Borough Council Land	15,000	10	7,500,000
Borough Council Build Costs	45,000	30	22,500,000
Developer Build Costs	60,000	40	30,000,000
Council Profit	15,000	10	7,500,000
Developer Profit	15,000	10	7,500,000
Sale Price of Unit	150,000	100	75,000,000

*The table shows the impact of the Council investing in funding part of the development costs to the extent that together with the land value it is sharing total costs 50/50. This would return the Council a significant part of the developer profit.

- 7.11 The Council's contribution of £22.5m to the construction costs of the development would be called upon as the development progressed and at any stage would not be above £6m. As spending occurred financing would be arranged through loans with repayments being made as sales were achieved. The interest paid would be charged to the development account.
- 7.12 The risk to the Council of funding development costs in partnership with a developer is that outlined above - a number of property units could remain unsold. Capital receipts would not be recovered and the ongoing development would either see rising costs or stall until all sales were achieved. Funding cost of a loan would continue to be a cost to the development phase and reduce the element of surplus if sales were not achieved.
- 7.13 In order to reduce the risk to the Council and developer and to ensure that the whole scheme was progressed over the short period of 5 years then there would be a need for an Investor body to take up the properties not sold. This would require a transfer of properties to the Investor body at an agreed price at regular intervals. If the Council were to consider making a financial contribution in addition to its land then in order to obtain a return on its investment it would require an Investor body to be part of the model.
- 7.14 The Council would continue to receive capital receipts on sales achieved (from sales on the market and to the Investor Company) in the five year period and, more importantly, also take a proportion of the developer profit.

Illustrative figures:

	Land Value Per unit £	200 Sales £	300 Transfers £	Total £
Development sales*	15,000	3,000,000	0	3,000,000
Investor Co transfer	10,000	0	3,000,000	3,000,000
Total land Receipts		3,000,000	3,000,000	6,000,000
Council element of development profit*	15,000	3,000,000	0	3,000,000
Total Return		6,000,000	3,000,000	9,000,000

* Assuming a unit price on the properties is £150,000 then if the sale price of the units rises over the period then the Council's share also rises in value.

- 7.15 The table shows that by investing in the development the Council can achieve a greater level of return but only if an Investor Company is involved. It is suggested that the Council include an option in the procurement of the Development Phase to fund 50% of total development costs.

Recommendation

Cabinet is recommended to;

- (1) Approve a procurement Exercise**
- (2) Require the response on the procurement of the Developer Phase to include options for the Council to:**

- **Contribute land only**
- **Contribute land plus funding to achieve 50% of the total development costs**

This allows the Council to consider the rewards and risks involved in taking a minimal level of investment of land only through to a significant level of investment that means it has a 50/50 share of development profits on the project.

- 7.13 The Council will however at the end of the Development Phase need to determine if it wishes to be part of the Investment Phase and if so what role it wishes to play.

8 Investor Phase

- 8.1 The Investor Phase deals with the ongoing sale and/or rental of the properties not sold under the Development Phase.

- The Council could determine that it has recovered a return on its investment in the development (as noted in the table above) and take no further part in the Investment Phase.
- The Council could end its association with the developer partner and enter into an agreement with an Investment Company that is seeking a longer term revenue stream. This would provide for rental of all units (which could include a programme of sales) over a longer period of time. The Council would forgo the receipt of £3m 'up front' for the land value but would share in the value of capital sales and revenue income over a period of 40 years. At the end of that period the properties would come into the ownership of the Council at a peppercorn. In effect the investment company would have already obtained its returns on the investment. Once again the share of the receipts will depend on the value of the Council's contribution which could be land and any additional funding it invested at the outset.

8.2 As part of the evaluation of the potential risks, rewards and funding needs a set of figures based on current market rents, financing and returns has been calculated. They serve to illustrate how the model could work. In essence the Investment Company will purchase the units from the developer at 70% to 80% of market value - £115,000 per unit which repays construction costs of £105,000 plus a value of £10,000 for land.

8.3 If the Council determines not to take part in the Investment Phase then no further risks or rewards are considered. However, if the Council determines to place its land value into the Investment Company and does not take a capital receipt for the value of the land then the Council becomes a partner in a long term investment model. An illustration of the potential return for such an investment is shown in the table below:

Assumptions in the model

- The Investment Company 'purchases' 300 properties at an agreed price of £115,000 – this is calculated on the rental return values of the properties.
- The Investment Company pays to the Developer/Council a sum of £31.5m being the construction costs of 300 units at £105,000 per unit.
- The Council does not receive payment for its land holding but considers it an investment valued at £3m being 300 units at £10,000 per unit.

Investment Phase	£m	£m
Rental income from 300 units over 40 years		172
Financing Costs	-71	
Administration	-17	
Repairs and maintenance	-21	
Voids Allowance 3%	-5	
Investment Partner Return	-38	-152
Council Return		20

At the end of the 40 years the 300 properties will return to the possession of the Council. There will have been no sale of land.

- 8.4 The table shows that the Council could achieve a long term rental income stream that could amount to £20m. Furthermore the properties would return to the ownership of the Council to either sell or continue to provide a revenue return.
- 8.5 There clearly is an element of risk in the long term investment the most significant being that the Council would be expected to guarantee the level of return to the investor partner. If rents did not match the outgoings, including the return in investment to the investor, then the Council would have to fund any gap. It is clearly a risk but for example, voids would need to be over 28%, costs increase or rents not keep pace with inflation by between £300,000 and £700,000 in a year (over a 40 year period) before the Council was called upon to fund any gap.
- 8.6 There is an element of risk in the Investment Phase but the reward of the production of a revenue income stream over a long period is attractive. The level of risk to the Council is countered to a degree by having the capacity to deal with any shortfall on the annual costs by meeting it from the revenue income due to the Council.
- 8.7 It is proposed that the Council invite tenders for the Investment Phase based on the premise that the Council will invest the value of its land into the scheme but will also act as guarantor for the investor subject to owning the secured asset at the end of the investment period.

Recommendation

Cabinet is recommended to;

(3) Require the response on the procurement of the Investment Phase to include options for the Council to consider:

- **An Investor/Council partnership with the Council contributing land only agreeing in principle that the Council will act as the guarantor for the investor subject to owning the secured asset at the end of the investment period.**

9 Indicative Viability Assessments

- 9.1 In preparation of the procurement exercise Savills have undertaken an independent assessment on the proposals to ensure that the model is likely to be viable, and could form the basis of discussion with interested parties. This work included the creation of a cashflow model which captures scheme data on a site-by-site basis and at a project level. The model looks at the proposals from the view of a developer tasked with the construction and initial sales, and that of an investor purchasing the unsold units from the developer for long-term rental. Proposals have been tested and suggest that there is likely to be sufficient value in the proposals allowing for the likely level of risk, whilst allowing for a return to the Council and investor.

10 Summary

- 10.1 If successful the procurement exercise will bring about a series of decisions to be made by the Council that represent the most significant project commissioned for many years. The aim of stimulating the local housing market, pump priming much of the local economy and improving returns on investment for Council funds hits many objectives held by the Council and is literally ground breaking.
- 10.2 Current thinking in the local government and housing circles is that this type of project is the way forward in terms of developing housing markets in this economic climate. Kent County Council and District Councils have adopted this model and are taking forward such a project. It will be interesting to see if the private sector take up the challenge and come forward with proposals to carry the project forward.

11 Financial Implications

- 11.1 The cost of taking this project forward up to award is estimated to be £168,000 and is made up as follows : -

	£
Appraisal/ Financing/ Legal fees	85,000
Ground Tests / Environmental reports	28,000
Tree Survey / Grounds Works	45,000
Contingency	10,000
Total	168,000

- 11.2 The costs can be met from reserves. It is however expected that if the procurement enters the Development Phase that most if not all of these cost could be charges to the new joint venture company set up to build the units.

12 Risk Implications

- 12.1 The project at this stage has no risk implications but as any proposals are evaluated there will be significant risk implications on any options considered by the Council.

13 Statutory Considerations

- 13.1 If Cabinet approve the procurement exercise then during July 2013 adverts will be placed in the European Journal and pre Qualification Questionnaires issued as required. Tender documents are expected to be sent to interested parties in October with bids being returned in December 2013. Evaluation of the bids will take place in January 2014 with a view to reporting to Cabinet in February 2014. This process will accord to the European Procurement regulations.

14 Equality Impact Assessment (EIA)

- 14.1 A pre-screening equality impact assessment is attached to this report.

Recommendation

Cabinet is recommended to:

(4) Approve a budget of £168,000 to progress the procurement to award stage

(5) Require a further report by 28 February 2014 when bids will be reduced to a maximum of 3. The report will consider and evaluate the risk and financial implications of each of the remaining bids to enable Cabinet to consider the final proposals to put to Council.