Executive

Excerpt of the minutes of the meeting held remotely on Thursday 11 February 2021 at 6.00pm, which was broadcast live via the Council's YouTube Channel.

Present: Councillors Day (Leader), Cooke, Falp, Hales, Matecki and Rhead.

Also Present: Councillors: Boad (Liberal Democrat Group Observer), Roberts (Green Group Observer), Mangat (Labour Group Observer), Milton (Chair of Overview & Scrutiny Committee) and Nicholls (Chair of Finance & Audit Scrutiny Committee).

73. **Declarations of Interest**

There were no declarations of interest made in relation to the Part 1 items.

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

76. **Working together with Stratford District Council**

The Executive considered a report from the Chief Executive seeking the recommendation to Council on the principle that further integration, including a potential full merger with Stratford-on-Avon District Council, should be incorporated into the Policy Framework of the Council. The Executive was also requested to ensure that sufficient programme management resources were provided in order to take the programme forward.

At the meeting of the Executive on 13 July 2020, the following recommendations were approved:

(1) "the joint statement issued by the Leader of the Council and the Leader of Stratford on Avon District Council (SDC) be endorsed, and in doing so:

i. a jointly commissioned review of local government across South Warwickshire and the wider Warwickshire County area, be agreed;
ii. the Leaders of this Council and of SDC invite all of the other Borough/District Councils in the County, Warwickshire County Council and the Warwickshire Association of Local Councils (WALC) on behalf of the town and parish councils, to participate in the review as equal partners;
iii. the Leader of the Council be the Council's nominee on a multi Council working party to steer the review;
iv. the Leadership Co-ordinating Group (i.e. all the Political Group Leaders and the Executive) act as Warwick District Council's internal steering group of the review and the joint work with SDC;
v. the brief for the review be delegated to the Chief Executive in consultation with the Leader and the Leadership Co-ordinating Group and the report be procured as a matter of urgency; and
vi. provision of cost for the review be made from a source to be determined by the S151 Officer (at the time of writing the cost has

not been determined and will be affected by the number of Councils participating).

(2) in the context of the joint statement, exploring with SDC in relation to the following, be agreed:

i. sharing of Senior Management Team posts across the two authorities;
ii. exploration of shared contracts across the two authorities; and
iii. agreement be given in principle to conducting a Joint Core Strategy/Local Plan Review, and a further paper be presented setting out details of a proposed programme, a member and officer governance.

Further reports be presented to Employment and/or Executive on all of the items above as soon as possible;

(3) £35,000 be provided from the Service Transformation Reserve to fund the Council's contribution to the joint study and for additional support in respect of communications; and

(4) the Cabinet of the County Council be asked to reconsider its informal decision to commission a separate business case for a single unitary Council and instead, to participate in the joint study with the other Borough and District Councils to look at all options and to listen to the public's views.

Recommended to Council that:

(1) the principle of joint working with SDC be included as part of the Council's Business Strategy; and

(2) agreement(s) be entered into with SDC pursuant to section 113 of the Local Government Act 1972 and all other enabling powers so that employees can be placed at the disposal of the other Council's as may be required".

As was identified in the report to the Executive at its 13 July 2020 meeting, there were a number of reasons for further integration with Stratford-on-Avon District Council. These included:

- a strong political relationship between the two organisations;
- recognised sense of place;
- consistent geography already established for the South Warwickshire Community Safety Partnership, Shakespeare's England, and South Warwickshire Health Partnership;
- single economic geography with significant number of residents, living in one district and working in the other;
- increased effectiveness, efficiency and ability to deliver value for money by the two authorities;
- ability to produce a joint spatial plan for South Warwickshire, which would set a clear footprint for the area and result in reductions in the cost of producing such a plan;

- ability to have some further influence in relation to the Coventry & Warwickshire Local Enterprise Partnership through having an enhanced voice;
- taking advantage of current vacancies in management teams at both Stratford-on-Avon District Council and Warwick District Council; and
- ability to jointly commission contracts to obtain increased economies of scale.

Since then, the two Councils had together made significant strides across the piece to deliver this agenda. The Executive was asked to note the following series of updates.

Update: Management Team Posts

Since this meeting, further work had continued in relation to the sharing of management team positions. There were now joint roles across the two authorities in relation to the Head of Community and Operational Services/Neighbourhood position (SDC) and the Head of ICT (WDC).

The Employment Committee at its meeting on 16 February 2021, would be considering the sharing of further posts. This would be in relation to the Head of Financial Services (s151 Officer) position (WDC) and the principle that this became a joint post between the two authorities. Related to that though, was a re-distribution of some of the activities which meant that both Council's Revenue, Benefits and Customer Service Teams would be line managed by the Head of Revenue and Customer Services post (SDC) and assets activities by the Head of Assets (WDC), bringing a total of five posts then effectively shared by the two Councils.

The WDC Programme Director of Climate Change was proposed to have his remit extended from the WDC area to also cover the SDC area, and this was to be considered at SDC's Employment and Appointments Committee on 16 February 2021, and then lead the work on behalf of both authorities in respect of Climate Emergency. It was expected that the remainder of the Management Team posts would be shared by the middle/end of 2021; this would be subject to the necessary consultation and approvals at that time.

Update: Organisational Change Policy alignment

As a prelude to further staff integration, both Councils would be considering an alignment to the following policies:

- Joint Organisational Change Policy Statement;
- Joint Redeployment Policy and Procedure; and
- Joint Redundancy Policy and Procedure.

These policies and procedures would be considered by the Employment Committee on 23 March 2021, and at Stratford-on-Avon District Council's Employment and Appointment Committee on 16 March 2021. Such joint policies would provide a consistent basis for the introduction of joint working across the two authorities. Alongside this would be monthly meetings of the CEOs and Union Representatives of both Councils, to ensure that staff were engaged, involved and informed continuously.

Update: Organisational Benchmarking with recently established Super Districts

On 1 April 2019, three Super Districts in England came into being, namely, Somerset West and Taunton; East Suffolk; and West Suffolk. Given there were three recent precedents, research on their background, their achievements, and the means of implementation had proved invaluable to officers to better understand what needed to be done and to identify issues to avoid.

Somerset West and Taunton had recently published an audit report on lessons learned, which was particularly valuable information. Both SDC/WDC Chief Executive Officers had also met (virtually) the CEO of East Suffolk, which was the closest in population size to what a South Warwickshire Council would be when created (250,000 compared to a South Warwickshire current size of 273,000).

Update: Shared Contracts

In relation to the proposal of joint contracts, both authorities had approved the approach to jointly procure the next Waste Management Services contract on a consistent approach to service delivery. This was approved by SDC's Council at its meeting on 14 December 2020, and this Council similarly agreed the process at its meeting on 17 November 2020. The tendering of this service had already commenced, with the new joint service anticipated coming into operation in 2022. This sat alongside both Councils also investing in the proposed sub regional Materials Reclamation Facility (MRF).

Update: Joint Core Strategy/Local Plan

Both Councils had agreed a more detailed paper on preparing a Local Plan for South Warwickshire. Proposals were considered separately at this meeting, Minute Number 76 - Joint Cabinet Executive Committee of Stratford-on-Avon District Council - on how the proposed governance would work for this area of work.

Political Alignment
To assist the process overall, it was proposed that the Leaders of both Councils would bring forward proposals for aligning the service Portfolios on each Council.

Study on Integration/Merger with Stratford-on-Avon District Council

It was evident that shared working with Stratford-on-Avon District Council would provide financial benefits that would enable both authorities to preserve valuable public services whilst the budgets of both organisations were under severe financial stress, mainly caused by the implications of the Covid-19 pandemic.

However, in order to help fully evaluate the options available to the two authorities, Deloitte had been commissioned by Warwick District Council to undertake a review of the financial and non-financial benefits of further integration, up to and including the possibility of a full merger between the organisations. The result of their review was attached at Appendix 1 to the report.

This review was an independent report from Deloitte. However, information and detailed discussions were undertaken following interviews with the Chief Executives and Deputy Chief Executives from both authorities, along with the respective Chief Financial Officers. It was recommended that the report should be received and noted.

Conclusions of the Study

The clear recommendation from Deloitte was that in order to achieve the maximum potential financial and non-financial benefits for the residents of South Warwickshire, a full merger of the two District Councils should be considered. This approach had most recently been implemented in parts of Somerset and in Suffolk, as referred to in paragraph 3.8 of the report.

In relation to the expected financial benefits which could be derived from a merger of the two authorities, the report concluded:

"Merging the two Councils could support local government in South Warwickshire to deal with the significant financial challenges it faces. The imperative for resolving the financial challenges is to ensure that local government can continue to deliver or improve services for local communities. Making financial savings from creating efficiencies and removing duplication supports this goal.

In this context a financial assessment has been carried out of the potential costs and benefits. This has found a potential opportunity to generate annual net savings of £4.6m after Year 5. This saving represents a 3.9% reduction in the current combined gross expenditure of both Councils.

Savings have been identified from rationalising the executive teams and the number of Members of both Councils, and also making efficiencies from bringing services together through jointly commissioning contracts or removing duplication in staffing. There are clear opportunities in a variety of areas.

Costs will be incurred in delivering the transformation such as change costs and potential redundancy payments (although this would be minimised through natural turnover as far as possible)."

Section 4 of the Deloitte report provided more details surrounding the potential financial benefits. It was expected that these would total £4.6m over the next five years, made up as follows:

	Area	Year 1 2021/22	Year 2 2022/23	Year 3 2023/24	Year 4 2024/25	Year 5 2025/26
Costs (£'000s)	Change Costs	200	200	200	0	0
	Redundancy Costs	0	143	369	227	227
	Total Costs	**200**	**343**	**369**	**227**	**227**
Savings (£'000s)	Management Team savings	(305)	(611)	(611)	(611)	(611)
	Service Optimisation	(0)	(0)	(1,261)	(2,521)	(3,782)
	Democratic Savings	(0)	(0)	(0)	(172)	(172)
	Total Savings	**(305)**	**(611)**	**(1,872)**	**(3,304)**	**(4,565)**
Net Annual (Saving) / Cost		**(105)**	**(268)**	**(1,302)**	**(3,077)**	**(4,338)**

In relation to the perceived non-financial benefits arising from such a merger, these were explored in detail at section 5 of the report, and were summarised as follows:

"The super-district would better reflect place and economic geography. It would represent a recognised place in South Warwickshire built around the towns and the key transport routes of the M40 and the Chiltern rail line. There is a consistent geography already established for the South

Warwickshire Community Safety Partnership, the Shakespeare's England tourism organisation, and the South Warwickshire Health Partnership. Residents of the South have consistent needs and concerns around areas such as rural transport, traffic and congestion and affordable housing. The super-district could speak up for the interests of the place and the discrete local communities within it, creating a stronger, unified voice than currently exists, and ensuring the place's voice is heard at a strategic level. It would also maintain local political leadership and accountability which will enable engagement with residents and support local decision making.

The super-district could support local government in South Warwickshire to deal with the significant economic challenges it faces by creating stronger services such as an aggregated planning function with one local plan that delivers for residents and business. Merging the Councils would also create a more powerful voice for the South Warwickshire economy that can work within and influence existing partnership organisations and structures such as the West Midlands Combined Authority (WMCA) and the Coventry and Warwickshire Local Enterprise Partnership. Within the WMCA, when Gross Value Added (GVA) is examined, the proposed South Warwickshire economy is the second biggest, second only to Birmingham.

The super-district could improve service delivery across South Warwickshire through delivering economies of scale and making reinvestments in services to drive innovation. It could assess the variation in performance and cost of delivery of services across both Councils, and under a single management structure, deliver greater performance consistency by applying best practice and reducing variation. It could strengthen its managerial and senior leadership, as larger councils are more likely to be able to offer a better compensation package and varied career opportunities. There would also be the opportunity for the super-district to review areas where different services are provided by the two Councils and consider whether expanding services across the footprint may be advantageous. For example, the super-district may consider the future position on the Housing Revenue Account and associated housing service, and arts and culture service delivery."

Alongside the potential benefits, the report also identified the risks and dis-benefits that may arise from a merger of the two authorities. These were shown in detail; it was the view, however, that the risks could be mitigated and so the very clear benefits outweighed the potential risks given the opportunity for mitigation.

The overall conclusion of the report was shown on page 7 of the report, which stated:

"This high-level business case has found a strong strategic, financial and operational case for merging the two Councils.
Such an initiative would have risks that could lead to dis-benefits, but these risks could be managed through an effective implementation approach. Should the two Councils decide to proceed with this initiative, substantial further planning and due diligence should be undertaken to establish a detailed implementation plan."

It was a recommendation to Council, therefore, that subject to Stratford-on-Avon District Council also confirming agreement, that the Council committed to seeking a full merger to create a new single statutory Council for South Warwickshire by 2024.

Vision

To clarify the objective, the following was proposed as a clear statement or vision for the two Councils to work toward:

"To create a single statutory South Warwickshire Council covering all of the activities currently carried out by Stratford-on-Avon District Council and Warwick District Council by 2024".

It was legally possible for two District Councils to merge, and this was covered by section 8-10 of the Local Government and Public Involvement in Health Act 2007. The Government would have to determine any application and it would be appropriate that the individual Councils would need to resolve. 2024 was suggested as a challenging but reasonable deadline, bearing in mind the statutory processes that had to be completed to enable a new Council to come into being. Existing legislation allowed new Councils to come into being only on the 1 April of any one year. The Deloitte report summarised the steps involved.

It was clear from public statements that the Minister of Housing, Communities and Local Government (MHCLG) was supportive of the concept of District Councils merging. However, it would still be necessary for a formal submission to be made from the two authorities to central government and for this to command local support.

Subject to agreement to the recommendations 2, 3 and 4 of the report ,it was further recommended that the respective Chief Executives would commence work in relation to the development of formal submission to this end. When such a submission was complete, this would require the approval of Full Council before being made to the MHCLG.

In 2019, a statement made by the Secretary of State for Housing, Communities and Local Government included the following:

*"Locally-led changes to the structure of local government, whether in the form of unitarisation or **district mergers**, can – with local support – be an appropriate means of ensuring more sustainable local government and local service delivery, enhanced local accountability, and empowered local communities. This statement today continues the Government's commitment to supporting those councils that wish to combine, to serve their communities better and will consider unitarisation and mergers between councils when locally requested."*

As stated above, any application to Government for the merging of authorities would need to identify that the proposal had local support. Therefore, as part of the development of any submission, full consultation with the public, businesses and other local stakeholders would be required.

Programme of Implementation

If the Council was supportive of recommendations 2.3 to 2.6 to merge the two organisations, it was proposed that the following next steps were pursued:

The CEOs of both Councils would develop a detailed Programme of Implementation (PI) to identify the steps that would be required to be completed, including:

- Management - Integrate the two Senior Management Teams;
- Services - Integrate teams below Senior Management Teams following appointment of individual Joint Heads of Service;
- ICT – Programme on integrating and simplifying ICT systems;
- People - Harmonisation of staff terms and conditions and all other business systems;
- Procurement - Development of programme of joint procurement;
- Assets - Identification of future accommodation and other service requirements, providing opportunity to dispose of both Elizabeth House and Riverside House;
- Democratic Governance - Review of Corporate Governance arrangements and undertaking a review of both the number of Councillors and of ward boundaries;
- Culture – Creating a new single authority Staff and Councillor culture and ways of working;
- Finances – Harmonising of Council finances especially determining an approach to Council Tax and fees and charges;
- Strategy – Creation of a single corporate strategy/business plan in the run up to and after a new single authority is created; and
- Communications – a plan for all stages for all audiences to make sure everyone was well informed at the same time.

Given the need to make progress speedily, it was proposed that the PI should be prepared for consideration by Members by the end of July 2021. The scale and scope of work involved was such an undertaking it was recognised within the Deloitte report that such a change programme would need to be properly supported and resourced. This was fully supported by the experience/evidence from the three recently created Super Districts, and had in particular been evidenced in the audit report on lessons learned from Somerset West and Taunton and from the experience of the CEO of East Suffolk. It was therefore recommended that the appointment of Programme Manager and independent HR Support should be made to support the Councils' senior managers in this transition process. The LGA had indicated that they would be in a position to support some of these costs, however, it was suggested that budgetary allowance of £100,000 per year for three years was made by both Councils.

Risk Register and Communication Plan

Alongside the PI, it was proposed that the risk register set out in the Deloitte report should be expanded to become a much more detailed risk register. However, it was worth noting the significant risk that whilst the Councils were permitted to make such an application for merging, this would still require a Government decision. The decision was to support such mergers of Taunton Deane & West Somerset to create Somerset West and Taunton and the merging of authorities to create both East and West Suffolk. However, the proposal to merge West Devon and South Hams went as far as a formal vote but was rejected by one of the Councils in October 2017, even though the two Councils operated one joint staff team then and still do.

A recent Parliamentary Briefing Paper in relation to Local Government Structures had been published, and this provided further details on such mergers. This was attached for information at Appendix 2 to the report.

It was accepted that there would be a number of specific risks that would need to be mitigated in relation to any proposed merger. Within the Deloitte report, these were identified along with the proposed mitigating actions. It was recognised that there could be a perception of remoteness from the new organisation, however, through expanding initiatives such as SDC's Parish and Partners, this should be easily overcome.

From experience, any change programme depended upon good and effective two-way communication. This would be important with the local residents and business community, and with other partner agencies. The two-way nature was important so that in creating a new authority, a variety of interests could be taken into account in helping to form it. It was therefore also recommended that a communication plan should be prepared, implemented and monitored.

Monitoring Progress

Progress on the PI, the risk register and the Communications Plan would be regularly reported to both Councils, but it was proposed that more detailed oversight should be given by a Steering Group of Members comprising the Leader and Deputy Leader of both Councils and 4 other Councillors of both Councils representing the other political groups, with formal quarterly reporting of progress to each respective Cabinet/Executive. This would be supported by the CEO and Deputy CEO of both Councils and the Programme Manager.

Scale of Change

The proposal for merging the two Councils was of a very significant scale. As the report from Deloitte made clear, it would be a change which was significant for every single aspect of both Councils, including that of the public, businesses, staff, contractors and members. Whilst the benefits of the merger had been made clear by the work completed by Deloitte, in making the decision to go forward, it was important that the decision was made on an "eyes wide open" basis, and so it was proposed that the scale of change involved was acknowledged.

In terms of alternative options, Members could decide that they wished to proceed no further than the current levels of joint working or indeed even to reverse them, but this would have considerable adverse impacts on the Council, both in service delivery and in longer term financial sustainability, which itself would prove detrimental to service delivery going forward.

Members could also decide that they may wish to proceed but not agree to a full merger. Whilst this would deliver some benefits, the benefits would not be as great as a those delivered by a full merger. Members would in any case be required to consider a fuller report on the decision for a merger.

The Leader made Members aware of minor changes to recommendation 2.2 in the report, to read:

"(c) subject to the approval of recommendation 2.2(a) and 2.2(b) that the Chief Executives of both Councils are asked to ~~prepare~~ ***draft*** *a submission to the Government seeking approval to achieve a merger by 2024, subject to a further report for approval by both Councils.*

(d) subject to the approval of 2.1(c), 2.2(a) and 2.2(b), that the Chief Executives of both Councils are authorised to prepare a Programme of Implementation (PI) to deliver the vision agreed at ~~2.4~~ ***2.2(a)*** *above for consideration by Members no later than July 2021".*

The Chief Executive advised Members of a further minor change to recommendation 2.2 to read:

"(e) subject to the approval of 2.2(a) to 2.2 ~~(c)~~ ***(d)*** *above, the sum of £100,000 pa from the Council for the period 2021/22 to 2023/24 be included within the Medium Term Financial Strategy and is funded from the Service Transformation Reserve to ensure that there is sufficient programme management resource to support the Councils through this transition process to a full merger".*

The Overview & Scrutiny Committee was pleased to note the intention to provide quarterly updates but it recommended that this should go further and that there should be a "Scrutiny Plan". This plan should set out points in the project where there were key decisions being made and where matters requiring scrutiny at either or both O&S and F&A were embedded within the plan. Short progress updates should also be provided to each Scrutiny meeting so that the Committees were not overwhelmed with less frequent, longer reports that effectively meant there was no time to scrutinise other areas of the Council's operations at those meetings. Members were required to vote on this because it formed a recommendation to them.

The Overview and Scrutiny Committee was mindful of the amount of time officers required to undertake this project and the Committee would plan its meetings to allow sufficient time to scrutinise with the aim to help the Executive. It would look at whether joint meetings of both Scrutiny Committees would be of assistance, and also joint meetings with Stratford District Council.

Councillor Day accepted the recommendations from the Overview and Scrutiny Committee and thanked its Members for their thoughtful contributions, as well as the contribution from other Groups, and was pleased to see Groups working together so effectively. He also thanked the Chief Executive and other senior officers for the extensive work that had gone into the report in a relatively short space of time.

Councillor Day read a letter he had received from the Leader of Warwickshire County Council, Councillor Izzi Seccombe, who had enquired as to the status of the proposal, and the implications on all Councils in

Warwickshire, and requested her concerns be shared with Members of the Executive.

In response, Councillor Day wished to make it clear that the decision taken would be a clear statement of intent, and his colleagues in other Borough and District Councils were meeting frequently to discuss how they had been able to work effectively during the Covid-19 pandemic, and how this would continue in the future. He assured Members that he would be responding to Councillor Seccombe as the Council wished to consult with Warwickshire County Council alongside other local authorities. There had been meetings with WALC and specific Town and Parish Councils, so that they were aware of these proposals, and they would be able to play an active part in this programme in the future. Councillor Day felt that this was an extraordinary opportunity for Warwick District Councillors to shape a modern and agile Local Government for South Warwickshire for the next 50 or more years, and it was a privilege as Councillors to work together to shape and create this new entity to meet the needs of today and the future. He then proposed the report as laid out.

Recommended to Council that

(1) subject to the same decision being taken by Stratford-upon-Avon District Council, the following vision statement: "To create a single statutory South Warwickshire Council covering all of the activities currently carried out by Stratford-on-Avon District Council and Warwick District Council by 1 April 2024.", be approved;

(2) subject to the same decision being taken by Stratford-upon-Avon District Council, the proposal to integrate all of the activities of each Council, including the ambition of achieving a full merger by 1 April 2024, be agreed;

(3) the Chief Executives of both Councils be asked to prepare a submission to the Government seeking approval to achieve a merger by 2024, subject to a further report for approval by both Councils;

(4) the Chief Executives of both Councils be authorised to draft a Programme of Implementation (PI) to deliver the vision agreed at recommendation 2 above for consideration by Members no later than July 2021;

(5) the sum of £100,000 pa from the Council for the period 2021/22 to 2023/24 be included within the Medium Term Financial Strategy and is funded from the Service Transformation Reserve to ensure that there is sufficient programme management resource to support the Councils through this transition process to a full merger;

(6) a Risk Register including an exercise of full disclosure from both authorities be also prepared for consideration by Members alongside the Programme of Implementation;

(7) a Communication Plan for the Vision and Programme of Implementation (PI) for staff, partner agencies, the public and the business community be prepared and implemented;

(8) the Programme of Implementation (PI), Risk Register and Communication Plan be overseen and monitored by a Steering Group of members comprising the Leader and Deputy Leader of both Councils and four other Councillors of both Councils representing the other political groups, with formal quarterly reporting of progress to each respective Cabinet/Executive; and

(9) the scale of change, benefits and risk (and mitigations) that this proposal involves for each Council, be noted.

Resolved that

(1) the significant progress of implementing the decisions made in 2020 about closer working of the two Councils as set out at paragraphs 3.3 to 3.12 of the report, and including the organisational change policies to be considered by the Employment Committee on 23 March 2021, be noted;

(2) the Leaders of SDC and WDC will, by the beginning of the new municipal year in May 2021, to align portfolio holder responsibilities, be noted;

(3) the report prepared by Deloitte, at Appendix 1 to the report, setting out the high level business case of the potential financial and non-financial benefits of a merger of Stratford-on-Avon District Council and Warwick District Council, be noted; and

(4) the recommendation from the Overview & Scrutiny Committee was accepted and it was agreed to provide (i) a "Scrutiny Plan" that will set out points in the project where there were key decisions being made and where matters requiring scrutiny at either or scrutiny committees were embedded within the plan; and (ii) short progress updates to each Scrutiny meeting.

(The Portfolio Holder for this item was Councillor Day)

77. **Joint Cabinet /Executive Committee of Stratford-on-Avon and Warwick District Councils**

The Executive considered a report from Democratic Services which brought forward proposals for the governance arrangements for the Joint Cabinet/Executive between Stratford on Avon District Council (SDC) and Warwick District Council (WDC) for progressing a Joint Local Development Plan for South Warwickshire.

At its meeting on 1 October 2020, the Executive agreed to proposals to bring forward a Joint Local Plan for South Warwickshire (JLPSW) and asked officers to bring forward proposals for the governance arrangements for this.

The proposals set out had been developed in partnership between SDC and WDC officers. A Joint Cabinet/ Executive Committee was proposed to be created with SDC pursuant to sections 101 and 102 of the Local Government Act 1972, section 9EB of the Local Government Act 2000 and all other relevant legal powers. The purpose of the Joint Committee was to enable the two Councils to work more closely together in developing a Joint Local Development Plan for South Warwickshire, ensuring that decisions were taken collectively and in a timely manner.

The Joint Committee would not undertake any functions, at present, other than those defined within the terms of reference and as defined by law, with its major decisions being:

(a) endorse technical studies and background reports to inform the preparation of South Warwickshire Local Development Documents, as appropriate;
(b) approve or recommend to Council (as appropriate) South Warwickshire Local Development Documents for public consultation;
(c) recommend to Council adoption of accompanying South Warwickshire Local Development Documents e.g. Local Development Scheme, Statement of Community Involvement;
(d) recommend to Council approval of the South Warwickshire Development Plan Document / Local Plan for submission to the Secretary of State for examination; and
(e) recommend to Council adoption of the South Warwickshire Development Plan Document / Local Plan.
(NB. The adoption of the Joint South Warwickshire Local Development Plan would remain with the individual Council's for final approval.)

The Constitution document attached as Appendix 1 to the report, and Appendix 1 to Minute Number 77 comprised the terms of reference and standing orders that would apply to the Joint Committee, and would take precedence over the respective Constitutional documents of each of the two Councils. However, where the Constitution for the Joint Committee was silent on an issue, the Constitution of each respective Council would take precedence; for example, the Councillor Code of Conduct.

There would be a review of these arrangements by both Councils towards the end of the first six months of the operation of the Joint Plan Advisory Group, in order to determine if any changes were necessary.

Attention was drawn to a number of features that applied to the arrangements:

- the Chairman would be appointed at the start of each meeting until the start of the next meeting on a rotating basis;
- where Members of one Council were minded to vote to support a proposal and Members of the other Council minded to vote against the proposal, the matter would be referred back to officers to reconsider the specific point of contention;
- each respective Council was not obliged to accept recommendations received from the Joint Committee;
- provided the respective Council was following its own procedure rules, it may revise its decision to prepare joint local development documents with the other Council; and
- the Leader of either Council could at any time withdraw the delegated Executive powers from the Joint Committee.

In terms of alternative options, the Executive could decide not to progress with a Joint Committee and retain the decision-making process as at present. However, this would go against the understanding already in place through previous reports and would lengthen the decision-making process on developing a the JSWLP.

Councillor Day proposed the report as laid out.

Recommended to Council that, subject to Stratford-on-Avon District Council passing similar resolutions:

(1) preparation of joint local development documents with SDC, pursuant to section 28 of the Planning and Compulsory Purchase Act 2004, be agreed;

(2) the proposed Constitution for the Joint Committee as set out in the Appendix 1 to the report, and Appendix 1 to Minute Number 77, be adopted;

(3) the Council Procedure Rules be amended so that only items that are key decisions (as defined by each authority) taken by the Joint Committee can be "called in"; and

(4) the Chairmen of the Scrutiny Committees of Stratford District Council and Warwick District Council be requested to meet in early May 2021 to consider the potential for joint scrutiny arrangements to scrutinise the Joint Committee.

Resolved that

(1) subject to Stratford-on-Avon District Council Cabinet passing similar resolutions:

(a) the establishment of a Joint Committee with SDC, with terms of reference as set out in Appendix 1 to the report, be agreed;

(b) the appointments to the Joint Committee, be confirmed; and

(c) the agreed terms of reference for the South Warwickshire Joint Plan Advisory Group that has been established, as set out at Appendix 2 to the report, be noted.

(2) supporting a review of these proposals in July 2021, with views from all District Councillor sought, in order to determine if any changes are necessary, be agreed; and

(3) the intention is to have the first meeting of the Joint Cabinet/Executive w/c 8 March 2021, be noted.

(The Portfolio Holders for this item were Councillors Cooke and Day)
Forward Plan Reference 1,171

78. **General Fund Budget and Council Tax 2021/22**

The Executive considered a report from Finance informing Members on the Council's financial position, bringing together the latest and original Budgets for 2020/21 and 2021/22, plus the Medium Term Forecasts until 2025/26.

The contents of the report would be presented to Full Council alongside a separate report recommending the overall Council Tax Charges 2021/22 for Warwick District Council.

The report presented a balanced Budget for 2021/22, something which the Council had been able to achieve without having to reduce the services it provided, but with a heavy reliance on reserves and an ambitious savings/ income generation programme. The savings coming out of the Budget proposals agreed by Members in December 2020 had been included within the Budgets. Once again, the Council had not had to rely on New Homes Bonus to support core revenue spending and had been able to allocate this funding to supporting specific project work, while also replenishing reserves.

The Council was now forecasting to achieve an improved position on its 2020/21 Budget compared to the position previously reported to Members at the 24 August Executive meeting, enabling a COVID Contingency budget to be established for 2021/22.

The increase proposed for Council Tax for 2021/22 was £5 per annum at Band D, in line with the maximum permitted under the relevant Council Tax Regulations.

By law, the Council needed to set a balanced budget before the start of the financial year. As part of this process, it needed to levy a Council Tax from its local taxpayers to contribute to financing General Fund expenditure.

It was prudent to consider the medium term rather than just the next financial year, taking into account the longer-term implications of decisions in respect of 2021/22. Hence, Members received a five-year Medium Term Financial Strategy detailing the Council's financial plans, Capital Programme and Reserves Schedule.

The Local Government Act 2004, Section 3, stated that the Council must set an authorised borrowing limit. The CIPFA Code for Capital Finance in Local Authorities stated the Council should annually approve Prudential Indicators.

The Chief Financial Officer was required to report on the robustness of the estimates made and the adequacy of the proposed financial reserves. (This statement was made at Appendix 1 to the report).

The report was structured so as to build up and present a holistic view of the Council's finances for Members to assist them in considering the Budget and Council Tax proposals and associated matters. The report was structured as follows:

- 2020/21 Revenue Budget – update to the year's budget;
- 2021/22 Revenue Budget – details of main items included within the proposed 2021/22 Budget;
- 2021/22 Local Government Finance Settlement;
- Business Rates – details of main drivers impacting upon the Council's share of Business Rates;
- Council Tax – proposals for Warwick District Council level of council tax for 2021/22;
- New Homes Bonus – details on the Council's allocation for 2021/22;
- Medium Term Financial Strategy – revenue projections for the Council for the next five years, taking into account latest information and decisions by Members;
- Reserves and Balances – details on the funds held by the Council and the proposed usage thereof;
- Capital Programme – details of Council's capital projects and funding thereof;
- Appropriation of funding and balances – proposals for the allocation of one-off funding allocations;
- Business Rates – proposed delegations in respect of Reliefs and Grants;
- Pre-Planned Maintenance Programme – agreement to the plan for 2021/22; and
- Local Council Tax Support Scheme – proposed delegation.

The year's revenue budget was last considered by Executive at its 24 August 2020 meeting. At that time, a £5,676,000 adverse position was forecast for the year, which was to be partly supported by the use of non-ring fenced Government grants.

It was agreed that non-ring fenced Government grants received in tranches as part of their support to local authorities, were to be allocated towards the overall revenue deficit projected for the year. As at August, these totalled £1,683,800.

In addition, the Government had also announced a sales fees and charges income compensation scheme. As at August, estimated compensation from the scheme was c£3,100,000.

The remainder of the deficit was to be supported through the use of BRRVR.

Since August, the following notable changes had impacted on the financial position for the year:

Expenditure Growth / Income Reductions:

- income losses as a result of COVID-19, with national restrictions, in addition to local decisions such as offering free parking in the District during December to support the local economy, reducing key income drivers such as car parking, commercial rent and event fee income by a further net (+£308,600);
- increased expenditure as a result of COVID-19, including additional waste collection costs as a result of more waste being generated by homes due to people staying at home (+£600,000); and
- a delay to the CCTV project which was due to be completed in 2020/21 as a result of COVID-19, which was ultimately expected to deliver recurrent savings (+£50,000).

Expenditure Savings / Increased Income

- Additional COVID income grants had been received: Following the release of details to support the sales, fees and charges income compensation scheme, the Council would be eligible to receive a further (-£400,000) during 2020/21. In addition, further tranches of non-ring fenced support grants (-£156,300), new burdens funding for Business Grants and Council Tax hardship (-£193,400) and funding to support Leisure and Arts Services (-£430,000) had been received.
- The receipt of Furlough grants to support the continued payment of casual staff who typically worked within the cultural and arts services, areas that had been closed throughout the year (-£85,000).
- Expenditure savings from the closure of cultural and arts services, such as the Spa Centre and Town Hall, and the cancellation of a number of events hosted in the District, including the National Bowls Championships (-£593,000).

As a result of the key changes summarised above, the 2020/21 Net Cost of General Fund Services was now £35,894,800, allowing £923,000 to be allocated to the BRRVR, and drawn down if necessary in 2021/22, as part of a COVID-19 Contingency Budget allocation.

To balance the budget in the year, it had been necessary to make use of the BRRVR. When the Substitute Budget was set 12 months earlier (which was implemented following the Council Tax Referendum not taking place in May 2020), the General Fund was due to be receiving £739,900 from the BRRVR, with further significant drawdowns in 2021/22 and 2022/23. With the Council's financial position having suffered in the year, primarily as a result of the global pandemic, it had been necessary to increase the contribution from the BRRVR to £2,321,200, so as to present a balanced position for 2020/21.

In preparing the 2021/22 Base Budget, the over-riding principle was to budget for the continuation of services at the existing level. The following adjustments needed to be made to the 2020/21 Original Budget:

- removal of any one-off and temporary items;
- addition of inflation;
- addition of previously agreed Growth items;
- addition of unavoidable Growth items; and
- inclusion of any identified savings.

Inflation of 2% had been applied to general budgets, including most major contracts. 0.5% had been used for Business rates.

in terms of staffing, a 2% increase (+£263,000) had been factored in for 2021/22, subject to a pay award being agreed. Whilst the Chancellor had proposed no pay awards for public sector workers, for local government this was to be determined by the national pay bargaining arrangements.

The following summarised the key drivers of expenditure growth, and income reductions that had been factored into the 2021/22 Revenue Budget.

- waste collection, street cleansing and grounds maintenance contract increases (+£3,409,900);
- waste management – new properties (+£40,200);
- a COVID-19 Contingency Budget to support increased expenditure costs, and further lost income (+£4,015,700). This includes the £923,000 referred to in section 3.2.6 in the report;
- contribution to the Climate Emergency Reserve (+£500,000);
- lone working costs, as agreed at August 2020 Executive (+£26,500); and
- HR Payroll Contract costs following transfer to new provider (+£10,300).

The following summarised the key expenditure savings, and increased income that had been factored into the 2021/22 Revenue Budget.

- Fees and Charges, as agreed at November 2020 Executive (-£503,200);
- Savings Proposals, as agreed at December 2020 Executive (£2,289,000); and
- various COVID-19 support grants to support loss of fee earning income and Council Tax support (-£1,023,700).

On 2 July 2020, MHCLG announced a "comprehensive new funding package for Councils to help address Coronavirus pressures and cover lost income during the pandemic”. This included local authorities being able to spread business rates and Council tax collection fund deficits over three years (rather than the usual one). The forecast deficit on the Collection Fund for Council tax as at 31 March 2021 of £146,000 was due to be spread over the three subsequent years as set out below and reflected in the budget as follows:

	31/3/2021 £’000	**2021/22 £’000**	**2022/23 £’000**	**2023/24 £’000**
Collection Fund Deficit	146			
Deficit spread over 3 years charged to General Fund		39	54	54
Pressure / (Benefit)		(107)	54	54

Taking into account all known changes, the 2021/22 budget showed a deficit of £2,846,100. To present a balanced budget, it was proposed to use the BRRVR, as previously agreed within earlier reports presented to Executive.

The Government announced the provisional 2021/22 Finance Settlement in December. The final settlement was expected to be confirmed shortly, ahead of the Council being due to agree its 2021/22 Budget and Council Tax in February. No changes were expected to the final settlement, but Members would be duly informed if necessary.

2021/22 was originally due to be a major year in respect of local government finance, as the following changes were due to come into place:

- Fair Funding Review;
- New Business Rates Retention scheme based on 75% retained in local government, in place of the 50% scheme; and
- reset of the Business Rates Baselines to reflect changes in rates collected locally since the scheme was introduced in April 2013.

These changes were originally due to come in for 2020/21, but were all delayed a year. As a result of the pandemic, the Government had sought to delay these changes again, with them expected to come into force for 2022/23.

With the demise of the former Revenue Support Grant, the main tools that the Government had to control funding of individual local authority funding were:

- Council Tax – for District Councils for 2021/22, this could be increased by up to the higher of 2% and £5, with the latter being the maximum applicable for Warwick District Council, unless a referendum was undertaken in respect of a higher amount.
- Business Rates – whilst local authorities had limited control of the overall revenue from business rates, the Government set out through the Business Rate Retention Scheme how business rates revenue was shared between the billing authority (Warwick District Council), other local authorities and Central Government. This was the key to the

financial support local authorities received. The delay to the Reset of the Baselines would serve to greatly assist many District Councils such as Warwick.

- New Homes Bonus – For some years, this had been expected to cease. However, it was to be continued for 2021/22, with Warwick District Council due to receive £3.269m. This was discussed more fully in section 3.7 of the report.
- Other Direct Grants – Over the last year, additional Government funding by way of grant had become increasingly important to make up for increased expenditure and reduced income received by local authorities. Some additional funding for 2021/22 had already been agreed, and had been included within the 2021/22 Budget, set out in paragraphs 3.3.5 and 3.8.3 of the report.

Under the Business Rate Retention Scheme, the Council received approximately £5m per annum. Whilst the business rates base was relatively stable, complexities within the Retention Scheme meant that the element retained by the Council may fluctuate substantially year on year. The causes of these fluctuations were primarily:

- Appeals – There were still many appeals awaiting determination by the Valuation Office. An assessment of the success of these needed to be made and suitable provision had been allowed for within the estimated figures. Whilst it was hoped that this figure was suitably prudent, given the size and nature of some of the appeals, there remained a risk. April 2017 saw the introduction of the new "Check, Challenge, Appeal" regime, seeking to expedite appeals and deter speculative appeals. Following previous revaluations, backdated appeals continued to be lodged for several years. The number of new appeals coming forward since April 2017 continued to be minimal. However, it was still expected that a significant number of appeals would come forward in subsequent years that would be backdated to 2017. It was necessary for an estimate of these future appeals to be allowed for in the 2020/21 and 2021/22 Estimates.
- Accounting for the "Levy" - Under the Business Rate Retention Scheme, the timing of transactions, notably in respect of the "Levy" paid to central government, would result in substantial swings in the net rates retained by the Council in any specific year.

With the reset of the Business Rate Retention Baseline expected in April 2022, from that date it was expected that the Council's share of business rates would reduce to more closely align to the Baseline (at the time £3.4m) as it lost its share of increases to the business rate base. A reduction in retained business rates had been allowed for in the projections from 2022/23. However, it was important that reserve funding was allowed for in case the position from 2022/23 was worse than forecast.

Due to the significant fluctuations in the business rates that the Council got to retain in any individual year, in common with most other local authorities, it retained a BRRVR. Since 2018, the balance on this reserve continued to grow and peaked at £7.5m at 31 March 2020. In future years, the Council's Budget and MTFS were due to be supported by the BRRVR as allocations were made from the reserve to support revenue spending. Latest forecasts showed the balance on the reserve would be down to £2m as at 31 March 2026.

Since the start of the Business Rate Retention Scheme, the Council had been part of the Coventry and Warwickshire Business Rates Pool. By pooling, local authorities were able to reduce the amount of the levy due to be paid to Central Government, and retain more income locally. For 2020/21, the Council's Business Rates Retentions figures included approximately £400k as the gain from pooling for this year. The Executive agreed in the autumn that the Council should seek to be part of the Pool for 2021/22. Within the Provisional Finance Settlement, the Government was proposing that the pools would be able to continue for 2021/22.

The Business Rate Pool had continued to hold a Safety Net to cover the potential decrease in business rates collected. All pool members had agreed that the balance on the Safety Net was far greater than needed, at over £5.5m as at 31 March 2020. Consequently, some of the Safety Net balance had been returned to the billing authorities, with WDC due to receive a total of £566k in 2020/21. Consideration of how this balance was used was discussed in Section 3.11 in the report.

The Business Rates Retention figures within the MTFS were believed to be reasonably prudent, taking into account all the above factors. These figures would continue to be reviewed and Members would be informed of changes as the MTFS was presented in future reports.

As announced within the Provisional Local Government Finance Settlement, District Councils may increase their share of the Council Tax by the greater of up to 2% and £5 without triggering a referendum. This was the same limits as applied for 2020/21.

The national average Council Tax for District Councils was £199, and £244 including Parish/Town Council precepts. This Council's Council Tax charge for 2020/21 was £171.86 (excluding Parish and Town Council precepts). This Council's charge was in the second lowest quartile (60/172) and when Town and Parish Precepts were included, it fell within the lowest quartile (30/172).

The Council Tax Base was calculated in November of 2020, with the Council's preceptors being notified accordingly. The Tax Base for 2021/22 was 55,916.75 Band D equivalents. This was a reduction of over 1,083 Band D Equivalent properties to the figures originally factored into the Financial Strategy for 2021/22, as reported in February 2020. This reduction was primarily related to the impacts of the pandemic, whereby there had been an increased number of Council Tax Support claimants, and new properties had not been completed at the rate originally projected. The reduced forecast growth in the tax base had been factored into the MTFS. This clearly impacted upon the Council's estimated Council tax income.

An increase in Council Tax of £5 per annum per Band D was proposed to fund the Council's core services, in line with the limits discussed in paragraph 3.6.1 in the report.

The Council's element of the Council Tax was calculated by taking its total budget requirement and subtracting the Council's element of Retained Business Rates. This figure was divided by the 2021/22 tax base

(55,916.75 Band D equivalent dwellings) to derive the District Council Band D Council Tax Charge.

The recommendations within the report produced a Band D Council Tax for Warwick District (excluding Parish/Town council precepts) for 2021/22 of £176.86, this being a £5 increase on that of 2020/21. Based on this increase the District's element of the Council Tax for each of the respective bands would be:

	£
Band A	117.91
Band B	137.56
Band C	157.21
Band D	176.86
Band E	216.16
Band F	255.46
Band G	294.77
Band H	353.72

The £5 increase in Council tax would generate an additional £279,600 in 2021/22, towards the cost of core services.

The MTFS included increases in Council Tax of £5 per annum in future years. This increase would go towards maintaining core services. It was important that the Council continued to maintain this income base into future years. Costs would continue to face inflationary increases. In addition, there remained threats to the Council's other income streams, most notably its share of Business Rates Retention.

Parish and Town Councils throughout the District were asked to submit their precepts for 2021/22 when informed of their Tax Bases. At the time of writing the report, not all precepts had been confirmed. It was estimated that the precepts would total just over £1,500,000 based on prior years. In the Provisional Finance Settlement, the Government had announced it would continue to defer the setting of referendum principles for Town and Parish Councils. As in previous years, the government had indicated it would keep this approach under review for future years.

The Council Tax was set by aggregating the Council Tax levels calculated by the major participating authorities (the County Council and the Police and Crime Commissioner) and the Parish/Town Councils for their purposes with those for Warwick District Council. The report to the Council Meeting on the 24 February 2021 would provide all the required details. This would be e-mailed to all Members as soon as possible, following the Police and Crime Commissioner and Warwickshire County Council meetings. At the time of writing the report, it was assumed that all the Town/Parish Precepts would have been returned. The Council would then be in a position to:

(a) consider the recommendations from the Executive as to the Council Tax for District purposes; and

(b) formally set the amount of the Council Tax for each Parish/Town, and within those areas for each tax band, under Section 30 of the 1992 Local Government Finance Act.

Members needed to bear in mind their fiduciary duty to the Council Taxpayers of Warwick District Council. Members had a duty to seek to ensure that the Council acted lawfully. They were under an obligation to produce a balanced budget and must not have knowingly budgeted for a deficit. Members must not have come to a decision that no reasonable authority could come to, balancing the nature, quality and level of services that they considered should be provided, against the costs of providing such services.

Should Members wish to propose additions or reductions to the budget, on which no information was given in this report, they needed to present sufficient information on the justification for and consequences of their proposals to enable the Executive (or the Council) to arrive at a reasonable decision. The report set out relevant considerations for Members to consider during their deliberations, including the statement at Appendix 1 to the report, from the Chief Financial Officer

Section 106 of the Local Government Finance Act 1992, stated that any Member who had not paid their Council Tax or any instalment for at least two months after it became due and which remained unpaid at the time of the meeting, had to declare that at the meeting and not vote on any matter relating to setting the budget or making of the Council Tax and related calculations.

The Council's New Homes Bonus (NHB) for 2021/22 was £3.269m. This was a reduction from the £3.7m awarded for 2020/21.

The NHB calculations were still based on the following parameters:

- since 2018/19 funding was based on four years (this previously being six years); and
- the baseline of 0.4% had continued for 2021/22. New Homes Bonus was only awarded on growth above this level. For Warwick District Council, for 2021/22 the 0.4% baseline represented 261 dwellings. With the total growth of 824 Band D properties, the 2021/22 allocation was based on 647 properties.

Within the Provisional Funding Settlement, the Government said that "legacy payments" for 2021/22 would not continue, as was the case for 2020/21. However, prior year legacy payments from 2018/19 and 2019/20 continued to be part of the 2021/22 allocation. If this was unchanged for 2022/23, the Council would expect to receive NHB of £1.278m for that year. However, with the changes expected to Local Government Finance in 2022/23, it was possible that this legacy payment would not continue.

To date, the Council had used the money to fund various schemes and initiatives and replenish some of its Reserves, and unlike many local authorities, had not used NHB to support core services. It continued to be the Council's policy to exclude NHB in projecting future funding.

As in previous years, Platform Housing Group (Waterloo Housing Group had been acquired by Platform) would receive part of this allocation from their agreement with the Council to deliver affordable Housing in the District. £199,600 was due to be paid to Waterloo in 2021/22. Section 3.13 of the report detailed how it was proposed to allocate the Residual Balance for 2021/22.

When Members approved the Substitute 2020/21 Budget in February 2020, the MTFS showed that that the Council would be in deficit by £1,762,000 by 2024/25, as shown below.

	2020/21 **£'000**	**2021/22** **£'000**	**2022/23** **£'000**	**2023/24** **£'000**	**2024/25** **£’000**
Deficit-Savings Req(+)/Surplus(-) future years	0	0	522	1,868	1,762
Change on previous year		0	522	1,346	-106

In August 2020, Members received later updated projections in the quarterly Budget Review Report (section 3.5). The report highlighted any major changes to the Strategy. Taking into account these changes, the savings reported to be found within the MTFS were as follows:

	2021/22 **£'000**	**2022/23** **£'000**	**2023/24** **£'000**	**2024/25** **£'000**	**2025/26** **£’000**
Deficit-Savings Req(+)/Surplus(-) future years	3,190	6,139	5,701	5,355	5,306
Change on previous year	3,190	2,949	-438	-346	-49

In addition to the funding included within the Budget report to August Executive, additional Government funding had been announced in recent months, with most of this being attributable to supporting the costs to COVID-19. This had helped to support the MTFS in the short term. This funding included:

Local Government Funding	**2020/21**	**2021/22**
	£000s	**£000s**
Local Council Tax Support	0	170
Lower Tier Services Grant	0	147
Sales Fees and Charges	400	750
Covid funding	0	627
Business Grants - Admin - New Burdens funding	170	0
Business Rates Discounts - New Burdens funding	12	0
Council Tax Harship - New Burdens funding	12	0
Arts Funding re RSC etc	170	80
Leisure Funding	260	0
Total	**1,023**	**1,774**

Taking into account some of the further key changes highlighted in section 3.2.5 of the report, the budget showed an improved position of £923,000 in 2020/21. This was to be allocated back to the BRRVR, and drawn down in 2021/22 as part of a COVID-19 Contingency Budget allocation.

In addition to the budget changes highlighted in section 3.3.4 of the report, for 2021/22, a recurring £500,000 from 2022/23 had been included for the maintenance of Council municipal assets, in order to reduce the need for funds to be found annually for the Corporate Asset Reserve (which had a sufficient balance to fund works in 2021/22). From 2023/24, a recurring £500,000 had been allocated to support any further potential increased costs from the new waste contract and associated measures.

Taking into account the above changes, the profile of the MTFS was now as follows:

	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**
	£'000	**£'000**	**£'000**	**£'000**	**£’000**
Deficit-Savings Req(+)/Surplus(-) future years	0	0	178	-30	-216
Change on previous year	0	0	178	-208	-186

The above profile allowed for the balance on the Business Rate Retention Volatility Reserve to be maintained at £2m. With many significant factors likely to influence the Council’s funding in the short and medium term, it was vital to maintain adequate reserves.

Members agreed that £1.5m should be the minimum level for the core General Fund Balance. This balance would support the Council for future unforeseen demands upon its resources. In order to consider a reasonable level of general reserves, a risk assessment had been done and was contained at Appendix 4 to the report. This showed the requirement for the

General Fund balance of over £1.5 million against the risks identified above. In addition, it would be possible to use some of this reserve towards short term impacts of the pandemic on the Council's finances. However, in using this balance, it would be necessary for the balance to be fully re-instated as priority over other Council financial priorities.

The balance on the General Fund Balance was at the time £519,000 above its nominal balance. The use of this excess balance was considered in paragraph 3.13.2 of the report, and below.

The General Fund had many specific Earmarked Reserves. Details of these were attached at Appendix 5 to the report, showing the actual and projected balances from April 2020, along with the purposes for which each reserve was held. The Finance and Audit Scrutiny Committee was especially asked to scrutinise this element and pass comment to Executive.

Those reserves which showed a significant change in the overall balance in the period 1 April 2020 to 31 March 2024 were detailed below and also shown in Appendix 5 to the report:

i. Business Rates Volatility Reserve – this reserve smoothed out the receipt of business rates income and contributions to the reserve. This reserve had been agreed by Members to support the shortfall on the General Fund over the period 2020/21 to 2022/23, with much of this shortfall being driven by the global pandemic. The use of this reserve was discussed in section 3.8 of the report, with £5.5m being utilised over this period, reducing the balance from £7.5m to £2m. As reported in the 2020/21 Budget report, the balance on this reserve should not be allowed to go below this level, and should ideally be at a level of £2.5m. With the changes to Business Rates Retention expected from 2022/23, it was expected the Council would retain a lesser proportion of business rates, for which the further support from the reserve may be required.

ii. Service Transformation Reserve / Early Retirement Reserve – on the basis that the Early Retirement Reserve was normally only used for one off staff costs as a result of service staffing changes, it was proposed that this Reserve was merged with the Service Transformation Reserve. £870,000 was proposed to be allocated to the Service Transformation Reserve from the 2021/22 New Homes Bonus. This was primarily towards the up-front costs of the Joint Working with Stratford District Council as considered in the separate report on the agenda for the meeting at Minute Number 75 – Joint Working with Stratford-on-Avon District Council. In addition, some funding allowed to support further projects which may require funding to progress.

iii. Car Park Displacement Reserve – this reserve was due to be fully depleted with the balance of funding being used towards the Commonwealth Games Projects, as agreed by Members in August 2020.

iv. Commonwealth Games Reserve – this project was due to receive £150k in 2021/22 and 2022/23, as previously agreed. In addition, £83k was proposed to be allocated to the reserve for Street Dressing.

v. Corporate Assets Reserve – this reserve would be used in 2021/22 to support the pre-planned maintenance programme. From 2022/23, it was proposed to allocate £500k per annum from the General Fund to support the on-going works to the corporate assets.

vi. Covent Garden Multi-Storey Reserve – this reserve had held a balance of £900k for some years, this being intended to fund the revenue costs of closure whilst a new car park was developed. With no plans for this site at the time, it was proposed that this funding was re-allocated towards the Future High Street Funds project, as detailed in section 3.11 of the report.

vii. Enterprise Reserve – as no schemes were proposed at the time to be funded from this reserve, it was proposed to reduce the balance on this reserve to £100k, with £137k apportioned to the Future High Street Fund.

viii. Public Amenity Reserve – there was sufficient funding for work planned for open spaces and play areas in 2021/22. It was proposed to allocate further funding to this reserve from the anticipated New Homes Bonus for 2022/23.

ix. Warwick District Climate Emergency Reserve – the Budget proposals presented within the report allowed for £500k per annum from 2021/22 to be allocated to this reserve. This incorporated the £82,500 in 2021/22 for the Trees for the Future project agreed by the Executive at its 1 October 2020 meeting.

x. ICT Replacement Reserve – this reserve would receive annual contributions of £250,000, amounting to £1m over the period 2020/21 to 2024/25. The latest forecast for the replacement of the Council's ICT Equipment was attached at Appendix 6 to the report, for Members approval. If all the items on the schedule were to be funded, further funding would be required for future years.

xi. Equipment Renewal Reserve – this reserve has been forecast to receive allocations of £100k per annum. Some drawdowns from this reserve have not been needed as soon as profiled. Consequently, within the proposed budget no allocations into the reserve have been allowed for 2020/21 and 2022/23. However, Members were asked to note the significant potential demands on this Reserve in future years, if all of these items were drawn down to this value, the Reserve would be exhausted. The Equipment Renewals Schedule (Appendix 7) was regularly reviewed to assess whether demands were still required, or whether they could be slipped within the programme.

Members were reminded that various allocations were proposed to be made to some of these reserves from the General Fund from 2021/22. These allocations would only be able to be accommodated within future budgets if the savings proposals previously agreed by Members were achieved, in terms of value and timing. The ability of future Budgets to accommodate further planned appropriations would need to be considered within future Budget reports.

In accordance with the Council's Code of Financial Practice, all new and future capital schemes needed to be in line with the Council's corporate priorities, including its capital strategy, and a full business case would be required as part of reports to the Executive for approval. This case would identify the means of funding and, where appropriate, an options appraisal exercise would be carried out. Should there be any additional revenue costs arising from the project, the proposed means of financing such needed to also be included in the Report and Business Plan.

The Capital Programme had been updated throughout the year as new and amended projects had been approved. In addition to the changes throughout the year, it was proposed to add several new schemes to the Capital Programme, as detailed in Appendix 8 to the report. The most notable schemes were detailed below:

Scheme	**Year**	**Amount**	**Financed From**
Coventry And Warwickshire Reinvestment Trust Loan	2020/21	£250k	Service Transformation Reserve
Waste Contract Costs for Depot	2020/21	£528k	Borrowing
HS2 Redesign of Stoneleigh Park Southern Accommodation Bridge	2020/21	£60k	Service Transformation Reserve
Cubbington Riding School Land Purchase (GF portion)	2020/21	£1.33m	Internal Borrowing
Recovery (Covid-19) ICT Provision of laptops, remote desktop services and security	2020/21	£237.3k	Business Rates Volatility Reserve, Revenue Contribution and Service Transformation Reserve
Sherbourne Resource Park (Recycling)	2020/21-2023/24	£7.105 m	Borrowing
Newbold Comyn Masterplan & Cycling Facilities	2020/21 – 2021/22	£905k	External Contributions
Commonwealth Games	2020/21 – 2022/23	£3.463m	Commonwealth Games Reserve, Parking Displacement Reserve, Community Projects Reserve, Service Transformation Reserve & External Contributions
Kenilworth Rugby Club Relocation Loan	2020/21 - 2021/22	£300k	2021/22 New Homes Bonus
Kenilworth School Loan	2022/23	£11.88m	Internal Borrowing and subsequently S106
Desktop Infrastructure, Physical Server Replacement Infrastructure General, Network General	2024/25	£74k	ICT Replacement Reserve
Rural & Urban Initiatives Grants – extension of current programme	2024/25	£100k	Capital Investment Reserve

Scheme	Year	Amount	Financed From
Recycling & Refuse Containers – extension of current programme	2024/25	£80k	Capital Investment Reserve

Some slippage to 2021/22 in the General Fund Programme had been incorporated as reported during the year.

In addition, the following tables showed slippage and savings to schemes that were required to be reported to Members. The full details were within Appendix 8 to the report:

Slippage

Scheme	Year of slippage	Amount	Comments
Play Area Improvement Programme	From 2020/21 to 2021/22	£575k	Delay due to Covid-19 and staff resources.
Financial Management System	From 2020/21 to 2021/22	£234k	Profile of project now agreed.
Leper Hospital Site Regeneration	From 2020/21 to 2021/22	£894.5k	Delay in property acquisition.
Health & Community Protection IT System	From 2020/21 to 2021/22	£129k	Delay in signing contract.

Savings

Scheme	Year	Amount	Comments
Financial Management System	2020/21	£204.6k	Saving.
Leamington Parking Displacement	2020/21	£159.5k	Saving as no longer required.

Slippage and savings on existing schemes were also detailed within Appendix 8 to the report.

The Housing Investment Programme and associated funding were included within parts 2 and 4 of Appendix 9 to the report. The figures here excluded the proposals presented to Members in December 2020, in respect of the proposed Housing Company. As figures were worked up with more certainty, they would be reported back to Members to consider if they were at variance to the proposals already agreed.

Part 5 of Appendix 9 to the report, showed the General Fund unallocated capital resources. These totalled £1.686m. The Capital Investment Reserve represented the largest share of this at just over £1m, for which the

Council had agreed the minimum balance should be £1m. Whilst the Council did hold other reserves to fund capital projects, it should be noted that these were limited and had been reserved for specific purposes. In addition to the resources shown here, "Any Purposes Capital Receipts" projected at £8.3m as at 31 March 2021.

The Council did have some balances and funding which it was able to use to fund specific projects and service demands. The sums available were all "one-off", meaning that they could be used to fund one-off items, but not any initiatives that would result in a recurring cost to the Council that had not been accommodated within the revenue budget. The proposed usage of these funds and balances were detailed below.

General Fund Balance

The Council's policy was for the nominal balance to the General Fund Balance to be £1.5m. As at 31 March 2020, the unallocated balance was £2.019m, giving an excess of £519k to be allocated. This was proposed to form a contingency budget of £500k within the 2020/21 Budget (and if not required in the year to be slipped to 2021/22) and £19k for the monitoring resource to support the Kenilworth School development.

Business Rates Pool Safety Net

As discussed in paragraph 3.5.4 of the report, £566k Safety Net was due to be returned to the Council in 2020/21. This was proposed to be used towards the Future High Streets Fund Project, which would be subject to a further report to Executive.

New Homes Bonus

As discussed in Section 3.7, the Council was due to receive £3.269m in 2021/22. This may be used for any purpose, although the Council had previously agreed some allocations in principle, which were included, along with new proposed allocations. In addition, the Council expected to receive £1.278m in "legacy payments" in 2022/23. This was also provisionally allocated below, however, should this funding not be made available, the Council would need to find other sources of funding, or not make the allocations proposed.

New Homes Bonus	**2021/22 £**	**2022/23 £**
Commonwealth Games Reserve – agreed 5 annual allocations per Executive March 2018	150,000	150,000
Climate Change year 2 of 3, agreed within February 2020 Budget report (substitute Calculations). Cost of post shared with Stratford DC.	53,000	52,000
Platform (previously Waterloo) Housing Group - Joint Venture Commitment	199,600	45,000
Leisure Options Reserve - Kenilworth Leisure - interim development costs, agreed within February 2020 Budget report (substitute Calculations).	370,000	

New Homes Bonus	2021/22 £	2022/23 £
Masters House/ Leper Hospital – agreed Executive Oct 2019, further allocation on top of £250k, agreed within February 2020 Budget report (substitute Calculations)	250,000	
Kenilworth Rugby FC - allocation agreed March 2020 Exec	300,000	
Voluntary/Community Sector Commissioning – funded from NHB not core budget, as per December 2020 Executive	282,000	282,000
Rural and Capital Initiatives Grants – funded from NHB not core budget as per December 2020 Executive. Allocation reduced from £150k in view of many Towns/Parishes now in receipt of CIL.	100,000	100,000
Service Transformation Reserve - Half joint Council transformation cost per other Executive report on the agenda for this meeting, and funding towards other projects, e.g. Riverside House, Covent Garden car park, Lease disposal, South Warwickshire Culture Review.	870,535	
Public Amenity Reserve – to fund work on Council play areas and open spaces		270,000
Contingency Budget – within 2021/22 revenue budget	200,000	
Kenilworth School – Project Monitor	83,000	
Community Centre Acre Close – feasibility work by Whitnash TC.	25,000	
Joint Local Plan	100,000	200,000
Future High Street Fund	203,000	119,000
Lord Leyster Hospital – underwriting of HLF award match funding		60,000
Commonwealth Games – Street Dressing	83,000	
Total Allocated	**3,269,135**	**1,278,000**

<u>Right to Buy (Any Purpose) Capital Receipts.</u>

As at 31 March 2020, the Council held £7.257m in unallocated Right to Buy Capital Receipts. This balance was projected to increase by £1m in 2020/21 to give an anticipated balance as at 31 March 2021 of £8.3m. Most of the balance was proposed to be used towards the Kenilworth Leisure Centre discussed within a separate report on the agenda – Minute Number 83 - Warwick District Leisure Development Programme – Kenilworth Facilities.

<u>Other Capital Receipts</u>

As agreed by Executive at its 1 October 2020 meeting, the sale of land of Queensway would generate a capital receipt of £160k. This was proposed to be used towards the Future High Streets Fund Project.

<u>Enterprise Reserve</u>

The balance on this reserve had been continuing to increase in recent years, without any notable plans for its usage in the medium term. Consequently, it was proposed to release £138,000 from this reserve, leaving £100,000 for specific commitments. This funding released was proposed to be used towards the Future High Streets Fund Project.

Covent Garden Multi Storey Car Park Reserve

This reserve was created to fund the revenue costs and lost income when the car park was closed for redevelopment. With no specific plans now coming forward, the £900,000 in this reserve was proposed to be released to be used towards the Future High Streets Fund Project. When a new project for Covent Garden did come forward, funding would then need to be found for the revenue costs and lost income.

Appendix 10 to the report summarised all the allocations proposed above.

In the financial year, significant additional business rate relief had been awarded by the Government, in view of the pandemic, to many additional businesses, notably in the retail and hospitality sectors. As yet, no announcements had been made in respect of additional reliefs for 2021/22, although these were widely expected. It was possible such announcements would be part of the Chancellor's Budget scheduled on 3 March 2021.

Based on the Committee meeting dates at the time, this would not enable any changes to be formally agreed and incorporated into the 2021/22 Business Rate Bills to be issued in March 2021.

It was recommended that the Section 151 Officer, in consultation with the Finance & Business Portfolio Holder, was duly authorised to approve any Business Rate Relief changes agreed by the Government, to be incorporated into the 2021/22 Business Rate billing and beyond.

During 2020/21, there had been a variety of Business Grant and other financial support schemes. Whilst most of these had been prescribed by Government, there had been some for which authorities had to agree their discretionary scheme. In these cases, the Chief Executive had to use his Emergency Powers to get these schemes agreed, and so hastened the award of funding to businesses.

It was possible there would be more discretionary business grant and other financial support schemes in 2021/22 and beyond. To assist with such schemes being agreed and funding being awarded as soon as possible, it was recommended the Section 151 Officer and Head of Development Services, in consultation with the Finance and Business Portfolio Holder, were duly authorised to design and approve any business grant and other financial support schemes proposed by the Government to be implemented. The proposed Pre-Planned Maintenance (PPM) budget would enable the Council to proactively maintain all existing corporate assets (i.e. all assets owned by the Council other than its Housing Revenue Account homes, shops, garages and land) in a sound condition unless or until any future decisions were made in respect of individual assets through a Corporate Asset Management Strategy.

The proposed budget allocation for 2021/22 was based on a review of the PPM data at the time by officers within the Assets Team, in consultation with building managers from other services which held or operated specific assets. The Proposed Corporate Property & Planned Preventative Maintenance (PPM) Programme works 2021/22 was set out at Appendix 12 to the report.

For 2021/22, the total PPM budget was £1,541,000. This would be funded using £413,000 from the Annual PPM budget and a £1,128,000 drawdown from the Corporate Assets Reserve, of which the balance was projected to be £1.361m at the time as at 31 March 2021. Further detail of the PPM Plan and the associated funding was provided within Appendix 12 to the report.

The Council agreed a new "Banded" Local Council Tax Support Scheme (LCTS) to align with Universal Credit, two years previously, on the basis of the Universal Credit being fully rolled out in 2019/20. Subsequently, the UC full rollout had been delayed, meaning the Council's banded LCTS would not be applicable for many recipients. It was proposed that Members would agree that the Local Council Tax Reduction scheme would continue in its format at the time for a further year, with no planned changes to the administration. However, the Head of Finance should continue to exercise delegated powers to agree to any amendments to the scheme which might be required in line with Government announcements, in respect of other income related benefits which, if the scheme was not amended, would otherwise make a claimant worse off.

In terms of alternative options, the Council did not have an alternative to setting a Budget for the forthcoming year. Members could, however, decide to amend the way in which the budget was broken down or not to revise the year's Budget at the time. However, the proposed latest 2020/21 and 2021/22 budgets sought to reflect the decisions made by Members and make appropriate recommendations. Any changes to the proposed budgets would need to be fully considered to ensure all implications (financial or otherwise) were addressed. If any Member was considering suggesting changes to the proposed Budget, these proposals needed to be discussed (in confidence) with the Head of Finance beforehand, to ensure all implications were considered, including funding. If appropriate, alternate Budget papers could be prepared for consideration by Council.

The Finance & Audit Scrutiny Committee supported the report and took the opportunity to thank all officers for their work in bringing forward the budget for the Council in these challenging times.

Councillor Hales thanked the Head of Finance and officers who had worked so diligently in producing the budget in recent months, and he thanked the Finance and Audit Scrutiny Committee. He then proposed the report as laid out.

Recommended to Council that

(1) the proposed changes to the 2020/21 budget, be approved;

(2) the Revised 2020/21 Net Cost of General Fund Services of £35,894,800 as set out in Appendix 2

to the report, which would enable £923,000 to be allocated to a newly established COVID Contingency Budget for 2021/22, be approved;

(3) the proposed 2021/22 Budget, with a Net Cost of General Fund Services of £27,185,000, and the use of £2,846,100 from the Business Rate Retention Volatility Reserve (BRRVR), be approved;

(4) the Council Tax charges for Warwick District Council for 2021/22 before the addition of Parish/Town Councils, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts for each band, be agreed as follows:

	£
Band A	117.91
Band B	137.56
Band C	157.21
Band D	176.86
Band E	216.16
Band F	255.46
Band G	294.77
Band H	353.72

(5) the projected Medium Term Financial Strategy (MTFS) encompassing the Budget Proposals agreed by Members in December 2020 and the further changes that have been included, be approved;

(6) the reserve projections and allocations to and from the individual reserves, be approved;

(7) the ICT Replacement and Equipment Renewal Schedules as set out in Appendices 6 and 7 to the report, be approved;

(8) the General Fund Capital and Housing Investment Programmes as detailed in parts 1 and 2 of Appendix 9 to the report, together with the funding of both programmes as detailed in parts 3 and 4 of Appendix 9 to the report, and the changes described in the tables in section 3.10 of the report and Appendix 8 to the report, be approved;

(9) the allocation of funding summarised in Appendix 10 to the report, be approved;

(10) the Financial Strategy as set out in Appendix 11 to the report, be approved;

(11) the Section 151 Officer, in consultation with the Finance and Business Portfolio Holder, be duly authorised to approve any business rate relief changes agreed by the Government to be incorporated into the 2021/22 Business Rate Billing and thereafter;

(12) the Section 151 Officer and Head of Development Services, in consultation with the Finance and Business Portfolio Holder, be duly authorised to design and approve any business grant and other financial support schemes proposed by the Government to be implemented in 2021/22 and thereafter;

(13) proposed allocation of £1,541,000 for the 2021/22 Corporate Property Repair and Planned & Preventative Maintenance (PPM) Programmes to fund the list of proposed works set out in Appendix 12 to the report, and the drawdown of funding from the Corporate Asset Reserve of up to £1,128,000 to support the 2021/22 programme, be approved;

(14) the Head of Assets, in consultation with the Chief Executive/Deputy Chief Executive and the Procurement Manager, be authorised to procure the proposed PPM works as per the Code of Procurement Practice, and authority be delegated to the Head of Assets, the Deputy Chief Executive and the Head of Finance, in consultation with the Finance & Business and Housing & Culture Portfolio Holders, to approve any amendments to the proposed programme of works listed at Appendix 12 and/or revisions to the amount of budget allocated for specific schemes, provided these can be accommodated within the overall PPM budget allocation of £1,541,000; and

(15) the Local Council Tax Reduction scheme will continue in its current format for a further year with no planned changes to the administration, however, the Head of Finance should continue to exercise delegated powers to agree to any amendments to the scheme which might be required in line with Government announcements in respect of other income related benefits which if the scheme is not amended would otherwise make a claimant worse off, be agreed.

(The Portfolio Holder for the item was Councillor Hales)
Forward Plan Reference 1,176

79. **Housing Revenue Account (HRA) Budget 2021/21 and Housing Rents**

The Executive considered a report from Finance presenting the latest projections for the Housing Revenue Account (HRA), in respect of 2020/21 and 2021/22 based on at the time levels of service and previously agreed Executive decisions.

The information contained within the report made the recommendations to Council in respect of Council tenant housing rents, garage rents and other HRA charges for 2021/22.

These recommendations would ensure that the Council was operating in compliance with national policy and guidance on the setting of rents for General Needs and Support Housing properties.

From April 2020, a new national rent policy came into effect, with Councils allowed to increase rents by up to CPI (at September) + 1% per annum. The Council would increase rents for Social and Affordable rent dwellings by CPI at September 2020 which was 0.5% +1%, with the total rent increase being 1.5% from April 2021.

The rent policy prior to this ensured rents charged for existing tenants by local authority housing landlords were reduced by 1% per year, for four years, commencing April 2016. 2019/20 was the final year of this rent reduction. The 1% rent reduction per annum also applied to supported housing, with 2019/20 being the final year of this reduction.

Details of rents at the time and those proposed as a result of these recommendations were set out in Appendix 1 to the report. It was noted that from April 2016 Target Formula rents were applied when a dwelling became void and re-let, existing tenancies prior to this policy change would continue under the historic rent regime with inflation, linked in line with national rent policy. Appendix 1 to the report contained the average rents for both Target Formula Rent and Historic Rent dwellings.

A comparison of the Councils proposed 2021/22 rents to Local Market Rents, National Formula Rent Caps and Local Housing Allowance Rents was set out in Appendix 2 to the report. The Councils Social Rents were 41% lower than the Local Average Weekly Market Rent. This meant that the Council's housing service reduced the cost of living for tenants, allowing more money to be spent in the wider economy and reducing the social security costs of helping lower income tenants afford their rent.

From April 2016 landlords were permitted to set the base rent as the Target Social Rent (also known as Target Formula Rent) for new tenancies. In the Councils case, this represented a small increase over the social rent charged for tenanted properties and was projected to increase rental income by around £6,000 in 2020/21. These tenancies were subject to agreed rental policy to comply with the Welfare Reform and Work Bill 2016.

The Council adopted the policy to introduce Target Formula Social Rents on new tenancies issued upon a dwelling becoming void and re-let. This phased approach equated to approximately 400 dwellings per year transferring from the social prior rent policy to Target Formula Rents. Existing tenancies commencing prior to April 2016 would remain on the prior rent policy, with rents being inflated by CPI+1 in line with Target Social Rents Dwellings.

From April 2021, rents on new Affordable Housing Tenancies within the HRA would be charged in line with the National Affordable Housing Rate, which was 80% of the Local Market Rent, in line with planning permission and grant approvals from Homes England.

The Council had previously agreed "Warwick Affordable" rents between 2014/15 and 2020/21 in relation to properties at Sayer Court Leamington, and Bremridge Close, Barford by adopting a model to charge "Warwick Affordable" rent levels which were a mid-point between 80% Local Market Rent and Social Rent.

The reason for this change resulted from the Council officially being awarded "Affordable Housing Investment Partner" status from Homes England in 2020, which enabled the Council to apply for grant funding to assist with the cost of housing developments and charge affordable rents within these schemes. To ensure that all future acquisitions and developments linked with Homes England remained as financially robust as possible, the rents would be set at the national standard of Affordable rents equating to 80% of local market rents.

Existing Affordable Housing tenancies would continue to pay "Warwick Affordable" rents for the remainder of their tenancy to ensure there were no negative financial implications for existing tenants.

Affordable rents and "Warwick Affordable" rents were inflated in line with national rent policy at CPI (at September) + 1%. CPI at September was 0.5% and so with the total rent increase is 1.5% from April 2021. This change was noted in the HRA Business Plan projections presented to Executive in December 2020.

At the time the report was written, the Council owned 18 Shared Ownership Dwellings. Shared owners purchased a percentage of the property from the Council and were required to pay rent on the proportion of their home which they did not own.

The shared ownership properties' rent increases were not governed by national Policy, but the Council adopted the Homes and Communities Agency (HCA) template lease agreement, which included a schedule on rent reviews. Schedule 4 of the lease agreement determined that the rent would be increased by RPI (at November) + 0.5% from April each financial year.

RPI at November 2020 was 0.9% and so the total rent increase would be 1.4% from April 2021.

The Council would continue to use lease agreements based on the existing Housing & Communities Agency (HCA) template lease for all new shared ownership tenancies.

Garage rent increases were not governed by national guidance, although in recent years’ consideration had been made in regard to the level of increase applied to the garages. Unlike housing rents, there had been no requirement to reduce garage rents. In 2019/20, Members approved a £4 rise in garage rents and in the 2020/21 HRA Rent Setting Report presented to Executive at its 12 February 2020 meeting, it was approved to adopt an increase of 10% per year over a five-year period, with following years being inflated by CPI. The Council did not have a formal policy for the setting of rents for garages but the following points contributed to the decision to increase the rents.

There were waiting lists for a number of garage sites, whilst other sites had far lower demand; where appropriate, these sites were being considered for future redevelopment as part of the overall garage strategy for the future. Two different rent charges applied to garages depending upon whether the renter was an existing WDC tenant or not. There were also parking spaces and cycle sheds which were charged for.

Market Research showed that in the private sector, garages were being marketed in the District with rents ranging from £40-£85 per month (local market valuations last reviewed January 2020). The average monthly rent for a Council garage at the time was £46.71.

The location of many of the garage sites and quality of the land, landscape and garage condition constrained the levels of rent that could reasonably be achieved. It was considered that many sites required investment to improve their condition, provide greater community benefits, extend the life or accommodate the development of additional affordable housing. The Housing Service had completed a review of garage sites to determine their optimum potential as an asset of the HRA. Most sites would simply require some form of fairly modest improvement, such as to roofs or to the hardstanding. Others might require more significant work or might benefit from a more strategic redesign and realignment with contemporary expectations. In addition, the garages and external areas at key high rise sites were in need of some redesign and modernisation.

Any additional income generated from Garage Rents for the service would help to alleviate the loss of rental income from dwellings and ensure the continuous viability of the Housing Revenue Account Business Plan. Alongside the rent increase, a review of garage voids had indicated that on average 26% of the total garage stock was void at the time of writing the report, worth approximately £266,650 in potential income in a 12-month period. Work to review each site to potentially reduce the level of voids and possibly attract additional income was in progress.

The Garage Rents would increase by 10% per year from April 2021. On average, Tenants weekly charge would increase by £0.98 per week from £9.80 to £10.78. Non-tenants also would VAT on the charge, so VAT inclusive rates would increase by £1.18 per week, from £11.76 to £12.94. There were a number of Garages of non-conventional size which were charged varying rates, and these rents would also be increased by 10%.

The Council was required to set a balanced budget for the HRA each year, approving the level of rents and other charges that were levied. The Executive made recommendations to Council that would take into account the base budgets for the HRA and Government guidance at the time on national rent policy.

Appendix 3 to the report summarised the adjustments from 2020/21 base budgets to the 2020/21 latest budgets and 2021/22 base budgets.

The Housing Investment Programme was presented as part of a separate report on the agenda for the meeting, at Minute Number 77 - General Fund 2021/22 Budget and Council Tax – and the recommendations would enable the proposed latest Housing Investment Programme to be carried out and contribute available resources to the HRA Capital Investment Reserve for future development, whilst maintaining a minimum working balance on the HRA of at least £1.5m in line with Council policy.

The dwelling rents had been adjusted to take account of the loss of rent resulting from actual and anticipated changes in property numbers and changes based on the number of actual and forecast Right-To-Buy sales and acquisitions.

The following table summarised how the latest 2020/21 HRA budget had been calculated and how the latest budget at the time had changed from the original 2020/21 approved budget:

	£
Original Approved Net HRA Surplus 2020/21	**7,207,400**
Net Increase in Expenditure	129,700
Net Increase in Income	0
Latest Net HRA Surplus 2020/21	**7,077,700**

Key drivers of the increase in Expenditure budgets included:

- increase in Housing Repairs Supervision Costs (+£46,300) following a review of the Housing restructure, a post was identified to have not been included in the original budgets;
- increase in Rates (+£12,400); and
- increase in Supervision and Management Costs (+£71,000).

As a result of the above variations to the 2020/21 HRA budgets, the forecast contribution to the HRA Capital Investment Reserve for the year would be £2.565m, a reduction of £129,700 from the original £2.695m budget.

In determining the 2021/22 Base Budget, the over-riding principle was to budget for the continuation of services at the agreed level. The following adjustments needed to be made to the 2020/21 Original Budgets:

- removal of any one-off and temporary items;
- addition of inflation (contractual services and pay only);
- addition of previously agreed growth items;
- addition of unavoidable growth items; and

- inclusion of any identified savings

The table below summarised how the 2021/22 HRA base budget had been calculated:

	£
Original Approved Net HRA Surplus 2020/21	**7,207,400**
Net Decrease in Expenditure	164,500
Net Increase in Income	390,700
Original Net HRA Surplus 2021/22	**7,762,600**

Key drivers of the change in Expenditure budgets included:
A net reduction in Expenditure from General Supervision & Management of £164,500 consisting of:

- increase in Housing Repairs Supervision Costs (+£34,200) following a review of the Housing restructure, a post was identified to have not been included in the original budgets;
- increase in Rates (+£12,400);
- increased cost of Repairs and Maintenance (+£8,600);
- increase in bad debt provision (+£7,700);
- decrease in Supervision and Management Costs (-£227,400) due to a reduction in the cost of Housing Services; and
- a £390,700 increase of HRA dwelling and Garage rents as per Rent Policy and Inflation.

A number of assumptions had been made in setting the budgets for 2020/21.

Inflation of 2% had been applied to general budgets. 2% had been used for most major contracts, with the exception of the cleaning contract (2.6%). 2.4% had been used for Business rates and a 2% pay award had been applied to salaries.

The base rent budget in the report was a baseline calculated from the rental assumptions presented in the 2020 HRA Business Plan, and as noted in paragraphs 2 to 2.7 in the report.

Growth / Income Reductions from unavoidable and previously committed growth had been included in the Base Budget.

Any HRA surplus above that required to maintain the appropriate HRA working balance was transferred into the HRA Capital Investment Reserve, to be used on future HRA capital projects. The 2021/22 Base Budget allowed for a £3.250m contribution to the reserve.

Notional Interest had been charged to the HRA within the Capital Charges. This represented the cost of tying up resources in the asset. This had been charged against HRA garages and shops at their Existing Use Value (EUV). HRA housing had not been included in this calculation due to the assured nature of tenancies, restricting the Council's ability to sell occupied housing assets.

Costs for electricity, gas, water and laundry facilities were provided at some sheltered housing schemes and were recovered as a weekly charge. These utility charges were not eligible for Housing Benefit. Tenants were notified of these charges at the same time as the annual rent increase. Appendix 4 to the report contained the charges for 2021/22, which would commence on 1 April 2020.

The agreement of heating, lighting and water charges was delegated to the Head of Housing and Head of Finance in consultation with the relevant Portfolio Holders in the Executive report 'Heating, Lighting and Water Charges 2018/19 – Council Tenants' which was considered by the Executive at its meeting on 7 February 2018. A policy of full cost recovery was adopted.

Recharges were levied to recover costs of electricity, gas and water supply usage to individual properties within one of the sheltered and the five very sheltered housing schemes.

The costs of maintaining communal laundry facilities were also recharged at those sites benefitting from these facilities under the heading of miscellaneous charges. A new communal Laundry contract was procured for 2020/21 which provided tenants with new Laundry Equipment and an improved repair, service and maintenance contract.

Utility costs were reviewed in line with Council contracts to ensure affordability. The gas and electricity used to deliver communal heating and lighting was supplied under the provisions of the Council's energy supply contracts. Other measures such as installing Photovoltaic cells (solar panels) at James Court, Tannery Court and Yeomanry Court in April 2012 assisted with reducing tenant's costs with the electricity generated reducing consumption from the national grid.

A biomass heating system had been installed in Tannery Court and Sayer Court, providing environmental benefits of using a more sustainable fuel. The capital cost of installation was partly repaid by the Government's Renewable Heat Incentive scheme.

The charges necessary to fully recover costs for electricity, gas, water and laundry facilities in 2021/22 were calculated annually from average consumption over the previous three years, updated for costs at the time, average void levels and adjusted for one third of any over-recover or under-recovery in previous years. The use of an average ensured that seasonal and yearly variations were reflected in the calculation.

The total cost to the Council in 2020/21 had been calculated at £161,380 for Electricity, Heating, Lighting and Laundry and £33,070 for Water, which had been included in the Supporting People Service Charges budget in Appendix 3 to the report, and would be recovered by being recharged to the tenants of applicable Sheltered Housing Schemes in full.

In terms of alternative options, the purpose of the report was to produce budgets as determined under the requirements of the Financial Strategy, in line with Council policies at the time. Any alternative strategies would be the subject of separate reports.

Councillor Matecki proposed the report as laid out.

Recommended to Council that

(1) the rents for all tenanted dwellings (excluding shared ownership) be increased by 1.5% (CPI 0.5% +1%) for 2021/22 in line with National Rent Policy, be approved;

(2) the HRA Social dwelling rents for all new tenancies created in 2021/22 continue to be set at Target Social (Formula) Rent for Social rent properties, be noted;

(3) the HRA Affordable dwelling rents for all new tenancies created in 2021/22 are set at the standard National Affordable rent level in place of the previously approved "Warwick Affordable Rent", be approved;

(4) any new shared ownership tenancies will continue to adopt lease agreements based on the existing Housing & Communities Agency (HCA) template lease with rents increased by RPI + 0.5% annually. Existing tenancies 2021/22 rent increase equate to 1.4% (RPI 0.9 %+ 0.5%) in line with the lease agreement, be noted;

(5) garage rents for 2021/22 continue to be increased by 10% per year for a period of 5 years (Year 1 commenced in 2020/21), be approved;

(6) the latest 2020/21 and 2021/22 Housing Revenue Account (HRA) budgets are agreed (Appendix 3 to the report), be approved; and

(7) the Sheltered Housing Heating, Water and Lighting full recovery recharges for 2021/22 (Appendix 4 to the report), be noted.

(The Portfolio Holder for this item was Councillor Matecki)
Forward Plan Reference 1,177

80. **Treasury Management Strategy 2021/22**

The Executive considered a report from Finance detailing the strategy that the Council would follow in carrying out its Treasury Management activities in 2021/22.

The Council's Treasury Management operations were governed by various Treasury Management Practices (TMPs) that the CIPFA Treasury Management Code required to be produced by the Council, and adhered to by those officers engaged in the treasury management function. These TMPs had previously been reported to the Executive and were subject to periodic Internal Audit review.

There had been no changes to the TMPs in this cycle.

Under CIPFA's updated *Treasury Management in Public Services Code of Practice* the Council continued to be required to have an approved annual *Treasury Management Strategy*, under which its Treasury Management operations could be carried out. The proposed Strategy for 2021/22 was included as Appendix A to the report.

This Council had regard to the Government's Guidance on Local Government Investments. The guidance stated that an *Annual Investment Strategy* must be produced in advance of the year to which it related and must be approved by the full Council. The Strategy could be amended at any time and must be made available to the public. The *Annual Investment Strategy* for 2021/22 was shown as Appendix B to the report.

The Council had to make provision for the repayment of its outstanding long-term debt and other forms of long-term borrowing, such as finance leases. Statutory guidance issued by MHCLG required that a statement on the Council's *Minimum Revenue Provision (MRP) Policy* should be submitted to full Council for approval before the start of the relevant financial year. This was contained in Appendix C to the report.

The *Prudential Code for Capital Finance in Local Authorities* was last revised in 2018 and introduced new requirements for the way that capital spending plans were considered and approved, in conjunction with the development of an integrated Treasury Management Strategy. The Prudential Code required full Council to approve a number of Prudential Indicators, including amounts of borrowing required to support capital expenditure, set out in Appendix D to the report, which needed to be considered when determining the Council's Treasury Management Strategy for a minimum of the next three financial years.

The Executive previously requested that the 2020/21 Treasury Management Strategy Statement considered the policy of investing in fossil fuels. The investments which at times the Council may have some exposure to fossil fuel extraction companies were the two corporate equity funds, operational since 2017/18.

Due to being 'pooled funds', the Council was unable to direct or influence where the fund managers placed these investments, and currently around 5% of the pooled funds were in 'fossil fuel' companies. Therefore, the recommendation had previously been made to divest from these two funds no later than the end of 2025. However, officers continued to monitor the situation and sought to identify suitable opportunities to divest at the most financially beneficial time for the Council. Further details on the amount by which the funds would have to increase to avoid a capital loss on disposal, which would be chargeable to the General Fund, were included in paragraph 9.3 of Appendix A to the report. Subject to the immediate financial needs of the Council, which might necessitate the managed closing of these investments, this money could then be re-invested in non-carbon or ESG equity funds, or alternative investments in-line with the Investment Strategy. Further information was included within the report.

In terms of alternative options, an alternative to the strategy being proposed for 2021/22 would be to not alter the current strategy to invest without specific reference to any Environmental, Social and Governance (ESG) issues.

The Finance & Audit Scrutiny Committee noted the report and welcomed the approach of the Finance and Business Programme Advisory Board (PAB) picking up the initial work in this area in respect of the potential Environmental, Social and Governance investment and joint working with Stratford District Council.

Councillor Hales thanked the Finance and Audit Scrutiny Committee Members for their questions at the Committee’s meeting on 10 February. He also explained that he had spoken to the Chair of the Finance and Business PAB and this item would come to the PAB in September. He thanked the Head of Finance and the report author, the Principal Accountant, and he then proposed the report as laid out.

Recommended to Council that

(1) the Treasury Management Strategy for 2021/22 as outlined in paragraph 3.3 of the report and contained in Appendix A to the report, be approved;

(2) the 2021/22 Annual Investment Strategy as outlined in paragraph 3.4 of the report and contained in Appendix B to the report, be approved;

(3) the Minimum Revenue Provision Policy Statement as outlined in paragraph 3.5 and contained in paragraphs 5.1 to 5.5 of Appendix C to the report, be approved; and

(4) the Prudential Indicators as outlined in paragraph 3.6 and contained in Appendix D, including the amount of long-term borrowing required for planned capital expenditure, be approved.

(The Portfolio Holder for this item was Councillor Hales)
Forward Plan Reference 1,167

81. **Housing Allocations Policy Review**

The Executive considered a report from Housing which proposed a number of changes to the policy that the Council used to allocate housing in its own stock and for nominating potential applicants to Registered Providers.

The housing allocations policy was a legal requirement. It set out the rules that the Council used to decide who may apply for vacant Council and housing association homes in the District and how decisions would be taken as to who would be offered these vacancies. The overarching aim of the policy was to get more people into homes appropriate to their circumstances. Since the current Allocations scheme was adopted in 2018, there had been several changes in government guidance in this area of policy. A review of the current policy had proposed a number of changes.

There would be a number of operational and IT changes required in order to implement the proposals, and a reasonable timescale needed to be allowed for the new system to be put in place.

Changes to the policy may be required from time to time to ensure that it remained in line with current best practice and to ensure clarity and consistency across the policy.

In terms of alternative options, not revising the policy had been considered, but this was not deemed appropriate due to the range of new guidance and best practice published since the last review.

The proposals set out in the report were discussed with the Housing and Property Policy Advisory Board in October 2020, when potential alternatives were considered and debated.

Councillor Matecki proposed the report as laid out.

Recommended to Council that

(1) the revised policy at Appendix 1 to the report, be approved;

(2) authority be delegated to the Head of Housing Services in consultation with the Housing and Property Portfolio Holder to determine the date that the revised policy takes effect; and

(3) authority be delegated to the Head of Housing Services in consultation with the Portfolio Holder for Housing and Property to make changes to the policy that are required to ensure it remains in line with best practice, Government Guidance and delivers clarity and consistency across the policy.

(The Portfolio Holder for this item was Councillor Matecki)
Forward Plan Reference 1,157

82. Minor Changes to the Constitution

The Executive considered a report from Democratic Services which brought forward some minor changes to the Constitution, in respect of delegations to officers and Council Procedure Rules.

The revision to the Council Procedure rules for the change in definition from special to additional/urgent meetings provided clarification for all parties on the procedures and terminology to be used.

The proposed new delegation to the Head of Housing was to enable use of the powers available to take action against lettings agents who did not register with a redress scheme. It was a legal requirement for letting agents to belong to a government approved independent redress scheme.

The role of an independent redress scheme was to provide fair and reasonable resolutions to disputes with members of the public.

The revision to the delegation for Street Trading Consents was included to provide clarity on where the responsibility sat for the approval of licences.

The change to the delegation to the Head of ICT in respect of Street Naming and Numbering was included to provide clarification that the adoptions should be in line with the adopted Policy. The revised Policy was included for approval on the agenda for the meeting – Minute Number 80 – Housing Allocations Policy Review.

The proposal to move a number of delegations to the Head of Customer Service from the Head of Finance was in anticipation of the decision from Employment Committee on 11 February to establish a Joint Post with Stratford District Council. These delegations were the ones that would fall within the remit of that Service Area and no changes were proposed to the wording of them.

The proposed revision to the Code of Procurement Practice was included to provide clarification on the authority to sign contracts for the Council, depending upon their specific value. It also clarified when a contract needed to carry the official seal of the Council.

Following the expiration of the transition period for the UK leaving the EU at 11pm on 31 December 2020, the Public Contract Regulations 2015 were being updated to change any references to EU requirements and the Official Journal of the European Union (OJEU) to those related to UK law. It was recommended that the Code of Procurement Practice was updated to do the same.

In terms of alternative options, consideration was given to leaving the wordings as at present, for those which were revised. However, they were considered to be ambiguous or did not fully align with adopted Policy of the Council. Therefore, this was not considered appropriate approach.

In respect of the new delegation in respect of lettings, no alternative was considered as this was considered necessary for officers to undertake enforcement action.

Councillor Day proposed the report as laid out.

Recommended to Council that

(1) the revisions to the Constitution, as set out in Appendix 1 to the report, be approved;

(2) the Licensing & Regulatory Committee be directed to update its delegations to Panels to include the additional wording set out in italics below:

"The Licensing & Regulatory Committee has also delegated authority to these Sub-Committee to determine the following matters The Issue Street Trading Consents – if objections received *or they are contrary to the adopted Street Trading Policy"*; and

(3) the Constitution be amended so that any reference to the Official Journal of the European Union (OJEU) is replaced with Public Contracts Directive.

(The Portfolio Holders for this item were Councillors Day, Falp and Matecki)
Forward Plan Reference 1,170

83. **Warwick District Leisure Development Programme – Kenilworth Facilities**

The Executive considered a report from Cultural Services. The current focus of the Warwick District Leisure Development Programme was the two leisure facilities that the Council owned in Kenilworth: Castle Farm Recreation Centre and Abbey Fields Swimming Pool.

At its 13 July 2020 meeting, the Executive gave permission to officers to instruct the Design Team (provided and led by Mace Group) to proceed to the end of RIBA Stage 4 (design only) for both the Castle Farm Recreation Centre and the Abbey Fields Swimming Pool.

The design process for both buildings had now been completed to the end of RIBA Stage 4 (design only) and these designs had been signed off by the Project Board. Members would be invited to view these completed designs in advance of the Planning Application being presented to the Planning Committee. The report therefore focused on the financial aspects of the work.

The report laid out the predicted financial costs of the project to reconstruct the Abbey Fields Swimming Pool and the Castle Farm Recreation Centre, and asked that the impact of these costs was allowed for within the budget for the Council. It sought permission to begin the procurement processes for the demolition and construction contracts for these facilities.

If approval was given, the procurement processes would then continue so that a preferred contractor for the construction and the demolition could be identified and the costs agreed with the contractors. The report then sought permission to let a demolition contract and a construction contract for each of these facilities with the preferred contractors, provided that the agreed costs were within the limits set in this report.

Both facilities included a high level of sustainability in their designs, in order to assist the Council in its intention to become a net zero carbon organisation by 2025. A separate Planning Application had subsequently been submitted for each facility.

The predicted costs of the project to reconstruct Abbey Fields Swimming Pool and Castle Farm Recreation Centre were between £21,200,000 and £22,200,000 for the two projects combined. Of these, the cost of the Abbey Fields Swimming Pool element of the project was predicted to be between

£9,381,000 and £9,850,000. The cost of the Castle Farm element of the project was predicted to be between £11,834,000 and £12,426,000.

As the procurement process had not yet been undertaken, these costs had not yet been tested with the market. The market was particularly volatile at the present time due to a number of issues, but primarily the two unprecedented situations of the Covid-19 pandemic and uncertainties following the end of the Brexit transition period. However, these predicted costs had been calculated in considerable detail, based on the current designs, which had been completed to the end of RIBA Stage 4 (design only), which gave a high level of detail on the design. In order to fund this project as effectively as possible, a number of sources would need to be used.

If recommendations 2.3 to 2.5 inclusive of the report were agreed, then it would be appropriate to proceed with a procurement exercise for the demolition contractor and a separate exercise for the construction contractor for each site. It was proposed to carry out separate procurement exercises for these two functions, as demolition was a specialist task. If the main construction contractor was asked to complete the demolition as well as the construction, they would simply employ a sub-contracted demolition contractor and add their own fees on top of the cost of the demolition contractor.

It had not been possible to undertake these exercises to date, as procurement regulations made it clear that the Council should not advertise a procurement opportunity until it was relatively clear that an authority had sufficient resources to enter into the contract.

It was proposed to let separate contracts for the demolition of each of the two buildings, and also separate contracts for the construction of each of the two buildings, making four contracts for demolition and construction in all. This would improve the accuracy of contract management. However, following Procurement Team advice, it was proposed that only one demolition contractor and one construction contractor would be used as this would provide economies of scale on the contract cost. Tenderers would be invited to submit separate costs for each building, on the basis that both buildings would be included within the work. Tenderers would also be asked to submit costs for each building if the other building was not included. Tender costs would be assessed on the basis that both buildings were to be included.

The disconnection and installation of services to the two buildings would not be part of the contracts, as such works had to be undertaken by the Council directly. The Council would enter into contracts with the various service providers directly to deliver this work. Unlike with Phase One of the Leisure Development Programme, both of these project elements involved the complete demolition of the existing building and the disconnection of all services before the construction contractor begins work, and so there would be no repeat of a situation where the construction contractor was on site but waiting for services to be disconnected or redirected.

As part of the procurement and contractual process, the Council would require both contractors to minimise carbon emissions arising out of the demolition and construction processes.

The proposed timetable for the works was shown in Appendix B to the report. Appendix B to the report also showed the programme advantages of utilising a procurement framework with mini-competition. The revised programme was summarised as follows:

Commence procurement process - February 2021
Finalise documents – March 2021
Select preferred demolition and construction contractors – June 2021
Approval of contractors and costs by Project Board – August 2021
Start on site (demolition) – September 2021
Castle Farm Leisure Centre opens – October 2022
Abbey Fields Swimming Pool opens – December 2022

Once the procurement process was completed, the Council would have identified a preferred contractor for the demolition of the two buildings and a separate preferred contractor for the construction of the two buildings. A price would also have been agreed with each contractor for each building, in the event that it was decided to only proceed with one of the two buildings.

It was proposed that the Executive should approve the entering into a contract with the preferred demolition contractor and a separate contract with the construction contractor, to proceed with the works on the Abbey Fields Swimming Pool site if the combined price for the two contracts was less than the cost cap of £9,850,000. This cost cap represented the predicted cost of the works, plus a maximum of 5% to allow for the current volatility in the market and also for the time delay between the cost prediction and the signing of the contract. The cost cap also included the consultant fees for the remainder of the project, contingency and other sums. For the avoidance of doubt, the sum that the contractors submitted for the work would therefore have to be such that all remaining costs were contained within the cost cap.

The advantage of this recommendation is that it if the prices received were less than the cost cap, there would not be a need for a further report to the Executive, which would save time on the project timetable. As shown in paragraph 3.2.6 of the report, this would help to enable completion of both buildings by December 2022.

It was proposed that the Executive should approve recommendation 2.4 in the report, to the Council entering into a contract with the preferred demolition contractor and a separate contract with the construction contractor to proceed with the works on the Castle Farm Recreation Centre if the combined price for the two contracts was less than the cost cap of £12,426,000. This cost cap represented the predicted cost of the works, plus a maximum of 5% to allow for the current volatility in the market, and also for the time delay between the cost prediction and the signing of the contract. The cost cap also included the consultant fees for the remainder of the project, contingency and other sums. For the avoidance of doubt, the sum that the contractors would submit for the work would therefore have to be such that all remaining costs were contained within the cost cap.

If the Executive agreed recommendation 2.2 of the report, a procurement process would be undertaken. Once a preferred demolition contractor and a preferred construction contractor was identified, the contractors and the Design Team would undertake a process known as 'value engineering' which would seek to establish if there were any elements of the design or the demolition, and then construction method that could be altered in order to reduce costs without affecting the efficacy, appearance and sustainability of the completed buildings.

It was possible that the procurement exercise would identify that the agreed costs for either the works at Abbey Fields Swimming Pool or the works at Castle Farm Recreation Centre would be higher than the cost cap for that building.

If this situation occurred, the first action would be to revisit the agreed costs with the demolition contractor and the construction contractor to see if it was possible to agree a cost that was less than the respective cost cap or caps. This would be done through a process of repeating the 'value engineering' exercise to see if it was possible to drive more savings into the process.

However, if it proved impossible to reduce the costs of either one or both of the facilities below the cost cap, then a further report would be submitted to the Executive to determine next steps.

One potential source of funding for the Abbey Fields Swimming Pool element of this project was receipts under the Section 106 (s106) process. Based on the sums that had already been agreed in s106 agreements for indoor sport with developers, and other sums that had been calculated as due from developments that were at the Planning Application stage, as shown in Appendix C to the report, it was estimated that £2,500,000 would be available to partly fund the works at Abbey Fields Swimming Pool from this source.

It was not permitted to mix receipts from s106 agreements with receipts under the Community Infrastructure Levy (CIL) process for the same element of a project. It was therefore proposed that all s106 receipts to be used on the Leisure Development Programme at this stage should be allocated to the Abbey Fields Swimming Pool.

However, it needed to be noted that this sum was dependent on developers proceeding with their developments and reaching the trigger points that required them to make the s106 payments. This sum was not therefore guaranteed and so it came with risk, as shown in paragraph 6.2 of the report.

At the present time, £2,767,266 had been agreed with developers as contributions towards the provision of indoor sport that could be used to partly fund the reconstruction of Abbey Fields Swimming Pool. In addition, a further £91,991 had been identified as s106 contributions from developments that were currently at the Planning Application stage. This second sum still needed to be agreed with the developers concerned, but was calculated in accordance with a nationally-recognised and approved formula. This meant a total of £2,859,257 may be available from this source. The list of projects and amounts was shown as Appendix C to the report. In view of the fact that not all Planning Applications may receive

Planning Permission, or progress to full delivery, it was considered prudent to identify £2.5m as being potentially available from this resource.

If the Executive approved recommendations 2.2 to 2.5 inclusive of the report, it would be necessary to provide sufficient funding to complete this project. A number of sources had been identified, in addition to the s106 funding mentioned in section 3.6 above. The first of these was funding from *Any Use Capital Receipts.*

It was recommended that £7,800,000 should be made available from this source, as shown in section 5 of the report. The unallocated balance of these receipts, as at 31 March 2020, was £7.257m. This balance was projected to increase by £1m in 2020/21, to give an anticipated balance as at 31 March 2021 of £8.3m.

The second additional source of funding was receipts from the Community Infrastructure Levy process. It was not possible to mix s106 receipts with CIL receipts. It was therefore proposed that £6,000,000 of the Council's CIL receipts should be allocated to partly fund the works for the reconstruction of the Castle Farm Recreation Centre. It was noted that the Executive was due to receive a report at its March meeting on the allocation of the Community Infrastructure Levy for financial year 2021/22 and beyond, and that recommendation 7 allocated £6 million of this funding at this point.

It was unlikely that sufficient CIL funding would be received by the Council in any one financial year to make the full £6,000,000 available to the Castle Farm project in one year. It was therefore proposed that the funds should be allocated as £3,000,000 in each of two financial years – 2021/22 and 2022/23. It was more usual to agree the allocation of CIL money on a year-by-year basis, but given the scale and importance of this project, it was proposed to make this allocation over a period of two financial years.

CIL was received from developers when certain trigger points of development were reached. Receipts from this source could not therefore be accurately predicted, as income rates may accelerate or slow, depending on the speed of development. This could also be affected by insolvency and substantial external events, such as the current Covid-19 pandemic. It was therefore possible that insufficient funds may be received in the two relevant financial years to make the sums proposed in recommendation 7 available to the project in the relevant year. In this instance, it was proposed that CIL funding should be made available to the Castle Farm element of the Programme in subsequent years, until the £6,000,000 total was reached. In this case, the Council may need to forward fund an element of the funding from one financial year to the next. The cost of financing any such forward funding was shown in paragraph 5.6 of the report.

The third and final additional source of funding was recommended to be a loan from the Public Works Loan Board.

Income from Capital Receipts was forecast to generate £16,300,000 for this project, if recommendations 2.6 and 2.7 of the report were approved. Costs were currently predicted to be between £21,200,000 and £22,200,000. These sums had been calculated in considerable detail, but they were subject to testing in a volatile market. These predictions indicated an initial shortfall in project funding of between £4,900,000 and £5,900,000.

In order to meet this shortfall, it was proposed that a loan should be taken out with the Public Works Loan Board, for a sum not exceeding £6,000,000. The on-going costs of servicing a loan of £6,000,000 and of servicing a loan of £5,000,000 were shown in paragraph 5.3 of the report. The amount of loan to be taken out would be the difference between the income from receipts of £16,300,000 and the final costs of the project.

If the Executive approved recommendations 2.2 to 2.6 of the report inclusive, it was likely that Abbey Fields Swimming Pool and Castle Farm Recreation Centre would close for demolition in the second half of 2021. Both centres were currently closed due to the Government restrictions related to the Covid-19 pandemic, and it was currently not clear when leisure centres in Warwickshire would be permitted to re-open. After the first lockdown in 2020 ended, attendance at the two leisure centres in Kenilworth took longer to recover and figures fell short of the pre lockdown levels by a significant margin. At the present time, the uncertainties of the pandemic meant that both centres were operating at a loss, and the Council was supporting Everyone Active to remain open whenever restrictions allowed, in order to continue to make a fitness offer to local residents.

When it was clear what date leisure centres would be permitted to reopen, and it was also clear what date the two Kenilworth facilities were likely to close for demolition, it was likely that it would not be cost effective to open the facilities between the two dates. It was likely that the costs of re-opening and attempting to encourage customers to return would not be a cost effective use of the Council’s resources, given the short amount of time before the facilities were due to close again.

Given the uncertainties around Government restrictions and the imminent closure of the facilities for demolition, it was proposed that the Abbey Fields Swimming Pool and the Castle Farm Recreation Centre would not reopen after the current lockdown ended and would remain closed until the start of demolition. If, for any reason, the works to either or both facilities were not progressed, or if the demolition of either building was significantly delayed, then this decision would be revisited.

In terms of alternative options, it would be possible to not undertake any improvements to the facilities at Castle Farm and Abbey Fields. If this decision was to be made then these two buildings would not have the same sort of aspirational, successful and modern facilities as the Council had provided at Newbold Comyn and St Nicholas Park. These two facilities would not be contributing to encouraging the District’s residents to adopt an increasingly healthy lifestyle in the same way as the two refurbished facilities. Income from the contract with Everyone Active would not be maximised because attendance and income would not be enhanced by newer facilities. The opportunity would be lost to bring the buildings up to modern design standards, particularly with regard to sustainability. The buildings would not be prepared for use for another 30 years.

It would be possible to freeze the current design process for the two facilities until the financial impact of the Covid-19 pandemic on the Council was known in more detail. However, to delay the project in this way would lead to increased costs for prolongation and for inflation. If the freeze was for more than a few weeks, the current Design Team would probably be re-deployed onto other projects, leading to a lack of continuity and additional re-start costs.

An addendum circulated prior to the meeting advised Members of the following amendment to recommendation 2.8, which had been made in order to retain flexibility on the decision about whether or not to re-open the Abbey Fields Swimming Pool and the Castle Farm Recreation Centre, as the current situation with the Covid pandemic was creating considerable uncertainty around the operation of the two leisure centres:

"2.8 That, subject to agreeing recommendations 2.2 to 2.7 inclusive, Executive delegates to the Deputy Chief Executive (AJ) and the Head of Cultural Services, in consultation with the Portfolio Holder for Environment and Neighbourhood, the decision as to whether or not to re-open, and to what extent, the Abbey Fields Swimming Pool and the Castle Farm Recreation Centre between the current Covid pandemic closure and the closure of the facilities for demolition".

The addendum also advised of amendments to paragraphs 3.8.1, 3.8.2, 3.83 of the report, and the new paragraph 3.8.4 which was added to reflect the change to recommendation 2.8, to read:

"3.8.4 Given the uncertainties shown in paragraph 3.8.3 above, it is considered that at present it is too early to make a considered decision as to whether or not to permit Everyone Active to re-open the Abbey Fields Swimming Pool and the Castle Farm Recreation Centre between the end of the current Government restrictions and the start of demolition. It is therefore proposed to delegate to the Deputy Chief Executive (AJ) and the Head of Cultural Services, in consultation with the Portfolio Holder for Environment and Neighbourhood, the decision as to whether to open or not, and to what extent. This decision should be made at the time when it is clear when the leisure centres will be permitted to re-open and when they will be due to close to commence the reconstruction process. This decision will need to balance the importance of providing as many opportunities as is reasonably possible for the residents of Kenilworth and surrounding villages to take part in physical activity with the cost to the Council of providing a temporary solution of this type. It is proposed that the Portfolio Holder for Environment and Neighbourhood should be consulted on this decision as the Portfolio Holder is leading on this project on behalf of the Executive".

The Finance & Audit Scrutiny Committee supported recommendations as amended.

They also welcomed:

(1) the assurance from the Portfolio Holder in respect of potential delays within Development Services in determining the planning applications for these sites within the 13 weeks due to a backlog in that service area; and

(2) the understanding that the project would be treated as two separate sites and projects throughout this project to enable them to be more agile in delivery.

The Overview & Scrutiny Committee recommended that the amended recommendation 2.8 should be further amended to include consultation with both the Leadership Co-ordination Group (LCG) and all Kenilworth District Councillors over when and which facilities should be re-opened.

Members were required to vote on this because it formed a recommendation to them**.**

In relation to the recommendation from the Overview & Scrutiny Committee, Councillor Rhead felt that singling out the Kenilworth Councillors was not appropriate, as this was a matter for Warwick District Council as a whole. When put to a vote, the recommendation from the Overview and Scrutiny was rejected. Councillor Rhead subsequently proposed the report as laid out, and subject to the amendments in the addendum.

Recommended to Council that £7,800,000 from *Any Use Capital Receipts* is used to partly fund the demolition and reconstruction of the Abbey Fields Swimming Pool and the Castle Farm Recreation Centre, be agreed.

Resolved that

(1) that the RIBA Stage 4 (design only) has been completed for the reconstruction of Abbey Fields Swimming Pool and Castle Farm Recreation Centre and that Planning Applications have been submitted for each of the two buildings and further notes that the current estimated cost for the reconstruction of the Abbey Fields Swimming Pool is between £9,381,000 and £9,850,000 and the current estimated cost for the reconstruction of the Castle Farm Recreation Centre is between £11,834,000 and £12,426,000, be noted;

(2) the next stage of the process is to begin the procurement exercise for the demolition and construction contracts in order to establish cost certainty and agrees the following three recommendations in this regard, be noted;

(3) contracts for the demolition and reconstruction of the Abbey Fields Swimming Pool should be entered into by the Council if the costs for this element of the project do not exceed the cost cap of £9,850,000, be agreed;

(4) contracts for the demolition and reconstruction of the Castle Farm Recreation Centre should be entered into by the Council if the costs for this

element of the project do not exceed the cost cap of £12,426,000, be agreed;

(5) should the procurement exercise and the consequent "cost certainty" establish that either or both of these project elements exceeds the cost cap then a further report be submitted to Executive in respect of the project or projects that has breached the cap, to determine next steps;

(6) circa £2.5m of developer Section 106 indoor sports contributions is anticipated to be available to help finance the demolition and reconstruction of the Abbey Fields Swimming Pool (full breakdown in Appendix C to this report) but this sum is not guaranteed and comes with a number of risks, be noted;

(7) in advance of receiving a full report at its March meeting on the allocation of the Community Infrastructure Levy (CIL) for 2021/2022 and beyond, £6m of that levy be used to partly fund the demolition and reconstruction of the Castle Farm Recreation Centre but the sum is not guaranteed and comes with a number of risks be confirmed;

(8) the balance of funding for the projects, anticipated to be between £5m and £6m (including cash flow costs), be determined by the Head of Finance and financed primarily via a Public Works Loan Board (PWLB) loan; and

(9) authority be delegated to the Deputy Chief Executive (AJ) and the Head of Cultural Services, in consultation with the Portfolio Holder for Environment and Neighbourhood, the decision as to whether or not to re-open, and to what extent, the Abbey Fields Swimming Pool and the Castle Farm Recreation Centre between the current Covid pandemic closure and the closure of the facilities for demolition.

(The Portfolio Holder for this item was Councillor Rhead)

This item was a key decision but was not included on the Forward Plan, so a Notice of Exemption was published on 20 January 2021.

90. **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.

Item Numbers	Paragraph Numbers	Reason
91,92	1	Information relating to an individual
91,92	2	Information which is likely to reveal the identity of an individual
93	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Part 1

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

91. **CMT/SMT Review**

The Executive considered a report from the Chief Executive.

The Executive approved the recommendations in the report.

92. **Services Revisions to the Civic Office**

The Executive considered a report from Finance.

The Executive approved the recommendations in the report.

93. **Purchase of s106 Plots at Bishops Tachbrook**

The Executive considered a report from Assets.

The Executive approved the recommendations in the report.

(The meeting ended at 8.00pm)