Cabinet

Minutes of the meeting held on Thursday 9 December 2021 in the Town Hall, Royal Leamington Spa at 6.00 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), Milton (Chair of Overview & Scrutiny Committee) and Nicholls (Chair of Finance & Audit Scrutiny Committee and Labour Group Observer)

A vote of thanks was recorded for the Deputy Chief Executive (AJ), for his 20 years' service to the Council.

75. **Apologies for Absence**

No apologies for absence were received.

76. **Declarations of Interest**

Minute Number 83 – Rural / Urban Capital Improvement Scheme (RUCIS) Application

Councillor Falp declared an interest because Whitnash Town Council had involvement in a grant in this scheme. She left the Chamber when this item was discussed.

Minute Number 79 – Urgent Item – Warwick City Status Application

Councillor Grainger declared an interest because she received allowances in her position on Warwick Town Council. She left the Chamber when this item was discussed.

77. **Minutes**

The minutes of the meeting held on 4 November 2021 were taken as read and signed by the Chairman as a correct record.

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

78. **Outdoor Sports Review – Proposed Revised Delivery Models for Council Owned Facilities**

The Cabinet considered a report from Cultural Services which sought approval of revised management arrangements and delivery models for the Council owned tennis, athletics, and football facilities.

Following the completion of an Outdoor Sports Options Appraisal undertaken by Strategic Leisure Limited (SLL), officers considered the options and developed proposals to reduce the management costs to the Council and to support and increase use of the facilities.

The recommendations would enable the Council to deliver savings against the current costs incurred in running the tennis and athletics facilities and in the case of tennis generate an increased income to be used for future maintenance and enhancement of the courts. The recommendations would also see the delivery of community tennis programmes from all the District four venues and at the track, users would benefit from service improvements (e.g., booking systems and enhanced community programme of activities.)

In relation to football, the further work would allow the Council to identify considered proposals with the aim of delivering savings needed to maintain provision of community football facilities.

The Council commissioned an Outdoor Sports Options Appraisal from SLL to look at the preferred delivery models for the Council owned sporting facilities of tennis, athletics, and football, with the aim of reducing the costs to the Council in running the facilities, providing an optimum financial return and also increasing resident participation. This was attached as confidential Appendix 1 to the report.

The report from SLL identified recommendations for each sport. The Cabinet report focused on the development of tennis and athletics proposals, informed by the SLL recommendations.
With regard to the recommendations for tennis, the Council was working closely with the LTA to develop and implement proposals.

The current costs to the Council to run its four tennis venues (21 courts) far outweighed the income generated. In 2019/20 (last pre-pandemic year of operation) £2,922 of income was received, whilst the expenditure totalled £57,871, resulting in a deficit of £54,949.

At present court charges were only applied at Victoria Park and at St Nicholas Park.

Both the SLL options appraisal and the LTA recommended the introduction of charging for court usage at Christchurch Gardens and Abbey Fields to ensure the long-term sustainability of the tennis facilities.

The LTA produced a feasibility tool to support Local Authorities in developing sustainable business models for managing tennis venues. The feasibility tool suggested that charging from Christchurch Gardens and Abbey Fields could generate an additional annual income of £26,566 from court hire and annual passes. If the same charging model was applied to all four sites this could generate an annual income of £60,010. These figures excluded income from coaching or other tennis activities (e.g. holiday clubs).

Subject to approval of recommendation 1, further work would be undertaken with the support of the LTA to work up a pricing policy to ensure that the pricing would be sufficient to generate an appropriate sinking fund to finance future maintenance of the courts and to ensure that court hire was also affordable to local residents to encourage increased participation.

The charging scheme would include:

- a percentage of bookings to be retained for free access;
- concessionary rates; and
- setting of affordable pricing to include annual family passes and hourly charges

These measures were important and would reduce the risk of the charges being unaffordable for residents.

Whilst officers were yet to work through the detail of the charges, it was anticipated that charges would also need to be agreed in consultation with any future operators with the emphasis on affordability. The Council might wish to set a small number of key charges for certain target groups as it did in the main leisure contract.

It was proposed that charging at Abbey Fields would not be introduced until after the planned improvements to the courts in 2023 were completed.

At this time, there was no facility for residents to book courts at Christchurch Gardens or Abbey Fields. This meant that residents did not know if courts would be available on arrival at the venue.

It was proposed that the LTA's booking and gate access system should be installed at each of the Council's four tennis venues. The booking system (ClubSpark) would allow customers to pre-book courts, and enable the operator to control the programming of the courts for different tennis activities, e.g., coaching, court hire, school camps etc.

The ClubSpark system would also provide a tool for customers to make payments for court hire, where hire charges were applied.

The gate access system was linked to ClubSpark and allowed access to the courts to booked customers. On booking a court, customers received a four-digit code which was keyed into a courtside keypad, which released the gate lock and allowed access to the court.

The booking and gate access installation would allow for a uniform approach to tennis across the District and improve how people could find, book and pay for Council courts. LTA data showed that 87% of players, where booking and gate access systems were installed, were satisfied with the online booking system. The booking system would also provide customer data about court usage which would be valuable for service planning.

It should have been noted that the basketball court within Christchurch Gardens would be retained for basketball and bookable using the ClubSpark system. A nominal charge would be applied, in recognition that the court was used primarily by young people.

The installation of these systems was dependent on a funding application to the LTA. An application for £25,670 for the booking and gate access system was submitted to the LTA and the outcome of the bid was

expected early next year. If the application was unsuccessful, funding would be considered as part of the Council's budget process.
Residents who did not have a mobile phone or who preferred not to book online, would be able to book a court by telephoning a member of the Council's leisure team/or venue operator. This would reduce the risk of residents being unable to access courts as a result of the introduction of the online booking system.

In relation to recommendation 4 - Procurement of operators to run tennis programmes - at present there were no organised, community tennis activities or coaching programmes on offer at three out of the four sites (e.g., Christchurch Gardens, Abbey Fields, or St Nicholas Park).

Both LTA and Sport England data indicated that there was strong latent demand in the District for more tennis activities. (Sport England data identified demand from 2,873 people.) Local club venues were close to capacity and therefore the LTA also suggested that there were considerable opportunities to engage local schools and young people with tennis programmes on Council courts.

The Council was therefore proposing to procure one or more tennis operators to run affordable and inclusive tennis programmes across the four sites. In addition to increasing the offer of tennis activities, it also importantly enabled the Council to adopt a more commercial approach and allowed an income to be generated from operators. The income would be used to create a sinking fund to cover the future maintenance costs of the facilities.

The Council would work with the LTA in drawing up the specified services required from the tennis operators. The list below described the type of activities which could be anticipated:

- Tennis For Free – LTA supported free weekly sessions open to all.
- LTA "Serve" – aimed at disadvantaged communities - taking tennis to community venues and provision of free equipment.
- Walking and disability tennis.
- Adult and junior coaching.
- Children's activities and holiday camps.
- Introductory taster sessions.
- Local tennis leagues.

In addition, the tennis programme would be designed to ensure that people wishing to book a court outside of programmed activities have protected access to courts. Racquets and balls would also be available for hire at certain times, so that people without equipment could play.

The procurement exercise would be structured in "lots", meaning that a bidder could bid for one venue, more than one, or all of the venues. The aim of the tender would be to find the right operator to provide the best community programme for each individual venue. A single lot approach would not allow for this distinction (e.g. the potential to appoint the best fit operator for each of the four venues) and would result in one sole operator for all the Council's sites. The "lots" approach was advised by the LTA as the optimum approach given the nature of the Council venues.

Subject to approval of recommendation 3, work would start on the preparation of tender material early 2022 with the aim of starting new contracts later that year. The stakeholder engagement undertaken by SLL indicated good levels of interest from operators and coaches in delivering programmes from Council venues.

Advice was sought from Warwickshire Legal Services on the client/supplier model. It was proposed that WDC offered a service contract and lease for each venue, in return for the operator paying WDC an annual concession fee. The fee would be set at a level to cover the required sinking fund contribution as indicated in the LTA's feasibility modelling for the WDC venues. A service contract would enable a more robust contractual relationship between the Council and operator. The current arrangement at Victoria Park was based on a licence to occupy. The licence did not provide the most suitable tool to manage the current arrangement. It did not give security to the licensee and it did not provide a mechanism for the Council to manage or control services.

The Council was proposing to use a concession contract to manage the new arrangements. Concession contracts fell under the Council's standing orders (WDC Code of Procurement Practice) and as such had to abide by the same rules as those for procuring contracts for goods, works and services. Under the Council's standing orders, where the value (total value of the provision of the contract for the contract length) of the contract was £25k and above, a competitive procurement process was required. This was to ensure that the Council met its obligations to be fair and transparent and to ensure best value for its residents. Compared to a licence arrangement, the concession contract provided benefits to both the contracted operator and to the Council. It allowed the Council to manage the contracted services more proactively, as well as realise additional financial benefits from the commercial potential of the services. It also provided greater security of tenure (via a lease) for the tenant and greater clarity for both sides on the specified service and performance measures.

Recommendation 4 would therefore require that the Victoria Park venue was included in the tender exercise. As the largest tennis venue, this site presented the best opportunity to generate an increased financial return. It was proposed that the Council terminated the licence held by VP Tennis at an appropriate time by giving VP Tennis six months notice. VP Tennis Club were informed by officers about the proposals, the rationale and process for taking the proposals forward. The proposed tender exercise would be open to VP Tennis Club to bid to run the community tennis programme at Victoria Park, and also at the other venues.
It should have been noted that the St Nicholas Park venue was currently managed by Everyone Active as part of the wider leisure contract. Following dialogue with Everyone Active, there was agreement to include this site within the proposed tender exercise for tennis operators.
In addition to increasing income, these proposals were also designed to deliver other benefits, such as increasing physical activity and improving health and well-being.

Appendix two to the report provided a background note on the current management model for the tennis facilities and a summary of the current issues.

Recommendation 5 was the proposal to explore option for Everyone Active to take on temporary management of Edmondscote athletics track.

The current costs to the Council to manage the Edmondscote athletics track considerably outweighed the income received from facility bookings. In 2019/20, income was £20,404 and the expenditure was £183,337, representing a deficit of £162,933.

Given the current costs to Council and the issues as highlighted in the SLL report (Appendix one to the report), the proposal was to transfer the management of the athletics track to Everyone Active on a temporary basis until the future of the track was confirmed. The purpose of a variation to the leisure services contract would be to reduce the revenue costs to the Council to ensure a more cost-effective provision for the interim period. A transfer could be achieved by varying the existing leisure contract to add the management of the track in addition to the current services. Previous work identified the potential to reduce the running cost to the Council via this approach. Everyone Active, as an established national leisure operator, could utilise their existing management contracts, benefitting from economies of scale, to provide improved value for money.

In addition, WDC would require that EA implement specified improvements for the benefit of residents using the facility. The targeted improvements included:

- introduction of online booking and payment system;
- limited on-site refreshments (vending machines);
- increased information and marketing of the facility;
- Wi-Fi and telephone connection; and
- Enhanced facility programme of community use.

It was anticipated that these improvements would increase use of the track by individuals, sporting clubs and other community groups and assist in improving residents' health and wellbeing.

Initial dialogue was initiated with Everyone Active who were interested to explore this proposal further. EA were invited to provide a financial proposal to manage the facility for up to three years.

Subject to approval of recommendation 5, officers would progress the detail of the negotiation, including matters such as maintenance responsibilities, insurance, upkeep of equipment and staffing to agree an arrangement to deliver savings to the Council. It was proposed that the current arrangements for grounds maintenance through the idverde contract would remain in place as this was considered the most practical solution.

Appendix three to the report provided a background note on the current management model for the athletics facilities and a summary of the current issues.

Recommendation 6 was that further work on options for service delivery for football pitches would be undertaken at a later stage.

The Council owned and managed 38 grass football pitches across six sites. As with the tennis and athletics facilities, the costs for the Council to run these facilities outweighed the income received.

In 2019/20, £13,457 was received and the costs to maintain the facilities (including the x2 football pavilions) was £208,132, resulting in a deficit of £194,675. The administration to manage the booking of pitches was reliant on time consuming manual systems and added further cost to the process.

A number of options were identified within the SLL report to reduce the cost to the Council in running the facilities, whilst continuing to enable community access to these well used pitches. These options included transfer of assets to other operators and community asset transfer to local clubs.

The work to develop these options was complex given the potential changes involved and number of pitches, sites and stakeholder groups. Due to the limited officer capacity to progress the outdoor sports review, it was therefore proposed officers review the football proposals next year. This would enable officers to focus on delivery of tennis and athletics recommendations.

In terms of alternative options, the Cabinet could decide not to agree recommendation one (principle of charging). This would reduce the income to the Council for the future maintenance of the courts and impair the ability of the Council to reduce the current deficit.

The Cabinet could decide not to agree recommendation four (procure tennis operators). In addition to reducing the income to the Council, it would also limit the opportunities to use the venues to host community tennis programmes, as the Council did not have capacity to run the programmes itself. In addition, the Cabinet could decide not to include all the sites in the procurement exercise (for example Victoria Park). This would hinder the Council from fully exploring the market at tender and would likely result in a less financially beneficial outcome to the Council.

The Cabinet could decide not to agree recommendation 5 (vary the leisure contract with Everyone Active to include track). This would hamper the Council's effort to reduce the annual revenue deficit currently incurred in running this facility.

An addendum circulated prior to the meeting advised of a new recommendation seven to read as follows:

7) *That up to £20,000 is made available from relevant s106 funds that have been received by the Council in order to begin the preparation of a grant application to the Football Foundation for a new full-size artificial turf football pitch and new changing rooms at Newbold Comyn, on the understanding that a full report will be submitted to the February meeting of this Committee that explains the strategic need for this facility, that seeks additional funding to complete the application process and to provide match funding for the application*

itself and that seeks permission to apply for Planning Permission for this facility.

A further addendum circulated prior to the meeting advised of updates to figures following the publication of the original report. The figures were significantly different from those in the report, but officers were trying to get clarification from the finance system for some time with the complications of the change over from Total to Ci Anywhere.

Regarding the tennis courts, the second addendum stated that the Council was aware that VP Tennis challenged the costs associated with the tennis Pavilion. The report stated that the costs were £33k (2019/20). Interrogation of Total showed that these figures apply to both the tennis pavilion and the bowls pavilion. Splitting the costs out was difficult as many of the costs relate to corporate contracts and just appear on Total as monthly invoices from contractors. However, a more accurate picture was that the estimated costs associated with the tennis pavilion were £10k pa for 2019/20. The expenditure for the tennis pavilion could vary year on year depending on responsive repairs and planned maintenance. Officers felt that this amended figure did not fundamentally change the recommendations in the report i.e. that expenditure remains significantly more than income across the tennis facilities in the District. Even if we ignored the pavilion costs entirely, then the GM costs alone were £24k compared to income of £2000 - £3000 pa.

In respect of the athletics track, the report stated the following:

- Expenditure: £183k
- Income: £20k
- Cost to WDC £163k

On further investigation, the total costs of £183k included Notional Interest and Depreciation costs so if these were removed – the operational costs were as follows: Expenditure £69k Income £20k Cost to WDC £49k Again, whilst there was a significant reduction in the attributable costs, the rational remained that the facility was being subsidised by a significant sum. The ongoing negotiations with EA were looking to reduce this cost to the Council.

The Overview and Scrutiny Committee was keen for basketball facilities to be provided across the District. It recommended to Cabinet that as part of the contract, free time provision should be made available at a variety of times during the week and that the provider encourages a wider demographic of people to use the facilities. The Cabinet were required to vote on this because it formed a recommendation to them.

The Finance & Audit Committee recommended to Cabinet that recommendation 4 should be amended to specifically include reference to basketball facilities, to read:

"4) That a procurement exercise is undertaken to appoint one or more tennis operators to run community-based tennis programmes at the Council's four tennis venues. The procurement will make explicit that the tennis programmes are to take account of the basketball facilities at Christchurch Gardens and Abbey Fields and will permit basketball to continue at these venues.)”

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

The Finance and Audit Scrutiny Committee raised a question whether using a different model for tendering could be looked at and discussed with the Portfolio Holder for Culture, Tourism & Leisure and Chair of Finance & Audit Scrutiny Committee.

The Committee also recognised that the Council was bound by its standing orders in how it conducted procurement exercises. Nonetheless, the Committee wished to encourage an approach to the proposed tender that required evidence of excellence and the achievements of the outcomes that the Council wished to see from the new strategy as well as commercial innovation in providing the wider access and participation it sought.

Public speaker, Claire Pomfret, addressed the meeting. In response to this and comments from Members, the Portfolio Holder acknowledged that while Ms Pomfret provided a great service, a “proper and fit for purpose” tender process was needed.

Councillor Bartlett proposed the report as laid out, along with the recommendations from the Overview and Scrutiny Committee & the Finance and Audit Scrutiny Committee.

Resolved that

(1) the principle of charging for tennis courts in Christchurch Gardens and Abbey Fields, be agreed;

(2) authority be delegated to Head of Leisure, Tourism and Culture in consultation with Portfolio Holder for Leisure, Tourism and Culture to work up and recommend the pricing framework for Christchurch Gardens and Abbey Fields for 2022 to Council at the appropriate time;

(3) the installation of a booking and gate access system for all Council owned tennis courts be agreed, subject to funding being awarded from the Lawn Tennis Association (LTA);

(4) a procurement exercise be undertaken to appoint one or more tennis operators to run community-based tennis programmes at the Council’s four tennis venues;

(5) subject to negotiation with Everyone Active that results in a cost saving for the Council, responsibility be delegated to the Head of Leisure, Tourism and Culture in consultation

with the Portfolio Holder for Leisure, Tourism and Culture to agree a variation to the 2017 Everyone Active leisure services contract to enable Everyone Active to manage the Edmondscote athletics facility on a temporary basis, until a permanent solution is identified for the provision of an athletics facility;

(6) further work be undertaken by officers to identify the optimum model for service delivery of the grass and synthetic football pitches on a site-by-site basis. Officers will bring a further Cabinet report for consideration when proposals are defined;

(7) up to £20,000 is made available from relevant s106 funds that have been received by the Council, be agreed, in order to begin the preparation of a grant application to the Football Foundation for a new full-size artificial turf football pitch and new changing rooms at Newbold Comyn, on the understanding that a full report will be submitted to the February meeting of this Committee that explains the strategic need for this facility, that seeks additional funding to complete the application process and to provide match funding for the application itself and that seeks permission to apply for Planning Permission for this facility;

(8) as part of the contract, free time provision should be made available at a variety of times during the week and that the provider encourages a wider demographic of people to use the facilities; and

(9) a procurement exercise is undertaken to appoint one or more tennis operators to run community-based tennis programmes at the Council's four tennis venues. The procurement will make explicit that the tennis programmes are to take account of the basketball facilities at Christchurch Gardens and Abbey Fields and will permit basketball to continue at these venues.

(The Portfolio Holder for this item was Councillor Bartlett)
Forward Plan Reference 1,256

Part 1

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

79. **Urgent Item – Warwick City Status Application**

The Cabinet considered an urgent item from the Leader of Warwick Town Council which set out a bid for Warwick to gain City status under the Queen's Platinum Jubilee celebrations.

The bid was time sensitive and therefore could not wait until the next Cabinet meeting in 2022.

Councillor Bartlett proposed the report as laid out.

Resolved that the report be approved.

80. **Proposal to create a South Warwickshire District Council**

The Cabinet considered a report from the Chief Executive which provided evidence to elected Members at Stratford-on-Avon District Council and Warwick District Council in relation to the proposal to create a South Warwickshire District Council. The main purpose of the report was to determine whether both Councils agreed to formally request that the Secretary of State at the Department of Levelling Up, Housing and Communities to create a South Warwickshire District Council.

At the respective Council meetings held in February 2021, both Stratford-on-Avon District Council and Warwick District Council approved the vision to create a South Warwickshire District Council by April 2024.

Implementing this vision required both Councils to formally agree to write to the Secretary of State (SoS) for the Department for Levelling Up, Housing and Communities requesting a merger. This had previously been the process in East Suffolk, West Suffolk and Somerset in the recent past.

If South Warwickshire District Council was formed, this would mean the formal abolition of both Stratford-on-Avon District Council and Warwick District Council, with the formation of a new authority.

In order for the Council to make a submission to the SoS the submission needed to be evaluated against three criteria, in that the proposed merger:

- improve the area's local government;
- command local support, in particular that the merger is proposed by all councils which are to be merged and there is evidence of a good deal of local support; and
- the area is a credible geography, consisting of two or more existing local government areas that are adjacent, and which, if established, would not pose an obstacle to locally-led proposals for authorities to combine to serve their communities better and would facilitate joint working between local authorities.

Since the meetings in February 2021, additional research and evidence was collected to enable both Councils to now consider whether they wished to make a formal submission. The report summarised this additional evidence and demonstrated that the three criteria could be satisfied by such a merger proposition.

Whilst such a merger would significantly assist with meeting the financial challenges facing both authorities, it was not without risk. The report identified a number of areas which would need to be addressed. In some areas, full costings were not possible at this stage. There was also the risk that during the process of service integration there could be an impact on service delivery.

The merger process would provide an opportunity for the new authority to re-evaluate how it provided services and would allow best practice from both authorities to be implemented. It would also provide an opportunity for a conversation with colleagues at Parish and Town Council level to further enhance co-operation and joint working through a community governance and function review.

This was probably the most significant decision that either Council had had to consider since they were established in 1974.

If Councillors determined that it would be in the interest of those served by the respective Councils to merge, a submission document was prepared and was attached as Appendix 10 to the report. In the event of a positive decision to merge, this would be submitted to the SoS before the Christmas break.

In terms of alternative options, ten specific options were considered. It was clear from the analysis of the options that merely sharing some services would not make sufficient financial savings and still leaves considerable duplication.
It was for these reasons that SDC and WDC, therefore, adopted the vision to merge fully.

Ten options were reviewed as potential ways forward for each Council, these were:

- *Option 1 - Do nothing – make no changes to existing Council positions* - under this option the Councils would continue to share a Senior Management Team. This was implemented in August this year, but no further changes would be made. Under this option the Councils would need to hope that the Government would not further reduce funding and hope that costs would not increase. This approach would be extremely risky and highly unlikely. The Government was expected to make significant reductions in funding in coming years, following the impact of the COVID pandemic;

- *Option 2 - Revert to working as two separate Councils* - this option is similar to Option 1 but would actually involve undoing the arrangements that had already been put in place. These arrangements were expected to save over £200,000 in the current year and would increase to over £400,000 per year by 2023/24. Therefore, on top of all of the challenges described in Option 1, further savings of £400,000 per year would need to be identified to support both Council's budgets. If both Councils were required to reduce costs in isolation, the scale of the reductions would be significant. Discretionary services which our public enjoyed such as leisure centres, CCTV, toilets, parks, and open spaces would be most affected. We were not allowed to cease statutory services such as planning, environmental health, and licensing though even they could be affected;

- *Option 3 - Expand partnership working to work with other partner Councils* - there were tangible links which already existed between the communities of Stratford-on-Avon and Warwick. If at this stage other partners were approached, such strong links would not exist. It was already challenging in operating across two local authority areas. Whilst there might be more opportunities to deliver savings, the proposal would become more complex and would involve greater risk of failure. It also required willing partners and they were not obvious;

- *Option 4 - Continue to expand sharing services between Stratford-on-Avon and Warwick District Council, but do not merge politically* - as explained under Option 1, this approach already started and there was already a joint Senior Management Team. Under this option though, all services and teams from across the two Councils would come together. It was anticipated that over the next three years there would be a need to save significant costs and the approach would also increase resilience. This option fell short, however, of creating a merged authority. It would result in both Councils remaining with two sets of accounts, two auditors and two sets of Councillors that would both have all of their own committee meetings to service. Whilst this approach would make significant financial savings, it would still leave considerable duplication of functions across the two Councils;

- *Option 5 - Create a new single District Council for South Warwickshire*, under this option both Councils would be abolished and a new District Council covering the whole of South Warwickshire established covering the area. There would be one set of Councillors who would set the vision and direction for the newly formed Council. This was an option that required the Council's to directly ask the Government to consider at this stage, as it only related to both Stratford-on-Avon and Warwick District Councils. It was not considered as full "Local Government Reorganisation" which would require an invitation from Central Government;

- *Option 6 - Create a Unitary Council for South Warwickshire and join the WMCA* - this option would involve abolishing Stratford-on-Avon and Warwick District Councils and transferring existing County Council responsibilities to a new unitary council which would be responsible for the delivery all services. This approach would be considered as formal "Local Government Reorganisation". In addition, if formed it would seek full membership of the West Midlands Combined Authority (WMCA). The WMCA was formed in 2016 and included the whole of Warwickshire. Neither the Districts nor County Council were full members. The WMCA had key roles in relation to transport projects, building new homes, the economy and further education. This approach might be desirable in the longer term, but again would not be deliverable without wider "Local Government Reorganisation";

- *Option 7 - Create a Unitary Council for South Warwickshire* - this option was fundamentally the same as option 6. This approach was not being considered at this stage as Central Government was responsible for launching this type of review. It would also not be possible to consider this approach for South Warwickshire in isolation, as it would have significant implications for the rest of the County area of Warwickshire. Earlier reports identified that this option might provide greater savings and it was possible that this approach might be considered in the future.

- *Option 8 - Create a Unitary Council for the whole of Warwickshire* - in essence this option was the same as option 6 although instead of creating a unitary authority for South Warwickshire, however, one would be formed for the whole of the County Council area of around 600,000 residents. There would be issues involving significantly differing levels of Council Tax (circa £100 and £75 difference between SDC and WDC and the northern Boroughs and Districts) across the County that would need to be resolved under this option and there was a risk that the organisation would feel too remote from residents. As with Option 6 and Option 7, this approach would require "Local Government Reorganisation" and, therefore, it would be necessary to wait for an invitation from Government in order to progress this option;

- *Option 9 - Create a Unitary Council for the whole of Warwickshire and join the WMCA,* this approach was the same as option 8. When formed, full membership of the West Midlands Combined Authority would be sought, the merits of which were discussed in Option 6. This approach was discounted at this stage, however, as it would also require wider "Local Government Review"; and

- *Option 10 - Set up Private Sector Company to deliver all local services on behalf of Stratford-on Avon and Warwick District Councils,* this option would involve the coming together of teams across the two District authorities which would then lead to the establishment of a private sector company into which staff would be transferred. This approach was used across the country when looking at specific service areas such as housing companies and has also been used in waste partnerships. It had not been used for all Council services. There were concerns that such an approach had not been tested to the full and also could commercialise the approach to residents and businesses creating a gap in local democracy. This approach had also, therefore, been discounted at this stage.

Each of these options were evaluated against the following set of criteria:

- Impact on local public services.
- Cost Savings.
- Value for Money.
- Stronger and more accountable local leadership.
- Medium/long term sustainability of services.

Attached at Appendix 11 to the report was the detailed evaluation of these options against these criteria, the result of which supported the option to seek a full merger. It was on this basis that the Councils undertook the consultation exercise on the preferred option to fully merge the two organisations.

The option available for Members in relation to the highest ranked option to create a South Warwickshire District Council were now as follows:

- To support the proposition for the creation of a South Warwickshire District Council and make a formal submission to the Secretary of State for the Department of Levelling Up, Housing and Communities.
- To reject the proposition for the creation of a South Warwickshire District Council and not to make a formal submission to the Secretary of State for the Department of Levelling Up, Housing and Communities.

If, however, Members were minded to adopt the latter course of action and vote accordingly, they would also need to immediately consider what other options the Councils should pursue to address their financial challenges bearing in mind that both Councils would need to decide their respective budgets in the February/March 2022 and both existing MTFS were based on savings from the merger contributing toward the projected deficits.

In terms of the availability of other options, of the ten, then the four unitary options were not within either Councils' gift to implement. In any case, even on the assumption that the required invitation for Local Government Reorganisation proposals was issued by the Government, on the recent experience of Cumbria, North Yorkshire and Somerset, it would take a year for the decision-making process to be completed and another year and a half to create the new Councils. In the meantime, no saving of the transformational nature would be capable of being implemented. It would be too late for both SDC and WDC to take action other than to use, and potentially exhaust its reserves given the time profile of the need to make savings.

Option 10 was highly risky. Given the procurement processes involved it was not a quick route. This militated against its deployment given the timescales to address the financial challenges. Option 1 was essentially a do-nothing option at a time when a do something option was needed. Option 3 created the challenge of finding other worthwhile partners with whom to work. This would take time to put into place, if possible. Time was against the Councils, irrespective of the reputational impact on partnership working of either or both Councils deciding against a merger.

Should Option 5 also be decided against, Option 4 was left as a strategic approach – i.e. service integration only and Option 2 – i.e. undoing the current joint work and dealing with the forecast deficit alone.

Option 4 left an inherent risk of always being prey to the "slings and arrows of outrageous fortune" also known as politics, which could cause conflict, build in duplication and inefficiencies. Members would also needed to consider the risk that if one Council voted to merge and the other not, whether the appetite for joint work in any shape or form be the same. The experience of South Hampshire and West Devon where this situation arose in 2018 was that it took time for the wounds to heal and for joint working to pick up again. In fairness, it was subsequently aided by new political leadership in charge at both Councils. This suggested the need for more time to recover and so played against both Councils' needs. Councillors would also need to consider the impact on staff of an approach which in essence exposed staff to change but which left Councillors exempt.

In Option 2 each Council goes its own way, undoing the current level of joint work where possible, though this raised issues about contractual commitments such as the joint refuse collection and recycling service. As an approach, its focus was upon replacing the savings envisaged by the merger from other approaches. Given that both Councils needed to have other proposals to address the forecast deficit in any case, this approach would place more pressure on service reductions as the answer to the financial challenges.

The Overview & Scrutiny Committee meeting discussed the report using the themes that the Scrutiny Chairs had established at the outset of the process. Five main themes were identified:

1. Consultation.
2. Services.
3. Climate Emergency.
4. Democratic Representation.
5. Finance & Risk.

Overview & Scrutiny would focus on themes (1) to (4). At the meeting each theme was discussed in turn and any comments and recommendations made at the end of discussion of each theme.

On Consultation, the Committee asked that where issues had been raised by residents, there should be a summary of the issues raised and drilled down to provide the split between Councils. It also requested that the way that information was given to residents, should both Councils agree to merge on 13 December, be strengthened so that residents are clear about the aims and objectives of the new Council. There should be an ongoing communications plan. It requested that stakeholder submissions should be circulated to all Councillors ahead of 13 December.

It recommended to Cabinet that a clearer statistical summary of the evidence base should be published providing clarity upfront on the differences between results in respect of the Residents' Telephone Survey and the Open Consultation Questionnaire and how these evidence bases would be used to shape the future strategy.

On Services, the Committee noted the importance of communication with residents and how the council engages with them as Services develop. The Committee made two recommendations to Cabinet:

1. There should be Councillor engagement when developing the Service Area Plans, this should include involvement in metrics and how

measures would be set. (Councillors would not be involved in deciding the mechanism for providing this.)

2. More information should be provided on how to treat the risk logs (the Deloitte Risk Register and the Programme Risk Register devised by officers) and the relationship between the two, after it had been explained that the differences were a result of the timings when the Risk Registers had been prepared, with Deloitte's being at the very start of the process.

On the Climate Emergency, the Overview and Scrutiny Committee did not make any comments or recommendations in respect of Climate Emergency.

Regarding Democratic Representation, the Committee recommended to Cabinet that:

1. It should be made clear that the Council would work with all parish and town councils in the district, not just those which were members of the Warwickshire Association of Local Councils (WALC).

2. The implications of reference to the "Quality Parish" mark (Item 4/Appendix 10/Page 4 in the agenda papers or page 6 in the actual document) should be reviewed because it was too restrictive. Councillors expressed their scepticism about the advantages being a "Quality Parish" Council might bring.

3. The Shadow Council, should, as one of the first things it focusses on, create a framework for how parish and town councils will be supported and how this Council would engage with them with a view to looking at how powers might be devolved to them in the future where there was interest in so doing.

The Finance and Audit Scrutiny Committee requested that Councillors should be provided before the Council meeting on 13 December with a new financial table that consolidates the most recent estimates of the financial case based on the savings to be achieved over the period to 25/26. The table should include the investments to secure those savings (the three tranches of £1.5m) and should distinguish the savings that would be achieved through service integration and those that could only be achieved from political merger.

The Committee believed that this information would supplement and provide a single point of reference for the financial case for merger from the original information in the Deloitte Report from January 2021 (Appendix 1 to the report), the more recent analyses from the LGA (Appendices 4 and 5 to the report) and the financial information provided by the Head of Finance (Appendix 12 to the report).

The Committee noted the importance, should a political merger be approved, of harmonising Council Tax between the two current Districts, noting that differences in Parish and Town precepts added a further complicating factor in how this would be achieved and over what period. In the opinion of the Committee, the plan for harmonisation would be closely linked to the proposed discussions with WALC and representatives of parishes and towns about the devolution of powers, responsibilities, and assets.

The Committee considered the Programme Risk Register (Appendix 6 to the report). It noted that this superseded the risk assessment made by Deloitte in its Report. The Committee expressed a view that the risk ratings for PR004 and PR007 ("democratic deficit" and "integration of culture") were underscored but accepted that the Register was dynamic, and the Committee would have the opportunity to consider future iterations of it should the programme go ahead.

The Committee also thanked officers and Members for the significant work that had gone into the report and the appendices, and for the balanced way in which they were written.

In response to comments from Scrutiny Chairs, the Leader clarified these in consultation with the Chairs of the Scrutiny Committees during the meeting. As a result, responses were proposed by the Leader for the Cabinet to consider. These were agreed as set out at resolutions four and five below.

The Leader provided opportunity to the Group Observers to provide their view on the report. Councillors Boad, Davison, Mangat all summarised their group discussions and took the chance to thank officers for the "exemplary" report.

Councillor Day then proposed the report as laid out.

Resolved that

(1) the additional evidence collected since February 2021 to aid the Members' decision-making process on this matter, be noted

(2) the Programme Risk Register attached at Appendix 6 to the report and the Programme of Implementation as updated attached at Appendix 3 to the report, be noted and endorsed;

(3) in respect of the recommendations from the Overview and Scrutiny Committee, the Cabinet decided as follows:

a) In respect of the surveys, it was agreed that "*the residents survey has been designed to give a representative sample that reflects the makeup of people across the two district populations. Achieving a sample size of more than 600 means that statistically speaking we can be 95% confident that it reflects the views of residents as a whole. We have used this to gauge the level of support for the merger. The open consultation was not weighted in* *the same way meaning that many groups have been under represented and some over represented. Whilst it doesn't provide a statistically sound base it is nevertheless an important source that will help us identify the key concerns that need to be addressed across the programme implementation.";*

b) in respect of service risks, both SDC and WDC Councillors will be involved in this work, and the template for the service area plans should be considered by the Transformation PAB with each draft Service Area Plan being considered by its respective PAB; and

c) in respect of Democratic Representation; the Cabinet were satisfied that the report is clear enough, that all Parish and Town councils will be worked with, not just those who are members of WALC; officers were asked to fully investigate and confirm the merits of being a quality Parish/Town Council and the details of this be circulated ahead of Council on Monday; and in respect of the framework for working with Parish and Town Councils, the Cabinet expected this work to start in the New Year if the Council was minded to merge with SDC.

(4) in response to the comments from the Finance and Audit Scrutiny Committee, the Cabinet asked the Chief Executive to circulate to all Councillors confirmation of the savings that other District Councils have achieved through political merger; and

(5) all the officers involved for this exemplary report and all Members for their cross-party work on this be thanked.

Recommended to Council that

(1) a formal submission should be made to the Department for Levelling Up, Housing and Communities to create a South Warwickshire District Council;

(2) the formal submission document to create a South Warwickshire District Council attached at Appendix 5 to the report, be approved and authority be delegated to the Chief Executives in consultation with the respective Leaders of both Councils to make any minor and

typographical changes identified and to agree the covering letter;

(3) a joint member working group be established to review the issues raised in Section 4 and in addition to agree that the working group works with WALC and other key parish and town councils to undertake a community governance and function review for South Warwickshire;

(4) a consultation with staff and Trades Unions on options for addressing harmonisation of staff terms and conditions including pay, be agreed; and

(5) should recommendation (4) above be not agreed, or that either Council does not agree to make a submission in relation to recommendation (4), an emergency Council meeting be arranged in early January so that a revised strategic approach can be discussed and agreed prior to the setting of the annual budget for 2022/23 and beyond.

(The Portfolio Holder for this item was Councillor Day)
Forward Plan Reference 1,259

81. **Q2 Budget Report**

The Cabinet considered a report from Finance, which provided an update on the current financial position as of 30 September 2021, both for the current year 2021/22 at the end of Quarter 2, 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 all the savings previously agreed as part of the 2021/22 Budget Setting. 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 continued 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.

The current year variations were last formally reported to Members in September as part of the Q1 Budget report. At that stage the profile of the revenue position reported a favourable variation of £69k for Q1, with a favourable forecast full year variation of £440k.

Through regular budget monitoring by the Accountancy Team in conjunction with the relevant budget managers, the latest budget variations were reviewed and where necessary, narrative provided in the below paragraphs. As of 30 September (Q2), the variance was £312k favourable, with an updated forecast favourable variance for 2021/22 of £557km. A summary of this was provided below:

2021-22				
Service (General Fund)	**Variation Description**	**Q1 Variation £'000**	**YTD Variation at Q2 £'000**	**Forecast Full Year Variation £'000**
Employee Costs	Staffing	£223 A	£127 F	£200 F
Assets	Delays to PPM works	£385 F	£500 F	-
	Riverside House L4 closure savings	£48 F	£56 F	£30 F
Cultural Services	Restricted Arts Concession activity (Reported Q1)	£11 A	£62 A	£100 A
	Arts staff Furlough	£18 F	£33 F	£33 F
	Leisure Concession	-	-	£288 F
Development Services	Development Control Income	£33 F	£399 F	£250 F
	Building Control Income (Reported Q1)	£54 F	£48 F	-
Environment & Operations	Bereavement Activity reduced	£50 A	£200 A	£250 A
	Car Park improved collection	-	£175 F	£250 F
	Add' Waste Collection	-	£162 A	£300 A
Finance	FMS (Reported Q1)	£57 A	£57 A	£57 A
Housing Services	B&B Accommodation	£100 A	£244 A	-
Strategic Leadership	COVID-19 Other Costs – Cleaning (Reported Q1)	£28 A	£40 A	£100 A
	COVID-19 SFC Income Compensation Scheme	-	£424 F	£424 F
	Joint Venture Loan Interest	-	£140 F	£964 F
	Enabling Development	-	£40 A	£40 A
	Contingency Budget	-	£23 A	£23 A
	Budget Savings proposals	-	£512 A	£512 A
	Budget Savings in-year underspend	-	£250 A	£500 A
TOTAL		**£69 F**	**£312 F**	**£557 F**

Implementation of savings reviews was ongoing across services, following the update to delivery forecasts discussed in the Quarter 1.

Continuing with the Salary Vacancy Factor process outlined in the Q1 report, the Q2 adjustment reflected the underspends on salaries within cost centres during the periods 1-5 (April -August).

As part of the Vacancy Factor process for Q1, £145,100 (GF) and £74,400 (HRA) was appropriated from staffing budgets for months 1 and 2.

For Q2, the following amounts were appropriated to the vacancy factor budgets:

Portfolio	Vacancy Factor Budget 21/22	Budget Released Q2	Total budget Released P1 - 5
Assets	-£48,600	£0	£1,700
Community Protection	-£55,200	£22,000	£26,400
Cultural Services	-£56,600	£32,700	£65,500
Development Services	-£109,300	£30,600	£56,000
Economy & Place		£6,500	£38,100
Environment & Operations	-£58,800	£34,000	£56,100
Finance	-£39,800	£21,100	£21,600
Housing Services - General Fund	-£38,200	£14,800	£14,800
ICT	-£42,900	£4,500	£11,000
Law & Governance		£5,200	£8,300
People & Communication	-£36,500	£8,900	£9,900
Revenues & Customer Services	-£66,300	£10,800	£25,000
Strategic Leadership	-£46,400	£3,100	£6,400
Total General Fund	**-£587,400**	**£197,500**	**£340,800**
HRA	-£77,400	£101,600	£149,300
Total	**-£664,800**	**£299,100**	**£490,100**

This enabled a further £198k (GF) and £102k (HRA) to be appropriated from Staffing budgets for months 1-5 as part of the Salary Vacancy Factor process. Overall, 58% of the GF Vacancy Factor was met, with the HRA Vacancy Factor being surpassed.

Once the Vacancy Factor budgets were surpassed (as was the case with the HRA), additional budget that was released would be returned to GF and HRA reserves, available to be used as necessary to meet other emerging challenges and opportunities.

After the Vacancy Factor Adjustment and departmental service reviews were taken into consideration, General Fund salaries were £127k favourable against budget at the end of Q2. However, following the vacancy factor process and discussions with the relevant managers, parts of these budgets might be required to backfill where work was behind due to staffing, establishment, and recruitment issues. These assumptions would continue to be reviewed and challenged as part of the Q3 vacancy factor work and Corporate Management Team would continue to oversee the vacancy management process.

Regarding assets, the delays to the commencement of a number of Planned Preventative Maintenance (PPM) programmed works reported in Q1 continued into Q2, resulting in the variation increasing to £650k. A number of factors were resulting in the delays to these works, with the key one being staffing resources within the Assets Service, driven by high levels of sickness, as well as recruitment challenges. It was expected that the full allocation of budget would be used to meet the repairs necessary in order 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 with the existing 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.

The continued closure of parts of Riverside House, including level 4, resulted in the savings against budget increasing to £56k, including £27k of utility savings. It was expected that these costs would increase as more people return to the offices as part of the hybrid working plan, as well as the increased costs associated with the Winter period.

It should be noted that utility charges were currently within budget heading into the winter, and the Council should not have been impacted by the recent increases in wholesale costs. However, the current rates were only fixed until March 2022. From this date, prices were expected to increase by around 20%, which would be incorporated into the 2022/23 budgets and Medium Term Financial Strategy in due course.

In relation to Cultural Services, the indoor sites, including the Royal Spa Centre, Royal Pump Rooms and Town Hall remained closed until September. The income foregone (£442k) was offset in part by a reduction in expenditure costs (£380k), such as bar supplies and Artist booking fees. Further support was received through Government grants, both those specific to the Arts sector, and through the Sales Fees and Charges Income Compensation Scheme. Heading into the Winter period, the number of events held typically increases, with the largest event each year being the Pantomime, so ticket sales would continue to be monitored over this period as part of the reopening plan. There were also a number of rescheduled events taking place over this period.

The Council continued to support casual staff through the closure, with the decision to furlough them from May 2020. The Council’s final claim for salary costs in respect of 28 casual staff through the Coronavirus Job Retention Scheme, better known as Furlough, was made covering the month of July. The scheme was formally ended as of 30 September 2021. Due to the pandemic, no Everyone Active concession income was allowed within the original Budget for 2021/22, rather than the £1.252m concession agreed within the original contract. Everyone Active submitted a financial projection for 2021/22 which was reported to Cabinet in July 2021. This projection anticipated a deficit for the year of £411k based on the situation at the time and the anticipated profile for recovery from COVID. Everyone Active continued to report their performance monthly to officers, with notable improved performance being reported from June 2021.

In September 2021, Everyone Active reprofiled their performance based on the first 6 months of the year and adjusted the year end position to a projected surplus of £288k. It was noted that this was still a forecast and could change again depending on a number of factors including COVID restrictions over the winter months. It should also be noted that this readjusted figure allows for the closure of Abbey Fields and Castle Farm from January 2022.

Development Control received a large planning fee relating to the proposed Gigafactory in the District, resulting in the significant uplift in income for the period.

A recurrent contingency budget of £750k per annum was established as part of Budget setting in February to mitigate the expected long-term reductions in car park income because of reduced activity, driven by changing shopping, social and work habits. Following a challenging first quarter where a number of restrictions were still in place, car parks across the District then benefitted from increased activity throughout the Summer. This was driven by the return of key outdoor events, including the Leamington Food Festival, which drove footfall. Other car parks, primarily those linked with the parks and recreation sites, also saw higher than forecast activity, likely due to the restrictions around foreign travel that were still largely in place over this period, resulting in more people visiting UK and local attractions.

While the winter periods might present further challenges for this service (outside of Christmas), it was expected that the requirement for this contingency might be reduced going forwards. This would be reflected through releasing £250k on a recurrent basis from this year, with a further recurrent £250k being released from the start of 2022/23.

Bereavement activity started to stabilise following a year of increased activity, with levels of burials and cremations being driven last year by COVID-19 related deaths, giving rise to additional income. As at quarter 2 income was currently £200k adverse against budget. The ongoing demand for the services was reviewed as part of the fees and charges and budget setting processes.

Additional waste collections continued into 2021/22, with increased volumes requiring collection from residential properties due to the continuing prevalence of remote / hybrid working. This was incorporated into the new waste contract commencing in August 2022. In 2020/21, the additional cost of collection totalled £600k.
This was, in part, offset by increased recycling income received during the year, also driven by increased collection rates.

Increased levels of temporary B&B accommodation were used since the start of the pandemic, to a cost of an additional £244k year to date. However, the Council would receive Flexible Homelessness Support Grant to fund this additional expenditure.

A number of other COVID-19 specific costs were incurred during the first half of the year, including the provision of Personal Protective Equipment and cleaning / sanitation. These costs would continue as the Council continues to mitigate the risks, and to support the move to hybrid working from November.

The Government extended its sales, Fees and Charges COVID-19 Income Compensation Scheme last year to continue into Quarter 1 2021/22, based on the same principles:

- The local authority will absorb the first 5% of the loss.
- The Government will fund 75% of the loss thereafter.
- The losses were in respect of sales, fees and charges that were not recoverable (including the concession fee from Everyone Active).
- Rents, commercial income, and interest receipts are excluded.

The Quarter 1 return was submitted on 22nd September, outlining £566k of lost income as a result of COVID-19. It was worth remembering that across this period (April-June) there were still varying levels of restrictions still in place. Following on from the principles as outlined in 1.3.5.1 of the report, this equated to a claim of £424k.

Within the Medium Term Financial Strategy last reported to Cabinet for Q1, estimated income in respect of this scheme was calculated at £600k. Therefore, an adjustment of £176k had to be incorporated into the latest update of the strategy.

The Council's wholly owned Housing Company Milverton Homes Ltd (Company Number 13123477) entered into a Joint Venture (Crewe Lane LLP) with housing developer Vistry Partnerships ltd (Company Number 00800384) to facilitate the construction of 620 dwellings in Kenilworth on 27th August 2021. To finance the JV, the Council issued four loans of varying terms to the value of £50m. A further £10m in loans was committed to be issued in April 2022.

All loan interest and capital repayments would be serviced by and were the liability of the JV with necessary legal and financial securities and charges in place to protect the Council's interests in line with expert legal and financial advice. The loan interest payable to the Council from Crewe Lane LLP was charged at a commercial rate and any surpluses would be retained by the Council to support service operation. This was expected to return £964k in 2021/22. The 248 Affordable and Social Housing Dwellings would be constructed and handed over to the Council's HRA over a phase period ending in approximately 2028. Milverton Homes also committed to purchase 62 further dwellings.

Within the 2021/22 Budget agreed by Council in February there was a Contingency Budget of £200k for any unplanned unavoidable expenditure. To date £223k was committed from this budget. This would be further reviewed as part of the 2022/23 budget setting process.

The progress against the Budget savings proposals is outlined in section 1.3 of the report.

In respect of current year variances - Housing Revenue Account, variations were identified by the Accountancy Team in conjunction with the relevant budget managers, giving a favourable variance of £1.549m as of 30 September, with a forecast favourable variance for 2021/22 of £94k. A summary of this was provided below:

2021/22				
Service	**Variation Description**	**Q2 Variation £'000**	**Forecast Full Year Variation £ '000**	**Rec / Non-rec**
HRA	Staffing (after Vacancy Factor Adjustment)	£51 F	£200 F	Non-rec
	Council Tax vacant properties	£48 A	£90 A	Non-rec
	Housing Repairs	£1,600 F	-	Non-rec
	PV (Solar) Panel income	£38 A	-	Non-rec
	Warwick Response equipment	£16 A	£16 A	Non-rec
TOTAL		**£1,549 F**	**£94 F**	

Staffing resources across the Housing Revenue Account saw similar issues to those impacting the Assets teams. Sickness and recruitment challenges were 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. As reported at Q1, a process was implemented 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. The new FMS went live on 8 November. A further update would be provided for Q3, with any necessary changes made via the budget setting process. It should be noted that major and responsive works were ongoing, with the expectation that the £6.450m would be utilised.

The time with which properties were vacant between tenancies increased since the start of the pandemic. Resourcing issues with ensuring contractor access for repairs and cleaning resulted in delays in being able to get new tenants into these properties. During the period of vacancy, it was the HRA which picks up the cost of the Council tax.
There were delays in receiving Solar panel income from the supplier. This was expected to be resolved during the year.

A one-off purchase of equipment to support the installation of a new Warwick Response system was made in this period. Warwick Response as a service would benefit from increased income and efficiencies going forward as a result of the expansion of the service, having now taken on customers from North Warwickshire as part of an ongoing service agreement.

For Recommendation 2 – Budget Savings Progress, managers provided updates as to expected delivery against the Budget Savings Proposals agreed originally in December 2020, and last reviewed as part of the Q1 report.

The latest updates resulted in a further reduction in expected delivery of savings from Digital Transformation in 2021/22 of £75k to £200k. Kenilworth Leisure Centre borrowing was forecast to be delayed by 6 months to 2024/25, so savings £250k in 2023/24.

Within the savings, a £500k 'in-year underspend' was allowed for. At this point in the year, nothing was 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.
Appendix 1 to the report set out 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 was taken in projecting the likely savings from some initiatives. These savings were reviewed monthly by the Management Team to seek to ensure that the savings initiatives were duly progressed.
For Recommendation 3 – the Medium Term Financial Strategy (MTFS) was last formally reported to members in September as part of Q1 Budget report. At that stage the profile of revenue savings to be found was as follows:

	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Deficit-Savings Req(+)/Surplus(-) future years	-163	448	938	715	515	241
Change on previous year	0	448	490	-223	-200	-274

As well as the in-year changes detailed in section 1.1 of the report, there were a number of key changes to the MTFS for future years, as outlined below:

Fees and Charges were reviewed across all Service Areas, with the detail being presented to this Cabinet in its own report (Fees and Charges 2022/23 – Ref 1194), which was considered in the November Cabinet meeting.

The proposed fees and charges present an overall forecast increase in income of £828k. As amounts totalling £399k were already factored into the MTFS (inflation and service initiative programme), the remaining balance of £429k would now also be included.

Officers were also continuing to liaise with senior Everyone Active representatives to agree the financial projections for 2022/23 and an agreed approach to payment of the concession to the Council. These figures would be reported to Cabinet as soon as they were confirmed. At this stage the MTFS included the full contractual concession for future years which increments up to £1.66m by 2026/27.

Regarding the Waste Contract and Recycling Centre Fire, the impact of the fire in July at the Ettington recycling centre was still uncertain currently. Currently a £1m contingency was put into the MTFS to support any additional costs incurred from this. Further developments on the response to the fire, along with confirmation of the new waste contract, would be incorporated into the Budgets to be reported to Members in February.

When considering the changes outlined in the report, the position of the Medium Term Financial Strategy is as follows: -

	2021/22 (Latest)	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Deficit-Savings Req(+)/Surplus(-) future years	-557	-1,258	-1,230	-1,900	-1,571	-1,107
Change on previous year	0	-1,258	28	-670	329	464

It was noted that the Medium Term Financial Strategy currently presented a surplus position across all years of the strategy. However, a number of these years' surpluses were driven primarily by the non-recurrent income received from the loan interest serviced by Crewe Lane LLP, for which the last year was 2026/27. Once this was excluded, the underlying position moving forward was a forecast £400k surplus. This surplus was still driven by two factors which remained significant risks:

- The achievement of the savings and increased income specifically the sum identified for green waste charging (Section 1.3 and Appendix 1 to the report)
- The concession from Everyone Active, as discussed in paragraph 1.4.4 of the report.

Therefore, it was still essential for the long-term financial standing of the Council that delivery on the ambitious budget proposals, reviewed last quarter and discussed in section 1.3 of the report, was achieved. Furthermore, the Council had significant risks following the fire at the Pure Recycling plant; the labour market in relation to HGV drivers; and its income streams due to the uncertainty around the pandemic.

Based on the General Fund gross expenditure of c£70m, this forecast surplus was under 1%. Noting the potential volatility of certain income and expenditure streams, the surplus was very low, and could very easily slip into a deficit position.

Appendix 3 to the report was included with the report to show the effect on the Medium Term Financial Strategy if none of the Budget proposals outlined in Appendix 1 to the report were to be achieved from 22/23. The summary of this was as follows:

	2021/22 (Latest)	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	**£'000**	**£'000**	**£'000**	**£’000**	**£’000**
Deficit-Savings Req(+)/Surplus(-) future years	-557	-1,258	-1,230	-1,900	-1,571	-1,107
Change if budget proposals not achieved	0	2,008	2,639	2,866	3,086	3,020
Potential Deficit	-557	750	1,409	966	1,515	1,913

Recommendation 4 in the report – Allocation of General Fund Surplus, showed that the current year forecast surplus of £557k was proposed to be allocated to the Service Transformation Reserve.

The use of all the Council’s Reserves and Balances would be considered further as part of the Budget Report in February 2022.

Recommendation 5 in the report – Capital Variations had the following proposed changes to the Capital Budget identified:

1) Castle Farm Sports Pitch Drainage—£73k slippage into 2022/23.

2) Play Area Improvements- £100k slippage into 2022/23.

3) 2nd Warwick Sea Scouts- £337k saving as project complete (£250k paid back by Sea Scouts).

4) Lord Leycester Warwick Town Wall- £100k slippage into 2022/23.

5) Covent Garden Electrics- refunds of £113k to go back into Corporate Asset Reserve.

In respect of Recommendation 6 in the report – Commonwealth Games Street Dressing, Officers were working closely with the Organising Committee of Birmingham 2022 Commonwealth Games as further details emerged on volunteering, Live Sites, and street dressing for summer 2022. In February 2021 an allocation of £83k was made from the Commonwealth Games Reserve to cover these three areas of work, the figures being based on the information that officers had at the time. Whilst the costs associated with volunteering and live sites remained relatively static over the last 10 months, the street dressing work stream evolved.

The official Look Book containing the range of street dressing items was released in late October, allowing officers to undertake more detailed planning and costing of proposals for the District.The range of street dressing offered an opportunity for the district to “dress” the towns to show them off to their best making local residents proud of their district and to create a real sense of arrival for visitors during the Games. The original plan was to focus on relatively low-key street dressing on the walking routes to the venues (B2022 would dress the 2 venues i.e., St Nicholas Park and Victoria Park), some specific dressing at the Live Site in the Pump Rooms Gardens (WCC would dress the Warwick Live site in Market Square) and some targeted dressing in Kenilworth and Whitnash in partnership with the Town Councils.

However, on reflection, it was felt that the Council was missing a trick in celebrating the District. It was considered that this more ambitious approach would make a real impression for residents and visitors to the district and might create a model that could be replicated for future large events in the district.

To achieve this more high-profile approach, additional budget was required. Work was ongoing to finalise the proposals for the various street dressing items in terms of costs and locations, and whilst officers engaged with each of the Town Councils, details of the financial contributions from the respective town councils were yet to be confirmed. Therefore, it was requested that Cabinet agree to a further allocation of funding of up to £67,000, in addition to the £83,000 already in the budget, with approval for spending this budget allocated to the Chief Executive, Head of Cultural Services (joint sponsors of the project) in consultation with the Portfolio Holder for Leisure, Tourism and Culture. The allocation was proposed to be made from the Service Transformation Reserve.

Recommendation 7 in the report – Housing Finance Business Partner showed that as the Council increased and developed its Housing strategy, both through the Housing Revenue Account funded new housing developments, and through the establishment of a Local Housing Company (see section 1.1.9.5 of the report), the resources within the existing Accountancy Team increasingly became stretched. Therefore, it was agreed, with consultation and support from the Head of the Housing Revenue Account and the Head of Finance, that a new permanent post was added to the establishment.

The post would play a key role in the provision of a comprehensive accountancy service for Housing, including HRA and Local Housing Company support for the Council and to assist the Principal Accountant with their responsibilities.

The post was expected to require a budget of £46,200 per annum, proposed to be funded from the Housing Revenue Account Capital Investment Reserve.

There were no alternative options presented.

The Finance & Audit Scrutiny Committee supported the recommendations in the report. The Committee also welcomed the fact that the Everyone Active forecast income was showing a positive variance. The Committee requested an analysis of the income received from EA to date for each year of the current contract including compensation from the government during the pandemic for lost concession fees.

In response to comments from Members, the Portfolio Holder reminded them that the budget was only truly correct when first produced, future events such as potential lockdowns might alter it. He emphasised the need to deal with all oncoming challenges whilst still supporting residents and businesses to the best of our ability. The Leader of the Council echoed these comments and added that WDC had already set out the anticipated joint savings, so if the merger was not approved by Council an emergency meeting would be scheduled for January 2022 to discuss the required additional savings.

Councillor Hales then proposed the report as laid out.

Recommended to Council that the 2021/2 forecast surplus is reviewed further as part of the February 2022 Budget report, with the forecast saving of £557k allocated to the Service Transformation Reserve.

Resolved that

(1) the latest current year financial position for both Quarter 2 (General Fund £312k Favourable and Housing Revenue Account £1.549m Favourable) and forecast for the year (General Fund £557k Favourable and Housing Revenue Account £94k Favourable) be noted, with the key variations that drive these positions;

(2) the updated profile of budget saving schemes originally approved in December 2020 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 2021 be noted;

(5) a further allocation of up to £67,000 for Commonwealth Games street dressing, to be funded from the Service Transformation Reserve be approved by Cabinet; and

(6) an allocation of £46,200 per annum be approved by Cabinet for the provision of a new Housing Finance Business Partner, to be funded from the Housing Revenue Account Capital Investment Reserve.

The Portfolio Holder for this item was Councillor Hales)
Forward Plan Reference 1,249

Part 2

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

82. **Council Motion – Leisure provision in Kenilworth during construction of new facilities**

The Cabinet considered a report from Cultural Services. A Notice of Motion was presented to Council on 20 October 2021 and passed unanimously asking the Cabinet to work with Everyone Active to put in place creative and imaginative solutions to ensure that during the demolition and construction work at Abbey Fields and Castle Farm, as many existing members of Everyone Active are both retained and encouraged to take exercise.

Officers would continue to work with Everyone Active to develop a wide range of alternative options for customers of Abbey Fields and Castle Farm to exercise during the construction period at these sites. These options would be communicated through a range of channels throughout the closure period.

The Motion presented to Council sought reassurance that the Cabinet and officers would work closely with Everyone Active (EA) to ensure that wherever possible, alternative options were available for customers of Abbey Fields and Castle Farm to continue to take regular exercise when the facilities are closed from January 2022 to Spring/Summer 2023 to allow the new facilities to be constructed.

Work was ongoing for some time to relocate programmed activities from Abbey Fields and Castle Farm to identified spaces within the other district sports facilities. Everyone Active were confident that they would be able to offer alternative sessions to all of their users during the build period. It was, however, recognised that some of the alternative options would require customers to travel to access their classes/bookings. Officers and EA were doing what they could to provide as many options as possible as close as possible to Kenilworth. Appendix 1 to the report detailed the latest position regarding alternative provision.

A detailed communications plan was in place to ensure that all EA members and residents of Kenilworth were aware of the alternative provision during the construction of the new facilities. This would include direct mailing of EA members, updates for club and school bookings, and updates on EA and WDC websites directing customers to a range of options. An example was attached as Appendix 2 to the report; an email to parents with children on swimming lessons.

Item e) in the Motion to Council made the statement that "any loss of members by Everyone Active during the demolition and construction work will result in lost income to the District Council and so will be a potential cost to local taxpayers". This was not entirely accurate as the Council would have an agreed financial position with EA which would factor in the closure of the facilities, and project a level of recovery when the sites reopened. It should also have been noted that Abbey Fields and Castle Farm both currently ran at a loss, with the value of the contract coming from the modernized Newbold and St Nicholas Park centres.

In terms of alternative options, Cabinet could ask officers to work with Everyone Active to provide additional indoor activities at alternative venues i.e. (village halls and function rooms), but these would come at an additional cost to the Council and would also compete with local established independent providers.

Councillor Bartlett proposed the report as laid out.

Resolved that

(1) the actions that are already underway as detailed in Appendix 1 to the report, be approved; and

(2) the explanation in the report relating to item e) in the Motion to Council be noted.

(The Portfolio Holder for this item was Councillor Bartlett)

83. **Housing Revenue Account Business Plan**

The Cabinet considered a report from Finance. The Housing Revenue Account Business Plan (HRA BP) was reviewed annually and updated to reflect changes in legislation, the housing market and business assumptions.

The Council needed to present a 30-year HRA BP as a minimum but adopted a 50-year HRA BP which needed to remain viable in line with the longer-term financial commitments, allowing the Council to manage and maintain its housing stock, to proceed with the projects already approved by Cabinet, to service the debt created by the HRA becoming self-financing, to service the debt from new borrowing and provide a financial surplus.

It was recommended the review of the Housing Revenue Account Business Plan and Housing Improvement Plan revision should be approved to enable the budgets to be revised accordingly.

It was also recommended the HRA BP continued to be revised annually. The HRA BP needed to remain robust, resilient, and financially viable. Revising the HRA BP annually ensured the Council’s HRA was able to continue to deliver its ambitious development programme, provide much needed social and affordable housing in the District and facilitate the re-financing of the £136.2m 2012 self-financing loan which was approved at the 11 January 2012 Executive Meeting. The plan to refinance the self-financing debt would result in either the partial or full refinancing of the £136.2m loan for a longer period of time.

The HRA detailed the plans for development and acquisition expenditure in the Housing Investment Plan (HIP) alongside its budgets for the major works of its housing stock. In recent years there were extra demands placed on the HIP from housing development schemes, but also from the requirement to complete increased levels of work and costs linked with maintaining and improving the housing stock in line with the Climate

Emergency announcement in 2019 and increased levels of Fire Safety Works. The HRA 10-year HIP ensured the long-term planning of these costs, schedules of works and developments to ensure there were sufficient resources in place.

The revised HRA BP provided for a minimum operational balance of £1.5m after all appropriations were deducted. This minimum surplus was increased annually for inflation alongside ensuring a revenue surplus to be achieved annually for transfer to the HRA Capital Investment Reserve (CIR). As shown in Appendix 2 to the report, the balance of the HRA CIR at the end of the current financial year was expected to be £23.1m and, based on current projections, would reduce annually until 2031/32 when it would start to increase again.

The original self-financing plan was to service the PWLB Maturity Loan interest cost for 40 years and then begin paying the £136.2m debt capital back in intervals of £13m-£19m over a 10-year period from 2051/52-2061/62. In prior versions of the HRA BP there were sufficient balances within the CIR and Major Repairs Reserve (MRR) to facilitate the repayment of this debt, but this was no longer possible due to the strain on the model caused by the additional climate change and fire safety works alongside increased development and rent increases being reduced due to the impact of Covid-19.

By 2061/62 there was a forecast capacity to pay £82.4m of the debt made up of a balance of £43.7m in the CIR and £38.7m in the MRR. At this point the HRA had the option to refinance the loan repayments for the period 2051/52-2061/62 and repay some of the debt. Specialist advice was sought from Link Treasury Management, who confirmed that there was no legal requirement to repay the debt within the original timeframe linked with the Government's original Self-Financing legislation. It was advised that a number of other Local Authorities took the decision to refinance their self-financing debt to enable them to focus on house building and other priorities in the short term. Indeed, this was the financial model adopted by many housing associations. Link Treasury Management advised that a similar level of interest repayment should be assumed in the HRA BP for an indefinite period if the decision to refinance the repayment of Debt Capital was made.

Approval of any plans for the partial repayment of debt would need to be revised at that point in time alongside the assessment of further borrowing required. The HRA Business Plan remained viable when continuing to fund the annual £4.765m in self-financing interest payments for the 50-year plan.

The revised HRA BP would be able to maintain existing service provision, fully meet the responsive and cyclical repair needs of the HRA stock and continue to invest in refurbishment and improvement work to maintain the Decent Homes Standard through the HIP.

The removal of the HRA Borrowing cap on the 30 October 2018 by the Ministry of Housing Communities & Local Government (MCHLG) was implemented to enable Councils to build more homes. During MHCLG's consultation on the matter the borrowing cap was stated to be the biggest barrier to Councils building new homes and as such the cap was removed to "reaffirm the appetite to deliver a new generation of council homes".

A further Central Government policy borrowing change on 12 March 2020 advised that the HRA was to be given favourable rates of financing to borrow for acquisitions or construction of Social and Affordable Housing resulting in a reduction in interest rates of 1% from 1.86% to 0.86% where the purpose was for housing related expenditure. Details of all currently approved borrowing for such schemes and the subsequent timing of repayment of this debt were noted on Appendix 2 to the report.

The underpinning HRA BP assumptions were set out in Appendix 1 to the report, with explanatory notes documenting all changes from the previous iteration of the HRA BP. These changes were applied to the HRA BP which was revised, taking the closing 2020/21 financial position as the baseline through to 2070/71. The revised Plan was set out in Appendix 2 to the report. A summary of the changes between the previously approved 2020/21 iteration of the HRA BP and the revised current year Plan were set out in Appendix 3 to the report.

A 10-year HIP was adopted in the December 2020 Cabinet report to enable the Climate Emergency and Fire Safety works to be completed and enabled the HRA BP to remain financially viable as a result of phasing the expenditure across a longer period. The new HIP was noted in Appendix 4 to the report and contained the following costs over a 10-year period:

- £35.7m Stock Condition Survey works.
- £26.6m Climate Emergency works associated with the Council declaring a Climate Emergency.
- £30.0m required for Fire Safety works in line with Fire Risk Assessments resulting from the Grenfell Tragedy.
- £6.7m Decarbonisation Grant funded works in line with central government partnership schemes.

In conjunction with the utilisation of borrowing the development projects in the HIP also contained the approved Housing Development and Acquisition Projects which were generally funded from a mix of:

- External Borrowing.
- The HRA Capital Investment Reserve.
- Right to Buy (RTB) receipts from the sale of council houses.
- Homes England Capital Grant.
- Other Grants.
- Capital Receipts from Affordable Homes Shared Ownership sales.

The Major Repairs Reserve (MRR) was a ring-fenced account for the purpose of maintaining and improving existing housing stock. The HIP also contained the planned spend for the HRA’s Capital Major Improvement and Renewal works to the Councils Housing Stock, these works were mainly funded using a mix of:

- the Major Repairs Reserve;
- Capital Grants.

The works funded using the MRR were scheduled using separate stock condition surveys which were completed with a specialist housing consultancy, Michael Dyson Associates Ltd. These surveys provided information in respect of the condition of the main elements, known as stock attributes, of HRA homes. This survey information, complementing information from the in-house team of surveyors, enabled a comprehensive picture of the current state of, and consequently the future investment needs, of a range of stock attributes such as kitchens, bathrooms, roof coverings, windows, doors and rainwater goods. The surveys undertaken to date allowed the Council to fix a baseline position for the entire HRA stock which, in turn, allowed for the maintenance needs to be costed for the lifetime of the revised HRA BP.

This baseline would continue to be refined in future years through a combination of in-house surveying and data analysis and was updated to factor in the Climate Change and Fire Safety works. The exiting 2021/22 HIP budget allocation would be directed to meet the most pressing needs, with a full revision of the profile of the future HIP to take place next financial year, to ensure that all the poorest condition attributes were remedied as quickly as possible, and a tailored investment programme was put in place to replace items on a timely basis.

The MRR was forecast to have a closing balance of £5.4m at the end of the current financial year. The balance of the MRR was increased annually by the amount of the annual depreciation charge to the HRA stock, which for 2021/22 was an estimated £6.2m. Based on current projections and the large financial strain on the HRA BP to deliver stock condition works, climate change works noted in Appendix 2 to the report, the MRR balance was expected to drop as low as £4.9m by 2022/23. It would however remain sufficient to fund the required level of improvements necessary as it would be topped-up using a contribution from the CIR with the balance beginning to increase after this point and by 2029/30, when the HRA should have completed the Climate Change and Fire Safety works, the balance returns to prior year levels of £10.0m.

The HRA Housing stock itself was re-valued annually and further confidence in the viability of the HRA BP can be derived from the current valuation noted in Appendix 5 to the report of £411.123m based on the Existing Use Valuation methodology for social housing or £1.018bn based on an unrestricted use valuation as at 31 March 2021. These valuations were significantly higher than the peak projected total borrowing of £237.3m in 2027/28 resulting from a combination of the £136.2m self-financing debt and additional £101.1m debt resulting from further borrowing to finance housing acquisition schemes. The additional housing acquisition debt was fully serviced from the rents received from the new dwellings.

A number of housing acquisitions, development schemes and land acquisitions were approved as noted in the HIP at Appendix 4 to the report, some of which would be funded using borrowing from the Public Loans Works Board (PWLB) to ensure that sufficient balances remained in the MRR and CIR. There were two material Land Purchases contained within the HIP which were yet to have the development plan approved. It was expected that these sites would warrant separate Cabinet approval with the Housing Strategy and Development Team working on the optimum development plan to ensure that these schemes were financially beneficial to the HRA. The cost of carrying these land acquisitions was one of the negative contributing factors to the HRA BP's reducing CIR and MRR balances up to 2025/26. It was expected that once the sites had been developed, the rental income would improve the long-term projections for the HRA BP and was likely to improve the capability to repay more of the Self-Financing Debts. Nevertheless, the short term negative financial impact on the HRA was material and needed to be noted where large parcels of land were purchased, especially when there was a significant time lag between purchase and sales or occupation of homes taking place to generate rental income. Alternative delivery models were also explored that might have enabled the land to be developed outside the limited capacity of the HRA BP or in partnership with other entities.

The ongoing construction and acquisition projects for new homes aimed to offset the projected reduction in the HRA stock resulting from continuation of Right to Buy sales at current levels. The below table showed the anticipated total stock changes as at 2070/71 including potential additional dwelling acquisitions and developments being explored as part of the Councils ambitious housing development plan:

New Build potential				
Term	Approved New Build Homes	Pre-Approval status Homes	Right to Buy Sales	Net HRA stock reduction
2020/21 to 2070/71	+521*	+1061	-1,734	-152

* Assumes all ongoing and previously approved plans were maintained.

The model above demonstrated that even with the potential 1061 pre-approval status dwellings being included the net HRA stock reduction was still 152 dwellings in deficit. If, however a long-term commitment could be made to acquire a further 40 homes per year on average from years 11-50 in the HRA BP then a further 1600 dwellings would be added to the HRA Housing stock. This would equate to a net HRA stock addition of 1448 dwellings which would negate the Right to Buy losses.

The Council entered the Right to Buy Capital Receipts Pooling arrangement with MCHLG in 2012 in line with HRA Self Financing. As part of the agreement the Council was only able to retain a predetermined % of the Right to Buy Capital Receipts. The level of an authority's retainable RTB receipts in any year also known as 1-4-1 Capital Receipts was the total amount of its Right to Buy Sales receipts. An excerpt of the Councils receipts retained in 2020/21 were noted below:

RTB Pooling summary 2020/21	£	%
WDC HRA Transaction Cost	27,300	1
WDC HRA Debt contribution	377,267	16
WDC GF share (any purpose)	405,475	17
WDC Buy Back allowance	38,249	2
WDC 1-4-1 allowance	550,193	23
Treasury share	960,966	41
Cumulative Total Receipt	**2,359,450**	100

From 1 April 2021 the Ministry of Housing, Communities and Local Government (MHCLG) changed the rules in the Right to Buy (RTB) Pooling Receipts Retention Agreements between the Secretary of State and

authorities under section 11(6) of the Local Government Act 2003 to enable them to retain increased RTB receipts and made amendments to the Local Authorities (Capital Finance and Accounting) Regulations 2003 that came into force on 30 June 2021.

A summary of the changes affecting the HRA BP were:

- The timeframe local authorities needed to spend new and existing Right to Buy receipts before they breached the deadline of having to be returned to Central Government was extended from three years to five years on the understanding this would make it easier for local authorities to undertake longer-term planning.

- The percentage cost of a new home that local authorities could fund using Right to Buy receipts was also increased from 30% to 40% to make it easier for authorities to fund replacement homes using Right to Buy receipts, as well as making it easier to build homes for social rent.

- Authorities could use receipts to supply shared ownership and First Homes, as well as housing at affordable and social rent, to help build the types of home most needed in their communities.

The Councils Policy was to spend the 1-4-1 Capital Receipts in line with the new 40% rule within the 5-year deadline on housing acquisition and development schemes as the Pooling rules would allow. Prior to this policy change the Council always managed to meet the deadlines associated with the 3-year rule. Appendix 4 to the report showed that the balance of any remaining receipts in the 5-year cycle would be used to support housing construction/acquisitions within the plan.

There was no such repayment time limit on the councils Buy Back capital receipts, the Council ensured they were used annually in line with the 50% funding rule to reduce the cost of acquiring former Council Homes.

A number of options would continue to be considered to mitigate the reduction in HRA stock including:

- Acquisition of existing homes.
- Acquisition of s106 affordable homes.
- Redevelopment of existing HRA homes.
- New build on Council owned land, including garage sites.
- New build on acquired land.
- Joint venture options.
- Buy Back of Social Housing.

The Council was officially awarded "Affordable Housing Investment Partner" status from Homes England (HE) in 2020 which enabled the Council to apply for grant funding. Where available, grant would be sought to support currently approved and potential new housing schemes to lessen the impact on the HRA Business Plan. Appendix 4 to the report showed that to date £4.066m in grant was approved to support the funding of schemes.

Due to this new agreement with HE and to ensure that all future acquisitions remained viable, all future Affordable Housing Acquisitions linked with Homes England would need rents to be set at the national standard of Affordable rents which are 80% of local market rents. Existing Affordable Housing tenants housed in the HRA's current affordable schemes would continue to pay the historic "Warwick Affordable" rents for the remainder of their tenancy which were charged at a mid-point between Local Market Rent and Social Rent to buffer the impact of this change. This policy change was approved in the HRA Rent Setting report in February 2021 and was assumed in the HRA BP projections.

As part of the Capital Grant Conditions linked with receiving HE grants the Council had a new legal responsibility to maintain a Recycled Capital Grant Register in the case that the HRA ever disposed of any land or dwellings which were funded using HE Affordable Homes Grant. In the case of a Right to Buy sale or sale of land the Council needed to either pay back the capital receipt to HE or recycle it and reinvest it by purchasing a replacement affordable home compliant dwelling. This register would need to be maintained in perpetuity and audited for as long as the dwellings and land were held on the Council's HRA asset register. It was expected that Right to Buy sales to dwellings purchased using HE grant would only start in 7-15 years when the new build dwellings became affordable to tenants with longer RTB discounts.

The Council and registered providers could purchase affordable, social rent and shared Ownership dwellings from developers at below market value as they were subsidised by the Homes England Affordable Homes Programme 2020-2024. It was usual for a mix of social, affordable, and shared ownership dwellings to be sold in a preagreed mix. This enabled the Council to increase stock numbers by enabling the dwellings to be purchased at below market value to enable the Council's HRA to fund the purchase using the reduced levels of social and affordable rents which must be charged to tenants residing in social and affordable dwellings. When shared ownership dwellings were purchased as part of affordable homes acquisitions the Council's HRA must find buyers to purchase between 10-25% of the dwelling initially and then pay a % of market rent for the remaining % of the dwelling. This initial % purchase in turn generated a capital receipt for the Council's HRA which was retained to cross subsidise the cost of the Council purchasing the dwellings in such schemes. The shared owners were then able to buy a further % of the dwelling known as "staircasing" until they own 100% or a locally capped % of the dwelling in some circumstances. There was no requirement for the owner to purchase latter % shares, Appendix 4 to the report showed that £10.354m was anticipated from shared ownership sales in the 10-year HIP.

All shared ownership capital receipts must be retained by the Council's HRA to ensure the HRA BP remains viable and such receipts were reinvested to reduce acquisition expenditure.

The uncertain impact of Covid-19 on rents, bad debt, arrears and reduced RTB Sales was factored into the HRA BP and assumptions were noted on Appendix 1 to the report. The reduction in rental inflation linked to RPI and CPI in the previous year meant that rents did not increase at the levels that were expected. In turn it appears this year the anticipated rent inflation was higher than expected which levelled out the rental income assumptions.

Industry experts Savills advised the negative impact of the Covid-19 pandemic would be felt for three to five years due to fluctuating rent inflation and increased rent arrears due to the economic uncertainty. Appendix 6 to the report shows an analysis of the changes in rent arrears from 2019/20 to 2020/21 using an extract from the Council's Financial Statements. Net arrears increased by £326k which meant the Council had to increase its bad debt provision by £385k in the last financial year. A number of approaches were adopted to reduce the levels of arrears caused by the Covid-19 pandemic and it was anticipated that this was a temporary increase which would return to pre-pandemic levels in due course as the economy recovered.

The HRA BP would continue to be carefully monitored, the stock condition information maintained and improved, and an annual review of the underpinning assumptions undertaken to allow any further revisions to be reported to Cabinet as part of the HRA budget setting process. However, Members noted that there was still a considerable level of uncertainty in respect of the financial impact of Covid-19, prudent assumptions were factored into this model as noted in Appendix 1 to the report but if the economy did not return to pre-pandemic conditions in the next three to five years, this could impact the BP further and might impact the HRA's ability to provide the same level of Climate Change and Stock Condition works.

Linked with recommendation 5 in the report, the Council was delivering an ambitious housing development programme with around 1,582 new affordable homes in the pipeline, addressing where able, the Council's environmental and sustainability standards. In addition, a new wholly Council owned Housing Company (Milverton Homes Limited) was established, and this was supporting the development of a major site in the district through a Joint Venture. This was delivering a number of benefits to the Council including 248 new zero-carbon homes and generates c£9m income for the Council over 6 years and c £7.2m for Milverton Homes. The company was working on other key sites across the district that were of particular interest to the Council and was exploring two other joint venture opportunities. As a consequence, the service faced a considerable amount of work particularly over the next 2.5/3 years and required additional resource support to enable these key workstreams to be progressed. The Head of Housing was exploring options for delivering the work programme.

In terms of alternative options, the assumptions underpinning the HRA BP could be left unchanged from those that underpinned the version approved by Cabinet in 2020. This was rejected as it would result in the BP not reflecting the most up to date policies, strategies, and research on the conditions of the local housing and land markets. The plan would therefore not be able to deliver services in a way that was viable, maintain services and service the debts taken on by the Council.

Members could choose to vary the assumptions within the HRA BP or agree alternative policies, service standards and investment options. If these alternative options were financially viable and deliverable, the HRA BP could be amended. However, officers consider that, given the uncertainties around what would ultimately emerge into legislation from the Housing and Planning Act, it would be prudent to retain the current assumptions and policy positions that underpin the HRA BP at this stage.

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

The Portfolio Holder and the Deputy Chief Executive, Monitoring Officer & Legal Client Manager stated that due to the number of variables in the business plan, the following words should be added to the end of recommendation one:

"*subject to minor revisions as agreed by Head of Housing in consultation with Head of Finance, the Portfolio Holders for Home, Health & Wellbeing and Transformation & Resources.*"

Councillor Matecki then proposed the report along with the recommended additional wording.

Resolved that

(1) the revised Housing Revenue Account Business Plan (HRA BP) assumptions, as set out at Appendix 1 to the report, and the revised HRA BP for the 50-year period 2020/21 to 2069/70, as set out at Appendix 2 to the report, be approved, subject to minor revisions as agreed by Head of Housing in consultation with Head of Finance, the Portfolio Holders for Home, Health & Wellbeing and Transformation & Resources;

(2) this refreshed HRA BP has factored in a number of recently approved developments within the service area, some of which are presented for approval in December 2021 Cabinet alongside this report, be noted;

(3) the 10-year Housing Investment Plan capital budgets noted in appendix 4 for the construction and acquisition of new Council housing, funding for major works to housing stock and four new Department for Business, Energy & Industrial Strategy (BEIS) Climate Change Grant funded works schemes in relation to successful Grant and Match Funded Works Bids to make Council homes warmer to achieve a greater Energy Performance Certificate (EPC) standard be approved; and

(4) negative impact assumptions stated in Appendix 1 to the report have been included in the financial modelling shown in Appendix 2 to the report relating to Covid-19, bad debt levels and reduced Right to Buy (RTB) sales for a 3-5-year period alongside an increased levels of arrears, be noted.

Recommended to Council that

(1) a staffing budget increase of up to £102k (inclusive of on-costs) to provide additional capacity, be approved, and authority be delegated to the Head of Housing in consultation with the Portfolio for Health, Homes and Communities to determine the specific detail of resource requirements. The additional funding required falls within the HRA.

(The Portfolio Holder for this item was Councillor Matecki)
Forward Plan Reference 1,256

84. Rural/Urban Capital Improvement Scheme (RUCIS) Application

The Cabinet considered a report from Finance, which provided details of the following six Rural/Urban Capital Improvement Scheme (RUCIS) grant applications:

- Whitnash Town Council to install a 'measured mile' path at Washbourne playing fields;
- Whitnash Windmill Petanque Club to install new fencing and build two gazebos;
- Kenilworth Rugby Club to create a new water borehole;
- Myton Hospice to resurface their car park;
- Baginton Parish Council to install new playground equipment; and
- London & North Western Railway Society (LNWRS) to repair a rotary scanner and purchase new equipment to include scanners, hard drives, a router and electric air duster.

Warwick District Council operated a scheme to award Capital Improvement Grants to organisations in rural and urban areas. The grants recommended were in accordance with the Council's agreed scheme and would provide funding to help the projects progress.

All projects met the criteria and contributed to the minimum number of required objectives for the Council's Fit for the Future Strategy, for example, they supported reduction in anti-social behaviour and obesity, increased opportunities for everyone to enjoy and participate in sports and physical/arts/cultural activities, and engaged and strengthened communities.

To maintain a 'robust' scheme, periodic reviews should have been undertaken to ensure that the scheme criteria remain relevant and suitable; this included the decision-making process.

Whitnash Town Council submitted a RUCIS application to install a new 'measured mile' path at Washbourne Playing Fields for residents to use for exercise; the Town Council wanted the 'mile' to encourage people to walk, run, use wheelchairs, and push prams around it.

Projects of more than £10,000 overall costs fell within the Main Grants category of the RUCIS scheme which had a maximum contribution of up to 50% of the overall project costs or 60% if it was an environmentally sensitive project; the project cost was £36,327 (excluding VAT), it was not an environmentally sensitive project and therefore qualified to apply for a grant of up to 50%.

The application was for 50% of the total project costs up to a maximum of £18,164 excluding VAT.

Whitnash Town Council committed £18,163 to the project costs from their cash reserves; these funds were evidenced through their annual accounts and the provision of a recent bank statement.

Year-Ending 31 March 2021, Whitnash Town Council cash reserves were £1,089,845, however, these high cash reserves included Civic Centre construction funds totalling £476,352.50, other grants totalling £2851.77 and funds that the Town Council were saving towards start up and running costs for the new Civic Centre.

Whitnash Town Council would be reclaiming VAT in connection to this project therefore the award would be excluding VAT. The VAT would initially be paid from the Council's cash reserves; these funds were evidenced through their annual accounts and the provision of a recent bank statement.

Whitnash Town Council previously successfully applied for RUCIS grant awards:

- January 2019 – 80% grant awarded which equated to £1,473 for installing a height restrictor barrier at Washbourne Playing Fields.

- July 2014 - additional award to grant agreed December 2013 which increased the overall award to 37% and equated to an additional £5,364 for third party payment charge for WREN grant application due to unsuccessful Sport England grant application.

- December 2013 - 32% grant awarded which equated to £24,500 for installation of a "measured mile" at Acre Close Park.

- December 2011 – 44% grant awarded which equated to £26,500 for the replacement and installation of new play equipment at Acre Close Park.

- December 2008 – 50% grant awarded which equated to £4,704 for modernisation of play equipment; please note that there was a £359 under spend on this project.

- July 2005 – 34% grant awarded which equated to £15,506 for external and internal improvements to the Community Hall and improved security; please note that there was a £2,991 under spend on this project.

- December 2004 – 50% grant awarded which equated to £7,743 for replacement play equipment at Acre Close Park and Washbourne Playing Fields play areas.

- December 2004 – 50% grant awarded which equated to £5,800 for Community Centre road works and levelling and paving of entrance.

The application therefore met the scheme criteria whereby after a successful grant award an organisation must wait for a minimum of two years before re-applying for a new grant.

It was therefore recommended that Cabinet should approve an award of a Rural / Urban Capital Improvement grant to Whitnash Town Council of 50% of the total costs of the project excluding vat up to a maximum of £18,164.

Whitnash Windmill Petanque Club also submitted a RUCIS application to install new fencing and build two gazebos. This was part of an overall project to expand the facility which would see the number of pistes (lanes) expanding from 10 to 16 and would also provide shelter to both players and spectators to enable all-year round participation.

Projects of less than £10,000 overall costs fell within the Small Grants category of the RUCIS scheme which had a maximum contribution of up to 80% of the overall project costs or 90% if it was an environmentally sensitive project; the project cost was £6,586 (excluding VAT), it was not an environmentally sensitive project and therefore qualified to apply for a grant of up to 80%.

The application was for 80% of the total project costs up to a maximum of £5,269 excluding vat.

Whitnash Windmill Petanque Club committed £1,317 to the project costs from their cash reserves; these funds were evidenced through their annual accounts and the provision of a recent bank statement.

Whitnash Windmill Petanque Club would be reclaiming VAT in connection to this project therefore the award would be excluding VAT. The vat would initially be paid from the club's cash reserves following a loan from the Playing Captain which would be repaid when the VAT reclaim was received; these funds were evidenced through the provision of a recent bank statement.

Whitnash Windmill Petanque Club made a formal request to Whitnash Town Council for a £200 financial contribution to the project, unfortunately this was declined, the reason given was that "Whitnash Sports and Social Club is not eligible for financial aid from Whitnash Town Council as it is a private members club".

Whitnash Windmill Petanque Club never previously had a RUCIS grant award.

The application met the scheme criteria, it was therefore recommended that Cabinet should approve an award of a Rural / Urban Capital Improvement grant to Whitnash Windmill Petanque Club of 80% of the total costs of the project excluding VAT up to a maximum of £5,269.

Kenilworth Rugby Club submitted a RUCIS application to create a new water borehole to ensure that the club could draw a measured supply of ground water on a daily basis in periods of prolonged dry weather to top up the ponds created to relocate the Great Crested Newts (a condition of Natural England for granting the relocation licence for the newts as part of the club's ground relocation) and to feed the irrigation system for the playing pitches.

It should be noted that there was a low risk that water might not be found which would result in an unsuccessful project and would still incur costs as noted on the contractor's quote; "In the event of no water being found there will be a one-off charge of £2,500 to cover the cost of transportation and one days' drilling". However, Kenilworth Rugby Club believed that there was very little risk of not finding water as a full geotechnical investigation was undertaken (the report was provided as appendix 3 to the report); "as part of the investigation, groundwater monitoring visits carried out to the standpipes installed in the cable percussive boreholes have recorded the presence of standing levels of groundwater at the base of CP101 and CP012 at depths of between 1.48m (CP101) and 1.82m (CP102)".

Projects of less than £10,000 overall costs fell within the Small Grants category of the RUCIS scheme which had a maximum contribution of up to 80% of the overall project costs or 90% if it was an environmentally sensitive project; the project cost was £8,250 (excluding VAT), it was not an environmentally sensitive project and therefore qualified to apply for a grant of up to 80%.

The application was for 80% of the total project costs up to a maximum of £6,600 excluding vat.

Kenilworth Rugby Club committed £1,200 to the project costs from their cash reserves; these funds were evidenced through their annual accounts and the provision of a recent bank statement.

Kenilworth Rugby Club would be reclaiming VAT in connection to this project therefore the award would be excluding VAT. The VAT would initially be paid from the Club's cash reserves; these funds were evidenced through their annual accounts and the provision of a recent bank statement.

Kenilworth Rugby Club made a formal request to Kenilworth Town Council for a £450 financial contribution to the project and were now awaiting a decision; if the application was unsuccessful the project shortfall would be covered by Kenilworth Rugby Club from their cash reserves; these funds were evidenced through their annual accounts and the provision of a recent bank statement.

Kenilworth Rugby Club previously had the following successful RUCIS grants:

- March 2018 – 80% grant awarded which equated to £7,705 to improve and redevelop clubhouse facilities; replace furniture, dim-out curtains, damaged radiators, security door, hand drier and install a new hot water tank to better provide hot water for all showers.

- July 2014 – 50% grant awarded which equated to £3,628 to repair the changing room roof and provide a new irrigating system.

The application therefore met the scheme criteria whereby after a successful grant award an organisation must wait for a minimum of two years before re-applying for a new grant.

It was therefore recommended that Cabinet should approve an award of a Rural / Urban Capital Improvement grant to Kenilworth Rugby Club of 80% of the total costs of the project excluding vat up to a maximum of £6,600.

Myton Hospice submitted a RUCIS application to resurface their car park.

Projects of more than £10,000 overall costs fell within the Main Grants category of the RUCIS scheme which had a maximum contribution of up to 50% of the overall project costs or 60% if it was an environmentally sensitive project; the project cost was £11,330 including VAT (£9,442 excluding VAT), it was not an environmentally sensitive project and therefore qualified to apply for a grant of up to 50%. The application was for 50% of the total project costs up to a maximum of £4,721 excluding vat.

Myton Hospice committed £4,721 to the project costs from their cash reserves; these funds were evidenced through their annual accounts and the provision of a recent bank statement.

Myton Hospice would be reclaiming VAT in connection to this project therefore the award would be excluding VAT. The VAT would initially be paid from the hospice's cash reserves; these funds were evidenced through their annual accounts and the provision of a recent bank statement.

Myton Hospice made a formal request to Warwick Town Council for a £400 financial contribution to the project, unfortunately this was declined, the reason given was "section 4 of our Grants Policy states that 'only one application would be considered from an organisation in each financial year.' We awarded and paid Myton Hospice £2,559.00 in May 2021 so unfortunately we were unable to consider any further grants from Myton Hospice until next Financial Year (started from 1st April 2022)."

Myton Hospice never previously had a RUCIS grant award.

The application met the scheme criteria, it was therefore recommended that Cabinet should approve an award of a Rural / Urban Capital Improvement grant to Myton Hospice of 50% of the total costs of the project excluding VAT up to a maximum of £4,721.

Baginton Parish Council submitted a RUCIS application to install new playground equipment at the 'Lucy Price playground' to update the facilities and once again make it an enjoyable and safe play area for children of all ages and abilities.

Projects of more than £10,000 overall costs fell within the Main Grants category of the RUCIS scheme which had a maximum contribution of up to 50% of the overall project costs or 60% if it was an environmentally sensitive project; the project cost was £43,414 (excluding VAT), it was not an environmentally sensitive project and therefore qualified to apply for a grant of up to 50%.

The application was for 50% of the total project costs up to a maximum of £21,707 excluding VAT.

Baginton Parish Council had not committed a contribution to this project as they were funding other stages of the overall project which included to-date £11,925 on repairs and refurbishing existing play equipment and ear-marking other funds for tree works around the playground area, signage with emergency details noted and other potential works not yet quoted.

The £11,925 costs were evidenced via a copy of the contractors invoices. Baginton Parish Council would be reclaiming VAT in connection to this project therefore the award would be excluding VAT. The VAT would initially be paid from the Council's cash reserves; these funds were evidenced through their annual accounts and the provision of a recent bank statement.

The remaining 50% of the project costs were 'matched' by the 'Lucy Price Relief in Need Fund'.

Baginton Parish Council previously successfully applied for RUCIS grant awards:

- July 2007- 50% grant awarded which equated to £1,100 for play area repairs.

- February 2006 – 33% grant awarded which equated to £1,750 for a replacement bus shelter.

The application therefore met the scheme criteria whereby after a successful grant award an organisation must wait for a minimum of two years before re-applying for a new grant.

It was therefore recommended that Cabinet should approve an award of a Rural / Urban Capital Improvement grant to Baginton Parish Council of 50% of the total costs of the project excluding vat up to a maximum of £21,707.

LNWRS submitted a RUCIS application to repair a rotary scanner and purchase new equipment to include scanners, hard drives, a router and electric air duster.

Projects of less than £10,000 overall costs fell within the Small Grants category of the RUCIS scheme which had a maximum contribution of up to 80% of the overall project costs or 90% if it was an environmentally sensitive project; the project cost was £5,546 (including VAT), it was not an environmentally sensitive project and therefore qualified to apply for a grant of up to 80%.

The application was for 80% of the total project costs up to a maximum of £4,437 including vat.

LNWRS committed £1,009 to the project costs from their cash reserves; these funds were evidenced through their annual accounts and the provision of a recent bank statement.

LNWRS would not be reclaiming VAT in connection to this project therefore the award would be including VAT.

LNWRS made a formal request to Kenilworth Town Council for a £100 financial contribution to the project and was now awaiting a decision; if the application was unsuccessful the project shortfall would be covered by LNWRS from their cash reserves; these funds were evidenced through their annual accounts and the provision of a recent bank statement.

LNWRS previously had the following successful RUCIS grant:

- March 2018 – 80% grant awarded which equated to £7,885 to provide disabled access/facilities and to purchase and install security equipment for their Study Centre and purchase a large A0 scanner.

The application therefore met the scheme criteria whereby after a successful grant award an organisation must wait for a minimum of two years before re-applying for a new grant.

It was therefore recommended that Cabinet should approve an award of a Rural / Urban Capital Improvement grant to LNWRS of 80% of the total costs of the project including vat up to a maximum of £4,437.

In terms of alternative options, the Council had only a specific capital budget to provide grants of this nature and therefore there were no alternative sources of funding if the Council was to provide funding for Rural/Urban Capital Improvement Schemes.

Members might choose not to approve the grant funding, or to vary the amount awarded, however, this would potentially prevent the projects from being completed.
The Finance & Audit Scrutiny Committee supported the recommendations in the report.
Councillor Hales proposed the report as laid out.

The Committee therefore

Resolved that

Cabinet approve the RUCIS Grant for:

(1) Whitnash Town Council of 50% of the total (net) project costs to install a 'measured mile' path at Washbourne Playing Fields as detailed within paragraphs 1.1, 4.2.2 and 6.2 of the

report, up to a maximum of £18,164 excluding VAT, as supported by appendix 1 to the report;

(2) Whitnash Windmill Petanque Club of 80% of the total (net) project costs to install new fencing and build two gazebos as detailed within paragraphs 1.2, 4.2.2 and 6.2 of the report, up to a maximum of £5,269 excluding VAT, as supported by appendix 2 to the report;

(3) Kenilworth Rugby Club of 80% of the total (net) project costs to create a water borehole as detailed within paragraphs 1.3, 4.2.2 and 6.2 of the report, up to a maximum of £8,250 excluding VAT, as supported by appendix 3 to the report. Subject to receipt of the following:

- Written confirmation from Kenilworth Town Council to approve a capital grant of £450 (if the application is declined or a reduced amount is offered the budget shortfall will be covered by Kenilworth Rugby Club's cash reserves which have been evidenced through their annual accounts and the provision of recent bank statements).

- Provision of evidence of land ownership.

- Provision of an appropriate valid insurance certificate for the borehole facility;

(4) Myton Hospice of 50% of the total (net) project costs to resurface their car park as detailed within paragraphs 1.4, 4.2.2 and 6.2 of the report, up to a maximum of £4,721 excluding VAT, as supported by appendix 4 to the report. Subject to receipt of the following:

- Provision of evidence of ownership of the car park land.

- Provision of an appropriate valid insurance certificate for the hospices grounds;

(5) Baginton Parish Council of 50% of the total (net) project costs to install new playground equipment as detailed within paragraphs 1.5, 4.2.2 and 6.2 of the report, up to a maximum of £21,707 excluding VAT, as supported by appendix 5 to the report. Subject to receipt of the following:

- Evidence of increased insurance cover for playground equipment to cover both new and existing equipment;

(6) LNWRS of 80% of the total (gross) project costs to repair a rotary scanner and purchase new equipment to include scanners, hard drives, a router and electric air duster as detailed within paragraphs 1.6, 4.2.2 and 6.2 of the report, up to a maximum of £4,437 including VAT, as supported by appendix 6 to the report. Subject to receipt of the following:

- Written confirmation from Kenilworth Town Council to approve a capital grant of £100 (if the application is declined or a reduced amount is offered the budget shortfall will be covered by LNWRS's cash reserves which have been evidenced through their annual accounts and the provision of recent bank statements)

- Provision of an appropriate insurance certificate covering the period 1st December 2021 to 30th November 2022; and

(7) After the approval of the above applications the scheme is then temporarily closed to enable a review of the current criteria and to look at changing the award decision process to an officer scheme of delegation, be agreed..

(The Portfolio Holder for this item was Councillor Hales)
Forward Plan Reference 1,198

85. **Developing a Digital Strategy for South Warwickshire**

The Cabinet considered a report from ICT, which summarised the current progress being made towards Digital Transformation and introduced a new Digital Strategy.

In respect of the adoption of the Draft Digital Strategy, setting out the objectives of an initiative at a strategic level was the beginning of the process. In this instance, the Digital Strategy (appendix 1 to the report) set four overall objectives:

- Delivering Excellence in Digital Services;
- Digital Services by Design;
- Digital Communities and Place; and
- Our People and Priorities.

Each of these objectives centred upon the effective and efficient delivery of the Council's services and using our position within the community to improve the lives of those we serve.

Delivering Excellence in Digital Services focussed on how the Council would provide consistent, reliable and efficient services that put the customers needs at the centre of what we do. This theme was intended to dramatically increase the number of successful outcomes that customers could reach through online services and without the need for staff to intervene. This was empowerment of our communities to do more.

The proposed close involvement of actual customers in how we designed services was also a dramatically different way of thinking and fundamentally shifts the focus from internal to external. When executed successfully, not only did this have the potential to unlock significant savings for the Council but would also provide a much higher quality of service, providing solutions that were accessible, easy to use and most importantly, actually work.

Using Customers to inform our design was also a leading feature of our second theme, Digital Service by design. This internally focused theme sought to fundamentally address how services were delivered by taking a much deeper dive into how services operated than any previous initiative. Through this theme, we would ensure that not only are the benefits of integrating the two Council's realised from a technical perspective, but also exploited as an opportunity to rebuild services as if we were a new Council. This was exactly what South Warwickshire would be; a new Council with an opportunity to do things differently, where simple and effective defeats a legacy of complex and inefficient.

The third theme of Digital Communities and Place recognised the Council's unique positioning within the South Warwickshire area to influence the digital futures of our communities. As a non-unitary authority, there were some limitations to what we might be able to do, but the strategy proposals recognised this and allowed us to work within our means, collaborating with partner organisations to assist and promote rather than taking sole responsibility.

This theme also dealt with how we could help to reduce digital exclusion but it should have been noted that no part of the Digital Strategy championed digital as a singular means of accessing a Council service. Our communities would continue to be able to reach us via a means that they felt comfortable using, but they would also ultimately benefit from the efficiencies of digital delivery, regardless of their personal capabilities. Our People and Priorities theme was again, internally focused on how we could improve our digital maturity and support other priorities which were active within the Councils. Empowering our people to champion transformation was a very big cultural shift, but this was the kind of thinking we would need to thrive in the future and could become an integral part of the Council's workforce strategy.

Making better use of our data was also a key initiative as currently both Councils had masses of information which was trapped in legacy systems and could not be used to inform decisions. This was our data and we should have been able to make use of it on a day to day basis, to inform our decisions and support our processes, to focus our limited resources on the things that mattered most.

The initiatives proposed within the Digital Strategy would not deliver themselves and ownership of digital transformation must come from the top. As such, it was recommended that a Digital Transformation Programme should be created to oversee the delivery of the Digital Strategy throughout its lifetime and to ensure that digitalisation projects were executed in an effective and efficient way.

It was strongly recommended that the programme should be supported by a dedicated Project Manager and Business Analyst who could oversee progress and ensure that deliverables were achieved. The cost of these resources were not included in section 4.2 of the report, however they were passed to the Council's finance team for consideration as part of the resourcing requirements for the proposed WDC and SDC merger.
It was suggested that a similar governance structure to that used for the overall Transformation Programme should be adopted for Digital Transformation.

Day to day monitoring of the programme's performance would be the responsibility of the Transformation Steering Group. This group would also take responsibility for approving digital business cases in line with the recently discussed harmonised procurement process for ICT Solutions. Progress would be reported to the Joint Management team and the Joint Advisory Steering Group who in turn would report up to the Joint Cabinet and Overview and Scrutiny Committees. Individual business cases for workplan items would also be reported up to the Committees as appropriate.

It was suggested that a Member-led group should take overall ownership of the Digital Transformation Programme. This was an important consideration as the programme needed to be be given corporate importance and accountability at the highest level, not just within services where there was a risk that progress might stall as other priorities took hold.

As shown in figure 3 in the report, true transformation of the customer experience and our operating models could not be achieved without the buy in of our most senior leaders. As such, Member involvement in shaping and delivering the programme was very important. Councillors were both leaders and corporate ambassadors within their communities and their full support for the digital initiatives was crucial if they were to be accepted, embedded, and succeed.

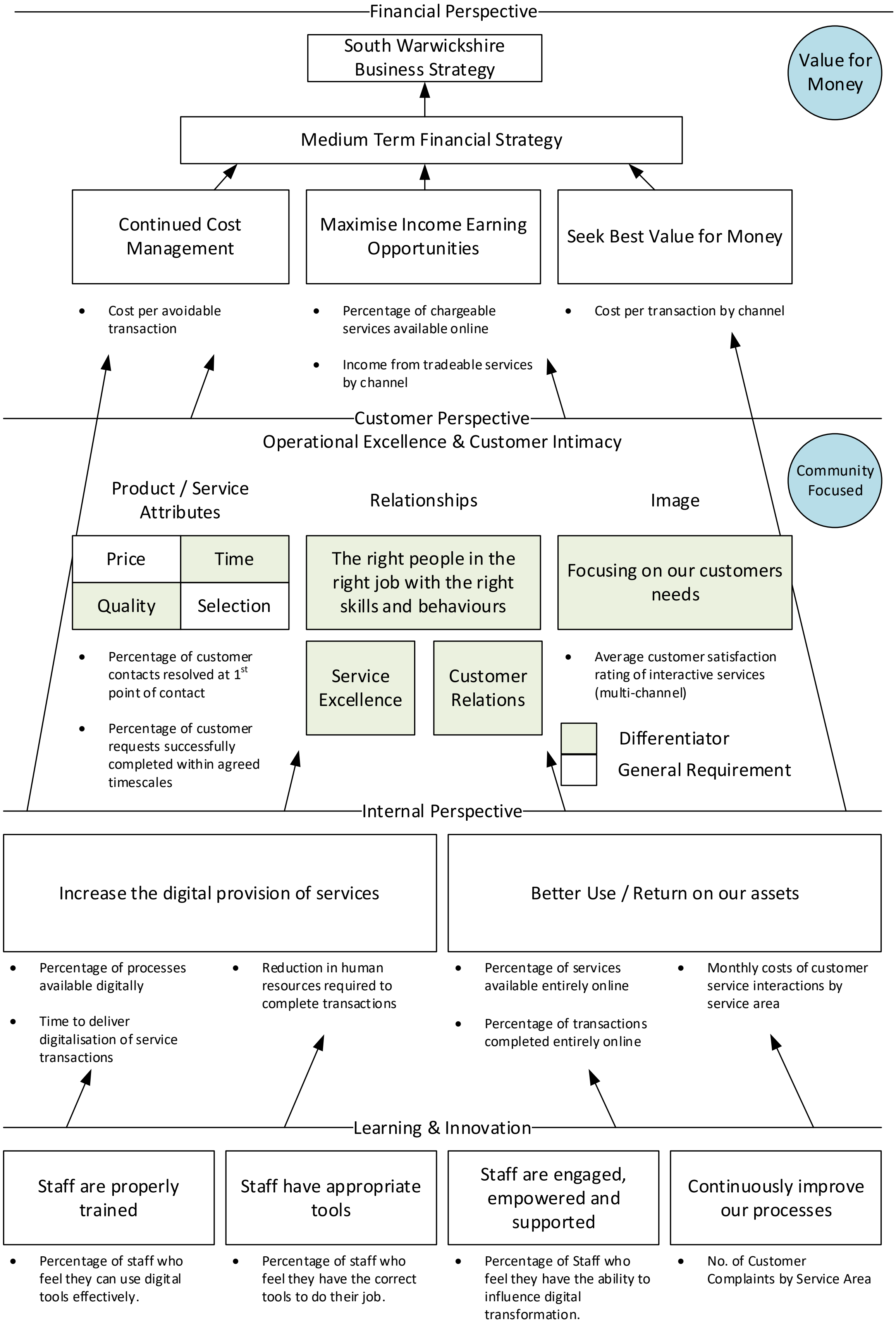

Figure 5 – Strategy Map for Digital Strategy Adoption

Based on Kaplan et al. (2000) this adaptation of the strategy map focused on developing customer intimacy, whilst also becoming operationally excellent.

Kaplan et al. (2000) described how "businesses must increasingly create and deploy intangible assets" and that these assets "have become major sources of competitive advantage".

For a local authority, the notion of competitive advantage was often missed as we do not compete in a traditional sense. However, our lack of commercial competitors did not relieve us of the responsibility to make sure our services re financially sustainable and deliver quality outcomes for South Warwickshire.

Figure five, showed a strategy map which connected the potential outcomes of the Digital Strategy to some of our existing corporate priorities. From this it was easy to see how the value of the Digital Strategy could add to the sustainability of the Councils, from empowering learning and development for staff and improving customer outcomes, through to optimising and reducing costs.

Our competitive advantage had to be efficiency. We might serve a closed market, but like any business if we were not financially sustainable, if we did not deliver the successful outcomes that our customers required, alternatives would be found and as organisations, we would simply cease to exist.

Adopting the Digital Strategy was not a commitment for the authority to simply buy new equipment and adopt whatever technological trend prevails – it was a commitment to taking the fundamental reason why the Councils existed, to serve the communities of South Warwickshire, and using technology to improve how we go about doing that.

It was a fundamental programme of change that would ultimately benefit everyone and exclude no one.

The following details the alternative options which were available to Cabinet:

- *Allow Service Areas to Direct Their Own Digital Journey* - this option was essentially continuing as is without adopting the Digital Strategy. Service areas within the Council would continue to identify digital opportunities as needs develop or as suppliers, market new or improved solutions to them. Some improvements might be made, but ultimately this would be on an unplanned, ad-hoc basis. The functionality of systems would continue to be replicated and no meaningful improvements to efficiency or effectiveness were likely. Given the pressures that each Council faced, the desire to move forward with shared services, the undeniable need for more efficient and effective service delivery and, the limited progress that had already been made by adopting this approach, this was not seen as a viable solution.

- *ICT Lead a Harmonisation Effort* - the adoption of the strategy would be accepted, but ICT would take the leading role in trying to co-ordinate and develop a digital future for the Council.
  Through the work of the Transformation Steering Group, the initiatives of each service area would be centrally co-ordinated, procurement or development of new or improved systems would be

considered and carefully planned for implementation. Resourcing responsibility would rest with each service area and efforts would be made to reduce the number of systems used across the Council with duplicate functionality.

A proposal of this type would go some way to addressing the Council's digital needs, but at best it would deliver limited benefits and at worst, fail all together. This was not because ICT or the Transformation Steering Group lacked the skill or desire to conduct such a programme, but simply because digitalisation initiatives would always be seen as an ICT project. As such, they would always suffer from the same issues as many other ICT lead changes:

- Perception of digitalisation being done *to* a service rather than *with*;
- Lack of service ownership;
- Lack of service engagement;
- Technological window dressing to old processes; and
- Failing to embed changes once ICT move on.

ICT might be able to improve some processes and make some customer interactions more efficient, but ICT lacked the stature to embed real change within the organisation. The best digital transformations had leadership from the very top of an organisation down (figure 3). It was therefore not recommended that ICT alone, led the digitalisation initiatives of WDC and SDC.

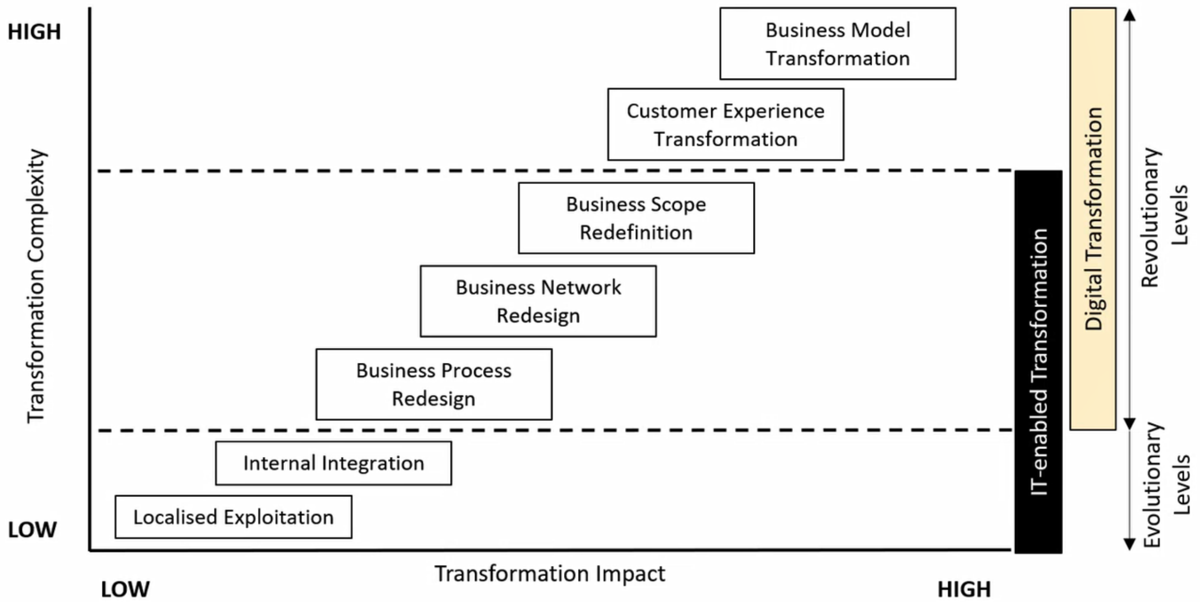

Figure 3 – Positioning Digital Transformation. Ismail et al (2017).

In 2017, work by Ismail et al. attempted to identify the transformation impact of digitalisation initiatives based on how they were led. Relatively simple improvements could easily be achieved by ICT enabled transformation, but truly revolutionary transformation had to be led from the top of the organisation. ICT would simply not be enough to transform customer experience or fundamentally alter how a business operated.

The Overview and Scrutiny Committee noted both the report and the importance to consider residents and businesses with the design as it is taken forward.

It recommended to Cabinet that:

(1) A briefing should be provided to all Councillors because of the wide-ranging impact of the Strategy.

(2) The Overview and Scrutiny Committee should hold a dedicated session on the Digital Strategy to scrutinise the Strategy in more depth and to look at the finer detail.

(3) The lessons learned from the Finance System Project and Member involvement in the project should be incorporated into the work to be done for the Digital Strategy.

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

In response to Members positive comments about the report, Councillor Hales stated that he was happy to take the recommendations on board and echoed Councillor Grainger's comment that a digital strategy was fundamental in interacting with our residents. He then proposed the report as laid out, along with the recommendations from the Overview and Scrutiny Committee.

Resolved that

(1) the Draft Digital Strategy, be approved;

(2) a Digital Transformation Programme to deliver the outcomes identified in the Digital Strategy is initiated;

(3) a governance structure for the Digital Transformation Programme be adopted;

(4) a briefing be provided to all Councillors because of the wide-ranging impact of the Strategy;

(5) the Overview and Scrutiny Committee hold a dedicated session on the Digital Strategy to scrutinise the Strategy in more depth and to look at the finer detail; and

(6) the lessons learned from the Finance System Project and Member involvement in the project be incorporated into the work to be done for the Digital Strategy.

(The Portfolio Holder for this item was Councillor Hales)

86. **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
87,88, 89, 90	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

The minutes of the following items will be detailed within the confidential minutes of the Cabinet

Part 2

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

87. **Costs Associated for the Re-development of Waverley Riding Stables, Cubbington**

The Cabinet considered a confidential report from Housing Services.

The recommendations in the report were approved.

88. **Confidential Appendices to Item 7 – HRA Business Plan**

The Cabinet noted the confidential appendices.

89. **Confidential Appendices to Item 10 – Outdoor Sports Review – Proposed Revised Delivery Models for Council Owned Facilities**

The Cabinet noted the confidential appendices.

90. **Minutes**

The confidential minutes of the meeting held on 4 November were taken as read and signed by the Chairman as a correct record.

(The meeting ended at 8.34pm)

CHAIRMAN

10 February 2022