Cabinet

Minutes of the meeting held on Thursday 2 November 2023 in Shire Hall, Warwick at 6.00pm.

Present: Councillors Davison (Leader), Billiald, Chilvers, J Harrison, Kennedy, King, Roberts, Sinnott and Wightman.

Also Present: Councillors: Boad (Liberal Democrat Group Observer), Day (Conservative Group Observer), Falp (Whitnash Residents Association Group Observer), and Milton (Chair of Overview & Scrutiny Committee).

43. **Apologies for Absence**

There were no apologies for absence received.

44. **Declarations of Interest**

There were no declarations of interest.

45. **Minutes**

The minutes of the meeting held on 20 September 2023 were taken as read and signed by the Chairman as a correct record.

Part 1
(Items upon which a decision by the Council was required)

46. **Abbey Fields Swimming Pools Project**

The Cabinet considered a report from the Programme Manager. The project to construct a new Abbey Fields Swimming Pools building had found significant medieval remains under the previous building. This had required a redesign of the foundations of the building and a reappraisal of the construction methods to be employed in order to ensure that the remains were protected as much as possible. The Council was working closely with Historic England to ensure this outcome was achieved. These two elements had already added considerably to the cost and time of the project and would also add considerably to the cost and time required to complete the construction. The purpose of the report was to seek authority to continue with the project. This would entail entering into a revised contract with the main contractor, with a revised contract sum and a revised programme for the works, and related actions.

The project to replace the previous Abbey Fields Swimming Pools had been a key priority for the Council since the project began in 2018. The previous swimming pool building had been demolished and minor construction works on the site had already started but had been halted whilst the Council made a decision to continue or not.

The project works at Abbey Fields had found significant medieval remains under the previous building. The Council was working closely with Historic England, the County Archaeologist and Archaeology Warwickshire to decide how best to preserve the key elements of these remains underneath the new building. The foundations of the new building were being carefully re-designed to avoid the remains as much as possible. The recording and mapping of these remains had been a slow and painstaking process, and this had delayed work on this project.

Constructing a building on this site would now be more expensive and would take a longer time than was previously expected. This was because additional requirements would be placed on the construction team, in order to ensure that damage to the medieval remains from the construction process was limited as much as possible.

In order to satisfy Historic England that the new building would not cause substantial harm to the medieval remains, it was proposed to raise the foundations of the building by 50cm, as well as moving from a ground-bearing slab to a suspended slab construction. This would raise the ridge of the building by 35cm as the rest of the increase in height could be absorbed by minor changes within the structure of the building. There would be some amendments to the construction process within the remainder of the building, but the general layout and design of the building would remain identical to the existing Planning Permission.

These changes would require the submission of an application for a Material Amendment to the existing Planning Permission under Section 73 of the Town and Country Planning Act 1990. This submission had now been made. It was hoped that a decision could be given by early 2024. If permission was granted and the Council agreed Recommendation 1 of this report then work could begin as soon as the contractor could mobilise, assuming a revised contract had been signed.

The Design Team had been progressing the conceptual work on the changes required to the foundations in order to reduce the impact on the medieval remains. Historic England had confirmed in writing that they were now content with the proposals that had been made. They had effectively reinstated the Scheduled Monument Consent and the Council could continue with the new design. The Design Team would now proceed with the detailed design of the revised foundations.

The on-site work to analyse the medieval remains was now largely complete but the financial and time consequences for the project were not yet precisely known. There would be delays and additional costs caused by the archaeological works and also by the different construction process now required. It was clear that costs and time would both be significant. In reaching a decision on whether to proceed with the project, the Council would have to consider the cost, risk and programme implications of continuing at Abbey Fields.

Due to the submission and consideration of a Section 73 Material Amendment to the Planning Permission and the redesign of the foundations of the building, if the Planning Permission was granted, the start on site date would be delayed until February or March 2024.

Should the Council decide to continue with the scheme, there were a number of factors that would extend the construction period from the previous estimate of 74 weeks to a new estimate of 114 weeks. The relevant factors included restricted access routes across the site to preserve the medieval remains, a constant watching brief from Archaeology Warwickshire until all ground works were complete, the possibility of additional archaeological finds, and more restrictive work practices in order to reduce hazards and use of smaller machines. This gave a revised predicted completion date in the summer of 2026.

The main influences on the predicted increase in costs were prolongation of the works as shown above; re-tendering of all the works packages because the previous prices were all now out of date, waning interest from some sub-contractors due to the time delay, and archaeological watching brief and inflation due to previous and future delays.

The contractor Kier had provided two scenarios for the increase in the costs – a 'lower assessment' and a 'higher assessment'. This was to provide an element of range in the figures, and to demonstrate that these were early indications which required substantially more detailed work before they could be finalised. These figures were therefore confidential as they represented one position in the negotiation between the contractor and the Council.

In addition to these potential increases, there would be additional sums for increases to the demolition contract and site supervision, reinstatement of a project contingency at a rate of 5% of the Kier budget forecast (this was to cover currently unknown problems or opportunities during construction) and the increase in professional fees for Mace Consult Ltd and other consultants that would be payable due to the prolongation of the project.

It was intended that detailed negotiations on cost would be undertaken with Kier to establish a new and agreed contract price before any final decision to proceed could be made. In this way, it would be possible to reinstate the existing balance of the risk between the Council and the contractor, as shown in the existing contract between the parties. There was a fine balance to be made in these negotiations on price. The Council needed to ensure that their cost consultants Mace Consult Ltd would be working hard with Kier to minimise the increase in cost, but it was also important that the agreed price was achievable as the Council did not want to be in a position of facing requests for further increases at a later date.

It was a requirement of the management of a project on a Scheduled Monument that a full and complete record of the historical and archaeological importance of the medieval remains found on the site were recorded in detail within the County Archive. Discussions had already been held with the County Archaeologist to make sure that this duty was discharged as thoroughly as possible.

The Council was also determined to ensure that the educational benefits of the discovery of the medieval remains were maximised in future engagement with local schools. The Council's Arts team would devise one or more educational projects to deliver in local schools, based on the medieval remains found.

In terms of alternative options, in considering the first recommendation in the report, Councillors would need to decide whether to continue with the project at Abbey Fields. In making this decision, it was appropriate for the Council to compare the new projected costs and programme at Abbey Fields with theoretical alternative options and theoretical alternative sites, to establish whether it would be quicker and/or cheaper in theory to cancel the project at Abbey Fields and begin a new theoretical alternative project on a new theoretical site.

This theoretical comparison was intended at this stage to assist with the decision as to whether to proceed with the project at Abbey Fields. If it was decided not to proceed with the project at Abbey Fields, then a full options appraisal process would have to begin again, if it was decided to still seek to provide a swimming pool facility for Kenilworth. At that time other sites would be appraised, alternative designs considered and public consultation undertaken.

There were many variables that were hard to define with any certainty at this time in making a comparison between the option of continuing with the project at Abbey Fields and moving to a new site.

A new site might be less problematical for the construction process and it would cause less interim and permanent disturbance within the Abbey Fields.

However, the opportunity cost of any alternative site would be substantial since to avoid using Green Belt land existing housing sites would need to be used and they were very valuable. Other than sites that the Council owned it would not be possible to guarantee that land would be available for such a purpose. Using any development site would reduce the number of houses that could be built. Designing a new building on a new site and obtaining planning permission could take at least two years. Inflation in the construction industry would continue to rise during that time. The Council had already spent £3.39m on developing this design on this site and demolishing the previous building.

The Council would have to decide what to do with the existing site. Historic England has confirmed that it would require that the site was returned to amenity grassland or wildflower meadow to ensure the least damage to the remains. It could not, therefore, be opened as an attraction or educational resource. Construction on another site in Kenilworth would be likely to cause disruption to people living near to the site, both during construction and when the building was in use.

In planning terms, the District Local Plan said that "all town centre options should be thoroughly assessed before less central sites are considered. First preference should be given to town centre locations". Any Planning Application for a less central site than Abbey Fields would have to establish whether or not the increased cost and construction programme at Abbey Fields was sufficient reason to move to a less central site.

In programming terms, the project at Abbey Fields was predicting a start on site date in early 2024, with a 114-week construction period, giving an opening date in the summer of 2026. A project on a theoretical alternative site would need to go through the whole options, feasibility and design process, including several periods of public consultation. This would lead to a start on site date of at least September 2026. An anticipated 74-week construction period, (depending on site conditions and what might be found below ground) would lead to an earliest possible opening date in the Spring of 2028, which was approximately one and a half years after the Abbey Fields programme.

The programme for an alternative site contained substantially more risk than at Abbey Fields, as there were more steps required within the process. The current site at Abbey Fields was recognised as an extremely complex site with high levels of risk. However, the site did have an agreed design, Planning Permission (although a new Section 73 application would be required) and a contractor in contract (although price would have to be renegotiated). Many of the risks on this site were now known and allowance had been made within the costings calculated. A new design on a new site would be open to risks relating to site conditions, planning permission, commercial viability, procurement of a contractor and inflation in the intervening period.

Private and Confidential Appendix A to the report showed a cost comparison with a theoretical alternative. This comparison was taken from this point forward. It was acknowledged that £3,390,000 had been spent to date on the Abbey Fields site on design, project management, demolition and managing the implications of the medieval remains. This was included within the figures in the table in the Appendix A to the report for both options as the money had already been spent by the Council.

The figure for the cost of land in Appendix A to the report was based on market rates for land in Kenilworth. It also included various additional costs that the Housing Revenue Account (HRA) would incur if the land were to be taken from one of the Council's housing sites in Kenilworth. The Council's housing sites were the only potential sites in Kenilworth that were owned by the Council, and there was no certainty that any other sites would be available for purchase.

However, there was a significant risk that use of one of the Council's existing housing development sites could incur additional costs to the Council. The Council had received £9,591,000 from Homes England for the delivery of the new school and 516 dwellings in Kenilworth. The agreement with Homes England said that the Council was to use its best endeavours to deliver the full amount of this housing or there would be a requirement to repay all or part of the grant received. If the Council chose to place a swimming pool building on one of these sites, then it could be hard to prove that it had used its best endeavours to maximise the housing provided, and there was a significant risk that some or all of the grant would be reclaimed.

The table assumed that a new swimming pool building on a new site would have the same construction cost as the expected cost of the pools at Abbey Fields before the discovery of the medieval remains, plus 1.8 percent, which was the predicted increase necessary to comply with the new Building Regulations, which would apply to a new facility. This had been compared with national data and was considered to be a reasonable sum for a facility of this type. It was then necessary to add the loss of income to the Council from the houses that could not be built, inflation in the period before construction could start, the cost of a new design process from scratch and the cost of cancelling the current contract with Kier to this option. When these items were added it was predicted that a new swimming pool building on a theoretical new site would cost more than the project at Abbey Fields, at the lower estimate and the higher estimate for that project.

It was also considered that any other site would take almost one and a half years longer to open to the public. As well as additional cost and time, the proposal to consider an alternative site would carry a higher risk in a number of factors than continuing at Abbey Fields. These risks included such items as site availability, ground conditions on the new site, obtaining Planning Permission, Planning Conditions required, procuring a new contractor in a competitive market and construction inflation in the intervening period.

A further consideration with regard to the use of an alternative site was income to be generated from the new swimming pool in either location. Recent benchmarking work by officers on financial forecasts showed that any new swimming pools facility would run at a loss for the first few years whilst the programme was developed. This loss was reduced once the site and user base were established.

If this general trend were to continue beyond the end of the existing contract it was not unreasonable to assume that the facility would be producing a franchise fee (payment to the Council) from year five onwards, rather than a management fee (payment from the Council).

Although the figures could reasonably be expected to be small, it appeared that the sooner the facility was open to the public the sooner the performance could be improved until it was generating a small income to the Council, rather than a cost. If an alternative site took longer to open to the public, then the production of a small income to the public would not be delivered until a later date.

The other option would be to terminate the project to build a new swimming pool building for Kenilworth. This would provide a substantial saving on the capital budget and create less disturbance to local residents and users of Abbey Fields. This option would mean that people in Kenilworth would have to travel to other towns to swim, leading to a substantial loss of amenity for local residents and increase in carbon emissions. Sport England would confirm that the Council was not providing the necessary swimming facilities for local residents, contrary to the Council’s own Local Plan and Sports Facility Strategy.

The cost of this option going forward could be estimated to be £2,375,402, as this was the predicted cost of cancelling the contract with Kier and returning the site at Abbey Fields to grassland. The Council had already spent £3,390,000 with a number of bodies including Kier on developing the design for the Abbey Fields site and demolishing the previous building.

The Overview & Scrutiny Committee supported the recommendations in the report with the following caveats and conditions:

1. the project would undertake a review on the assurance of the environmental energy reduction measures;
2. an independent review of the costs would be carried out; and
3. Cabinet would be provided with a full briefing on the previous site analysis that had been done so that it could be properly informed when making its decision.

The Cabinet was required to vote on this because it formed a recommendation to it.

At the start of the item, Ms Judy Brook and Mr Rod Jones addressed the Cabinet.

Councillor Davison proposed the report as laid out, subject to the additional recommendations from the Overview & Scrutiny Committee.

Recommended to Council that the decisions of the Cabinet at (1) and (2) below be funded by external borrowing from the Public Works Loan Board (PWLB), with the revenue cost of the borrowing to be factored into the Medium-Term Financial Strategy (MTFS).

Resolved that

(1) authority be delegated to the Chief Executive, in consultation with the Leadership Coordination Group, to enter into a revised contract with Kier Construction Ltd trading as Kier Construction-Eastern with a revised programme and a revised contract sum, always provided that the total project capital cost for the Abbey Fields Swimming Pools project from January 2021 to the completion of the works does not exceed a ceiling set out within the private and confidential Appendix A to the report and an appropriate level of contingency can be maintained within this ceiling at the start of the contract;

(2) officers are to undertake other tasks including the continued employment of Mace Consult Ltd as project managers and cost consultants in order to deliver the project as cost effectively and as expeditiously as possible;

(3) the project undertakes a review on the assurance of the environmental energy reduction measures;

(4) a third party independent review of the costs be carried out; and

(5) Cabinet assured the Overview & Scrutiny Committee that they were be provided with a full briefing on the previous site analysis that has been done so that they can be properly informed when making their decision.

(The Portfolio Holder for this item was Councillor Davison)

47. **Fees and Charges 2024/25**

The Cabinet considered a report from Finance which detailed the proposals for discretionary Fees and Charges in respect of the 2024 calendar year. It also showed the latest Fees and Charges 2023/24 income budgets, initial 2024/25 budgets and the actual out-turn for 2022/23.

The Council was required to update its Fees and Charges in order that the impact of any changes could be fed into the setting of the budget for 2024/25. Discretionary Fees and Charges for the forthcoming calendar year had to be approved by Council.

In accordance with the Financial Strategy and Code of Financial Practice it was appropriate to consider certain other factors when deciding what the Council's Fees and Charges should be:

- The impact of the Fees and Charges levels on the Council's Business Plan.
- The level of prices the market can bear including comparisons with neighbouring and other local authorities.
- The level of prices to be sufficient to recover the cost of the service and the impact on Council Finances, where this was not the case.
- The impact of prices on level of usage.
- The impact on the Council's future financial projections.
- Ensuring that fees, in particular those relating to licensing, reflected the current legislation. The regulatory manager had to ensure that the fees charged should only reflect the amount of officer time and associated costs needed to administer them.
- Whether a service was subject to competition from the private sector, such as Building Control. This service had to ensure that charges set remained competitive within the market.
- Income generated from services including Building control, land charges and licensing was excluded from the Medium Term Financial Strategy and was managed through ring-fenced accounts, due to the legislation and criteria under which they operated.
- Management of the Council's Leisure Centres was by Everyone Active. The contract definition stated that 'The Contractor shall review the core products and prices in September of each year and submit any proposed changes to the Authority for approval (the "Fees and Charges Report")'. Appendix C to the report outlined the core fees.

Managers had been challenged on ensuring income maximisation and cost recovery where appropriate and had provided commentary on the rationale behind some of the charges.

In terms of alternative options, these were the following:

- Leave all fees and charges at 2023 levels, or increase at a reduced level. This would increase the level of savings to be found over the next five years unless additional activity could be generated to offset this.

- Increase at a level higher than proposed in the report. Excessive increases could deter usage where the take up was discretionary. Customers might choose to use the service less frequently or use an alternative supplier where one was available. Options for meeting the 10% target were considered, including higher charges on parking, green waste or bereavement services. However, the judgement on each of these was that these prices were more than the market would likely to bear and could result in a loss of income and therefore were not recommended in the report.

Both of the above were considered not to be realistic options given the increased cost of delivering some services, the current position of the Financial Strategy, and the level of savings required.

The Budget Review Group had concerns about the increase in fees at the crematorium but were satisfied by the rationale behind the decision provided by officers.

The Group wished to draw Members’ attention to the following points regarding car parking charges:

1. The connection between car parking fees and other priorities such as the town centre economy and the climate emergency should be recognised. The Council’s ambition to encourage net zero carbon methods of transportation should be reflected in the parking charges strategy. To understand the impacts of these connections better and define a way forward in achieving the Council’s goals, the Group encouraged officers to test hypotheses and pursue different avenues to find potential solutions;

2. the importance of having an aligned strategy with Warwickshire County Council in relation to transportation and car parking charges should be highlighted;

3. in future, the consultation for car parking charges should be widened to include all Town and Parish Councils and interested organisations such as the Chambers of Trade and Commerce for Leamington, Kenilworth, and Warwick; and

4. a review into car parking charges of all car parks linked to leisure facilities would be welcomed to ensure that they are fair and equitable across the District.

The Group welcomed the increase in charges for filming on Council land.

The Group wished to draw Cabinet's attention to the circa £170,000 of opportunity that had not been taken which could have been available had the projections of the last Medium Term Financial Strategy been followed.

An addendum circulated prior to the meeting advised of minor corrections to the wording within the Parking Services and Season Tickets sections of Appendix A to the report.

A further addendum circulated prior to the meeting advised of the following amendment to the report:

"Under Parking Services, to freeze the 24 hour rate at St Peter's car park at £8, instead of increasing it to £9. This brings it in line with all other 24 hour rates in the district.

This will reduce the forecast income from this tariff by £23,000. Therefore the total increase in proposed fee & charges income will be £726,000. This remains above the level of £721,000 that was factored into the Medium Term Financial Strategy (MTFS) at Budget Setting in February 2023".

Councillor Chilvers, the Portfolio Holder for Resources, proposed the report as laid out, subject to the amendments in the addendum.

Recommended to Council that

(1) the Fees and Charges proposals set out in Appendix A to the minutes, to operate from 2 January 2024 unless stated otherwise, be approved as amended in the update report;

(2) the changes proposed by Everyone Active to the core products and prices from January 2024 which are within the 2023 June RPI as per contract and agreed with the Sports and Leisure Manager, be approved; and

(3) authority be delegated to the Head of Neighbour and Assets in conjunction with Portfolio Holder, to increase fees for Media services at Oakley Wood after 1 April 2024.

(The Portfolio Holder for this item was Councillor Chilvers)
Forward Plan Reference 1,385

48. **Corporate Strategy 2023/2030**

The Cabinet considered a report from the Chief Executive which brought forward the Corporate Strategy 2023/2030. A corporate strategy was a key document that set out the Council's priorities, goals and how success would be measured. The strategy provided the basis for the Council to set resources against agreed priorities, inform policy direction and provide the framework to help prioritise future opportunities that arose.

Following the change in the Council's administration, a revised Corporate Strategy was needed to reflect a new set of strategic priorities.

The strategy would inform the Council's performance framework that explained how the priorities, values and vision were aligned and woven into the fabric of the organisation - known as the 'Golden Thread'. The draft Corporate Strategy was set out in Appendix 1 to the report.

Without a Corporate Strategy in place, the Council would be operating without an agreed framework of priorities and objectives. A Corporate Strategy was a critical document to ensure strategic direction, focuses prioritisation of resources and one of the key components of good corporate governance.

The Overview & Scrutiny Committee had scrutinised the draft Corporate Strategy at length previously, so further scrutiny was not considered necessary. The Chair had liaised with the Leader of the Council and had informed him that he would be asking Members if they had any further comments to pass to Cabinet.

The Overview & Scrutiny Committee was pleased to note that how performance would be measured was defined in the Strategy but looked forward to receiving the actual targets and key performance indicators (KPIs). The Committee requested more clarity on review process because the "who, what, when and how" was unclear.

An addendum circulated prior to the meeting clarified that some areas in the policy needed refinement of the wording. For clarification, the Strategy would be reviewed every two years and under "how success would be measured", it should read **"% of WDC Homes reaching EPC C"**. The map within the strategy would also be updated prior to going to Council.

In response to the request from the Overview & Scrutiny Committee to provide clarity on the review process on the "who, what, when and how", this would be set out in the first annual report to Overview & Scrutiny Committee in November 2024.

In recognition of the points of clarification, an additional recommendation was proposed that authority be given to the Deputy Chief Executive, in consultation with the Leader to review the strategy for grammatical or spelling errors and update it prior to its final publication.

Councillor Davison, the Leader of the Council, proposed the report as laid out.

Recommended to Council that

(1) the Corporate Strategy, as set out at Appendix 1 to the minutes be approved; and

(2) authority be delegated to the Deputy Chief Executive, in consultation with the Leader, to review the strategy for grammatical or spelling errors and update it prior to its final publication.

(The Portfolio Holder for this item was Councillor Davison)
Forward Plan Reference 1,399

Part 2

(Items upon which a decision by Council was not required)

49. **Local Government Association Corporate Challenge Report and Action Plan**

The Cabinet considered a report from the Chief Executive which included the Corporate Peer Challenge findings and the Council's action plan in response to the recommendations. As part of the Council's commitment to continuous improvement, Warwick District Council (WDC) took part in a Corporate Peer Challenge from the Local Government Association. Warwick District Council was a member of the Local Government Association (LGA) and that membership enabled a number of benefits, one of which was taking part in a Corporate Peer Challenge.

Corporate Peer Challenges (CPC) were a sector led improvement tool facilitated by LGA to support local authorities with continuous improvement. This involved a team of elected Members and senior officers from other authorities who spent time at the reviewed authority to provide challenge and share learning.

The purpose of the report was for Cabinet to acknowledge the CPC report, its findings and recommendations and endorse the resulting action plan, which set out how the Council would take forward the recommendations.

The Council's peer review was undertaken between 11 and 13 July 2023 and Appendix 1 to the report set out the CPC report, which included the executive summary, recommendations and summary of the approach taken.

Appendix 2 to the report set out the action plan, which confirmed how the recommendations would be responded to. Progress of recommendations had already commenced.

The CPC process included a six-month check-in session, which provided space for the Council's senior leadership to update peers on its progress against the action plan and discuss next steps.

In terms of alternative options, none were considered, as the Council was supportive of sector led improvement initiatives.

An addendum circulated prior to the meeting set out the legal and financial implications of the report which were not correctly stated within the report. It also set out the following additional recommendation:

"That ongoing provision is made in the budget of £65,000 for additional officer resource and to support corporate performance and policy within the Council".

The Overview & Scrutiny Committee thanked officers and the Peer Review Team for the work undertaken and welcomed their feedback and recommendations.

The Overview & Scrutiny Committee noted the importance of financial awareness for all Members and clarity on the Council's real financial position. It emphasised the importance of data in terms of managing and measuring performance of services to residents.

The Overview & Scrutiny Committee, as part of its remit, would be taking a role in shaping the performance data in a positive and constructive way (Appendix 2 to the report - Peer Review Action Plan, recommendation 6).

Councillor Davison, the Leader of the Council, proposed the report as laid out, and subject to the addendum.

Resolved that

(1) the 2023 Local Government Association Corporate Peer Challenge Report, as set out at Appendix 1 to the report, be noted;

(2) the Corporate Peer Challenge Action Plan as set out at Appendix 2 to the report, be approved;

(3) thanks be given to the Local Government Association and the Corporate Peer Challenge team; and

(4) ongoing provision is made in the budget of £65,000 for additional officer resource and to support corporate performance and policy within the Council.

(The Portfolio Holder for this item was Councillor Davison)
Forward Plan Reference 1,400

50. **Future of Hydrogen Hub Project**

The Cabinet considered a report from the Programme Director for Climate Change which brought forward the future of the Hydrogen Hub project. The Council had been exploring the potential to develop a hydrogen hub within the District, linked to decarbonising the refuse collection fleet and bringing wider benefits for the green economy. Given the level of risk and uncertainty that still remained, the report sought Cabinet approval to stop the hydrogen hub project. It was recommended that the decarbonisation options for the Council’s refuse collection vehicles were reassessed by 2025/26, including reviewing the possibility of a hydrogen fleet, battery-electric or any alternatives that came forward in the next two years. The report recommended that Hydrogenated Vegetable Oil (HVO) should be explored as a short-term, stop-gap solution to reduce carbon emissions from the existing fleet of Refuse Collection Vehicles (RCV).

The cross-party Climate Change Action Programme Review Working Group discussed the hydrogen hub briefing paper at its meeting on Monday 2 October 2023, and provided a steer as to the future of the hydrogen project, which had in turn informed the recommendations of this Cabinet report. The briefing paper and its appendices that were considered at this CCAP Working Group meeting were included at Appendix 1 to the report.

Whilst recognising the potential benefits of producing hydrogen locally, the CCAP Working Group considered that the potential costs and continuing uncertainties and risks around both hydrogen production and the future technology options for refuse collection vehicles were too significant at this time and that resources (both financial and officer time) could be better used on other projects in line with the emerging Corporate Strategy, such as decarbonising buildings.

There was a careful balance to be struck between giving time to allow low carbon technologies for refuse collection vehicles to mature and allowing enough time to plan for alternatives ahead of a new waste collection contract and ahead of the existing commitment to decarbonise Council contracts by 2030. The decision to stop the hydrogen project and pause any further work on fleet decarbonisation until 2025/26 sought to strike this balance, although it needed to be recognised that given the uncertainties, there were risks that revisiting this as late as 2025/26 might impact the Council's current ambitions to reach net zero by 2030 including contracted services. It was for this reason that it was recommended that further thought should be given to HVO as an alternative fuel for the next five-six years, before a new fleet of vehicles was procured. In the meantime, officers would continue to keep abreast of technology innovations in this area and should opportunities arise earlier than 2025/26 these could be shared with Members for consideration.

The Hydrogen Strategy that was adopted at Cabinet in July 2022 set out a clear timeline to build a hydrogen hub, aiming for the first provision of hydrogen for public service vehicles in 2024/25. If recommendation 1 in the report was agreed, a significant element of the hydrogen strategy would become unachievable, and it would therefore be necessary to review this strategy. It was therefore recommended that this review took place over the next three to six months in the context of the new Corporate Strategy, with a view to bringing forward a further report to Cabinet for consideration.

Officers recommend that Cabinet should acknowledge the possibility of needing to return the £75,000 of UKSPF funding that had been allocated to the hydrogen project to Central Government (£30,000 CapEx for FY 2023-24 and £45,000 CapEx for FY 2024-25). Officers would explore the potential to apply the funding to alternative project that could meet the same outcomes and could therefore be acceptable to the SPF funders.

However, there was a limited amount of time to achieve this, so it would need to be a project that was already being progressed, but was not funded. Potential examples might include EV charging infrastructure or solar panels. However, until further discussions had taken place, it was not known whether the funders would be satisfied that alternative projects would comply with the intended interventions which were:

- Research and Development grants supporting innovative product & service development;
- Development of innovation infrastructure at the local level;
- Supporting decarbonisation whilst growing the local economy; and
- Support relevant feasibility studies.

Following the outcome of this Cabinet meeting, officers would consult with DLUHC to discuss the matter of this UKSPF funding, including any flexibility around the interventions given the change in project scope.

With regards recommendation 5 in the report, at the Cabinet meeting of July 2022 where the hydrogen paper was discussed, there was an additional £40,000 approved for continuation of the technical feasibility work by Kingscote Enterprises and £50,000 approved for specialist commercial partnership advice.

It was important to note that the original contract for Kingscote (at a value of up to £50,000) was awarded through an exemption and was for the technical work on phase 1 of the project, including the feasibility study itself that was brought to Cabinet in July 2022. This took the value of the Kingscote contract up to a maximum of £90,000, but there was an unspent balance for the more recent £40,000 extension part to this contract.

Since July 2022, there had been considerable technical work carried out by Kingscote Enterprises, including an update to the feasibility study to reflect recent market developments, and an in-depth location appraisal report, resulting in the selection of a preferred location for the hydrogen hub, if the Council was to continue with the project. This was in addition to supporting a number of premarket engagement sessions with hydrogen industry key players. However, there was further technical work envisaged, should the hydrogen project continue, therefore there was some underspend on this £40,000 extension to the original contract, which could be reallocated internally.

Since July 2022, Local Partnerships were appointed as the Council's specialist commercial partnership advisors. Some DLUHC funding had meant that a significant proportion of their work on the Council's hydrogen project had been funded externally, but the Council had paid for the remainder of their work to date. This included supporting on procurement routes and potential delivery models, weighing up risk/reward balance of each, as well as their attendance at the aforementioned premarket engagement sessions. There was also an underspend for this piece of work, given there were further plans to work with Local Partnerships to establish the way forward in terms of procurement route and delivery model, if the hydrogen project were to continue. This could also be reallocated internally.

It was estimated that the combined underspend across the two contracts would be around £45,000 with the precise figure to be confirmed once outstanding commitments were paid.

Given the current waste contract was a shared contract with Stratford-on-Avon District Council (SDC), it was important that officers continued to liaise with SDC around the fleet decarbonisation plans in the short-term, such as potentially trialling HVO in some RCVs and smaller vehicles.

In addition to this, given the complexity of the procurement of a waste contract and the need for extensive soft market testing, it was recommended that 2025/26 was an appropriate time for discussions to be had around the future waste contract(s) across South Warwickshire. This was particularly relevant when discussing low carbon RCVs, such as hydrogen fuel-cell or battery-electric, as whichever option was chosen, a significant amount of infrastructure work would need to be planned out and implemented in advance of a new fleet's operation.

The question around the continuation of the shared waste contract was particularly important when comparing the geography of the two Districts and the impact this would have on vehicle optimisation. One vehicle technology might be more suited to an urban round, but where a contract spanned the more rural areas of Stratford District as well, the solution might not be as straightforward. It was currently understood that a hybrid approach (installing a hydrogen refuelling station and battery electric charging station) could be difficult to implement due to the need for two different types of extensive infrastructure installation.

In terms of alternative options, there were three set out in the briefing paper at Appendix 1 to the report. The simplest alternative would be to do nothing until 2029/2030 and instead place all onus on the contractor when the Council would go out to procurement for the new contract. This option was still possible, depending on the decision made in 2025/26, but it was not recommended as this removed all control or influence the Council might have on the decarbonisation of the fleet and meant no progress would be made towards the Council's net zero targets in the meantime.

Another alternative was to launch into the hydrogen project immediately, commencing the process of converting the existing RCVs to dual-fuel diesel-hydrogen and aiming to procure a private sector company to help develop the hub itself, aiming for local hydrogen production by 2027. This was seen as the riskiest option, as it was understood to be a significant investment committing to a technology that could be argued to be new and unproven in this sector. There were multiple ways this option could have been delivered, depending on delivery model for the hub. Some options might require direct investment from the Council, while other options would adopt a lease or concession model whereby no direct investment from the Council was required and a hydrogen hub could still be developed on our preferred site, at the cost and risk of the private sector.

A downside to the latter would be limited control over pricing of hydrogen and a lack of revenue stream coming in from the sale of hydrogen. This was in addition to the Council needing to commit to purchasing a level of 'anchor demand' hydrogen from the private sector company in order to attract their investment in the site, so the 'lease' option had significant risks of its own, albeit no direct financial investment from the Council required. Bringing forward either of these delivery model options would require a considerable amount of officer time. Regardless of delivery model, this option to launch into the hydrogen project immediately was considered too risky to commit to in 2023.

A third option followed a similar route to that set out above, but instead sought to use HVO as a means of reducing the current RCVs' carbon emissions (with no dual-fuel conversions). This also lessened the urgency of having the hydrogen hub up and running ahead of 2029/30 (as there would be no fleet requirement for hydrogen), so the timelines were pushed about two years back, but otherwise reflected the key project milestones of the option set out above.

A further option was considered, following a briefing with relevant Portfolio Holders on 12 September 2023. Officers recommended that a portion of the remaining funding for the hydrogen project (approx. £45,000 as previously mentioned), should be used instead to commission a detailed study into all low carbon alternatives for RCV fleet decarbonisation (namely hydrogen, battery-electric and HVO). This would theoretically remove the doubts and concerns with regards to committing to a new technology. For example, if the new study recommended hydrogen would be most suited to either Warwick District or South Warwickshire's RCV fleet, the Council could be more reassured that the development of a hydrogen hub in the District was worthwhile and less 'risky'. Equally, for a battery-electric fleet, there would need to be a considerable amount of research into electricity grid capacity in the area, as well as potential battery storage (and associated costs) so this study could provide the Council with this, to compare and reach an informed decision on the way forward. It was recommended that all options should be reviewed in 2025/26 and to not commission this study now.

Councillor Kennedy, Portfolio Holder for Climate Change proposed the report as laid out.

Resolved that

(1) work on the hydrogen hub feasibility be stopped and that proposal does not progress to formal live project status;

(2) the Hydrogen Strategy adopted at Cabinet in September 2022 be reviewed and a further report brought to Cabinet to consider changes to the Strategy;

(3) there is a risk the £75,000 of UK Shared Prosperity Fund funding allocated for the hydrogen project for financial years 2023-24 and 2024-25 may need to be returned, unless alternative proposals can be identified that deliver similar outcomes, be noted;

(4) work continues to be done to meet the Climate Change Action Programme's ambition to reach net zero for our contracted services by 2030, including:

(a) working with the contractor and Stratford-on-Avon District Council to explore Hydrogenated Vegetable Oil (HVO) as an interim means of reducing the RCV fleet's carbon emissions, with a further report to Cabinet in Spring 2024;

(b) reviewing options for decarbonising the Refuse Collection Fleet in 2025/26, to enable a longer-term solution to be place by 2030; and

(5) the remainder (approximately £45,000) of the £90,000 agreed at July 2022 Cabinet to support the continuation of the hydrogen hub feasibility work be returned to the Climate Change Reserve.

(The Portfolio Holder for this item was Councillor Kennedy)
Forward Plan Reference 1,389

51. **Public and Press**

Resolved that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following items by reason of the likely disclosure of exempt information within the paragraph of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006, as set out below.

Minutes Numbers	Paragraph Numbers	Reason
52, 53, 54	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

52. **Confidential Appendices to Item 6 – Abbey Fields Swimming Pools Project**

The confidential appendices were noted.

53. **Confidential Appendix to Item 8 – Future of Hydrogen Hub Project**

The confidential appendix was noted.

54. **Minutes**

The confidential minutes of the meeting held on 20 September 2023 were taken as read and signed by the Chairman as a correct record.

(The meeting ended at 7:20pm)

CHAIRMAN
6 December 2023