



**Concurrent Meeting of  
Prosperous Communities  
and Corporate Policy and  
Resources Committees**

**Thursday, 23 April 2020**

**Subject: Hemswell Cliff Managed Estate Contract**

Report by:

Monitoring Officer

Contact Officer:

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Purpose / Summary:

This report provides an update on WLDC's Estate Management contract at Hemswell Cliff as approved by PCC on 05/12/17 and CPR 14/12/17.

The 5-year contract commenced 1 July 2018, and has a break clause at 2.5 years where either party can cease the agreement early. This matter is being brought to members for consideration as the 2.5-year point is December 2020.

This work is part of a Stabilisation and Normalisation Strategy for Hemswell Cliff which has been in place since 2017.

It is proposed that continuation of this work programme within the agreed contractual terms is approved as a key part of the notable improvements made in this area.

**RECOMMENDATION(S):**

1. Approval is given for the further continuation of the estate management work at Hemswell Cliff under the existing contractual arrangements, with authority delegated to the Head of Paid Service to ensure that necessary due diligence is in place throughout.

## IMPLICATIONS

**Legal:**

There are no legal implications from this report if the recommendation is agreed to continue with the existing contract after the mid 2.5 year point.

Legal advice has been sought should the decision be taken not to continue with the contract.

If both parties agree to the early termination then the contract can cease with immediate effect.

If WLDC decide to terminate the contract early, and HRC disagree, then 6 months' notice is to be given. If this is given in writing in December 2020 this would take it to June 2021. Obligations are written into the contract on extracting from the contract and providing further assistance to HRC to find a suitable alternative provider.

This break out clause at the mid-year point is in addition to the standard exit clauses within the contract should either party default.

At no point to date has either party needed to exit the contract. This report is being delivered to members with enough time to consider WLDC's position so we are prepared for the mid 2.5 year point in December 2020.

**(N.B. Where there are legal implications the report MUST be seen by the MO)**

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**Financial :**

**FIN REF: FIN/202/20/SL**

As stated in the body of the report, officers meet regularly with the Directors of HRC and these meetings include a briefing on spend against budget and forecast impact on the reserves of the company, as well as agreeing future year budgets and the closure of accounts at year-end.

The HRC accounts are closely monitored in order to ensure that spend is managed within the budget agreed with HRC Directors for the financial year. A summary is provided to show all income and expenditure by category against agreed budget, forecast contribution/to from reserves at year end, and the forecast total balance of reserves at year end, which is held on the WLDC balance sheet.

There is transparent communication of performance, spend and future years planning provided to both HRC Directors and tenants.

Officers actively work with suppliers to drive down costs and consider all viable options for planned works to optimise the budget available, and there has been a significant reduction in the level of outstanding debt, which we inherited from the previous management company.

Officers have worked with the Directors to produce a 5-year plan – which allows for future planning of significant project work and demonstrates that the company is able to maintain the service charge at £350 per household and deliver planned major works, whilst maintaining reserve balances above an agreed minimum level. If Directors continue with the 5-year planning after the contract with WLDC ends it will enable them to plan for works and make decisions on whether service charge increases are required in future in order to achieve those plans.

A Statement of Accounts (SOA) is produced annually by WLDC and issued to HRC Directors with transparent working papers. Please see Appendix D for the 2018/19 SOA.

For prudence, the management contract income was budgeted for 9 months of 2020/21 within the MTFP, up to the break clause date of December 2020. If approval were given to continue for the length of the contract additional income of £6k would be received for the management of the contract during 2020/21.

The contract value for the two years 2021/22 and 2022/23 will be built into the MTFP once agreed, as part of the budget setting process for 2020/21. The current contract value is an additional £20,200 pa (£24,200 incl. VAT) to the bottom line.

**(N.B. all committee reports MUST have a Fin Ref)**

**Staffing : No staffing implications**

**(N.B. Where there are staffing implication the report MUST have an HR Ref)**

**Equality and Diversity including Human Rights : Not a policy. N/A**

*NB: Please explain how you have considered the policy's impact on different groups (for example: young people, elderly, ethnic minorities, LGBT community, rural residents, disabled, others).*

**Data Protection Implications : None**

**Climate Related Risks and Opportunities : None**

**Section 17 Crime and Disorder Considerations : None**

**Health Implications : None**

**Title and Location of any Background Papers used in the preparation of this report:**

Wherever possible please provide a hyperlink to the background paper/s  
If a document is confidential and not for public viewing it should not be listed.

**Risk Assessment : Risk assessment is completed for the individual service areas the contract covers**

**Call in and Urgency:**

**Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

**Yes**

**No**

**x**

**Key Decision:**

A matter which affects two or more wards, or has significant financial implications

**Yes**

**No**

**x**

## 1. Introduction

- 1.1 During the period 2015 to 2018 Hemswell Cliff, which already had existing difficulties inherited as an ex RAF site and with the majority of the maintenance not under public management, experienced a rapid spiral of decline and was considered a very unstable and vulnerable community and environment.
- 1.2 The escalating situation had a direct and detrimental impact on, and an incongruous relationship with the economic and regeneration opportunities for Hemswell Cliff; affecting the Antiques Centre, largest in Europe, Food Enterprise Zone designation, importance to the Greater Lincolnshire Agri-Food strategy and Hemswell Court Hotel.
- 1.3 On the 5 December 2017 Prosperous Communities Committee approved the Hemswell Cliff Stabilisation and Normalisation Strategy 2017. A key work programme within it was to improve the estate management of a large private estate where the issues surrounding the spiral of decline were centred. It was agreed WLDC was to manage the estate.

The rationale behind this was to bring up the area, in conjunction with more visible attention and work with our partners, and help the area achieve adoptable standards for the long term.

- 1.4 On the 14 December 2017 Corporate Policies and Resources Committee approved a contract with Hemswell Resident Company (HRC).

The contract commenced 1 July 2018 and the 5-year point is 31<sup>st</sup> March 2023 (just short of 5 years to align with financial year period end).

A non-commercial contract to provide the management of the estate at cost.

It provided a break out clause at 2.5 years where either party was to consider whether it was working or not. The 2.5-year point is December 2020.

- 1.5 This paper highlights the success of the work carried out to date. It shows that this work has been a key part of stabilising the area, making visible improvements and helping community confidence return. Officer's belief, supported by liaison with the HRC and the wider community, is that this contract is working for both contractual parties and the village.
- 1.6 This work programme is part of the wider Hemswell Cliff Stabilisation and Normalisation Strategy 2017. The strategy is set to be reviewed with the Communities at Risk Paper due at Prosperous Communities Committee 5 May 2020.

Hemswell Cliff will still be identified as a vulnerable community but it will state that we have achieved stabilisation. It will highlight that the work has not finished and this programme continues to be a key part of this.

- 1.7 Hemswell Cliff is on the correct path for longer-term sustainable improvement but too early a withdrawal from this contract work would quickly revert it.

A move away at this point would also lose the investment made to date.

## 2 Detail

- 2.1 HRC was set up on RAF decommissioning and its purpose is to maintain the communal areas within the estate; street lights, roads, street gullies, footpaths, parks and grass.

It is run by volunteer property owners, like Parish Councillors, however unlike councillors they do not have the backing of the public sector to support them.

- 2.2 Each property owner within the private estate pays an annual service charge of £350 per annum which generates an annual gross sum of £72,450 from 207 accounts.

- 2.3 The estate, prior to WLDC managing it, was run by a national estate management firm inherited from de-commissioning. With private companies less of the service charge payments went towards effective maintenance and the continual reinvestment needed. The estate had fallen into decline.

- 2.4 HRC did not have prominence within this prior arrangement. An aim on taking on the contract was to strengthen the company so any future engagement of private companies to do the maintenance if need be would be on their terms.

WLDC charge HRC an annual contractual fee that covers the staff time and resources to operate this contract. The charge includes cost recovery over the 5 years for incurred costs for contract set up to ensure full cost recovery.

This fee covers our cost, and reduces our top line costs but it is not run to make a profit. The charges set are stated below.

<b>Services delivered</b>	<b>2018/2019 *9 months</b>	<b>2019/2020</b>	<b>2020/2021</b>
<u>Support Costs:</u> Property Services, Customer Services, Accountancy, Contract Management	£18,183.60	£24,244.80	£24,244.80
<u>Regular Maintenance</u> Grounds Maintenance, Street Cleansing, Gulley Cleaning, Play Park Checks NB: Street lights maintenance from 020/21	£20,395.66	£24,340.80	£27,528.00
<b>Total Contractual Fee (incl. VAT)</b>	<b>£38,579.26</b>	<b>£48,585.60</b>	<b>£51,439.00</b>

A number of the services provided are an extension of what we normally do as an authority. Work on the estate has been incorporated into existing maintenance agreements or sub-contractors are used where not. Full cost recovery is achieved on the work that is done but no profit margin is in built.

- 2.5 Prior to WLDC contract the surplus between contractual costs and revenue collection built up a healthy reserves balance but had done little reinvestment into the estate.

Officer knowledge from prior support work on Hemswell Cliff has concluded this was down to lack of contractor will, and HRC belief it would not be well implemented and would have prohibitive costs.

- 2.6 From the start of WLDC's contract the surplus in year collection has enabled an additional work programme to be implemented from in year spend. On average this has been circa £14,000 per year.

Appendix A shows the work completed to date and what is planned. It shows the HRC logo that is displayed on all stationary related to this contract.

- 2.7 This forthcoming year 20/21 will be the start of a 3-year period of significant spend, completing necessary reinvestment projects for the estate led by HRC with shareholders having an input at their annual meeting due May 2020.

- 2.8 HRC have been supported to produce a 5 year financial plan utilising HRC reserves whilst supporting the HRC Company position to deliver this work programme.

- 2.9 The support and strengthening of HRC is ongoing with regular liaison, quarterly meetings supported by Finance and the Monitoring Officer and regular reports. HRC agree the annual budget and additional work programme. A copy of the recent reports provided February 2020 are enclosed in Appendix B.

- 2.10 An objective on commencing this programme of work was to help support the HRC company position as well as make the visible improvements. Both are being achieved.

### **3 Progress**

- 3.1 Hemswell Cliff is a much better place to live at the time of writing this report than in 2017. It needs more time to continue the measures so they stick and do not revert back.

- 3.2 HRC have increased in prominence and confidence, delivering a project in 2019 without the assistance of WLDC. All front facing meter boxes were replaced making a remarkable improvement across the estate. They plan to look at the neglected garage blocks in the coming year. All privately owned and left currently in much disrepair.

- 3.3 The housing market has been unlocked with the number of house sales per year doubling and the numbers of owner occupier's purchasing as opposed to buy to let is helping change the dynamics on the estate. To walk around the estate now it feels a much better place. More residents are taking care of their properties.
- 3.4 In October 2017 across the estate there was 56% rented, 2 years later in October 2019 this figure has shifted to 50% rented.
- 3.5 Three particular streets, where the concentration of the rapid decline was centred with ASB, resident's behaviour and fly tipping escalating between 2015 and 2017, there is a greater proportion of rental properties.

In October 2017 there was 96% of properties rented here with 8 owner occupiers, 2 years later in October 2019 the 3 streets increased its owner occupation to 15 (almost double) and the percentage is down to 82% rented.

- 3.6 There is still a concentrated imbalance here and a visible mismanagement of properties with no easy fix. HRC however do plan to engage more with the property owners concerned (distant landowners and management through agencies) to try to bring about a change here alongside the wider environmental improvements and enforcement:
- Fly tipping is removed quickly with effective liaison with our enforcement team who regularly visit.
  - ASB figures have reduced. Appendix C details.
  - CCTV cameras are still in operation.

This in conjunction with our land management all work together to continue to improve the area successfully but it takes time to make these improvements stick.

- 3.7 An objective on taking on this contract was to aim on improvements to achieve adoption of the estate. Progress has been made in the areas of the Play Parks (a proposal is currently being positively considered by the Parish Council) and the street lights. The aim is have this completed by 20/21.

## **4 Conclusion**

- 4.1 The report recommends a continuation with the contract and asks for agreement.
- 4.2 More time is needed to finish longstanding improvements and achieve the adoption into the public sector where possible. Time is needed to find more effective solutions for the management of this large estate. Resources are directed to this effect and would otherwise be diverted to organise the closure of this contract early.
- 4.3 The 2.5 exit clause is effective December 2020 and can only be enacted smoothly if both parties agree. If HRC do not agree then 6 months' notice



would apply taking this to June 2021. Along with normal contract operation through main billing March 2021 the contract stipulates we are obliged to support HRC in finding a suitable alternative provider.

- 4.4 Work needs to progress on the 2 elements that are on track to be adopted by 2021 noted in 3.7. Work then will turn for suitable alternatives for managing the remaining areas (the exit strategy) which may be an alternative estate management company but with a strengthened HRC to ensure they run it not the company.

This will make the work and progress made to date stick.