Executive

Minutes of the meeting held on Thursday 4 November 2015 at the Town Hall, Royal Leamington Spa at 6.00 pm.

Present: Councillor Mobbs (Chairman); Councillors Coker, Cross, Mrs Gallagher, Mrs Grainger and Councillor Whiting.

Also present: Councillor Boad (Chair of Overview & Scrutiny Committee & Liberal Democrat Group Observer), Councillor Barrott (Chair Finance & Audit Scrutiny Committee) and Councillor Naimo (Labour Group Observer).

An apology for absence was received from Councillor Shilton.

57. Declarations of interest

There were no declarations of interest.

58. Minutes

The minutes of the meeting held on 30 September 2015 were agreed as written, subject to a minor amendment to record Councillor Phillips apologies instead of Councillor Quinney and signed by the Chairman as a correct record.

Part 1
(Items on which a decision by Council is required)

59. Leisure Development Programme

The report asked the Executive to approve a series of recommendations following completion of the initial phase of the Leisure Development Programme. The programme was established in November 2014 to formulate options for the future provision and management of the Council's leisure centres and dual-use sites. The recommendations were based on strengthening the Council's facilities, service offering and income. The report addressed two significant issues that Members would need to determine.

Firstly, whether the Council should invest significant capital sums in two of its existing leisure centres (Newbold Comyn and St Nicholas Park) to make them fit for purpose for the next 20/30 years. The investment proposals at these two leisure centres included: the creation of state of the art health and fitness facilities; remodelling and updating of reception areas; and at Newbold Comyn, the construction of a new sports hall. Without this investment, there was a significant risk that these major leisure facilities would no longer be fit for purpose, resulting in a reduction in usage and a potential increase in public subsidy. There was also robust evidence supported by the Sport England Facilities Planning Model to support the view that without this investment the facilities would be insufficient for the growing population of the District.

Secondly, deciding what was the best model for managing the Council's leisure facilities in the future – keeping the management of the Leisure Service in-house or management via an external partner. Such a decision needed to be made in the context of the continuing reductions in local authority funding and take account of the need to secure best value for money without compromising the aim of securing the best outcome for the District in terms of providing quality leisure facilities and services.

The Council had 4 main leisure centres, all of which were built 20 – 30 years ago, which for many years have provided the District with a range of modern and varied facilities. The Council also managed dual use centres at Kenilworth School and Myton School which were available for community-use outside of school hours. Over time investment had been made in the centres, adding new elements and updating the internal finishes, ensuring that the facilities had remained in good condition and were structurally sound. This ongoing investment was justified when in 2013 a condition survey of all the Council's assets found the leisure centres to be in good structural condition, but crucially found them to be in need of modernisation and requiring the establishment of a programme of planned preventative maintenance including the replacement of significant elements of mechanical and electrical plant and building fabric.

In parallel with the condition survey, a facility audit (available on the Council website) was undertaken by Neil Allen Associates (NAA) to establish whether the range of leisure facilities was appropriate for the District, and if this provision would be able to meet the future needs and demands of the local community. The audit concluded that when using the Sport England Facility Planning Model (FPM), the existing provision was largely in the right place and was providing a suitable range of activities and facilities for the people of Warwick District. There was no evidence to suggest that any of the facilities were under-used, nor that there were parts of the District that did not have reasonable access to facilities. The model took account of the anticipated growth of population in the District and at the time of assessment in 2014, used the then Local Plan figures to calculate demand. Based on the figures at that time, the audit recommended that the present facilities were retained, but that investment was made to bring the facilities up to modern standards and extended to provide additional health and fitness provision and an additional sports hall (located in Leamington).

However, following receipt of the Planning Inspector's Local Plan letter early that summer and the subsequent development of the sub regional Memorandum of Understanding about housing numbers, officers had liaised with Sport England on the potential implications for sports facilities. Officers have been advised that the FPM should be re-run in the next 12 months to take into account the additional houses that were now required in the District. However, having undertaken an initial desk-top exercise using the model, the data suggest that the additional houses would not change the outcome of the FPM significantly and that the approach of extending and refurbishing current facilities remained valid.

The NAA report strongly supported the proposals for significant expansion of the health and fitness element of the facilities (gyms and studios). It was acknowledged that this was a strong and commercially significant element of the leisure sector and one which was a key source of income for any operator. A soft market testing exercise was undertaken by Strategic Leisure (consultants commissioned by the Council to support on the Programme) in Spring 2014 to examine the appetite and interest of the private sector in partnering with the Council to manage its leisure centres. The respondents confirmed that they would see the expansion of health and fitness facilities as a priority in the event that they were offered the opportunity to manage the Council's leisure centres.

Aware of the levels of potential investment being proposed, set against the volatile nature of the health and fitness sector, officers had undertaken a review of the status of health and fitness provision locally, Appendix 2 to the report. It concluded that, whilst there were some local gyms that were not identified in the NAA report, there remained a strong case for expansion of the Council's facilities to offer a modern and accessible health and fitness product that would have the capacity to attract new members and increase levels of physical activity across all sectors of the community.

The investment recommendations in that report related only to the leisure centres in Leamington and Warwick. The situation in Kenilworth was significantly different for two reasons. Firstly, the proposed relocation of Kenilworth School and the Kenilworth Wardens sports club from land allocated as strategic housing development sites within the Submission Draft Local Plan could directly impact on the existing Council facilities. Secondly, unlike Leamington and Warwick, there was a potential impact on the Council's leisure facilities in Kenilworth from planned future facility development in neighbouring areas and, in particular, the emerging plans that Coventry City Council and the University of Warwick had for their leisure provision. Discussions were held, and continued, with both bodies. Coventry's plans relating to the replacement of the Fairfax Street 50m pool and sports centre were acknowledged but due to the travel time from the District were not considered relevant to Warwick District's facility planning exercise. Warwick University were reviewing their campus master-plan and that process included a review of sports and leisure provision. Whilst any changes made at the University site had a broad relevance to the whole District they were not considered to be in conflict with the proposals for St Nicholas Park and Newbold Comyn but, due to the proximity of the University to Kenilworth, they would potentially have had a direct impact on the Council's facilities in Kenilworth.

In the light of these issues officers had consulted with Kenilworth Councillors on the recommendations of the NAA report and the feedback from Strategic Leisure in respect of the leisure facilities in the town. The conclusion of these discussions was that it would be premature to recommend an investment programme for the Kenilworth facilities until the Local Plan had been adopted, the funding issues around the relevant site developments clarified and the potential impact of facility development in neighbouring areas confirmed. Future plans for the Kenilworth facilities should, therefore, be viewed as a second phase to a programme of investment and development with the current proposals for Newbold Comyn and St. Nicholas Leisure Centres forming Phase I. Members should note that, if recommendation 2.6 of the report, was approved and a procurement process undertaken to identify an external operator for the Council's leisure facilities, any future contract would include the current Kenilworth sites. Any contract would need to be structured in a way that would allow for variation in the event of significant changes to the facilities in Kenilworth in the future.

In developing the investment proposals to RIBA Stage 2 (Appendix 3 to the report), project managers, Mace Ltd, and their professional colleagues such as architects and Mechanical & Electrical (M&E) consultants had produced a cost model (Confidential Appendix 1 in the Part B). The model included construction costs, M&E costs and an allowance for professional fees, which totalled £11,984,698. Initial fees to the total of £171,400 was approved previously by the Executive and had already been spent in reaching RIBA Stage 2. Should the Executive approve Recommendations 2.1 – 2.5 which enabled the project to progress to RIBA Stage 4, the design plans would be refined and a comprehensive cost model developed. Invasive surveys of the existing buildings would be carried out in order to provide certainty that the designs being prepared could be successfully built. The designs would be prepared for a planning application and the application would be submitted towards the end of RIBA Stage 4 as can be seen in Table 1, in the report.

It should be noted that the investment proposals had subsumed some of the leisure centre elements of the Council's Planned Preventative Maintenance Programme (PPM). These elements were estimated to cost in the region of £3m over a period of 30 years. The first 5 years of the leisure centre PPM Programme had an estimated cost of £836,000. Further detail on the financial implications of the PPM Programme was included in paragraph 5.7 of the report.

The plans and costs included in respect of Newbold Comyn and St Nicholas Park Leisure Centres represent Stage 2, the "Concept Design" phase of the RIBA framework. In Stages 3 and 4, the project progressed with updated proposals for structural design, building service systems, outline specifications, and fully detailed cost projections and Risk Assessments. At the end of this phase, the Council had the opportunity to continue with the proposals or halt the project. In order to achieve this, £550,000 was required to fund the Project and Programme Management, planning applications and surveys.

To progress the investment proposals to RIBA Stage 2, the Council engaged Mace Ltd as project managers through the NHS Shared Business Services Framework. In doing so the project had benefited from the services of a range of professions including architects and M&E consultants, all of whom have been sub contracted by Mace Ltd on competitive rates. If the Executive approves Recommendations 2.1 and 2.2 and authorised officers to produce detailed proposals for the investment and thereby progressed the scheme to RIBA Stage 4, consideration needed to be given to the most appropriate way of procuring the relevant services.

Officers had sought advice from the Procurement Manager and Head of Finance on the most appropriate approach to the next stage that minimises costs and ensures continuity of the project to RIBA Stage 4. Officers therefore continued to work with Mace Ltd as project managers under the NHS Shared Business Services Framework to complete that next phase of work and, subject to the decision to progress to construction, Mace Ltd continued as project managers until the end of the construction phase.

It was proposed that an application for planning permission should be made towards the end of RIBA Stage 4, using the information prepared as part of the RIBA Stage 4 process. That would ensure that the planning process could be undertaken in time to begin work on site in accordance with the agreed programme, subject to permission being granted. Delegated authority was also sought to apply for planning permission and for any other necessary and statutory consents to allow the project to proceed to the next stage of proceedings.

It was anticipated that the investment proposals would be funded from a number of sources, some of which were already secured, and others which had yet to be confirmed. Further details were included in 5.2.4, of the report.

It was proposed that officers sought to access funding from the Sport England Strategic Facilities Fund (SFF). Due to the way in which Sport England manage that fund, there was no indication at that stage as to whether an application would be successful. Recommendation 2.4 sought the relevant delegation to the appropriate officer and Member to progress any application.

The Sport England SFF was designed to direct capital investment to local authority projects that had been identified through a strategic needs assessment and that have a maximum impact on growing and sustaining community sport participation. Projects that were funded from this source were promoted as best practice in the delivery of quality and affordable facilities and were able to demonstrate long term efficiencies. Projects needed to be able to demonstrate that they were bringing together a number of partners, with input from public and private sectors, and had the support of national governing bodies of sport.

Applications to this fund were on a “solicited-only” basis, meaning that the Council had to be invited by Sport England to make an application. Consequently, officers had been working closely over the last 12 months with Sport England, and with the County Sports Partnership who had an overview of the regional strategic picture of facility provision, to get to a point where Sport England would hopefully invite an application for the improvements at Newbold Comyn and St Nicholas Park Leisure centres.

In the event that the Executive approved Recommendations 2.1 – 2.5, officers would confirm, to Sport England, the Council’s commitment to the investment proposals and would look to work with the relevant Sport England officers to secure funding from this source in order to improve the affordability of the schemes. The modelling explained in Section 5 of this report and Confidential Appendix Z of the Part B report showed the impact of the Council being unsuccessful in securing Sport England funding.

A fundamental consideration in finalising the detail of the investment proposals for Newbold Comyn and St Nicholas Park Leisure Centres was the impact of increased customer visits to these sites and the additional pressure that this would place on the car parking provision. If facilities were expanded and insufficient parking provision is made, business models would not be deliverable and customer satisfaction levels would be reduced.

Recognising the challenges that this could pose, consultants Atkins were commissioned to assess the current level of car park usage, to consider the future pressures on parking provision at these sites as a result of the investment proposals and to make recommendations on how car parking provision could be managed in future to minimise the impact on customers of the leisure centres and other car park users.

The high level summary of the surveys for St Nicholas Park and Newbold Comyn leisure centres were set out in the report.

Officers of Cultural Services and Neighbourhood Services had considered the findings and recommendations of the Atkins surveys and had concluded that car parking provision at Newbold Comyn was satisfactory for the extended facilities proposed for that site. In respect of St Nicholas Park it was clear that, whilst the current parking provision could meet demand at most times of the day/week, there were some times when demand would exceed capacity. Officers had considered a range of mitigation measures that could be put in place in future to address these shortfalls, but also taking into account the emerging findings of an investigation into car parking throughout Warwick town centre currently being undertaken. It was proposed that the outcome of this work would be reported to the Executive alongside the further report referred to in Recommendation 2.1. It was believed that the car parking issues at St Nicholas Park Leisure Centre was not severe enough to question the decision to invest in the facilities. Nonetheless, any mitigation would be advantageous to the future performance of the Centre and the user experience more broadly.

As part of the planning process Green Travel Plans would be developed for both facilities and that would help to alleviate pressure on car parking.

The recommendation that tenders would be invited for the management of all the Council’s leisure and dual use facilities (subject to agreement by dual use partners), took into consideration the Business Plan (Confidential Appendix 2 in the Part B report) and the confidential Prospectus (Confidential Appendix 3 in Part B of the report) submitted by the in-house team. It considered the report from Strategic Leisure (Confidential Appendix 4 in Part B of the Agenda) comparing the relative merits of the in-house model and potential external operators (based on industry benchmarks for external operators).

Due to the commercial sensitivity of this information, the full details of the in-house proposal was included in Part B of the Agenda. The proposal was considered to be a robust and comprehensive Business Plan and Prospectus that had been developed from first principles and had included forensic challenge of all aspects of the business.

The Business Plan had been written to address two scenarios. Firstly, and referred to hereafter as Option 1, there was an assumption that the Executive decides not to invest in the enhancement and extension of Newbold Comyn and St Nicholas Park Leisure Centres (other than essential £3.9m of works referred to in paragraph 5.7), and so relied on the in-house team delivering the service in a more commercial manner with a clear focus on the areas of greatest potential for income generation i.e. swimming lessons and health and fitness.

The alternative, Option 2, was based on Executive agreeing to invest in the region of £12m in the Newbold Comyn and St Nicholas Park Leisure Centres, and so relied on significant increase in the income generated by the expanded health & fitness provision, the expansion of the swimming lesson programme (as in Option 1), the installation of a "Clip and Climb" facility and a new sports hall at Newbold Comyn, and a consequent uplift in income from a number of areas as a result of the improved changing provision, refurbished reception areas and general service improvement.

The Prospectus described in detail how the in-house team intended to approach the service improvement that was essential for both Option 1 and 2 to be successful. It highlighted the many benefits that would be optimised by retaining the service in-house, focuses on the Principles that would underpin the new-look "Warwick District Sports & Leisure" team going forward, and describes the areas that the team intends to focus on in order to develop the service.

In order to get an independent assessment of the in-house proposals, Strategic Leisure was asked to produce an evaluation report which was included in full as confidential Appendix 4 in Part B of the report. Strategic Leisure highlighted a number of areas which they believed warranted detailed consideration when comparing the in-house v external model for both Options 1 & 2. A financial analysis of the two models was included at section 5 of this report and in all scenarios Strategic Leisure considers that an external provider would out-perform the in-house model, albeit by a margin that requires careful consideration.

However, when considering the in-house bid against what an external operator might be able to provide in the context of the separate decision on investment, the Council needed to consider a wider number of issues, not all of which are financial. These were set out in Table 2, of the report.

The assessment brought out issues; track record of the in-house offer, financial impact, impact on staff, impact on procuring an external supplier on the rest of the Council, certainty of benefit of procuring an external supplier; and best value.

It was acknowledged that over the course of the last two years, and more particularly the last six months, the in-house operation had improved significantly, with income projected to be circa £50k above the 2015/16 budget at year end. However, the increased income detailed in the business plan, whilst being cautious, was a major step-change on what has previously been delivered by the in-house team. Consequently, the Option 2 business plan which would increase income by some £2m could be a major challenge for the Council in-house team to sustain. The contrast with a commercial operator was that driving income is its day-to-day business. The recent improvement coincides with the appointment of the current Sports & Leisure Manager and other operational management changes. It was the case, though, that if the current position had largely been driven by one individual there was a significant risk to the business if that individual leaves the organisation, or falls ill or is otherwise prevented from performing as now.

Strategic Leisure's view was that an external operator would be able to deliver a financial benefit at least as good as the in-house offer, indeed surpassing it. If that was not the case and the operator was unable to deliver to its business plan it would still be liable to pay the agreed contractual fee to the Council. However, should the in-house bid not deliver in accordance with the business plan, it would lie with the Council to make good any deficit.

The impact on staff was more difficult to estimate but feedback from Strategic Leisure's experience in similar leisure service outsourcing projects elsewhere suggests that the overwhelming majority of staff who work within the current service were likely to continue to do so. This was of course subject to the Council's compliance with the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) and the Government's Fair Deal pension policy.

No modelling had been done so far on what other savings could be made from "back-office" changes should Executive decide to externalise the service. However, should Executive make that decision then the next report would detail the areas where it was considered that further savings could be made and would also address any other possible consequences.

Strategic Leisure states, *"Without formal procurement of the service it is difficult to confirm definitively the difference between an in-house operation and an external operator."* The whole tenor of Strategic Leisure's appraisal was that an external operator could deliver a greater financial advantage than the in-house provider and deliver the same service, but the only way to determine this was by going to the market.

The Public Services (Social Value) Act 2012 placed a requirement on the Council to consider overall value, including economic, environmental and social value, when reviewing service provision. These elements would be integrated into the evaluation methodology for the tenders for both the management and the construction and refurbishment projects.

Taking into careful consideration the recommendations from Strategic Leisure, it was recommended that the Council procured a partner to manage its leisure centres on a long-term basis through a competitive process in compliance with the Public Contract Regulations 2015. The specific procurement procedure likely to be used was the Competitive Procedure with Negotiation, as that would enable the Council to specify its minimum requirements and then to negotiate with bidders on their proposals with a view to refining and improving the proposals, ultimately to arrive at a preferred bidder and a preferred arrangement.

As part of the procurement process, the Council would set down minimum requirements which it was seeking from any proposal in the Service Specification. Bidders would be invited to submit proposals which, amongst other things, were deliverable, financially acceptable to the Council and best fit with the Council’s requirements.

The timing of the procurement process would be heavily influenced by the construction programme should that be approved and it was proposed that the two processes dovetail to cause minimum interruption for service users, staff and management. The provisional procurement timetable was set out in the report.

The decision by the Executive to undertake a procurement to seek tenders from the external market must be a considered one. Members would need to balance a number of factors when reaching their decision, including:

The financial and other benefits of what the market could offer compared to an in-house model, which was capable of being clearly articulated to all interested parties,

That Council officer time and costs would be incurred in undertaking the procurement process, as well as increased costs of contract monitoring and risk of contract failure,

That the procurement procedure would need to be planned in such a way as to avoid the need for cancellations and avoid the risk of challenge from prospective partners, and

To mitigate (but not remove) this risk, it was recommended that the Council, in the procurement documents, reserves the right not to award any contracts as a result of the procurement process, and that the Council would not be liable for any of the bidders' costs in submitting a bid.

If the decision was made by the Executive to procure a provider to manage the Council’s leisure center management service, it was recommended that the Executive delegated authority to the Head of Cultural Services, in consultation with the Portfolio Holder for Culture, to finalise the Service Specification, to undertake the procurement process through to one preferred party, and to complete the necessary legal documentation with that party. In the event that a significant risk or change to the proposed project emerges through the procurement process, then a full report would be brought back to the Executive before any decision was made.

The Service Specification was a detailed document that lays out the parameters within which the service would be delivered, and at the same time was the document by which the performance of any operator, be it the in-house team or an external contractor, could be monitored and managed. The successful delivery of the service would rely on the development of a "partnership approach" between Council and operator, subject to the terms and conditions agreed in the contract.

For example, the Service Specification includes minimum standards in respect of opening hours, cleanliness and maintenance, health and safety management, customer service, staff training and qualifications, and how the facilities were programmed to accommodate a wide range of users.

The Service Specification would also include a list of index-linked key charges and concessionary rates that any operator would be required to adhere to as maximum charges. It would be left to the discretion of the operator should they wish to lower the key charges. In that way the Council was able to protect certain user groups and ensure that they were not disadvantaged or discouraged from using the facilities.

The Specification would also include a performance management framework which again would be an essential tool in the Council managing the performance of the operator.

The draft Service Specification was attached as Appendix 1, to the report. The Council must recognise that there was many variables in the provision of leisure services which officers would need to work through in more detail should the Executive agree Recommendation 2.6. That would enable officers to finalise the Service Specification prior to the commencement of the tender process and then to enter into the necessary legal agreements with the chosen partner in order to best protect the Council's and the customers' interests.

The cross-party Members' Working Group had played a crucial role in steering the Programme to date. As the Programme entered the new phase it was considered appropriate for the Group to continue to provide oversight of the procurement and contract award process, and the investment work as it progresses to RIBA Stage 4. Members of the Group were also able to feed-back to their political Groups to ensure that Councillors remain up to date as the programme develops.

Throughout the course of the programme, sports and leisure staff and Unison representatives had been engaged in the process through regular briefing notes, and by the Unison Secretary being a member of the Programme Board. Staff from the leisure centres were also involved in the development of the in-house Prospectus and Business Plan and took part in a design workshop for the refurbishment work.

If the management of the service was externalised pursuant to Recommendation 2.6 all operational staff will automatically transfer to the new operator under the terms of the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). HR and other relevant officers would work closely with the Programme Manager to ensure that appropriate pension arrangements were in place. They would also identify other support staff that may be subject to TUPE by virtue of their duties as they relate to the Leisure Service. That would ensure the necessary work in this area was progressed in line with Council policies, and that staff were fully consulted at the appropriate times.

The report detailed the reasons why investment in Newbold Comyn and St Nicholas Park Leisure Centres was considered necessary (Section 3.1). However, a decision could be taken not to make the significant investment outlined in the report. If that were the decision, there would be some substantial essential maintenance required to the structure of the facilities, and some significant replacement of plant. Without these items, the leisure centres would become "not fit for purpose", attendances would fall, and the subsidy required to operate the facilities would increase. There would also be a shortfall in sports and leisure provision in the District which would have a detrimental effect on the health and well-being of current and future residents of the area.

A decision could be taken to invest on one but not both of the above venues. In that case some of the additional demand on sporting provision would be met by the additional provision made, but the District would face a shortfall in terms of the levels of provision that had been modelled by the Sport England Facilities Planning Model, and again risk not meeting the demands of a growing population. There would also remain a need to undertake essential maintenance/replacement at the venue that was not refurbished.

A Joint meeting of the Finance & Audit and Overview & Scrutiny Committee had taken place and recommended to the Executive that

(1) recommendations 2.6, 2.7, 2.8 and 2.9 of the report are removed, effectively retaining the Leisure Options in Council's management control and continuing under existing arrangements; and

(2) officers investigate the option of introduction a "Passport to Leisure" into the contract to enable access to leisure facilities for all members of the community.

The Executive welcomed the recommendations from the Joint Scrutiny Committee and agreed to support the second point. However they could not support the first recommendation because of the substantial reasons within report to support the recommendations, the information and debate within the confidential part of the meeting relating to this matter, the way this provided upgrade to the facilities, the way the external management option provided for growth in this District including provision of further jobs, that this would provide a substantial improvement in the financial health of the Council and the significant and important advice received from officers on this matter.

The Executive therefore

Resolved that

(1) the refurbishment and expansion of the Newbold Comyn and St Nicholas Park Leisure Centres, be approved, at a cost in the region of £12 million, subject to a further report to the Executive in June/July 2016 detailing the final cost model and the sources of funding for the investment;

(2) authority be delegated to the Head of Cultural Services, in consultation with the Portfolio Holder for Culture to seek planning permission and such other necessary statutory consents that would enable the proposed improvements to Newbold Comyn and St Nicholas Park Leisure Centres to be implemented; the Head of Cultural Services, in consultation with the Portfolio Holder for Culture, to work with Sport England to seek funding from Sport England's Strategic Facilities Fund (SFF) as a contribution to the costs of the capital investment;

(3) that a further report be brought forward that would also provide details of further mitigation of car parking constraints at St Nicholas Park and note that the mitigation may involve:

i) Improved signage directing traffic to Myton Fields
ii) Remodelling of some areas of St Nicholas Park car park
iii) Reviewing the relative charges at St Nicholas Park and Myton Fields car parks.

(4) the procurement of a partner to manage all of the Council's leisure centres and dual-use operations (subject to necessary consents by dual use partners) is undertaken on a timeline that marries-up with the refurbishment programme,; and a budget of £30,000 was allocated from the Contingency Budget to fund the cost of the procurement exercise;

(5) note the principles of the draft Service Specification at Appendix 1 to the report, which detailed the future service standards that would be delivered at the Council's leisure centres and dual-use facilities (subject to necessary consents by dual-use partners); and delegates authority to the Head of Cultural Services, in consultation with the Portfolio Holder for Culture, to finalise the Service Specification, to undertake the procurement process to select one partner, and to enter into the necessary

legal agreements with that partner including arrangements in relation to staffing, pensions and assets;

(6) the current Members' Working Group that had been overseeing the Leisure Development Programme to date extend its role to provide oversight of the procurement process and risk logs;

(7) the current level and process of liaison and consultation with staff and their representative bodies continue; and

(8) officers investigate the option of introduction a "Passport to Leisure" into the contract to enable access to leisure facilities for all members of the community.

Recommended that Council approves the funding of £550,000 (included in the £12m) from Section 106 payments (c£170,000) already received and internal borrowing (c£380,000) managed by the Head of Finance, to allow the design proposals for Newbold Comyn and St Nicholas Park Leisure Centres to be developed up to and including the end of RIBA Stage 4, thereby enabling appropriate planning applications to be submitted, a preferred developer to be selected and a provisional contract price to be established.

(The Portfolio Holder for this item was Councillor Gallagher)
(Forward Plan reference number 697)

Part 2
(Items on which a decision by Council is not required)

60. **Budget Review to 30 September 2015**

The Executive considered a report from Finance that updated them on the Council's latest financial position. That included details of the 2015/16 estimated outturn, the Council's Medium Term Financial Strategy, the Housing Revenue Account and the Capital Budget.

For the General Fund 2015/16, there was an unfunded adverse variance of £19,800 was reported in July's Executive report. The variances below (net £5,300 favourable) reduce this to £14,500. the latest variances that had been identified by managers were detailed in the report.

The overall position was that the Council was currently forecasting an adverse outturn position of a £14,500 by the end of March 2016.

Work was progressing on the 2016/17 Base Budget which was to be presented to members in December, alongside the updated 2015/16 position. At this stage members needed to consider how to fund the 2015/16 shortfall.

It was highlighted that the Legal fees for the W2 partnership (with Waterloo Housing Association) were forecast to be lower than originally budgeted for.

Details of the current Contingency Budget (£401,000) and the balance (£159,700), after calls on this budget, were shown in Appendix A to the report. The balance on the Contingency Budget reflected allocations which had been returned as not required. These were, Kites Nest Lane Reinstatement (£10,000), and Combined Authority Contribution (£50,000).

Additional calls on the Contingency Budget had been made to cover for long-term sickness in Financial Services (£10,000) and £7,700 for a Health check/review of Electoral Services. If these amounts were approved, the balance on this budget would be reduced to £142,000.

The 2015/16 Training Contingency Budget of £4,900 had been allocated.

The Contingency Income Budget had a balance of -£74,000 that had to be achieved. In 2014/15, this was more than achieved. The Fees and Charges report recently presented to Executive identified how this Contingency Budget could be met in full, resulting in a zero balance.

Other Contingency Budgets for items such as price Inflation (£42,000), Contract Cleaning (£51,000) (both not used in 2014/15) and the new Salary Underspend Contingency (-£30,000) would be regularly reported upon during the year. There had been no changes to these budgets so far that year. The status of these budgets for future years was to be considered as part of the 2016/17 Budget setting process.

An adverse variation (£3,600) for Maternity Cover in Culture had been identified in August.
Currently the 2.5% salary vacancy factor was forecast to be achieved, although all Service Areas need to monitor this. As part of the Budget Exercise for 2016/17 that was now underway, this vacancy factor would be built into the salary budget line as opposed to having its own separate budget line. This would apply to 2015/16. This should ensure tighter monitoring of the vacancy factor within the overall salary budgets.

As part of agreeing the recommendations in the Final Accounts report, the Executive agreed that £407,300 of earmarked reserves should be carried forward to 2015/16.

Recent detailed consideration by officers had confirmed that allocations totalling £75,500, detailed in the report, were no longer required.

At the end of September, £111,000 of ear marked reserves had been spent or committed, although £36,000 of this had to be transferred elsewhere. Taking into account the allocations no longer required £256,800 remained to be spent in the remaining six months of the financial year, details of which were included at Appendix B to the report.

Housing Revenue Account (HRA) day-to-day and void repairs had been a particular issue since 2013/14 when as part of a new approach, Council pre-inspections were removed and the contractor given the power to decide what repairs were required, subject to an open book framework where their profit depends upon beating target unit costs and performance measures.

In line with most Council budgets, it had been assumed that efficiencies and savings would offset any inflationary increases in unit costs until 2016/17. Additionally on analysing performance for the first six months of open book cost consultants produced an updated forecast of costs. Overall this projected expenditure of £2.00m, 15% lower than the existing budget of £2.35m. Budgets from 2014/15 were reduced accordingly, by £353,100.

These savings had not been achieved; expenditure had been significantly above both the level budgeted for and historical costs under the previous system up to 2012/13. In 2014/15 expenditure was £3.29m, a 64% overspend on the approved budget of £2.00m.

An additional £1.06m was requested for 2015/16, including the part year effect of reintroducing in September 2015, pre-inspections of properties requiring repairs and restricting the ability of contractors to place repairs without reference to the Council.

These measures were part of efforts made during 2015/16 to reduce costs, ideally to the approved budget. The re-introduction of Council pre-inspections and specification/approval of works to be carried out were, from early data, beginning to reduce costs to something close to the historic expenditure, uplifted for buildings inflation. However it was clear that the previously projected savings were not possible, and it had also proved impossible to absorb inflationary costs.

Allowing for inflationary increases since then, an additional £820,000 is requested for 2016/17 and each year thereafter. This would equate to an annual Responsive and Void Budget of £2,824,000.

The recommendation had been informed by an assessment of expenditure to date excluding items that should be charged to other budgets (for example capital works), adjusted for projected savings to be secured from the measures detailed above in section 3.5.5 and an increase of 5% for inflation.

The effect of these changes upon repairs costs would continue to be monitored and any updated projections reported to Executive as part of Budget Review.

The rate of Right to Buy applications and sales had significantly increased since 2014/15; 27 were sold during 2014/15, but 22 had already been sold in the first six months of 2015/16. Based on an updated projection of 42 sales, valuation and legal fees were projected to cost an additional £28,700; however the admin allowance retained from each sale would increase income by £26,000. The small difference could be absorbed by reducing other HRA budgets. Updated projections for 2016/17 would be included in the December Base Budget report.

The structural survey of HRA high rise and non-traditional homes was expected to commence early 2016/17, it was therefore requested that the budget of £120,000 was moved to 2016/17.

Housing Revenue Account Capital, works slippages, along with the following Housing Investment Programme slippages and savings were detailed within the report.
That due to the scale of the Sayer Court development and the level of expenditure projected around year end (over £1m per month) relatively small changes in the project timetable could change slippage figure significantly without affecting the overall cost of the project.

Progress on the major schemes within the 2015/16 Capital Programme was included within the report.

The Medium Term Financial Strategy(MTFS) reported to members in July included a required savings profile.

In September, projects had been agreed which would generate savings so as to make the Council's MTFS sustainable (based on current assumptions for such things as Revenue Support Grant, Business Rates Retention, investment receipts).

Accordingly, the MTFS had been updated to reflect the following, The "Savings plan" agreed by members in September, Variances subsequently identified by officers, Fees and Charges review presented to Executive September 2015,
alongside the savings requirement shown in paragraph 3.7.1, the "unfunded" items were also discussed in the September report, with consideration of their future funding being incorporated within the "Savings plan"

Taking into account the items discussed above, the overall position for the Council's finances was set out in the report.

Overall the profile of "cumulative savings (surplus)" at the bottom of the above table showed a slightly worse position to the figures reports in September due to the inclusion of increased business rates liabilities (the on-going costs some of the items within the table in paragraph 3.2). The table still showed that for 2016/17, even if all the savings planned materialised, there would still be a shortfall for 2016/17. To enable the Council to set a balanced budget, either further savings/ increased income would be necessary, or the use of reserves.

Officers were working on a number of projects at the current time. A list of the projects being worked upon was detailed in Appendix C, to the report. The list included the Leisure Options study which was considered elsewhere on this agenda but the recommendations of which do not fetter the decisions that members were able to take on the remainder of the projects.

The priority status for the other projects was ultimately a decision for members but was likely to be influenced by a number of factors.

In considering these projects officers would ensure that they were fully funded, ideally recovering their capital costs and not causing an additional revenue cost, although it was recognised that to arrive at this position choices about service provision elsewhere could need to be made .

Each of the projects would have its own risk. The risks would influence the likelihood of each project achieving its projected financial profile. Whilst each project would manage risks, this does not prevent the financial profile from changing, and the costs/income from varying. Such changes could vary in significance and timing.

The Council held various reserves for specific purposes, as detailed in the February Budget report. As at 31 March 2015, the General Fund Reserves totalled £15.498m. However, much of the balances on these reserves have been previously committed to specific projects. This meant the available uncommitted reserves were greatly reduced. An updated schedule showing the uncommitted General Fund Revenue Reserves was included as Appendix D, to the report.

In the past much of the Council's capital programme had been met from the Capital Investment Reserve. The Council's policy was for that reserve to maintain a minimum balance of £2m as risk mitigation for any potential capital liabilities. However, the current uncommitted balance of the Capital Investment Reserve was only £1.358m. Until 2013/14, annual contributions were made to that reserve from revenue to assist with providing funding for future capital projects. Such contributions had now stopped. The Council's policy for that reserve would be reviewed as part of the

Budget/Council Tax Setting reports in February when all of the Council's reserves were reviewed.

The Service Transformation Reserve had provided funding for many Fit For the Future projects, including those that would result in service improvements or to release future revenue spending. The uncommitted balance on that reserve stands at £216,000.

The financial projections were based on what were believed to be prudent assumptions with regards to future Revenue Support Grant and Business Rates Retention. However there was the possibility that the assumptions within the MTFS were too optimistic. Within the Spending Review 2015 due to be announced in November, alongside the Chancellor's Autumn Statement, it was anticipated that more information would be available over local government funding from 2016/17.

Within the forthcoming Government spending announcements, it was anticipated that there would be confirmation about the future of the New Homes Bonus. For 2015/16 that amounted to £1.6m. Given the uncertainty over the future of that funding, unlike many authorities, the Council did not use that funding to support the main revenue budget, but to support specific projects or allocation to reserves. If that funding was to cease or be phased out, it would, without doubt curtail some of the Council's aspirations.

Monitoring expenditure and income and maintaining financial projections was good financial management and part of good governance. Accordingly, to propose otherwise was not considered.

The Finance & Audit Scrutiny Committee supported the recommendations in the report.

Resolved that

(1) the latest projected variance for the General Fund for 2015/16 of £14,500 adverse, be noted and thereby agrees to the budget changes detailed in respect of the General Fund and that funding for the 2015/16 estimated shortfall would be addressed as part of the 2016/17 Base Budget Report;

(2) the amounts returned to the Contingency Budget, be noted, and the additional calls on it made in report, be approved, so that the net effect was to increase the Contingency Budget balance by £42,300 to £142,000;

(3) the Earmarked Reserves of £75,500 that were no longer required, be noted, and that they had been used to reduce the adverse balance as shown in paragraph 3.1.2 of the report;

(4) the changes to the HRA budget outlined in paragraph 3.5 of the report thereby reducing the contribution to the Housing Revenue Account Capital Investment Reserve;

(5) the slippage in the Other Services Capital Programme as outlined in paragraph 3.6.1, be approved;

(6) the changes to the Housing Investment Programme outlined in paragraph 3.6.2, financed from the Major Repairs Reserve, be approved;

(7) the updated Medium Term Financial Strategy (MTFS), and that this was reliant on the forecast savings being achieved' be noted;

(8) the table of projects as set out in Appendix C, be noted, which includes the Leisure Options project which is the subject of a separate report on this agenda and its recommendations were considered by officers not to fetter future decisions to be made on the other projects; and

(9) the Executive thanked the Head of Finance and his team for their efforts on this report and the officers of the Council for working hard on ensuring that savings are made.

(The Portfolio Holder for this item was Councillor Whiting)

61. **Leamington Creative Quarter**

The Executive considered a report from the Deputy Chief Executive (BH) regarding Leamington Creative Quarter that set out the outcomes of the soft market testing and to recommend the potential next steps for taking this initiative forward.

In March 2015 the Executive had endorsed an outline Developers Brief for a new Creative Quarter in Leamington and the undertaking of a soft-market testing exercise to gauge potential developer interest in, and feedback on, this potential initiative. The report set out the outcomes of this market testing.

The report also detailed Expression of Interests (EOIs) submitted to the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) seeking their approval for potential future transformational levels of investment for a wider regeneration and a highway improvement strategy for that part of the town centre.

The contents of Appendices Two, Five, Six and Seven to the report contained commercially confidential information, and while informing the recommendations in the report were discussed and considered separately to the main report.

Executive had previously approved further work to test the emerging concept of a new Creative Quarter focussed on the Council's Pump Rooms and Spencer Yard assets, whilst forming part of a wider regeneration vision for the wider area.

Officers had completed a soft-market testing 'Marketing Day' exercise to critically examine our draft Development Brief ('Brief'), and assess the appetite and interest of the private sector in partnering the Council in taking such a project forward.

The exercise was formally advertised, and Council and OJEU procedure compliant. Interested parties were invited to meet with Council officers, on the basis that whilst the meetings were private their responses (whilst being un-attributable) would be shared publically to inform the Council as to how best take such an initiative forward into the market place. Parties were provided with our Brief (as previously endorsed by Executive on 11 March). The process was specifically undertaken so as not to give any participating company an unfair competitive advantage.

The advertisement set out that the Council's view that this would be very much a niche and specialist development opportunity because of the very specific focus on creative and cultural based industries; and the need for a specialist understanding of accessing a complex range of external grant funding opportunities.

Four companies responded to the formal advertisement (details of which were included in the confidential Appendix, Appendix Two). One of these was a consultant (rather than specialist developer) and did not show further interest. Of the other three, two attended meetings with officers. The third did not respond to meeting requests.

From follow-up discussions with other companies who did not participate, but whom we had pro-actively initially contacted, it became apparent that many would only put time and effort into formal marketing exercises, and not such initial soft-market testing. Also, that a number of these nationally renowned regeneration companies only focus on city opportunities. However, the information gained from the two interview meetings provided a very valuable commentary on our Brief. The information gained from the meetings was set out in Appendix Three, to the report, and was summarised in the report.

It was apparent that any detailed regeneration vision would only emerge after a partner's appointment, and then some months of detailed work by both parties.

The Council recognised that there were so many variables in its Brief and ambitions that many in the market will probably not bid for this opportunity.

Flexibility, tenacity and long-term commitment (by all parties) would be the three key drivers in successfully taking our initiative forward to delivery.

The Creative sector embraces a very broad range of industries and uses. It was clear from this process, and discussions with the market, that there was a clear commercial appetite to create space for all of these. The 'Expressions of Interest' (see section 3.16 onward) had pragmatically focussed on the digital sector due to the demand for a Digital Hub in this area and the CWLEP's selection themes. However, members were reassured that the Brief was very clear that the overall regeneration vision was seeking a much broader requirement to accommodate all sectors of the Creative sector, including: Arts and Culture; Digital Games; Music; TV and Film; Publishing; Design; Craft; Technical; Advertising; Training; Architecture; Food; Live-work etc. Soft-market discussions (and others with the developer industry) indicated a very clear appetite to create a very broad complementary mix of uses in the area.

The above informed valuable feedback resulted in two crucial changes to the initial approach. Firstly the previous draft development brief had now been fundamentally refocused to seek a private sector partner to plan and delver the regeneration of the whole of this area; rather that for just an initial focus on the Spencer Yard/Pump Rooms area. Secondly, The current market demand from the digital gaming industry, and the residential markets had resulted in more wide ranging albeit still very complementary range of uses to be promoted by us for this area.

The great majority of the draft development brief, its broad vision, thrust and focus remains broadly unchanged and had been validated by the soft-market exercise, and is fit for purpose. It had also now been updated for use as the marketing and tender document for the next-stage regeneration partner procurement.

The timing of this selection process would be heavily influenced by the outcome of our Expressions of Interest recently made to the CWLEP . We could need to amend the development brief depending on the initial response from CWLEP which would be anticipated by January next year. It could fully endorse our vision, or it might alter or possibly reject it. Consequently, it would be prudent to make required changes to the brief in say January and commence our procurement exercise at that time (rather than now) to reflect that eventuality. The outline programme, detailed in the report, reflected this.

It was proposed that a regeneration partner was procured through a competitive process in compliance with the Public Contract Regulations 2015. The specific procurement procedure to be used was likely to be the Competitive Procedure with Negotiation, as that enabled the Council to specify its minimum requirements and then to negotiate with bidders on their proposals with a view to refining and improving the proposals, ultimately arrived at a preferred bidder and a preferred scheme.

As part of the procurement process the Council would set a number of 'minimum requirements' which it was seeking from any scheme proposal.

Bidders would have been invited to submit proposals which, amongst other things, address the following requirements:

- Attractive development proposals that were deliverable;
- A phased regeneration masterplan being submitted;
- Proposals that were financially acceptable to the Council;
- Principal Heads of Terms being submitted;
- Any legal structure proposals having regard to the Council's model Development Agreement (that will be supplied by us with our Brief.);
- A financial model to demonstrating viability; and
- Satisfactory proposals in respect of use of the Council's assets.

Following a period of negotiations bids would be evaluated against criteria set by the Council to assess which bid represented the best value solution. The evaluation criteria would take account of the deliverability, financial viability and best fit with the requirements of the Council's Development Brief. The Council would reserve the right to award no contract at all, for example if no suitable proposal emerges from the procurement process. On the basis of above the provisional programme was set out in the report.

The Executive was requested to delegate authority to finalise the Development and Marketing Brief, undertake the procurement process through to one preferred party, and completion of the necessary legal contract agreements with the party. The delegation was to be to the Deputy Chief Executive (BH) and the Section 151 Officer, in consultation with the Leader, and 3 Portfolio Holders for: Development, Culture and Finance. In the event that a significant risk or change to the proposed project emerges through the procurement process, then a full report would be brought to Executive for consideration before any decision was made.

The CWLEP was refreshing its Strategic Economic Plan (SEP) document. This had been used in the past to bid for capital funding from central government, known as the Local Growth Fund (LGF). The government had not made any announcement as yet about further funding beyond that announced so far, up to 2016-17. However the CWLEP was keen to be ready, and were assembling a 'project pipeline' for the five-year period from 2017/18. In July they put out a call for EoIs, with a deadline for submissions of 18 September. Both we and WCC responded with a co-ordinated package of three EoIs for this Creative Quarter initiative.
The EoIs do have a focus on the digital sector. This was because we knew that there was demand for a Digital Hub, and there was the opportunity to create such a hub in the new quarter. Despite the apparent focus on digital, it wouldn't be to the detriment of our existing cultural organisations. Our aim was to create a synergy between the various creative sectors that would be represented in a Cultural Quarter. One of the key advantages of the recommended larger regeneration area was

that there was the potential for all these uses to be accommodated and co-habit together and grow.

The submitted EOIs, which were commercially confidential, were set out in the confidential Appendices Five, Six and Seven. These were summarised in the report.

Initial conclusions were that linked initiatives sat very well together. But the Creative Quarter regeneration ambition could stand and succeed independently from Creative Leamington (if it did not materialise). The CWLEP expects EOIs to support one or more of the following themes:

- the development and/or integration of infrastructure;
- research, development and innovation
- skills
- business growth

In addition the CWLEP had been clear that it should broaden its SEP refresh into three areas that it has been agreed were underplayed in the original SEP:

- culture and tourism
- digital connectivity
- climate change adaptation/flood defence.

We were advised that the CWLEP received 66 EOIs by their 18 September deadline. These were reported to the CWLEP's Board on 5 October, as part of their process of refreshing the CWLEP's Strategic Economic Plan (SEP). These EOIs would now go forward into a process of prioritisation; whereby each EOI would be assessed for 'strategic fit' against SEP priorities, and a scoring matrix used to assess a range of outputs including job growth/safeguarding, investment leverage, benefit/cost ratio, increase in GVA. The outcome of this work would be reported back to the CWLEP Board on 23 November.

Given the level of interest from across the sub-region, clearly not all projects could be funded. However, initial (albeit informal) feedback received so far had been positive. It was envisaged that any next stage would be to further develop the business cases to support these EOIs, if invited to do so.

There was no funding available at that time, and this was just a project pipeline prioritisation at this stage. The government is not expected to make an announcement on further LGF monies until the Autumn Statement, due on November 25th, at the earliest.

Our conclusions from the EOI process were that if the levels of interest to assist the delivery of the EOIs could be secured it would enable a much wider regeneration to be delivered, than we could do alone with just our Spencer Yard based properties. If positive this would transform our vision's attractiveness (and deliverability) to the potential developer partners.

Alternatively the Council could have opted to do nothing. In this eventuality any vision and potential for taking this wider Creative Quarter regeneration and investment initiative forward not realised.

The Council could also decide to exclude the Royal Pump Rooms from this vision. By implication this could also exclude any outline proposal to relocate the Library. However, the previous Executive reports set out the reasons why this could prejudice and weaken any overall transformational approach to a Creative Quarter. The responses from the market would tease out and test this issue.

The Overview & Scrutiny Committee noted the report.

Resolved that

(1) the feedback received from the soft market testing exercise as set out in this report, and Appendix Three to the report, be noted;

(2) the procurement of a regeneration partner to assist the Council to deliver the Creative Quarter initiative, in respect of the area shown in Appendix One, be aproved;

(3) a budget of £4,000, be allocated from the Contingency Fund to fund the formal advertising and marketing of this opportunity, as set out in section 5.1 of the report;

(4) the Deputy Chief Executive (BH) and the Section 151 Officer, in consultation with the Leader, and the 3 Portfolio Holders for: Development, Culture and Finance, be delegated authority to finalise the Development and Marketing Brief, undertake the procurement process to select one preferred regeneration partner, and enter into the necessary legal agreements with that partner;

(5) the Expressions of Interest submitted to the Coventry & Warwickshire Local Enterprise Partnership (CWLEP) as set out in confidential Appendices Five, Six and Seven, be noted.

(The Portfolio Holder for this item was Councillor Cross)

62. **Tenants Incentive Grant Scheme**

The Executive considered a report from Housing & Property Services relating to a review of the Tenants Incentive Grant Scheme and the Resettlement Service.

In December, 2007, the Executive approved the introduction of a Tenants Incentive Grant Scheme (TIGS). This provided a financial incentive for tenants of the Council who under-occupy a property to downsize to smaller accommodation. This scheme was introduced to help the Council better match the use of its housing stock to the housing need prevailing at that time.

The scheme allows tenants aged 60 years or over to receive a payment of up to £5,000 if they transfer from a three bedroom or larger property to a one or two bedroom property designated for occupation by the elderly, or a one bedroom general needs property.

The scheme also allowed for tenants aged less than 60 years of age to receive a payment of up to £5,000 if they transfer from a three bedroom property or larger to a one bedroom general needs property.

These payments were awarded regardless of the costs incurred by the tenant in moving home. No practical support, such as helping to manage utility changes or removal arrangements was provided by the Council to help with the management of the home move.

The number of transfers that had taken place under the Tenants Incentive Grant Scheme since its inception in 2007 had year-on-year remained relatively constant.

Historically the Council had a higher demand for family sized accommodation, in particular three and four bedroom houses. While the Council had never suffered from hard-to-let properties, properties in lower demand were usually concentrated in homes designated for people aged 60 years and over, usually one bedroom upper floor flats or small bedsit bungalows. This remained the case but the Council had a much higher demand for smaller one bedroom general needs homes rather than three or four bedroom homes.

In 2012 the Government introduced the under occupation charge as part of its changes to the social security system. This meant that working age tenants, who had a bedroom or bedrooms in access of need, and who are in receipt of housing benefit have their benefit reduced by 14% for one bedroom in excess of need and 25% for two or more bedrooms in excess of need. Tenants of state pension age were not affected by the under-occupation charge.

As a result of these changes some tenants had moved from homes that they were under-occupying using the Mutual Exchange (Home Swap) scheme or by requesting transfers to smaller homes. Some had chosen to make the necessary additional payments and stay in their homes. However, there were those who can't or do not want to make the payments and want to move but were unable to do so as a suitable, smaller home had not been available for them to move to.

One consequence of these changes had been the increase in current demand for housing in Warwick District for smaller general needs homes.

Under-occupation of family homes amongst older people was however still not unusual in Warwick District.

While there 70 Warwick District Council tenants who were aged 60 years or more under-occupying their home not all were registered on Home Choice. There may have been many reasons why older people were choosing to remain in their home – local connections to the area, space for visiting relatives, emotional attachment to their family home and concern about being able to successfully manage a move to a new home.

Not all people aged under 60 under occupying a home would be affected by the under-occupation charge (that in itself arguably provides a financial incentive to down size) and many would have similar reasons for remaining in their home as older people.

That TIGS was available but had not prompted a higher registration of older people to apply for moves suggests that its continued value as a major incentive for people to move was limited. It was for this reason that the recommendation to close TIGS was made in this report. Doing so would reduce expenditure that had little obvious benefit to the overall sustainability and effectiveness of the Council's landlord service

However, what had become apparent from discussions with tenants was that there was a need from some people who wish to move practical help and for support in making the actual move, with some limited financial help to cover the actual costs of the move. Practical help while not on its own offering an incentive to move, may help people make that final decision to apply for a move or, even if they have already applied, ease that transition and reduce the risk of them not following through on an allocation.

The Council already had in place a Resettlement Service offered primarily to applicants aged over 60 on the Housing Register who successfully bid for a specified low demand property advertised on Home Choice. The objective was to help ease the cost of moving and provide a small but helpful and practical incentive to help influence decisions that would be of benefit to tenants and those who are waiting for the offer of a municipal tenancy.

Expanding the range of clients for whom this service was available may help more people make the decision to downsize and moreover improve in a practical way the service the Council was able to offer to its tenants. Appendix A to this report included details of both the current and the revised Resettlement Service, the latter having been designed to meet these objectives.

At the same time as helping people to downsize, which in itself could help people reduce their housing costs, such as heating and decoration, there was increasingly an apparent need to help people better manage their finances. This was a result of changes in part of changes to national social security policy in respect of tax credits, continued growth in the use of zero hours contracts and the continued implementation of a rigorous social security sanctions scheme that would embrace low paid working households receiving Universal Credit.

The roll out of Universal Credit, which was picking up pace in Warwickshire, would reduce the number of people whose housing support was paid directly to the Council. People who were not used to managing all of their finances could need help to cope with the changes. Pilots for Universal Credit had shown that rent arrears increase as do personal financial problems.

From April 2017, the Council would also be required to introduce Pay-to-Stay. While the detail of this new policy were still to be confirmed, the essence of the policy was that tenant households with an income in excess of £30,000 would be required to pay a rent at or close to market rent. For a typical Council owned family size house in Warwick District, that could represent a rent increase of between £75 and £100 a week. A household with two full time earners, paid the National Living Wage, had an annual income of circa £27,000, putting them very close to threshold at which they may face a substantial increase in rent that could exceed any increase in their income.

It would therefore be prudent for the Council to consider increasing its Bad Debt Provision for the HRA to allow this to be accounted for but clearly the Council would need help where it could tenants falling behind with their rent payments.

The Council had established a Financial Inclusion Group to bring together and encourage a coherent approach across all our services and those of our core partners towards helping people manage their finances and identify and take advantage of opportunities to increase their income. The work of this group included establishing a level of competition within the affordable credit market by attracting additional Credit Unions to the area, signing up to the Rental Exchange project which was a national initiative designed to improve tenants' credit ratings and so reduce the cost of finance and supporting the Breathing Space, a partnership between housing associations to provide confidential advice on debt and money management.

When the first tranche of social security changes were introduced in 2012 the Council supported the introduction of a Financial Inclusion Officer. Working alongside the Income Recovery team, this officer had worked closely with those tenants affected by either the under-occupation charge or the social security changes introduced at that time. In addition, the Council had supported the development of capability in this role - the current officer was a member by examination of the Institute of Money Advisors. The demand for the service had increased from circa five referrals a week to circa twenty, for a variety of reasons including the changes to social security policy, the growth in the use of zero-hours contracts and limited increases in wages and salaries for some workers. To continue to provide a good service that had allowed the Council to maintain control over its rent arrears and avoid the waiting period that clients of other advice agencies may experience, additional capacity was needed to both deliver day-to-day services and to encourage the provision of additional complementary services.

The scale of changes that would begin in April 2016 was expected to present more challenges to low and middle income households managing their incomes than those hitherto introduced. In turn, this would present risks to the Council as a landlord in securing sufficient income recovery to maintain investment in housing repairs, maintenance and estate management.

Employing a dedicated Financial Inclusion Project Officer would provide a number of key benefits that were listed within the report, but primarily related to enabling dedicated work that could focus on key areas and working with partners.

This in turn would help reduce the risk to the Council of high rent arrears impacting adversely on the HRA Business Plan, which had also got to accommodate an annual decrease of 1% per year for four years in its rent roll. In-house analysis of the existing Financial Inclusion Officer role indicates that for every £1 the Council has spent on the post, the community has benefited by £5.

The Housing Appeals and Review Panel currently considered appeals against decisions not to awards TIGS payments. Closing TIGS would therefore mean that, to maintain consistency across the Council's bodies, a change would be needed to the terms of reference of the Housing Appeals and Review Panel. This could be secured by amending the current section: 'Appeals against a decision not to award payments under the Resettlement Service and appeals against a decision not to award payment under the Tenants Incentive Grant Scheme' to 'Appeals against the decision not to award support from the Resettlement Service'.

The Transfer Incentive Grant Scheme and the Resettlement Service could be retained in their current form. However there was little evidence to show that these incentives are encouraging people to move from larger properties. The cost of the scheme had little relationship to the actual costs of moving home.

Resources saved by removing the Tenants Incentive Grant Scheme and not creating the post of Financial Inclusion Project Officer could allow for additional funds to be retained within the HRA for alternative investment. However by deploying a portion of these resources to fund the Financial Inclusion Project Officer the Council would be in a better position to help manage the effects of changes to social security on our tenants and so improve the resilience of the HRA Business Plan.

Resolved that

(1) the Tenants Incentive Grant Scheme closes on November 30th, 2015;

(2) the introduction of the revised Resettlement Service, as set out at Appendix 1, to the report, be approved from December 1st, 2015; and

(3) the following budget changes, be approved;
- Reducing the Tenant Incentive Grant Scheme budget by £24,500 in 2015/16, £95,000 for 2016/17 onwards
- Increasing the Resettlement Service Grant budget by £7,500 in 2015/16, £20,000 for 2016/17 onwards
- Introducing a budget to fund a new Financial Inclusion Project Officer post, subject to the Employment Committee agreeing to the creation of the post. £14,000 in 2015/16, £28,000 for 2016/17 onwards
- Contributing the net saving due to these changes to the HRA Capital Investment Reserve, £3,000 in 2015/16 and £47,000 for 2016/17 onwards

Recommended to Council that an amendment to the terms of reference of the Housing Appeals and Review Panel be made as follows: 'Appeals against a decision not to award payments under the Resettlement Service and appeals against a decision not to award payment under the Tenants Incentive Grant Scheme' is amended to 'Appeals against the decision not to award support from the Resettlement Service'.

(The Portfolio Holder for this item was Councillor Phillips)

63. **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 three items by reason of the likely disclosure of exempt information within the paragraphs of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006, as set out below.

Minute No.	Para Nos.	Reason
66	1	Information relating to an Individual
66	2	Information which is likely to reveal the identity of an individual
64 & 65	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

The full minutes for the following items would be set out in the confidential minutes of the meeting.

64. **Leisure Options – Part B**

This report only contained the following confidential appendices for the Executive to consider and use for informing their decisions for Minute Number 59.

65. **Leamington Creative Quarter**

The Executive noted the confidential appendices relevant to this item which was considered formally under Minute number 61, of this meeting.

66. **Minutes**

The confidential minutes of the meetings held on *30 September 2015* and subject to a minor amendment to record Councillor Phillips apologies instead of Councillor Quinneys, were signed by the Chairman as a correct record.

(The meeting ended at 7.40pm)