Cabinet

Minutes of the meeting held on Thursday 29 September 2022 in the Town Hall, Royal Leamington Spa at 3.00 pm.

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

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

34. **Apologies for Absence**

Apologies were received from Councillors Cooke, Matecki, and Tracey.

35. **Declarations of Interest**

There were no declarations of interest made.

36. **Minutes**

The minutes of the meeting held on 10 August 2022 were taken as read and signed by the Chairman as a correct record, and the Cabinet confirmed that the minutes of the meetings for this municipal year should be sequentially numbered from Minute 1 at its meeting on 25 May 2022.

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

37. **Quarter 1 Budget Report**

The Cabinet considered a report from Finance which provided an update on the current financial position as of 30 June 2022, both for the current year 2022/23 at the end of Quarter One, and for the medium term through the Financial Strategy. Key variances and changes were highlighted to inform Members, with some recommendations also being put forward for their consideration.

The Medium-Term Financial Strategy showed that the Council was still reliant on making the savings previously agreed as part of the 2022/23 Budget Setting. However, further savings were now required in light of changes to the proposals following the approval to withdraw the request to merge with Stratford-on-Avon District Council and create a South Warwickshire District Council. With the significant risks facing the Council's finances in future years, it was important that officers and Members took all actions to ensure that the savings were generated.

The recommendations and updates would enable the Council to ensure Members and other stakeholders continue to be informed on the most up to date financial position of the Council, both in year and for the medium term. It would enable decisions to be made based upon these positions to ensure that the Council could continue to operate within a balanced budget.

Regarding the General Fund Financial Position as of 30 June (Q1), variations were identified by the Accountancy Team and reviewed in conjunction with the relevant budget managers, and where necessary, narrative provided in the report. As of 30 June (end of Q1) there was a favourable variance of £1,366k, with a forecast adverse variance for 2022/23 of £586k. A summary was provided below:

2022-23			
Service (General Fund)	**Variation Description**	**Q1 Variation £'000**	**Forecast Full Year Variation £'000**
Employee Costs	Staffing	£385 F	£500 F
	Pay Award contingency	-	
Assets	Delays to PPM works	£315 F	-
	Utility Charges – Electricity		£250 A
Cultural Services	Increased Arts Concession activity	£326 F	-
	Leisure Concession	-	£200 A
	Planning Income	£189 F	-
Environment & Economy	Existing waste contract income	£111 F	£200 F
	Green Waste Permits	£200 F	£486 F
Housing Services	B&B Accommodation	£100 A	-
Strategic Leadership	Warwickshire Place Partnership (Health & Wellbeing)	£100 F	-
	De-Carbonisation Grant	£20 F	-
	Members Allowance	£10 A	£40 A
	Contingency Budget	£135 F	-
	Crewe Lane LLP Interest		£62 A
	Budget Savings proposals linked to merger	£128 A	£512 A
	Budget saving proposal – digital transformation	£52 A	£208 A
	Budget Savings in-year underspend	£125 A	£500 A
TOTAL		**£1,366 F**	**£586 A**

Continuing with the Salary Vacancy Factor process established during 2021-22, the table below reflected the underspends on salaries within service areas during periods 1-3 (April-June). These were offset against a pre-determined value agreed at budget setting of expected levels of savings driven by gaps in establishments throughout the year, which was set at 3.6%.

As part of the Vacancy Factor process for Q1, £469,700 (GF) and £107,300 (HRA) was appropriated from staffing budgets.

Portfolio	**Vacancy Factor Budget 22/23**	**Budget Released Q1**
Assets	-£41,200	£40,000

Community Protection	-£68,700	£40,400
Cultural Services	-£62,400	£62,400
Development Services	-£76,800	£76,800
Environment & Operations	-£68,100	£68,100
Financial Services	-£107,200	£67,400
Housing Services - General Fund	-£48,200	£48,200
ICT	-£37,400	£19,500
People & Communication	-£31,400	£22,300
Strategic Leadership	-£111,300	£23,700
Total General Fund	**-£652,700**	**£469,700**
HRA	-£115,700	£107,300
Total	**-£768,400**	**£577,000**

Overall, 71.96% of the GF Vacancy Factor had been met, and 92.74% of the HRA vacancy factor.

Once the Vacancy Factor budgets were achieved, additional budget that was released would be allocated to a contingency provision to allow for a forecast 4% average pay award for 22/23, currently forecast at £350k. Any further budget released would then be returned to GF and HRA reserves and be available to use as necessary to meet other emerging challenges and opportunities.

After the Vacancy Factor Adjustment and departmental service reviews had been taken into consideration, General Fund salaries were £385k favourable against budget at the end of Q1. However, following the vacancy factor process and discussions with the relevant managers, some of the remaining underspent budget would be required to backfill where work had fallen behind due to staffing, establishment, and recruitment issues. This could take the form of additional fixed term staffing, agreed overtime and in some instances the use of agency staffing, which could carry a cost premium. These assumptions would continue to be reviewed and challenged into Quarter Two, and forecasts updated, as necessary. The value that the vacancy factor was set at (currently 3.6%) would also continue to be reviewed. Given the high levels of underspend reported at Q1, it might be necessary as part of Budget setting to increase this provision to better reflect the ongoing staffing challenges within service areas.

The recruitment and retention issues currently being faced by the Council were subject to review, with work commencing on how this be tackled going forward.

In Assets, delays to the commencement of a number of Planned Preventative Maintenance (PPM) programmed works continued into

2022/23. The Assets team were continuing to face resourcing challenges, driven by high levels of sickness and difficulties in recruiting to the substantive establishment. It was expected that the full allocation of budget would be used to meet the cost of repairs necessary to maintain the corporate stock. However, it was likely that up to a third of the £1.5m programme would have to be slipped into the following financial year and so not present a real saving.

Another contributing factor to the variation was the way in which works were reported through the Financial Management System (FMS). One of the expected benefits of the new FMS, which went live in November, was that expenditure commitments would appear in a timelier manner in the system from the Property Management System. This would be as and when orders were raised, rather than only when they were paid. This would improve forecasting against the schedule agreed at Budget Setting in February.

Centralisation work was ongoing between finance and the assets teams to ensure resources were available and to enable programmed works to be more effectively managed, supported by timely, accurate and available information in the Financial Management System.

In Cultural Services, the Royal Spa Centre received increased income during quarter one driven in part by a number of rescheduled events having now taken place. The centre was now fully operational after being closed for prolonged periods due to COVID-19.

Income and Expenditure would continue to be monitored as the Council headed into the peak season, including the return of the Christmas Pantomime following previous years cancellations due to COVID-19.

Despite a positive quarter one, the full year forecast remained prudent as there was still uncertainty as to how the site would perform going forward. The leisure contract forecast was discussed in section 1.4.4 of the report.

In Development Services, a large amount of fees were carried forward (£324k) from 2021/22 into 2022/23 for ongoing planning work relating to the current year. It was forecast that planning fees would achieve their annual budget.

In Environment & Economy, recycling credit income reduced due to lower usage than during the last two years, when lockdowns increased home collection volumes. However, income generated from material collections remained significantly above budget. The forecast reflected that the new 123+ waste contract commenced from 1 August 2022, and so income from these sources would form part of that contract going forward.

The number of residents who signed up to the Green waste collection service significantly exceeded expectations for 22/23.

In relation to Housing Services – General Fund, increased levels of temporary B&B accommodation were used since the start of the pandemic. The effects of the current cost of living conditions were also having an impact, resulting in a cost of an additional £103k year to date.

However, the Council would receive Flexible Homelessness Support Grant to fund this additional expenditure. This would continue to be monitored into winter, when further significant cost increases were expected, including another rise in the cost cap in October just as the use of utilities would increase with colder weather and reduced daylight hours.

In relation to Strategic Leadership, the Members allowances scheme was revised at Annual Council in May 2022 and this increase was not built into the budget in February as the exact total additional costs were unclear, as this depended on the number of Councillors undertaking roles. The forecast for the year was £115k against a budget of £73k. Equally no budget provision was provided to date to allow for the creation of the PABS and the chairman SRA.

£100k was received as a grant to be held by WDC on behalf of the South Warwickshire Place Partnership (Health and Well Being) to be spent this current financial year.

Within the 2022/23 Budget agreed by Council in February, there was a Contingency Budget of £200k for any unplanned unavoidable expenditure. To date £65k had been committed from this budget.

Regarding budget savings, the progress against the Budget savings proposals was outlined in section 1.3 in the report.

In the Housing Revenue Account current year variances, variations had been identified by the Accountancy Team in conjunction with the relevant budget managers, giving a favourable variance of £1,028k as of 30 June, with a forecast favourable variance for 2022/23 of £150k. A summary was provided below:

2022/23				
Service	**Variation Description**	**Q2 Variation £'000**	**Forecast Full Year Variation £ '000**	**Rec/ Non-rec**
HRA	Staffing (after Vacancy Factor Adjustment)	£78 F	£150 F	Non-rec
	Housing Repairs	£950 F	-	Non-rec
TOTAL		**£1,028 F**	**£150 F**	

Staffing resources across the Housing Revenue Account saw similar issues to those impacting the Assets teams. Sickness and recruitment challenges had been present and were likely to continue going forwards in the immediate future.

Continued delays in receiving invoices from contractors for housing repairs, both major and responsive, was leading to the favourable variance YTD. A process was currently in development to ensure order data from the Housing Management System (Active H) appeared in the new Finance Management System (FMS) as orders were raised, ensuring expenditure reporting was more robust and timelier than it was through the existing FMS. Currently expenditure was passed through to the FMS when paid.

This project to bring active orders into the FMS when approved, and the centralisation of all R&M budgets would allow more timely financial management of these budgets. It should have been noted that major and responsive works were ongoing, with the expectation that the full budget allocation for the year would be utilised.

Regarding Recommendation Two (budget savings progress), managers had provided updates as to expected delivery against the Budget Savings Proposals agreed originally in December 2020, and last reviewed as part of Budget Setting in February 2022.

Appendix One to the report outlined a full breakdown of all the current budget savings proposals, including forecast delivery.

Following the approval to withdraw the request to merge with Stratford-on-Avon District Council and create a South Warwickshire District Council, a number of savings proposals had to be removed. These schemes directly linked to efficiencies being made as a result of a joint Council. These were highlighted in yellow on Appendix One to the report.

The latest updates also resulted in the removal of the remaining delivery against Digital Transformation from 2022/23, following delivery of service efficiencies related to the Finance Management System implementation from February 2022. The Head of IT services would be bringing forward a revamped transformation programme outlining future plans in due course. Within the savings, a £500k 'in-year underspend' was allowed for. At this point in the year, nothing had been explicitly allocated to this. However, as part of the on-going Budget monitoring throughout the remainder of the year, any projected savings would be allocated against this heading. See Appendix One to the report for a full breakdown of the progress on the Budget Savings Proposals.

With many of these savings still requiring much work to be carried out, a more prudent stance had been taken in projecting the likely savings from some initiatives. These savings were reviewed monthly by the Management Team to seek to ensure the savings initiatives were duly progressed.

Regarding recommendations three and four, the MTFS was last formally reported to Members in February as part of the Budget setting and Council Tax setting reports. At that stage the profile of revenue savings to be found was as follows:

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus(-) future years	0	1,377	575	754	1,186
Change on previous year	0	448	490	-223	-200

As well as the in-year changes detailed in sections 1.1 and 1.3 in the report, there were key changes to the MTFS for future years, as outlined below:

Inflation had been changed within the MTFS for recurrent expenditure as follows:

Year	Inflation as at Budget Setting Feb 2022	Revised Inflation Q1 Budget Report	Recurrent impact to MTFS
			£'000
2022/23	4%	4%	0
2023/24	2%	4%	393
2024/25	2%	3%	181
2025/26	2%	2%	0
2026/27	2%	2%	0

The key driver of the inflation proposed above was salaries. The revision above reflected the latest proposed pay offer.

Major contracts would be subject to their own agreed cost profile and inflation levels, which would have been/would be factored in to the MTFS as appropriate.

In addition to the contingency proposal outlined in paragraph 1.1.2 in the report, any agreed pay award would have a recurrent effect on the MTFS. Given that there was no guarantee that the high levels of vacancy would continue into future years at this stage, provision needed to be made to support a pay award higher than the 2% included to date. Therefore, the pay provision had been increased in line with the revised inflation values in paragraph 1.4.2.1 in the report.

This would continue to be reviewed based on the latest information from ongoing pay award discussions. The vacancy factor target would also be reviewed alongside this, to ensure that this was set at a level reflecting the continued establishment gaps.

Regarding the Everyone Active Leisure Contract, a revised contract was agreed for 22/23 in place of the previous concession arrangement. A 90/10 (WDC/EA) split on any surpluses was agreed at the start of the financial year. At budget setting, a £500k leisure contingency was included to reflect the continued risks associated with achieving the full value of the original concession on the back of the pandemic and the sites in Kenilworth being closed for renovation this year.

Further dampening of £200k had now been included reflecting the ongoing risks associated with rising costs, in particular utility costs which were one of the largest expenses incurred at the Council’s leisure centres. To help support the concession provider, while also ensuring that a commercial incentive remained, the split on any future surpluses had now been revised to 80/20 (WDC/EA).

Everyone Active would continue to provide monthly breakdowns of their accounts on an open book basis to support the updated arrangement. Discussions were ongoing relating to future years’ concessions.

Regarding the new waste contract and garden waste permits, the number of residents who signed up to the new service significantly exceeded expectations for 22/23, given that the service launched mid-season in August.

Current forecasts were for permit income to exceed £700k (35,000 permits), despite the reduced cost of the permit due to the part year effect of a mid-year introduction.

The overall projection for the service in 22/23 was forecast at £550k, increased by £486k over the original forecast of £64k, once additional costs that would be incurred in supporting the service had been factored in.

Previously agreed budget proposals forecast that from 23/24, £1m per annum would be generated from the service. Given the current performance and take up by residents of the service, the forecast from 23/24 had been increased to 40,000 permits, generating income of £1.6m (£1.4m once additional service costs were factored in).

Regarding utility contracts, following a period of uncertainty there were now some indicative estimates of the likely impact on electric and gas prices for the Council’s GF and HRA properties following the significant increases in costs seen over the last 12 months.

The Council contracted to buy electricity through ESPO for the period October – September, but for gas, the period was April - March.

ESPOs Energy Trading/ Risk Management team estimated the cost per kWh to be at least 20.31p from October, roughly a 100% increase. This excluded the Standing Charge / Green Levy / Distribution Cost element which it was assumed would also increase substantially.

The Council had the estimated consumption for the 305 supplies (4,475,161kWh). A very basic forecast at 20.31p/kWh would be £909k. Current budget for electricity for 2022/23 was £439k. Half of this was likely to impact in 2022/23 and then equally for the first half of 2023/24. The kWh cost for October 2023 to September 2024 until mid-way through next year would not be known, but market trends continued to indicate significant upward movement. The Council’s price varied a little per site depending on the cost of transmission to site using the network (also expected to rise), so this figure was a broad estimate.

For Gas, the Council’s prices were fixed for the remainder of 2022/23 but indications were that there would be an increase in the range 180% - 250% from April 2023, although the Council’s gas usage was proportionally much less than electricity. ESPO had already bought around 87% of its contracted gas requirement for next year but still they were unsure about the exact price impact for next year.

Therefore, the following recurrent changes were included in the MTFS:

	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£'000	**£'000**	**£'000**	**£'000**	**£’000**
Increase (Decrease) in electricity charges	250	250	0	-150	0
Increase (Decrease) in Gas charges	0	150	0	-50	0

Work was underway to mitigate the impact of these increases, with the Council’s Building Management System operator, SERTEC being instructed to carry out an urgent review of key sites to see if any changes to heating / lighting / cooling etc could be introduced and if these would cause any loss of amenity at a building. There was limited scope at Pump Rooms as the art and museum collections required regulated air and temperature to prevent artifact deterioration. Reviews were taking place across sites with the biggest use.

The Council would also look at whether there were options to install PIR sensors in any corridors, kitchens, toilets etc at any locations, The costs were likely to be small in comparison with the energy cost increase and any marginal energy savings were worthwhile.

A further meeting with ESPO was due to take place later in the year once prices could be quantified with greater certainty.

Taking into account the changes highlighted in the report, the Medium Term Financial Strategy now presented the following deficit position:

	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£'000	**£'000**	**£'000**	**£'000**	**£’000**
Deficit-Savings Req(+)/Surplus(-) future years	586	2,933	2,424	2,467	2,706
Change on previous year	0	2,347	-509	43	239

Recurrent savings of £3m needed to be secured to enable the Council to be able to set a balanced budget from 2023/24 onwards. Officers were currently reviewing ways of reducing the deficit, including income generation, service efficiency, and cost saving schemes. This work and its outcomes would be reported to Cabinet as part of the Q2 Budget Report in December 2022.

Regarding recommendation 5, the following proposed changes to the Capital Budget had been identified:

1) Kenilworth Leisure Centre site fit outs across Abbey Fields - £496k slippage (full year budget) into 2023/24.
2) Kenilworth Leisure Centre site fit outs across Castle Farm - £201k slippage (full year budget) into 2023/24.

Regarding recommendation 6, following the withdrawal of the merger, monies set aside for service integration, totalling £2.7m over three years, had been moved to the Service Transformation Reserve (STR) from the previously established Service Integration Reserve.

As part of the merger, a number of stages of service alignment were proposed. Pending these reviews taking place, a number of recruitment proposals were put on hold. These recruitments now needed to take place.

In addition, Members recently approved the 'Applause' package.

A full breakdown of all posts / schemes put forward to be funded from the STR was provided in Appendix 3 to the report.

The recommendation was for Members to approve the use of the STR to support these posts / schemes which were necessary to ensure continued service delivery.

Upon approval of these posts / schemes, there would be £1.812m remaining unallocated in the STR.

As stated in 1.4.7.2 in the report, officers were tasked with identifying ways to reduce the financial deficit. It was expected that there would be a period of officer / Member work over the coming months to work on options as part of the budget process due to commence in September. Part of this work would review the use of Council reserves, including the STR, with further recommendations to be presented in the Q2 report.

Regarding recommendation seven, updates on the following subjects were provided:

- Energy Rebate Discretionary scheme - A request to use delegated Emergency powers was submitted on 23 June 2022 to approve the Hardship Fund and Energy Rebate Discretionary Scheme, to enable commencement by 30 June. The scheme included £228,900 provided by the Government for the Energy Rebate Discretionary scheme and £200,000 provided by the Warwick District Council Hardship Fund. This was funding provided from the 2021/22 forecast surplus, as originally discussed in February 2022. The idea around the scheme was to provide additional support to those residents most in need who might have not received any support from the main £150 Council Tax Energy Rebate Scheme. The Council arranged for a payment of £150 for customers in Bands E-H who were in receipt of Local Council Tax Reduction (LCTR) as well as those receiving Disabled Person Reduction, Severely Mentally Impaired Disregard or Council Tax Carers disregard. The Council would also provide everyone who was in receipt of the maximum LCTR (85% or 100%) across all bands A-H a top up of £50. The Council would be encouraging customers to apply for LCTR as well if they were struggling and if they were then successful, they would receive an award as per the above. If they were unsuccessful in their claim but within a predefined amount, these people would also qualify for a payment of £125 as long as they had not already received an energy rebate payment. The scheme was currently over halfway completed, with the scheme due to end on 30 November 2022.

- Spencer Yard - A request to use delegated Emergency powers was submitted on 15 June 2022 to approve the movement of money within the Future High Street Fund Scheme for Leamington. This was done to facilitate the commencement of works in Spencer Yard with a view to completion in a 12-to-15-month period.

- Lillington Health Hub - A request to use delegated Emergency powers was submitted on 10 August 2022 to approve the forward funding of expected CIL contributions, pending their receipt in 22/23 and 23/24. This would enable the Lillington Health Hub project to progress. The profile of CIL contributions committed to the project for 22/23 total £1m and 24/24 total £900k. A Cabinet report in March 2022 forecast that there would be sufficient CIL income in both of these years to fund this project, with CIL income in 2022/23 forecast to be £3.125m.

- Land acquisition – Villiers Street - A request to use delegated Emergency powers was submitted on 20 May 2022 to approve the purchase of two plots of land on Villiers Street, Leamington Spa to ensure that that they remained as open space land. It was agreed that the 2 plots would be purchased for £5,250 and £39,000 (plus reasonable legal expenses) each.

- Homes for Ukraine - A request to use delegated Emergency powers was submitted on 12 May 2022 to approve policy changes that needed to be made to the Council's 'Council Tax Section 13A(1)C Discretionary CTax reductions policy' in order for the Council to support those people arriving in the area under the Homes For Ukraine Government scheme. The recommendation to accept the changes to the Warwick District Council 'Council Tax Section 13A(1)C Discretionary CTax reductions policy' was to ensure that Local Council Tax Reduction was not adversely affected for those eligible sponsors hosting a guest in their household under the Government's Homes For Ukraine scheme. Also, that any person liable for Council Tax in the Warwick District Council area who was resident under any of the Government sponsored resettlement schemes or the Homes For Ukraine scheme, who was in receipt of the maximum Local Council Tax Reduction under the working age scheme (85%) would not be required to pay the remaining 15% Council Tax charge, with these cases being reviewed annually.

Regarding recommendation 8, the latest Equipment Renewal Schedule was approved by Members as part of the budget setting report in February. It was noted that this reserve, along with several others were all forecast to have demands exceeding the available balances.

Therefore, it was proposed that drawdown from the Equipment Renewal Reserve be delegated to the Chief Executive, in consultation with the Head of Finance, Leader of the Council, and Finance Portfolio Holder.

Regarding recommendation 9, as part of the ongoing review of budget management processes following the implementation of the new Finance Management System, a number of proposals, as outlined in the report, were put forward to improve the control and administration for managers.

Currently the Repair and Maintenance budgets were managed by the Assets Team, but the budgets were held within individual service budgets. This caused difficulty in the financial management of these budgets as a manual report needed to be created each period to show spend against budget. The Assets team could not currently easily use the new Financial System to see what the correct position was on an individual or global scheme basis. Managers within services currently had these budgets within their Cost Centres, against which they did not directly manage the related works. This made it difficult for the Assets Team to forecast spend against agreed programmes of work.

The proposal was to move all centrally managed Repair & Maintenance, Mechanical & Electrical and PPM budgets to the Assets Department. This would allow Assets to financially manage these budgets using the new FMS and provide more accurate forecasts of spend. It would also remove these budgets from service budgets, leaving only their controllable (excluding CEC's – see section 1.10 in the report) budgets to manage. There were no budget implications to this request as current budgets already exist.

Charges related to health and well-being, including occupational health, were responsive to individual staffing needs. The current process was for the invoice to be paid centrally by HR, and then recharged to Cost Centres based on actual usage. Due to their responsive ad-hoc nature, Occupational Health charges were not directly budgeted for within services. There was a cost in administration to the organisation to recharge these on a monthly basis. By centralising this cost to HR, they could be managed and forecasted within one area more effectively.

A budget would be required to be held in HR for the estimated annual cost of £16,800. This was initially proposed to be funded from the Contingency Budget for 2022/23, and to then be included from 2023/24 in the base budget. From 2023/24, this was anticipated to be funded from re-aligning existing employee budgets where resource was continually under-utilised, and therefore was expected to carry no additional budget requirement.

Regarding recommendation 10, another piece of work being undertaken as part of the ongoing review of budget management processes was the way in which Central Establishment charges (CEC) / Recharges were implemented.

CECs were an accounting method to redistribute non-front-line service costs to front-line services, in order to show the true cost of a service being provided by the Council. An example of this would be that to provide a car parking service, there would be costs incurred by support services such as Finance, HR and IT which would need to be attributed to the overall cost in addition to direct cost such as the salaries of attendants. The current system for recharges mixed both front line service costs and business (external) recharges together. At year end, both Service Managers and Accountancy had to reallocate the spend for the year. This was a time-consuming process which was ultimately not value adding to the Council and used staffing resource that could be better utilised on more operational and strategic support, as well as being a significant task as part of the closure of accounts process.

The proposal was to review these processes and implement an alternative way to do CEC / Recharges which was efficient in time but retained accuracy within the accounts. This would also seek to separate business recharges for one off and ongoing works and what was classed as a CEC (front line service recharges). Many other Local Government organisations had moved to an estimated process, allowing budgets and charges to be agreed and processed at the beginning of the year. This gave more clarity to service managers of their costs for their service within the year and would ease the burden on managers and Accountancy at year end.
The recommendation was to review and propose a new way of working for CEC's and Internal Service charges, with the outcome being in place for the 2023/24 Budget Setting process.

The Overview & Scrutiny Committee noted the report and thanked officers for their time in producing it. The Committee noted the positive impact the new financial system is having already and would like to thank officers and Members for the collaborative work on that.

Members highlighted their concerns on the impact of the energy crisis on Council finances and look forward to receiving an action plan on that in the near future.

Members have also asked that where emergency powers are used, full details should be made available in the Cabinet report to enable scrutiny to take place efficiently.

The Leader advised that in terms of the cost of living crisis, there was a package of measures that was originally going to come through the Leadership Coordinating Group (LCG), but this was postponed due to the funeral of the Queen. There was a special LCG session organised for 3 October to deal with this work, and the drafts he had seen so far had been very impressive and he was confident a strong package would be put forward. With the Medium Term Financial Strategy (MTFS), there was a need to get a grip on the projected £3 million deficit, however there had been similarly eye-watering amounts projected in previous years and the Council had managed to do something about it. There was a plan to take the budget development through the Resources Programme Advisory Board (PAB) as well as through LCG, to ensure that this was done on a cross-party basis and to give the full disclosure of the thinking behind decisions. The Leader offered to sit down with Councillor Davison to go through the details of the Spencer Yard project, in order to give him the confidence he was looking for.

Councillor Hales noted the concerns regarding the increase in gas, electric, but it was important to note the steps already taken, for example the use of reserves for the applause package for staff, as well as the use of funds for the Energy Rebate scheme. He thanked the support of Group Leaders, and officers for their efforts in working to produce the balanced budget that was required. He then proposed the report as laid out.

Recommended to Council that

(1) the ongoing forecast deficit outlined in the MTFS be reviewed further once proposals for tackling the deficit have been developed and reported to Cabinet for consideration; and

(2) Council amends the Constitution to record the Cabinet’s delegated authority for the Chief Executive, in consultation with the Head of Finance, Leader of the Council, and Finance Portfolio Holder, to drawdown from the Equipment Renewal Reserve.

Resolved that

(1) the latest current year financial position for both Quarter 1 (General Fund £1,366k Favourable and Housing Revenue Account £1,208k Favourable), and forecast for the year (General Fund £586k Adverse and Housing Revenue Account £150k Favourable), with the key variations that drive these positions, be noted;

(2) the updated profile of budget saving schemes originally approved in December 2020, including the changes to those that were linked to the merger, be noted;

(3) the impact on the Medium Term Financial Strategy (MTFS) due to changes detailed within the report, and how these changes are expected to be accommodated, be noted;

(4) the current capital variations for schemes originally approved in February 2022, be noted;

(5) the use of Reserves for the services outlined in section 1.6 in the report, be approved;

(6) the use of Delegated emergency powers for the approvals outlined in section 1.7 of the report, be noted;

(7) the centralisation of Assets R&M Budgets and HR Occupational Health Budgets, be approved; and

(8) changes to the process for Central Establishment Charges (CEC) / Recharges, be approved.

(The Portfolio Holders for this item was Councillor Hales)
Forward Plan Reference 1,309

38. **Final Accounts 2021/22**

The Cabinet considered a report from Finance which provided a summary on the draft 2021/22 final accounts, with the draft Statement of Accounts (available on the website) providing a detailed analysis. An update against the audit timeline was given. Members were asked to note the draft financial position for 2021/22 as detailed in the report, and the decisions made under delegated authority.

The report and supporting appendices enabled the Council to ensure Members and other stakeholders continued to be informed on the most up to date financial position of the Council. It enabled decisions to be made based upon these positions to ensure that the Council could continue to operate within a balanced budget.

The final draft outturn positions upon closure of the accounts were as follows:

	Latest Budget £'000	**Actual £'000**	**Variation £'000**
General Fund	9,890	9,845	-45
HRA	-2,797	-3,893	-1,096
Capital Programme	76,175	48,575	-27,600

The outturn for the General Fund Revenue Services for 2021/22 presented a favourable variation of £0.045m. Should there be any change to the variation because of the External Audit (which commenced on 5 September), Members would be updated accordingly.

The significant General Fund variations were presented in the table below.

Description	Variation £'000	Favourable / Adverse
Employee Costs	-616	F
R&M	-1,039	F
CCTV	-118	F
Spa Centre	78	A
Rental income (Catering Contract)	84	A
Commonwealth Games	-295	F
Building Control Income	-61	F
Local Land charges Income	100	A
Bereavement Services	233	A
Car Park income	23	A
Waste Collection Income	870	F
Watercourses & Culverts Fee Income	135	A
Benefits	537	A
Payment Channels	62	A
Investment Interest Income	-104	F
HRA Recharge	30	A
Projects	122	A

An analysis by Portfolio was shown at Appendix A to the report. IAS19 adjustments and capital charging had been excluded from the variations above as these were reversed out of the Net Expenditure position.

Net Business Rates Retained Income to the General Fund was favourable by £4.904m against the revised Budget. This was due to the way that government compensated Councils through S31 grants for administering its Covid support programmes, primarily in the form of Business Rates Reliefs and Business Grants.

Investment Interest was lower than that budgeted. An increase on the return from the Crewe Lane loan had been offset by the commencement of Housing Investment programmed expenditure meant that there had been less balances to invest. The Annual Treasury Management Report was due to be presented to Overview and Scrutiny Committee alongside the report on 28 September and would provide more information on the 2021/22 performance. The Table below summarised the HRA and GF position.

	Latest Budget £'000's	Actual £'000's	Variation £'000's	Fav / Adv
General Fund	-1,524	-1,628	-104	F
HRA	-304	-15	289	A
Total Interest	**-1,828**	**-1,643**	**185**	**A**

Employee costs were underspent by £616k in 2021/22. The key driver of this was staffing vacancies totalling £596k across a number of services, in particular Assets, Community protection (Environmental Health), Environment & Operations (Green space development and ranger services), Revenues & Customer Services, and Development Services.

Vacancies had been offset with additional staffing costs (overtime, agency staffing) where necessary, at a cost of £505k (£21k over budget). Recruitment and retention remained a key challenge for the organisation.

Regarding Assets, the Planned, Preventative Maintenance (PPM) corporate repairs programme was funded through a combination of revenue and reserve funding from the Corporate Assets Reserve, in that order. In 2021/22, £149k had been drawn down from the Corporate Assets Reserve due to expenditure in year of £562k. Expenditure was significantly lower in year on the PPM programme than was originally set in as part of the Budget Setting Report in February 2021 (where £1.541m of works had been agreed, including slippage from 2020/21, supported by a £1.128k draw down from the Corporate Assets Reserve). The key drivers of the reduction in expenditure in year were delays caused by resourcing issues on both the side of WDC and the contractors, in part still as a result of COVID-19 and an increase in demand for construction services. As part of Budget Setting for 2022/23, £561k of these delayed works had been carried forward as part of the Earmarked Reserve request.

Regarding Community Protection, a new CCTV maintenance contact had been agreed in year resulting in savings against the recurring budget.

Regarding Culture, Tourism and Leisure, reduced income had been received across many cultural sites, in particular the Royal Spa Centre, because of remaining COVID-19 restrictions and delays to shows / events using the facilities. Some of the loss had been offset against reduced expenditure costs incurred and the receipt of recovery grants in-year. Rental income from Jephson Gardens Restaurant and Pump Rooms had not been received in year, resulting in an adverse variance of £38k.

Delays had been incurred in the delivery of some preparations for the Commonwealth Games taking place in July-August 2022, resulting in an underspend in 2021/22. Funding relating to the Games would be carried forward to 2022/23 (as an Earmarked Reserve), to match delivery against Birmingham 2022 deadlines.

Regarding Development Services, there had been higher than forecast non-fee earning work recharged to Daventry and Rugby in 2021/22. The carry forward of local land charges planning income into 2022/23 for applications not yet fully determined had been higher than anticipated, reducing this year’s income figure. This income would be reflected in the following year and therefore a reversal of this position in 2022/23 might be seen.

Regarding Environment and Operations, Bereavement Services saw a significant increase in the demand for its services in the prior year, in part driven by COVID-19. However, as the District started seeing fewer cases and deaths, activity levels had fallen to pre-pandemic levels, bringing reduced demand for services at the Crematorium against forecast.

Car park income had continued to be down on pre-pandemic levels as a result in changing user habits. The increased prevalence of remote working had reduced footfall at a number of central urban car parks across the District, and a reduction in season tickets issued. Car parks linked with green spaces had continued to see high levels of activity.

Income received for the sale of recycled materials collected through waste services had continued to be high, as the market value of goods had increased significantly over the two years since the waste contractor last estimated the amount the Council would receive. Demand for bulky item collections also had remained high with people continuing to spend more time at home driven by remote working.

In terms of Watercourses & Culverts – contract income was estimated for budget setting based on the tender process and was set too high. This had been updated for 2022/23.

Regarding Finance, Housing benefits presented an adverse net variance of £537k, driven by a reduction in the subsidy on benefit overpayments. There was an increase in payment processing charges as more people were paying online. The pandemic had increased the speed at which the transition to online payments had taken place.

There had been a reduced recharge to the Housing Revenue Account this year from the General Fund for support services provided. Support services were currently driven as a proportion of costs incurred by services.

The Latest Budget for the Housing Revenue Account (HRA) allocated £2.797m to be appropriated to the HRA Capital Investment Reserve. The actual outturn for 2021/22 resulted in £3.893m being transferred, an increase of £1.096m. This was summarised in Appendix B to the report.

Staffing resources across the Housing Revenue Account had seen similar issues to those impacting the Assets teams. Sickness and recruitment challenges had been present and were likely to continue going forwards in the immediate future.

Delays to repairs and maintenance work due to issues with access and contractor availability as a result of COVID-19 had resulted in an underspend in year of £733k. Major and cyclical repairs had both been affected by these issues. It was expected that access would improve in 2022/23 and enable contractors to complete the works necessary to maintain the housing stock.

There had been a favourable variation in the bad debts provision. Arrears over the pandemic had been lower than expected, in part due to the support provided by central Government. Therefore, the bad debt provision had not required increased resourcing. Given the current cost of living issues facing society, the provision would be monitored going into and through 2022/23.

Capital Expenditure showed a favourable variance against the latest budget of £27.6m. This was comprised of the Housing Investment Programme and Other Services. The table below summarised Budget and Expenditure by Fund. A comprehensive breakdown of the variations and their drivers, and the level of budget to either be returned to reserves or slipped to 2022/23, were provided in Appendix D to the report.

	Latest 2021/22 £'000	Actual 2021/22 £'000	Variance 2021/22 £'000
Housing Investment Programme	58,114	35,481	-22,633
Other Services	18,061	13,094	-4,967
Total Capital	**76,175**	**48,575**	**-27,600**

The key drivers of the variations were:

- Slippage at housing development schemes in part still impacted by the effects of COVID-19, including the Triangle at Europa Way, Cubbington Waverly Riding School and Oakley Grove Phase 2.
- Covid-19 access to existing housing stock had delayed contractors in being able to get into properties, impacting on the fitting of kitchens, bathrooms, aids and adaptations and electrical fitments.
- Delays to the commencement of development at both Kenilworth leisure centre sites, which was originally due to commence in January 2022, due to the discharging of planning conditions and the volatility of the current construction market.

Appendix D to the report provided a comprehensive breakdown of the variations and their drivers, and the level of budget to either be returned to reserves or slipped to 2022/23.

In the November 2016 Budget Review report, Members approved that any surplus or deficit on the General Fund balance was to be appropriated to or from the General Fund Balance. Under this agreed delegation, £0.045m had been allocated.

Similarly, it was agreed for the Housing Revenue Account that the balance would be automatically appropriated to/from the HRA Capital Investment Reserve. £1.096m had been transferred in 2021/22.

As part of the Final Accounts process, requests had been approved under delegated authority by the Head of Finance for Revenue Earmarked Reserves. These were for previously agreed projects where it had not been possible to complete as budgeted within 2021/22 and would therefore need to carry forward budget to 2022/23.

These totalled £2.347m for the General Fund and £0.469m for the HRA and were outlined in detail in Appendix C to the report. Requests were considered against budget outturn within the specific projects and services, with requests approved only where there was sufficient budget available.

Members noted that these were considerable sums. Key earmarked approvals for the General Fund included set up budget relating to the new waste contract, the Commonwealth Games, delays to PPM and Climate action funded works. For the HRA, the main approval was for delayed major repairs relating to the Housing Investment Programme (HIP), and consultancy budget to support ongoing housing development projects.

It was recommended that the Cabinet should note the position on revenue slippage. As in previous years, expenditure against these budgets would be regularly monitored and reported to Cabinet as part of the budget review process.

In terms of alternative options, the report was a statement of fact. However, how the outcomes might be treated could have been dealt with in a variety of ways. The main alternatives were to not allow any, or only allow some of the earmarked reserve requests to be approved.

The Cabinet noted that there had been difficulties in recruitment, particularly to specialised positions. There was a need to look how the Council could retain staff and become an attractive employer.

The Overview & Scrutiny Committee noted the report and congratulated officers on their efforts.

Councillor Hales paid credit the Senior Leadership Team (SLT) and staff team as a whole for continuing to perform their job well, in the face of these recruitment difficulties. In response to a question from Councillor Davison, he agreed e that the report would include a simple breakdown of the finances, for example, breaking down money received, money spent, and details regarding where Council Tax was spent and useful percentages, so that it was simpler for the public to understand. He congratulated the Interim Head of Finance and his team, and then proposed the report as laid out.

Recommended to Council that

(1) the final revenue outturn positions of the General Fund (GF) and the Housing Revenue Account (HRA), being £0.045m and £1.096m favourable respectively, be noted;

(2) the Capital Programme showing a variation of £27.6m under budget and the level of slippage carried forward to 2022/23 as set out in Appendix D to the report, be noted;

(3) the allocations of the revenue surpluses which have been appropriated to the General Fund Balance Reserve and HRA Capital Investment Reserve under delegated authority, be noted; and

(4) the final position for Revenue Slippage and the Earmarked Reserve (EMR) requests of £2.347m General Fund and £0.469m HRA (Appendix C to the report), with the requests having been approved under delegated authority by the Head of Finance in conjunction with the Finance Portfolio Holder, be noted.

(The Portfolio Holder for this item was Councillor Hales)
Forward Plan Reference 1,310

Part 2
(Items upon which a decision by the Council was not required)

39. **Relocation of Kenilworth Wardens**

The Cabinet considered a report from the Deputy Chief Executive that sought Cabinet approval for further forward funding to help facilitate Kenilworth Wardens' relocation from its current home to a new site at Castle Farm. The further funding would be secured by a legal charge on the land and recovered when the Club sells its current site.

The aspirations of Kenilworth Wardens (hereafter referred to as KW) and the financial and in-kind support given by this Council were covered comprehensively in the reports cited in the report. However, in summary KW wished to relocate from its current site off Glasshouse Lane, Kenilworth to land partly owned by this Council at Castle Farm (the project), thereby freeing-up the land for housing. This Council provided significant financial (£712k with a legal charge on KW's current site) and officer support to assist KW with its planning and cost development work but the aspirations were proving very difficult to realise due to the forecast cost for the development of the proposed site at Castle Farm and other project related costs.

The report therefore apprised Members of the latest position and recommended a way forward for the project. Part of the report was viewed in the confidential section of the meeting, Minute Number 182, due to its commercial nature.

To enable KW to progress the project, the Council provided forward funding of £712k secured with a charge on their current site. This funding enabled KW to progress planning documents to RIBA stage three (prepared by IDP Group) and produce a cost plan (prepared by Mace Group) based on the stage three design.

The project was complex with not only land development at Castle Farm but among other things, four separate land acquisitions, the construction of a bridge over a narrow river and disposal costs associated with the current site. A full cost breakdown based on May 2022 prices could be seen at confidential Appendix A to the report.

Due to Government mandated requirements, overseen by Sport England (SE), KW could develop its current site for housing and receive a capital receipt until its new facilities at Castle Farm were constructed. This therefore meant that significant up-front funding was required to enable construction of the new sporting facilities. KW had marketed its land and on a couple of occasions it appeared that subject to conditions, a development partner was prepared to forward fund the project. Regrettably for various reasons, the respective developers decided not to pursue their interest.

Members were reminded that the parcel of land occupied by KW was part of the major Local Plan land allocation running along the A46 outside Kenilworth. Based on officers' understanding of the progress of the other parcels of land making up the allocation, the KW land was the only site not progressing. This had a number of implications including but not limited to, meeting the District's overall and affordable housing targets; stymieing the opportunity for sporting facility enhancement; foregoing of significant S106 and CIL funding to be put to public good; and tying up the £712k land charge the Council already had on the land.

Within the context described above, officers considered whether there was a further role for the Council to play to facilitate KW's relocation. Whilst it would certainly involve further financial risk for the Council, in the absence of other funding sources, the only known way forward was for the Council to provide additional forward funding so that the planning process and cost development work could be concluded. KW estimated that a further c£300k was necessary to complete this work and a cost estimate breakdown had been reviewed by officers to validate this.

If Members were agreeable to this approach as a way forward then there was an opportunity for the Council's housing company, Milverton Homes Limited (MHL), and its Crewe Lane LLP partner JV, Vistry to take a leading role in delivering the project. Subject to certain conditions, it had been proposed that Vistry would take control of the remainder of the planning process for the Castle Farm site, whilst at the same time starting on the designs and surveys necessary to produce a planning application for the Glasshouse Lane site. This work would all be done under the auspice of either the Crewe Lane JV or a new JV. Subject to a Castle Farm planning permission being granted, the JV would then purchase KW's site, lease it back to the Club and provide the forward funding so that the sporting facilities could be constructed. This would mean that KW could then relocate, and its current site would be available for housing development.

Vistry's agreement to undertake this work was predicated on a funding model based on the principles the Council had agreed for the Crewe Lane site whereby the JV entered into a facility agreement for the draw-down of a loan from the Council. The Council would then benefit from loan interest and ultimately when houses were sold at the Glasshouse Lane site, a profit share arrangement between Vistry and MHL provided the opportunity for the Council to receive a dividend in accordance with the terms of the shareholder agreement.

Before a facility arrangement was entered into there was obviously a significant amount of due diligence that would be required to ensure that a Council loan had the appropriate security in place. Achieving permission to enter into a facility agreement would necessitate a further report to Cabinet but the matter which needed resolving immediately was KW sourcing the necessary finance so that it could complete its planning work in respect of Castle Farm.

Should Members have decided to agree to the approach described in the report as a way forward, then £300k would need to be released from either Reserves or Council Balances. This funding would be secured by way of a legal charge on the land, but should KW never relocate, this money, and the forward funding already provided, would not be recoverable.

As indicated, this was a very complex project with many facets and there remained several matters that the Council would want to satisfy itself about before it gave its agreement to KW occupying its land at Castle Farm and a facility agreement being entered into. It was therefore proposed that the appropriate Programme Advisory Board be used as the Forum to explore those issues.

Given the volume of work to complete and matters to address, a planning application for the Castle Farm site would not be submitted until the middle of next year but this did provide KW with the necessary time to address the issues that remained.

In terms of alternative options, there was realistically one alternative option available to Members. They could do nothing which in all probability would mean that the relocation of the Wardens would not go ahead. This would stymie the comprehensive development of land at "Thickthorn" and consequently halt several public benefits.

The Overview and Scrutiny Committee were concerned about the level of financial risk inherent in the project.

The Committee recommend that the Cabinet should fully understand all different scenarios including project overspend, and that the Resources PAB should review the business case prior to disbursement.

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

Councillor Hales explained that the Wardens had changed the model in how they were run; though there had been deficits in recent years, the latest figures published showed they were currently in profit. He credited the Council in terms of the number of projects being delivered for the benefit of residents, particularly compared to other Councils. To address the concern about the risk of the project, he stated that money was recoverable once the land was sold; by bringing this proposal forward there was a desire from the Wardens to move to a new site to become a community-based club once again, as opposed to being spread out across the District as was currently the situation.

In response to the comments and recommendation made by the Overview & Scrutiny Committee, Councillor Hales proposed the following amendment to the condition, as follows:

"That Cabinet agrees to release £300,000 from the Council's Reserves/Balances, the precise source to be determined by the Head of Finance and asks that the Resources PAB reviews the business case and reports its findings to the Leadership Co-ordinating Group (LCG) prior to the release of the funding".

The Leader gave the opportunity to the Chair of the Overview Scrutiny Committee to comment on whether the amended additional recommendation satisfied the concerns raised by the Committee. He stated that although it was noted that the money was recoverable with the sale of the land, there were other potential consequences where if the project was considerably overspent, that money would need to be recovered from somewhere, having consequences both to the Council and the Wardens.

The Deputy Chief Executive and Monitoring officer advised that he agreed with that concern, and a review of the business case would include that scenario, and he gave his assurance that he would work with the Resources PAB on this, which the Chair of the Overview and Scrutiny Committee was satisfied with. The PAB would review concerns about the sustainability of the club, its business model going forward, the cost of the move to pay for the relocation, scenario planning, for example an exit strategy if needed. The homework behind this would also come through the LCG, whereby a view on whether to progress or reverse the decision that the Cabinet would take at this meeting.

Councillor Hales then proposed the report as laid out, along with the additional amended recommendation.

Resolved that

(1) the latest position regarding the relocation of Kenilworth Wardens, be noted;

(2) the release £300k from the Council's Reserves/ Balances be agreed, the precise source of which to be determined by the Head of Finance; and

(3) £300,000 be released from the Council's Reserves/Balances, the precise source to be determined by the Head of Finance and asks that the Resources PAB reviews the business case and reports its findings to the Leadership Co-ordinating Group (LCG) prior to the release of the funding.

(The Portfolio Holder for this item were Councillors Cooke and Hales)
Forward Plan Reference 1,307

40. **Consideration of an Article 4 Direction at Castle Pavilion, Castle Road, Kenilworth**

The Cabinet considered a report from Planning which sought approval to commence the process of making a Direction under Article 4(1) of the Town and Country Planning (General Permitted Development) (England) Order 2015 and to undertake the related required public consultation. The effect of the Direction, if confirmed would be the removal of certain permitted development rights on the Land known as Castle Pavilion, Castle Road, Kenilworth.

The report set out the options available to Members for the service of an Article 4 Direction to remove specific permitted development rights on a parcel of land.

In terms of alternative options, Members needed to decide whether to authorise that Officers proceed with the making of an Immediate or a Non – Immediate Article 4 Direction.

The issue here was that a Non-Immediate Direction would allow for more evidence to be collected and so represent a more robust position for the Council to defend its position and to resist challenge legal or financial. However, the activities on the site had been going on for a long while already and taking the non-immediate approach would mean that there was no more control exercised for a longer period which could extend beyond the Christmas and New Year period where other events may be held and so further potential disturbance to residents.

The progression towards a Non-Immediate Direction would enable the requisite publicity and consultation within the local area to take place and a more detailed assessment made of the extent of harm arising from the recurring use, therefore informing the consideration of the appropriateness of confirming a Direction.

Such a consultation would enable residents to expand further on the way that the use of the site was affecting their amenities. It would also enable views to be sought from Warwickshire County Council in their role as the Highways Authority on the highway and traffic impacts of the use and from the WDC Environmental Health Team as to the extent and nature on any associated noise and disturbance being experienced in the locality.

Following the receipt of those views and expert advice, officers would be in a stronger position to fully assess the effects of the ongoing use and recommend to Cabinet whether there were sufficient grounds to confirm an Order without unduly exposing the Council to the risk of that decision being challenged.

Members were asked to note that in coming to the current recommendation, officers were mindful that the Secretary of State could dismiss the Direction at any stage, a proposition that might be increasingly likely where a Direction was without sufficient justification.

Alternatively, Members could authorise the making of an Immediate Order if the development to which the direction related was considered to be prejudicial to the proper planning of the area or constituted an immediate threat to local amenity. This would have the benefit to residents of bringing control over activity immediately so providing a relief to them. If this proved not to be a sustainable position, Members needed to be aware there was the risk of being liable for compensation in certain circumstances if the person involved could demonstrate the Direction had caused adverse financial consequence.

Further, Members could also resolve not to progress the making of an Article 4 Direction which would be contrary to the level of concern being raised in the local area about the activities concerned.

The Chief Executive explained that currently, Temporary Events Notices were creating opportunities on the land and property outside the planning system, and the Article 4 Direction would be a way of the Council regaining some form of control. It was a judgement call for the Cabinet to decide whether to introduce an Immediate Direction, to carry out a consultation but in the meantime have some control on the land, or introduce a Non Immediate Direction where the Consultation would take place, but things would remain as they were; meaning the Council would not be able to exercise any control of an activity that had generated a lot of complaints from residents.

The Deputy Chief Executive and Monitoring Officer advised that the Cabinet needed to be comfortable there was a weight of evidence in the report before making a decision of an Immediate Article 4 Direction, and if they felt that evidence was not there, they should be making a decision of Non-Immediate.

The Leader stated that the report was detailed, included comments from Kenilworth Town Council, and there was quite a body of evidence in terms of nuisance and concern that residents had raised on this matter. He gave the opportunity to Councillor Milton to comment, as a Kenilworth Ward and Town Councillor, who explained that this matter was discussed a number of times by the Town Council, whereby they decided to take the course of action to write to the Chief Executive about an Article 4 Direction. Members of the Town Council were reassured that it would not necessarily prevent anything happening on the site, but it would put some control as to what happened on the site so people would have to go through a transparent, consultative process.

Councillor Rhead stated that paragraph 1.12 in the report encapsulated sufficient evidence for an Immediate Article 4 Direction.

Councillor Hales explained that it was a dilemma as there were local residents who had created a business for the Town and District, against the concerns of residents which had been numerous and continual. Based on the evidence in the report and the continued issues from residents in the area, he proposed an Immediate Article 4 Direction, stating that the Council could not let the situation continue, and needed to do the right thing for the residents.

Resolved that

(1) the process of making an Immediate Article 4 Direction relating to the site which was shown edged red at Appendix A to the report, be commenced;

(2) a public consultation process be commenced, the results of which will inform the decision as to whether to confirm the Order; and

(3) a further report be brought forward setting out the results of the public consultation and recommending whether the Order should be confirmed.

(The Portfolio Holder for this item was Councillor Cooke)

Forward Plan Reference 1,308

41. **Office Accommodation Strategy and the Provision of Public Facing Access to Council Services**

The Cabinet considered a report from Assets which sought to agree an approach to the relocation of the Council's headquarters and public facing access to services.

The Council's Medium Term Financial Strategy (MTFS) currently assumed significant savings from the running costs of corporate office accommodation, principally Riverside House (RSH), these assumed savings being £250,000 per year ongoing. This may have been an under-estimate of the savings that could be achieved from relocation. A breakdown of the costs for the financial years 2020/21 and 2021/22 showed an average cost of c£575k per year and whilst a new building would bring its own costs, they should be considerably lower than those of RSH.

The Council had primarily operated from Riverside House (RSH) since its purchase in 2000 with the Council chamber and civic suite being located at Leamington Town Hall. RSH consisted of some 60,000 sq. ft of office space with 194 car parking spaces. Prior to the pandemic, around 350 staff used the offices daily. However, even before the pandemic, it was evident that Riverside House was larger than the Council needed and there was a proposal to relocate its offices to Covent Garden; though this was discontinued in 2019.

However, from March 2020 due to the impact of Covid-19 which necessitated a radical change to working, most staff had been operating from home. Whilst there would always be occasions when working in a physical environment was advantageous, the benefits of agile working had been realised in many ways thereby reducing the need for office accommodation of the size of RSH.

RSH continued to be sparsely used with a daily average of around 35-40 staff using the premises either as a base from which to work, or for team / collaborative working in meeting rooms. Many of these rooms had been adapted with screens and cameras for hybrid meetings using Microsoft Teams. These rooms could be booked in advance using an on-line booking system.

As part of ongoing monitoring of office requirements, meeting room bookings and office attendance were recorded to enable a further review of accommodation need and size.

There were two existing tenancies at RSH: Kids Run Free and Bowls England (BE). Should Members have agreed to the recommended approach in the report then discussions would need to take place with those organisations to source alternative accommodation. Bowls England was a key partner and so the Deputy Chief Executive had already commenced the conversation with the BE Chief Executive.

Riverside House also served as the ICT location for the team and associated infrastructure and equipment, and the Head of ICT agreed that a two-stage relocation was possible, but much work would need to be done to ensure that it was deliverable. However, agreement to the general approach was needed before that detailed analysis began.

When the Council was previously marketing the RSH site, one of the main obstacles it encountered was not being able to give the market any certainty about a timeline for vacation of the site. For developers to formulate building programmes and thereby have certainty about the cost of development, there was a need to understand when the land would come into their possession. Without this certainty it was not possible to make a firm offer and enter a contractual relationship with the Council.

Despite the Council’s agreed objective to relocate, it did not have a new home to go to and although a future report would shortly propose a long-term solution, if the Council was to help address the significant financial challenge it had over the life of the MTFS, relieving itself of the cost of RSH would make a large contribution to this objective.

Considering the above, officers were proposing that relocation takes place in two stages with a temporary decant, albeit of potentially up to three years, to offices/ buildings in the Council’s current estate followed by a final move to a permanent new home.

Officers had undertaken an analysis of existing Council-owned assets against a set of criteria and this assessment strongly suggested that there was scope to provide desk spaces and meeting rooms at locations in the Council’s ownership. Members noted, however, that this would result in work locations being somewhat dispersed across the District at Stage One rather than being collocated in one place as now. Should Members have agreed to this approach then a detailed assessment of each of the options would be provided as part of the next report so that a decision could be made by reference to comprehensive information.

Although, the preferred option was to move elsewhere in the Council’s estate, discussions were also underway with Warwickshire County Council (WCC) to see if there were any opportunities for shared / vacant WCC locations. Whilst this would not bring the full cost saving there might be service benefits that Members considered more important than maximising the savings opportunity.

Finally, Savills Estate Agents had been commissioned to undertake a high-level assessment of the private office market to see what might be available in a range of floor areas and indicative costs. This work was being undertaken in case the public authority options outlined above prove to be undeliverable.

RSH provided a public reception desk and access to revenue and benefits, housing, planning and other face-to-face services which fully reopened on 12 September. Many customers found alternative and perhaps more convenient ways to access Council services but there were some, particularly the more vulnerable members of the Community, who needed access to face-to-face advice.

Notwithstanding the above, there was no necessity for the "front-desk" to be co-located with the back-office. Technology enabled communication between officers and between officers and customers to take place with no physical relationship between the back and the front office. Cabinet was therefore asked to agree that public access to a face-to-face Council enquiry service should be based in or close to Leamington town centre but did not need to be close to the back-office.

An option for the temporary relocation of the Council's offices could be the Town Hall in Leamington. All Council meetings and some civic events currently operated from this building, but should Members have agreed to the two-stage approach proposed then it might be that officers propose that the Town Hall be used, at least in part for office accommodation. If there was a view to consider alternative locations, then the vacated space could be used as collaborative space or enhance the commercial viability of the Town Hall, potentially allowing a significant commercial income. Officers therefore needed to understand whether Members would be willing to hold their meetings in an alternative venue.

If Members were comfortable with considering alternatives, then full details of the options would be submitted to the November Cabinet meeting for consideration.

In terms of alternative options, it had long been the objective to leave RSH, with this focus becoming even sharper following the changes to ways of working. There was currently an adopted design brief to facilitate disposal and redevelopment of the site. The building required significant capital investment, not least to move towards meeting climate emergency policies including roof, windows, insulation, and lighting upgrades. Whilst costs could be contained if occupation was to be for a short period, medium to longer term investment was probably considerably more than £1m particularly to meet climate emergency objectives. It was understood that given the existing condition of the offices, it was unlikely that there would be significant interest from the market in which a reasonable commercial return could be achieved in the letting of vacant space.

Councillor Hales stated that the timing of the proposals needed to be fast. The financial savings of £600,000 plus gas and electric costs, were substantial. There was also a need to ensure the wellbeing of staff as some staff did want to have an office to work from. He then proposed the report as laid out.

Resolved that

(1) the latest Medium Term Financial Strategy (MTFS) position as detailed in Appendix 2 to Minute Number 171, be noted; a major contributor to the cost reduction strategy of the Council is the relocation of the Council's staff to enable the Council vacating Riverside House, be noted; and that the current financial liabilities and ongoing costs of the

building also be noted;

(2) the commercial difficulties in relocating to a new building, be noted, and therefore a two-stage approach to office relocation with stage 1- a move to other part(s) of the Council's estate or alternative locations, and stage 2 -a permanent move to long-term office accommodation, be agreed;

(3) the strategy for temporary relocation as set out in the report was considered and feedback provided so that officers can undertake further detailed investigation and report to the November Cabinet meeting with a final recommendation, be agreed;

(4) public access to a face-to-face Council enquiry service should be based in or close to Leamington town centre; does not need to be near the "back-office"; and a recommended option being reported at the November Cabinet meeting, be agreed; and

(5) alternative options to the use of Leamington Town Hall for Civic and Council meetings be considered and if alternatives are to be considered, that options are reported at the November Cabinet meeting.

(The Portfolio Holder for this item was Councillor Matecki)
Forward Plan Reference 1,297

42. **Notices of Motion from July Council**

The Cabinet considered a report from Place, Arts and Economy which provided an officer response to three Notices of Motion presented to Council on 27 July 2022. These related to viability testing and viability assessments of planning applications, application of policy H6 in the Local Plan and adoption of Nationally Described Space Standards.

In respect of Motion 1 (viability testing and viability assessments of planning application) it was considered that the approach contained within the Notice was already embedded within the policy and practice of the Council and that no further measures needed to be put into place.

In respect of Motion 2 (Application of policy H6 in the Local Plan) it was considered that further assessment of the proposals could be undertaken by officers and, if appropriate, incorporated into the current guidance on the application of policy H6. It was proposed that officers work with the Planning & Place Portfolio Holder to agree any revisions to the informal guidance in consultation with group leaders. It was furthermore proposed that the Planning & Place Portfolio Holder work with officers to ensure that the priority given to this work did not impact on other policy priorities such as the delivery of the Net Zero Carbon DPD and South Warwickshire Local Plan.

In respect of Motion 3 (Adoption of Nationally Described Space Standards) it was considered that:

- the principle of incorporating NDSS within the South Warwickshire Local Plan should be considered;
- the principle of incorporating NDSS standards by all partners delivering affordable housing to be explored; and
- officers should explore the desirability and practicality of an early amendment to the Residential Design SPD to incorporate the NDSS as good practice. The timetable proposed in the Notice was not recommended in view of resource issues and other work priorities.

Members were also asked to note that the Council's Local Development Scheme needed to be updated, and this would provide an opportunity to review the relative workload priorities and consider how quickly a positive response to some of the above issues could be addressed.

In terms of alternative options, the case of all three Notices of Motion would be to not agree with what was being proposed in the Notices. Where this was the case, the reasons for this were set out in the report. It should be noted that in the case of Motion 1, no actions were proposed because it was considered that what was requested by the Motion was already in place.

Councillor Day wished to reassure Group Leaders that the challenge was completing the Net Zero Carbon DPD, making sure that got away tidily and properly, and then move on to the next piece of planning policy which would take place without delay. He then proposed the report as laid out.

Resolved that

(1) the officer responses to the three Notices of Motion as agreed by Council on 27th July, be noted;

(2) the proposed responses to the Notices as set out in paragraphs 1.4 to 1.6 in the report, be supported; and

(3) the intention to bring forward a revised Local Development Scheme before Cabinet at the earliest opportunity, be noted.

(The Portfolio Holders for this item were Councillors Cooke and Matecki)
Forward Plan References 1,303, 1,304, and 1,305.

43. Local Council Tax Reduction

The Cabinet considered a report from Customer and Digital Services which sought support to consult with the public and major preceptors, to change the current Local Council Tax Reduction Scheme (LCTRS) from a maximum reduction of 85% to 100% given the current cost of living crisis. In order to amend the LCTR scheme, the Council needed to consult with residents, the report was requesting permission to undertake consultation so that a decision could be made as to whether amending the scheme could form part of the response to the current cost of living crisis by providing further assistance to some of our most vulnerable residents.

In terms of alternative options, the scheme could remain as it was, with all working age claimants paying a minimum of 15% contribution towards their Council Tax.

Councillor Hales thanked the Benefits and Customer Services Manage for the report and noted that the proposals would come in to place from April 2023, but it set a direction of travel and would be important for residents. He then proposed the report as laid out.

Resolved that the decision to consult the public and major preceptors about the proposal to increase maximum LCTRS from 85% to 100% be supported.

(The Portfolio Holder for this item was Councillor Hales)
Forward Plan Reference 1,299.

44. **UK Shared Prosperity Fund**

The Cabinet considered a report from the Deputy Chief Executive which apprised Members of the Investment Plan submitted by Warwick District Council to the Department for Levelling Up, Homes and Communities (DLUHC) so that it could draw-down its UK Shared Prosperity Fund (UKSPF) allocation of £3,484,412.

In April 2022, UK Government published its UKSPF prospectus, inviting Lead Authorities (of which Warwick District Council was one) to develop an Investment Plan (the Plan) for submission to DLUHC by 1 August 2022. This in effect left just three months for officers to assemble the plan. Headline details of what the Government, through Lead Authorities, was hoping to achieve could be found in the Addendum to the Levelling Up Fund Round 2 – Decision to Submit report that went to the 25 May 2022 Cabinet meeting.

Given the challenging timeline for submission, delegation was put in place to enable the Leader to sign-off the Plan, recognising that even after the Plan was submitted there would be opportunities for it to evolve. Officers worked with many stakeholders to produce the projects which make-up the Plan and whilst it would have been preferrable to embark on comprehensive consultation and engagement with many more, this was just not feasible due to the time constraint. That said, officers considered that the interests of the key sectors in the District – Business, Voluntary and Community, Public Authority – had been reflected in the Plan.

At Appendix A to the report, Members noted the full list of projects and the indicative funding allocated. The UKSPF had been devised to succeed the old European Union structural funds and was targeted to support the Government's Levelling Up agenda. Consequently, Members noted that a significant portion of the funding had been allocated to those areas which suffered disadvantage in one or more Levelling Up thematic areas. This had been an evidence-based approach and for Members who wished to review the full content of the Council's submission, it could be found on the Council's website under Appendix 1 to the report. A printed version was available on request.

With the Plan in place officers now moved to the delivery phase. Four per-cent of the allocation could be used for administration purposes, and this equated to approximately £139,400. It was officers' view that this funding should be used to recruit a Programme Co-Ordinator or similar as there were nearly 50 projects in the Plan to oversee. It might be that extra staff resource was required but at this point, before any of the projects had started, it was not possible to determine what those resources would be. Therefore, should extra funding be needed the Deputy Chief Executive would liaise with the Head of Finance and the Chief Executive who had delegated authority to draw-down funding from the Service Transformation Reserve.

There was a requirement that appropriate governance arrangements were put in place to manage the programme of work. There would be a myriad of stakeholders to work within the delivery of the projects and ensuring that the governance arrangements were effective yet proportionate required further consideration. It was therefore proposed that officers determined those arrangements as the full implications of the projects became clearer and that authority be delegated to the Deputy Chief Executive following consultation with the Leader to finalise the governance structure.

It was worth noting that the Plan would now be assessed by DHLUC to ensure that the interventions, outputs, and outcomes were in line with the Levelling Up agenda as set out in the Prospectus and that these were deliverable in the timeframes of the current funding period (31 March 2025.) Whilst it was not anticipated that Government would require the Council to alter the plan significantly, it did require final sign-off.

In anticipation that the Plan would achieve final sign off and given that there were funds available for projects in the current financial year, it was vital that the above-mentioned resource and governance arrangements were progressed immediately to enable the current year funds to be allocated. Any unallocated funds could be clawed back which was a situation the Council clearly wished to avoid.

In terms of alternative options, there were probably an infinite number of alternatives that could have been included in the plan but given the demanding timescales and competing priorities, officers had arrived at a plan which they considered to reflect the aspirations of the Council and the needs and wants of the various interested parties.

Councillor Day proposed the report as laid out.

Resolved that

(1) at Appendix A to the report, the projects that officers submitted to DLUHC which constitute the substance of the Council's UKSPF Investment Plan, be noted;

(2) c£139,400 of the allocation be used to support the delivery of the projects and that authority to utilise this funding be delegated to the Deputy Chief Executive, and note that should further delivery resources be required, the Deputy Chief Executive will seek the necessary funding from the Service Transformation Reserve; and

(3) the design and implementation of the governance arrangements for oversight of project delivery be delegated to the Deputy Chief Executive following consultation with the Leader of the Council.

(The Portfolio Holder for this item was Councillor Day)
Forward Plan Reference 1,306.

45. **Hydrogen Strategy**

The Cabinet considered a report from the Department for Climate Change which sought approval for a Hydrogen Strategy to 2040. The Strategy sought to provide an important context for discussions and negotiations with a number of stakeholders to ensure all parties were focused on the opportunities and benefits presented by hydrogen as a source of energy as work gets underway to deliver a hydrogen as a first stage in the strategy.

The report recommended that the Hydrogen Strategy set out in Appendix 1 to the report be adopted as the framework for bringing forward hydrogen infrastructure within the District and surrounding areas.

In developing this strategy and recommending a longer-term commitment to hydrogen, officers had also considered the potential role alternative fuels could play and therefore whether the approach proposed for hydrogen production was appropriate. The following were considered:

- Electric vehicles (EVs)- there was little doubt that EVs would play a key role in decarbonising transport. We were already seeing a rapid growth of EVs in the District and in addition to the EV charging infrastructure already in place, officers were working on a strategy to improve EV infrastructure on our land. However, whilst EVs would certainly play a key role for cars and light vehicles, the weight of the battery and the current charge times make them less suited to heavy vehicles and long-distance freight. Whilst hyper-rapid charge systems have the potential to reduce charge times, battery weight and resulting impacts on range and carriageway degradation would remain an issue and this suggested that hydrogen would have a crucial and long-term role to play in low carbon transport for heavy vehicles.

- Biofuels and Hydrogenated Vegetable Oil (HVO)- biofuels/HVO could significantly reduce carbon emissions (some estimates suggested by up to 90%) and (in the case of HVO) could be used as a replacement for diesel without modifying vehicles. For these reasons, this option should be given serious consideration as an interim solution. However, there were a number of concerns that would need to be addressed, including rising costs which exceeded diesel costs; reliability of supply and environmental impacts associated with growing and/or producing the fuel. In addition, whilst biofuels/HVO did have the potential to reduce carbon emissions in comparison with fossil fuels, they did not have the potential to be zero carbon and should therefore, at best, be seen as an interim solution.
- Renewable energy for homes and other buildings- whilst renewable electricity was already playing a major role in decarbonising electricity supply to homes and buildings, it was less efficient and effective in heating and was therefore costly. Alternatives were therefore likely to be vital in decarbonising heat for buildings. At present there were two main contenders: a) heat pumps and b) hydrogen. Heat pumps were already being installed in many buildings, including in our own housing stock. However, as these were still reliant on electricity, they could be expensive to run unless they were accompanied by a significant energy efficiency retrofit. The fact they were readily available and their efficiency might improve over time, they were likely to be an important component in the future. Hydrogen was currently only used in heating in a relatively small number of experimental scenarios. However, these experiments suggested it does have a role to play in the future if it could be produced at scale and distributed throughout gas pipe network. National Grid were beginning to invest heavily in this area. A hydrogen hub in Warwick District was unlikely to be producing at a scale to be significant in any future system and the pipe network was not within the Council’s remit. The Council was therefore likely to contribute to this at the margins and in particular, by considering how homes of the future might needed to be designed.

In terms of alternative options, one alternative would be to continue without a longer-term strategy. Whilst this could still enable the delivery of Phase 1, it risked missing opportunities and innovations that could emerge in relation to the wider strategy and could result in parties involved with the partnership diverging from the core benefits the Council was seeking to achieve. For these reasons this alternative was not recommended.

Councillor Rhead explained that it was very much an evolving document, and a further report would come to Cabinet in due course. He then proposed the report as laid out.

Resolved that the Hydrogen Strategy set out in Appendix 1 to the report, be adopted as the framework for bringing forward hydrogen infrastructure within the District and surrounding areas, through to 2040.

(The Portfolio Holder for this item was Councillor Rhead)
Forward Plan Reference 1,318

46. **Covent Garden Car Park**

The Cabinet considered a report from the Chief Executive which sought to inform Cabinet of the current state of Covent Garden Car Park, following recent detailed structural survey work, re-confirm that the Council should demolish the existing multi-storey car park, agree that the future use of the site be proposed as a Community Wellbeing Hub, and agree the preparation of a feasibility study on the future use of the site following engagement with local community, businesses, and partner organisations.

The structural report highlighted the continued deterioration of the car park and the risks to public safety, along with the mounting costs of repair. It was concluded therefore that the Council should re-confirm its intent to demolish the current car park structure.

Given the level of interest demonstrated in the site as a Community Wellbeing Hub, the Council should agree to redevelop the site and commission a feasibility study to help better shape the proposal.

The structural report attached at Appendix 2 to the report, outlined the options available for the car park going forward.

In terms of alternative options, the report set out the options that the Council had realistically in relation to the car park and they had been evaluated in the report. Doing nothing was not realistically an option. The car park would continue to increase in both maintenance and repair costs, and the risks to public safety would continue to increase as the structure deteriorates. In following this option, it postponed the decision to demolish and to rebuild to a future date, when the costs of doing so were likely to have increased further.

Cabinet could have decided to only repair the multi storey car park. This option though feasible, did not demonstrate good value for money as costs would continue to escalate over time and the building would continue to deteriorate in appearance and fabric. This would represent an opportunity lost for the future of the town centre.

The Cabinet could have decided to change the guiding principles that officers had up to now been working to, and to evaluate the options for the site going forward based upon new and different guidelines. Officers were not aware of what those might be, so could at this stage offer a view on their appropriateness.

Cabinet could decide to simply dispose of the site. This could generate a capital receipt and reduce running costs, but it would also lose revenue and the Council would lose a significant degree of control over what happens to the site and when. The Council’s aspirations for the site might not prove to be deliverable via this method, if it did not stipulate what it wanted the site to be used for via the brief that the proposed feasibility study would give rise to.

The Leader stated that the current car park was a public risk but was also a social risk as it was a focal point of anti-social behaviour in the area. The Council was best served by working in partnership, and the theme returning to health routes of a spa town was something that the Leamington Transformation Board was focusing on; an asset like this was a fantastic opportunity to do that.

Councillor Bartlett congratulated the Chief Executive and officers for the report. The proposals would benefit the climate, community and the economy, and delaying would result in key areas being depleted across the Town. It was important in remembering the threat of removing parking provision was a fear for some businesses, so a clear displacement plan for parking was important. He then proposed the report as laid out, along with the recommendation from the Overview and Scrutiny Committee.

Resolved that

(1) the outcome of the structural report for Covent Garden multi storey car park and the associated options for the future of that car park attached at Appendix 2 to the report, be noted;

(2) given the recommendations within the structural report, a re-commitment to demolishing the current multi-storey car park on the Covent Garden site, be agreed;

(3) the principal future use of the site as a Community Wellbeing Hub as guided by the principles referred to in paragraph 3.2 of this report, with consideration to be given to the volume and quantity of parking offered alongside, be supported;

(4) a feasibility study based on the brief at Appendix 4 and that the study is finalised following comprehensive engagement with stakeholders, be approved; and

(5) the funding of the feasibility study of up to £50k to be funded from the Service Transformation Reserve, be agreed.

(The Portfolio Holder for this item was Councillor Bartlett)
Forward Plan Reference 1,284

47. **Public and Press**

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

Minutes Numbers	Paragraph Numbers	Reason
182, 183	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Part 2

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

48. **Confidential Appendix A to Item 6 – Relocation of Kenilworth Wardens**

The Cabinet noted a confidential appendix.

49. **Minutes**

The confidential minutes of the meeting held on 10 August 2022 were taken as read and signed by the Chairman as a correct record.

(The meeting ended at 7:38pm)

CHAIRMAN
3 November 2022