Cabinet

Excerpt from the minutes of the Cabinet meeting held on Thursday 9 February 2023 in the Town Hall, Royal Leamington Spa at 4.00pm.

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

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

78. **Apologies for Absence**

There were no apologies for absence.

79. **Declarations of Interest**

Minute Number 82 – Local Council Tax Reduction Scheme

Councillor Matecki declared an interest because he was a Warwickshire County Councillor and he left the room whilst this item was discussed.

80. **Minutes**

The minutes of the meeting held on 7 December 2022 were taken as read and signed by the Chairman as a correct record.

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

81. **Election of Chairman and Vice-Chairman of the Council 2023/24**

In accordance with Procedure Rules, Councillor Syson was nominated to be elected as the Chairman and Councillor Margrave was nominated to be elected as the Vice-Chairman of the Council for 2023/24.

The Cabinet, therefore

Recommended to Council on 17 May 2023 that

(1) Councillor Syson be elected as the Chairman of the Council for 2023/24; and

(2) Councillor Margrave be elected as the Vice-Chairman of the Council for 2023/24.

(The Portfolio Holder for this item was Councillor Day)
Forward Plan Reference 1,342

(Councillor Matecki left the room.)

82. **Local Council Tax Reduction Scheme**

The Cabinet considered a report from Customer and Digital Services asking it to decide whether to increase the maximum reduction payable under the Local Council Tax Reduction Scheme from 85% to 100% as a result of the cost of living crisis.

The District Council was responsible for determining its own Council Tax Reduction scheme. The scheme provided a reduction in Council Tax for liable persons who were on a low income. Under the current scheme, all working age claimants had to contribute at least 15% towards their Council Tax.

Since 2013, each local authority had been responsible for determining its own Local Council Tax Reduction scheme to assist residents who were on a low income to meet the costs of their Council Tax liability. Prior to 2013, the scheme was a national scheme with legislation set by Central Government. Prescribed legislation remained in place for low-income pensioners and therefore this proposal only affected working age claimants.

In 2014, the Warwick District Council working age scheme was amended so that the maximum reduction a liable person could receive was 92.5% and this was reduced further in 2015 to 85%. The proposal to increase the maximum reduction a working age claimant could receive was being proposed as a direct response to the current cost of living crisis.

Claimants who received Local Council Tax Reduction were amongst the most vulnerable people across the District, not only because they were on the lowest incomes, but many of them also had other vulnerabilities such as disabilities or caring responsibilities, which restricted their ability to increase their income. The current cost of living crisis was therefore placing these people further into poverty.

The table at section 1.4 in the report showed the minimum contribution a working age liable person who was in receipt of a reduction, currently needed to pay per annum towards their Council Tax and therefore if the proposal was agreed, was the amount a household would save.

In terms of alternative options, the Council could decide to continue to ask residents in receipt of a Reduction to contribute at least 15% towards their Council Tax bill, but the purpose of the change was to assist residents during the cost-of-living crisis and therefore no other option had been recommended.

The Budget Review Group supported the recommendations in the report, in doing so recognising the administration burden for the Council of chasing the demand for any percentage of Council Tax to be paid against the balance of lost income.

The Group encouraged the Cabinet to ensure the message on eligibility would be communicated clearly and simply to all residents and targeted to those who the Council considered might be eligible.

The Group welcomed the assurance from the Portfolio Holder to provide, to District Councillors, a one-page eligibility sheet so they could help direct/filter enquiries.

The Group highlighted that any communication that was to be issued should highlight the process for making a claim, including an in-person option.

The Group requested that all Members should be provided a breakdown of the number of properties within each Council Tax Band to supplement the Table as set out in 1.4 in the report.

In response to a question from Councillor Boad, the Deputy Chief Executive and Monitoring Officer advised that the reduction would be automatic for those currently in receipt of benefit, and new applicants would be entitled to the enhanced reduction.

Councillors Hales and Tracey praised officers for the work that they put into the report, with it being a further demonstration of the Council's support of the most vulnerable residents during uncertain times. Councillor Tracey noted the comments from the Budget Review Group regarding communication to all residents who were eligible. He then proposed the report as laid out.

Recommended to Council that the maximum Local Council Tax Reduction payable be increased from 85% to 100% for working age claimants.

(The Portfolio Holder for this item was Councillor Tracey)
Forward Plan Reference 1,346

(Councillor Matecki re-joined the meeting.)

83. **Council Tax Support Fund**

The Cabinet considered a report from Finance which provided a recommendation on how to administer the Council Tax Support Fund, a new scheme created by the Government, to enable financial support the most vulnerable.

The Government was funding an additional £100million to support the most vulnerable households. The funding would allow Councils to deliver additional support to households already receiving Local Council Tax Reduction (LCTR), whilst also providing the flexibility to determine the local approaches to support the most vulnerable households in their area. Warwick District Council had been allocated £191,494 for this scheme. The guidance stated that an award of up to £25 should be given to any LCTR recipient that had a Council Tax liability to pay, for example - if a customer had a liability of £100 to pay, this would be reduced to £75, whereas if a customer only had £10, this would be reduced to nil.

For the proportion of the allocation that was not used in the above, Councils needed to establish their own local approach to helping vulnerable households with Council Tax bills.

The Government had stated there should be no need for LCTR recipients to make a claim for this support, it should be assessed and automatically applied by the local authority. This should have been in place to be reflected in the 2023/24 Council Tax bills which would be raised and issued in early March.

For Warwick District Council to award the remainder of its allocation to the most vulnerable residents and without creating complicated discretionary schemes or application processes and causing unnecessary additional work, the following two options were proposed. The reason there were two options was because officers were consulting on increasing the LCTR scheme to award up to 100% for several working age claimants. If this decision was agreed by Council on 27 February, the implementation of this increase would heavily reduce the number of claimants that had a Council Tax liability to pay. This would be an addition to the Council's response to the Cost-of-Living crisis.

Option 1 (maximum LCTR for working age claimants did not increase to 100% and stayed at 85%). The Council granted every LCTR recipient with a Council Tax liability to pay an award of up to £25 (dependant on their liability amount).

	Number of eligible claimants	**Total amount of CT Support payments**
Working Age	4,606	£115,150
Pensioners	1,040	£26,000
Total		£141,150

This would leave £50,344, allowing up to £25 to be awarded to every new LCTR recipient, with a Council Tax liability to pay, throughout 2023/24, but as this would allow for over 2,000 claimants, this might leave monies unspent by the end of the year.

Option 2 (maximum CTR for working age claimants did increase to 100%). The Council grants every CTR recipient with a Council Tax liability to pay an award of up to £75 (dependant on their liability amount).

	No. of eligible claimants	**Total amount of CT Support payments**
Working Age	1,400	£105,000
Pensioners	965	£72,375
Total		£177,375

This would leave £14,119, allowing up to £75 to be awarded to every new CTR recipient, with a Council Tax liability to pay throughout 2023/24, until the funding was exhausted. This would allow for around 188 further claimants to receive the award, but as the new 100% scheme would be in place, it was expected that the number with a Council Tax liability would be substantially reduced.

In terms of alternative options, there was not an alternative to awarding these funds to vulnerable residents, however, the alternative to this proposal would be to award the minimum of £25 to those on LCTR and create a discretionary scheme with an application and verification process for the remaining funds.

The Budget Review Group supported the recommendations in the report.

Councillor Hales proposed the report as laid out, based on Option 2 as set out above.

Recommended to Council that the Council Tax Support Fund be awarded to those residents in receipt of Local Council Tax Reduction, in support of the decision by Council on revision to that Scheme, based on Option 2 as set out above.

(The Portfolio Holders for this item was Councillors Hales & Tracey)

84. **General Fund Revenue and Capital Budget**

The Cabinet considered a report from Finance which informed Members on the Council's General Fund financial position, bringing together the latest and original Budgets for 2022/23 and 2023/24 respectively, plus the Medium-Term Forecasts until 2026/27. It would be presented to Council alongside a separate report recommending the overall 2023/24 Council Tax Charges for Warwick District Council.

The report presented a balanced budget for 2023/24, which the Council had been able to achieve without having to reduce the services it provided but with a heavy reliance on reserves. The Council continued to use New Homes Bonus and other non-recurrent funding provided as part of the Finance Settlement to support additional activity and replenishing reserve balances, and not to support core revenue spending.

No increase was proposed for Council Tax for 2023/24, which would erode the tax base of the Council into the future.

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

It was prudent to consider the medium-term rather than just the next financial year, taking into account the longer-term implications of decisions in respect of 2023/24. Hence, Members received a five-year Medium Term Financial Strategy (MTFS) detailing the Council's financial plans, Capital Programme and Reserves Schedule.

The Local Government Act 2004, Section 3, stated that the Council had to set an authorised borrowing limit. The CIPFA Code for Capital Finance in Local Authorities stated the Council should annually approve Prudential Indicators. These would be included in the Annual Treasury Management Strategy report to Cabinet and Council in March 2023.

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

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

The current year revenue budget was last considered by Cabinet in December 2022 at part of the Q2 Budget Review report. At that time, a £482,000 adverse position was forecast for the year, which was to be partly driven by non-ring-fenced Government grants.

Throughout 2022/23, expenditure/income had been reviewed against budgets, with this helping to inform the Budget Process. Part of this process was to review the current year's budgets to ensure that they were up to date and relevant to the needs and requirements of the service areas. Budgets had been reviewed throughout the year on a regular basis, and more formally through the Quarterly Budget Review reports presented to Members in September and December.

The Quarter 2 report presented a deficit position of £482,000 with the breakdown as follows:

2022-23		
Service (General Fund)	**Variation Description**	**Forecast Full Year Variation £'000**
Employee Costs	Staffing	£500 F
	Pay Award (funded by Vacancy budget) including member allowances	-
Neighbourhood & Assets	Delays to PPM works	-
	Utility Charges – Electricity	£250 A
	Previous waste contract income	£200 F
	Green Waste Permits	£486 F
Place, Arts & Economy	Arts activity increased	-
	Leisure Concession	£200 A
	Planning Income	-
Housing Services	B&B Accommodation	-
Customer & Digital Services	Benefits subsidy and payments	£396 A
Strategic Leadership	Warwickshire Place Partnership (Health & Wellbeing)	-
	De-Carbonisation Grant	-
	Members Allowance	£40 A
	Contingency Budget	-
	Crewe Lane LLP Interest	£62 A
	Removal of EMR	£500 F
	Budget Savings proposals linked to merger	£512 A
	Budget saving proposal – digital transformation	£208 A
	Budget Savings in-year underspend	£500 A
TOTAL		**£482 A**

However, there had been one further notable change that had impacted on the financial position for the current year, outlined as part of the forecast review alongside the budget setting process:

Expenditure Growth / Income Reductions

- Business Rate retention forecast reduced based on latest projections provided locally and through the Business rate pool (all Warwickshire Councils and Coventry were part of the local pool) (+£609k).

As a result of the changes summarised above, a deficit of £1.290m was forecast for 2022/23.

While section 10.10 in the report highlighted the controls and mitigations in place to reduce budgetary risk, it had been clear that significant factors, both locally to the Council and nationally due to the significantly different economic conditions the Council operated in, had led to unexpected and, in recent times, unprecedented financial challenges. Where savings and efficiencies had been made, these had in some instances been negated by increased costs across many services.

It was essential that officers and Members continued to support and deliver further proposals in order to address the financial challenges facing the Council, to ensure that the Council could continue to deliver high levels of service within its ongoing financial baseline.

In preparing the 2023/24 Base Budget, the over-riding principle was to budget for the continuation of services at the existing level. The following adjustments needed to be made to the 2022/23 Original Budget:

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

Core inflation of 4% had been included in the proposed 2023/24 Budget. The exceptions to this were the Waste Contract (subject to annual review in July); the Cleaning contract and the Business Rates.

The following unavoidable growth had been included in the Budget:

- a 4% staffing pay increase had been factored in for 2023/24, subject to pay negotiations (+£709k);
- increase in finance charges, including the interest paid on PWLB borrowing to support approved schemes including the contribution to the establishment of the Materials Recycling Facility in Coventry, and the purchase of vehicles as part of the new waste collection service (+£543k), and an increase to the Minimum Revenue Provision (MRP) allocation (+£384k); and
- increased cost of utilities due to the rise in wholesale prices, as outlined in the Q2 budget report in December (+£530k).

As part of agreeing the 2022/23 Budget last year, a series of Budget savings were included. These had continued to be monitored throughout the year and reported to Members as necessary.

The 2023/24 budget showed a deficit of £3.624m. The key drivers of the 2023/24 forecast deficit, compared to when the MTFS was last presented to Members in the December 2022 Q2 Budget report, included:

- freeze to Council Tax (previously set at a £5 increase for 2023/24);
- recruitment, Retention and Renumeration recommendation; and
- increase in contingency provision for inflation, major contracts and ad- hoc developments in-year.

Offset by:

- increase to vacancy factor following Recruitment, Retention and Remuneration review; and
- business rates increase due to delay in baseline reset.

To present a balanced budget, it was proposed to use the Business Rates Retention Volatility Reserve.

Appendix 2b to the report included details of the breakdown of the Budget over the Council's individual services.

The Chancellor announced the 2022 Autumn Statement on 17 November, which was followed by the Provisional Local Government Finance Settlement on 19 December.

The recent announcements and provisional settlement were once again a holding position, designed to offer some stability based on a uniform roll-over of the core elements of the settlement. However, this was the second year in succession that the Government had only provided local authorities with a single-year settlement. The hoped-for multi-year settlement had again not been forthcoming, which continued to make financial planning very difficult for local authorities. The settlement was due to be confirmed by the Government in February 2023, ahead of local authorities confirming their budgets for 2023/24.

The Council tax principles of the Finance Settlement were set out in section 1.6 of the report.

The multiplier used to calculate Business Rates income would be frozen for 2023/24. However, the Government would compensate Councils fully for the loss of income resulting from this decision at CPI of 10.1%.

The Services Grant introduced in 2022/23 would be retained in 2023/24, but reduced to account for the reversal of the increase to National Insurance Contributions from November 2022. £133,900 has been awarded.

For some years, the future of New Homes Bonus (NHB) had been subject to review, adding to uncertainty to its continuation. However, as part of the stability, this had included NHB allocations for 2023/24 of £1.078m. There were no legacy payments attached to these new allocations.

In addition, to bridge the gap and to ensure that all Councils saw a minimum 3% increase in their core spending power (before taking into consideration any local decisions on Council Tax), a further one-off Funding Guarantee allocation of £1.846m would be received.

The Council would continue to use NHB and now the Funding Guarantee to fund one-off items, or to support reserves. This was in view of the uncertainty over future allocations, so it had been prudent not to use this funding to support core revenue expenditure, with this revenue only factored into the Medium-Term Financial Strategy once it had been agreed for each year. The proposal for their use was outlined in section 1.11 in the report and Appendix 10 to the report.

Funding reforms and changes in funding distribution, including the Fair Funding Review and Business Rates baseline reset, would not be implemented until after the General Election, and therefore 2025/26 at the earliest.

Under the current Business Rate Retention scheme, 50% of rates collected were retained within local government, with a series of tariffs and top-ups to redistribute the revenue between local authorities to reflect the individual needs of authorities, and to distribute revenue to non-billing authorities. For some years, the Government had been planning a move to a 75% scheme to give local authorities more incentive to encourage local businesses on the basis that the local Councils would get to retain a greater proportion of the tax revenue.

The other planned change to the Business Rate Retention system was for there to be a "Re-set" of the Baselines. Under the system, each authority had a Baseline, and got to retain a proportion of the additional tax revenues above this. Authorities such as Warwick had benefitted from this since the scheme began and operated well above Baseline. If there was a re-set to the Baseline, this would reduce the business rates that the Council retained substantially. For the fourth consecutive year. the re-set had been delayed, with it now expected to be from 2025/26 at the earliest, with this year being the first following the next expected General Election. Therefore, any delay in changing the baselines was seen to be of benefit to the Council. However, the MTFS did account for a steep decrease in the Council's forecast Business Rate income from 2025/26, where it was expected that District Councils would be impacted the most from any change.

The Business Rate Retention scheme was very complex, with many components and parameters which drove the funding, and the timing of that funding, that Councils received. The Council's Business Rate Retention projections were based on figures provided by Local Government Futures, a specialist consultancy that many local authorities subscribed to. This information was supplemented with local knowledge from being part of a Business Rates Pool with other Councils across Coventry and Warwickshire.

Given the large fluctuations in the business rates, and the difficulty in projecting the revenue, it was important that the Council continued to retain a "Volatility Reserve". Any increased business rate income received in the year was allocated to the reserve, whilst any shortfall should have been funded from the reserve. The balance on the reserve had been subject to review, and it was proposed that a maximum balance of £10m should be retained in anticipation of the adverse changes expected from 2025/26.

As part of the Finance Settlement, the Government had confirmed that for District Councils, their element of Council Tax could increase by the higher of 2.99% or £5 for 2023/24. As 2.99% was higher than £5 for this Council, this was the maximum increase in Council Tax for 2023/24, that was allowed for. Any increase above this level would be required to be ratified by a local referendum.

Increasing the Council Tax by the maximum would protect the Council's tax base and maximise Council Tax revenue. If the Council agreed a lesser increase than 2.99% (or no increase), this would erode the tax revenue of Warwick District Council from 2023/24 in perpetuity. A 2.99% increase would generate an additional £305,000 in 2023/24. If Council Tax was not increased, the Council's revenue income for all future years would be suppressed by at least this amount. With the Council having to find further revenue savings in future years, the savings to be found would be that much greater. If savings in service provision were not found, it would be necessary to make reductions in services to enable the Council to be able to agree a balanced Budget in future years.

The Tax Base for 2023/24 had now been agreed at 57,670 Band D dwellings, representing an increase of 670 from what had been allowed for within the Council's 2022/23 Medium Term Financial Strategy. The increase reflected the number of new properties across the District now coming forward, while also taking into consideration the impact on the changes to the Local Council Tax Reduction Scheme (as covered within the LCTRS report which came alongside this report on the Cabinet agenda – Minute Number 82).

The 2022/23 estimated Council Tax balance in respect of Council Tax income for the current year had recently been reviewed. This gave a total estimated surplus balance of £201,500 as of 31 March 2023 (including the final year of the 2020/21 deficit that was spread over three years). This balance had to be shared with the major preceptors in 2023/24, with Warwick District Council's element being £19,000. This surplus balance again reflected the additional growth in properties across the District during the current year, and how the current year estimated tax base of 12 months ago had been exceeded. Estimating the tax base was invariably very difficult, and frequently resulted in a deficit or surplus balance which would need to be financed subsequently.

The Medium-Term Financial Strategy included Council Tax increases for future years of 2.99% per annum from 2024/25. Any departure from this would need to increase the savings which needed to be agreed.

Notwithstanding the financial implications detailed above, given the cost-of-living pressures that local residents were experiencing and the comparatively healthy position of Council reserves, the recommendation within the report was for the District Council's element of Council Tax for 2023/24 to remain at the 2022/23 levels (which were also set at 2021/22 levels). On this basis, the 2023/24 Council Tax for each band would be as follows:

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

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

For some years, the future of New Homes Bonus (NHB) had been subject to review, adding to uncertainty to its continuation.

It was expected that NHB payments would end in 2022/23. However, due to the 'holding' nature of the Finance Settlement, NHB allocations had once again been included, with £1.078m to be received in 2023/24. There were no legacy payments attached to these new allocations.

In addition, to bridge the gap and to ensure that all Councils saw a minimum 3% increase in their core spending power (before taking into consideration any local decisions on Council Tax), a further one-off funding guarantee allocation of £1.846m would be received.

The Council would continue to use NHB and now the Funding Guarantee to fund one-off items, or to support reserves. This was in view of the uncertainty over future allocations, so it had been prudent not to use this funding to support core revenue expenditure, with this revenue only factored into the Medium-Term Financial Strategy once it had been agreed for each year. The proposal for their use was outlined in section 1.11 in the report and Appendix 10 to the report.

The MTFS was last formally reported to Members in December as part of the Q2 Budget report, with the profile for future years being as follows:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus (-) future years	1,290	3,528	4,334	2,476	1,525	1,501
Change on previous year		2,238	806	-1,858	-951	-24

Once the changes outlined for 2022/23 and 2023/24 through the Budget Setting process had been incorporated into the Strategy, the position of the MTFS was as follows.

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus(-) future years	482	2,558	3,012	2,688	2,545
Change on previous year	0	2,076	454	-324	-143

Section 1.11.3 in the report proposed how the deficit would be covered through the use of reserves. The below table showed the MTFS once this had been actioned:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus (-) future years	0	0	4,334	2,476	1,525	1,501
Change on previous year		0	4,434	-1,858	-951	-24

New initiatives would need to be agreed over the next year to enable savings or additional income to be generated so as to remove the forecast £4.334m deficit in 2024/25. By using the Business Rate Retention Volatility Reserve (BRRVR) over the last few years, the Council had given itself some time to get new initiatives in place. However, it now needed to develop strategies above those already agreed for balancing its budget over the medium to long term to create a sustainable platform to deliver services. This was covered in greater detail within the separate Organisational Change report on the same agenda – Minute Number 90.

The Council had already started realising ways to improve returns from its investments, in particular through the Local Housing Company, which would also have social benefits as well as economic to both the District and the Council. This would be discussed in greater detail as part of the updated Treasury Management Strategy, which would be presented to Cabinet in March 2023.

Members had previously agreed that £1.5m should be the minimum level for the core General Fund Balance. This balance supported the Council for future unforeseen demands upon its resources. In order to consider a reasonable level of general reserves, a risk assessment had been completed and attached at Appendix 4 to the report. This showed the requirement for maintaining this minimum balance to mitigate against the risks that had been identified, where other funding was not available.

The unallocated General Fund Balance was currently forecast to be £2.651m, this being above the minimum level of £1.5m. The use of this excess balance was considered in section 1.11 in the report.

The Business Rate Retention Volatility Reserve (BRRVR) had been used over the duration of the MTFS to help smooth the savings needed to be secured, with the shortfall being across the period 2022/23 to 2023/24. Due to increases in the balance on this reserve, additional non-recurrent activity had also been outlined to be supported using this funding. Business rates were discussed in section 1.5 of the report, including the expected changes to Business Rate Retention which had been delayed over the last few years. With the result of the expected changes in mind, the balance of this reserve should not be allowed to go below a level of £10m.

Delegated authority was requested to enable drawdown from the Equipment Renewal Reserve within the agreed schedule (Appendix 7 to the report). Any further requests or requests above the agreed schedule would require Member approval.

The full reserve projections were included within Appendix 5 to the report, alongside an explanation for each reserve. Some of the reserves would have additional commitments not reflected in the schedule, which would reduce the projected balances. It was also noted that some reserves were potentially over-committed, which would either require further funds being allocated in a future year, or a reduction in funded activity.

In accordance with the Council's Code of Financial Practice, all new and future capital schemes needed to be in line with the Council's corporate priorities, including its capital strategy. A report supported by the necessary Business Case would be prepared for review and approval by Cabinet, identifying the means of funding and, where appropriate, demonstrating an options appraisal exercise had been carried out. Should there be any additional revenue costs arising from schemes, the proposed means of financing such would also need to be included in the Report and Business Plan.

The Capital Programme had been updated throughout the year as new and amended projects had been approved. Appendix 9 to the report, consisting of five parts, detailed both the General Fund and Housing Investment Programme (HIP) Capital programmes, along with their associated funding. Appendix 8 to the report detailed the variations to the capital programme as new schemes had been approved and projects had been updated.

Within the MTFS, no funding had been allowed for Rural and Urban Initiatives from 2023/24 as part of the savings agreed in December 2020. While the scheme would continue in 2023/24, to be funded using the New Homes Bonus and Funding Guarantee, if the scheme was to continue beyond 2023/24, additional funding would need to be found as part of future budget setting proposals.

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

The HIP and associated funding were included within Appendices 9 parts 2 and 4 to the report. Additional borrowing was the primary source of funding for new construction and acquisition projects. The HIP would be reviewed further as part of the HRA Business Plan report in March.

Appendix 9 to the report, Part 5, showed the General Fund unallocated capital resources. These totalled £2.179m in 2022/23. The Capital Investment Reserve represented the largest share of this at just under £1.5m, for which the Council had agreed the minimum balance should be £1m. Whilst the Council did hold other reserves to fund capital projects, it should have been noted that these were limited and had been reserved for specific purposes. In addition to the resources shown here, "Any Purposes Capital Receipts" were projected to total £9.444m as of 31 March 2023.

The Council did have some balances and funding which it was able to use to fund specific projects and service demands. The sums available could be used to fund 'one-off' items only. Any initiatives that would result in a recurring cost to the Council needed to be accommodated within the revenue budget.

In terms of the General Fund Deficit 2023/23, for the current year, the Council was forecasting a deficit of £1.290m for the various reasons outlined. Conversely, 2023/24 was presenting a significant deficit of £3.528m. It was proposed that funding from the Business Rates Retention Volatility Reserve was used to cover the 2023/24 deficit.

The Council's policy was for the General Fund Reserve Balance to be maintained at a minimum level of £1.5m. As of 31 March 2022, the unallocated balance was £2.651m. It was proposed that £1m of this balance would be allocated to support the proposals outlined in section 1.11.6 in the report.

The Service Transformation Reserve was to be used to support one-off costs associated with the Office Relocation project. As of 31 March 2022, the unallocated balance was £1.4m.

As outlined in section 1.7 of the report, the Council would receive £2.924m in 2023/24 as part of the Local Finance Settlement, made up of

New Homes Bonus (£1.078m) and a Funding Guarantee payment (£1.846m).

The table below outlined how the New Homes Bonus, Funding Guarantee and reserves identified at levels above agreed minimum balances were to be used to support one-off activity, with the full programme to 2026/27 outlined in Appendix 10 to the report.

Activity	**New 22/23 £'000**	**Award 23/24 £'000**
Lord Leyster Hospital – underwriting of HLF award match funding		40
St Mary's tower		50
Barford Youth and Community Centre		250
Packmores Community Centre plus land		25
Womens Cycle Tour		30
Kings Coronation		25
Demolition of Covent Garden MSCP		1,000
Abbey Fields Cycle Track		160
Office relocation One-off costs	98	307
Play areas disabled improvements		100
Voluntary/Community Sector Commissioning		249
Rural and Capital Initiatives Grants		100
Community Forums		35
Trees for the Future planting programme		400
Community Projects Reserve top-up		500
ICT Reserve top-up		1000
Corporate Asset Reserve top-up		2,500
Total	**98**	**6,771**
Funded by		
New Homes Bonus 23/24		1,078
Funding Guarantee 23/24		1,846
Services Transformation Reserve	98	347
Business Rate Retention Volatility Reserve		2,500
General fund Reserve		1,000

* Indicates further funding would need to be allocated for future years as part of 2024/25 Budget process.

As of 31 March 2022, the Council held £8.444m in useable Right to Buy Capital Receipts. This balance was projected to increase by £1m in 2022/23 to give an anticipated balance as of 31 March 2023 of £9.444m. 7.897m of this balance had been agreed to be used towards a number of projects, with £7.441m of this to be used towards the Kenilworth Leisure Centre projects at Abbey Fields and Castle Farm.

The proposed PPM budget would enable the Council to proactively maintain all existing corporate assets (i.e., all assets owned by the Council other than its Housing Revenue Account homes, shops, garages and land) in a suitable condition unless or until any future decisions were made in respect of individual assets through a Corporate Asset Management Strategy.

The proposed budget allocation for 2023/24 was based on a review of the current PPM data by officers within the Assets Team, in consultation with building managers from other services which held or operated specific assets. The Proposed Corporate Property & Planned Preventative Maintenance (PPM) Programme works 2022/23 was set out at Appendix 11 to the report.

For 2023/24, the total PPM budget was £4.228m. This would be funded using £413,000 from the Annual Revenue PPM budget and a £3,814,600 drawdown from the Corporate Assets Reserve. This was expected to leave a £258,800 balance as of 31 March 2024. The schedule also outlined expected allocations across the period of the MTFS, and the necessary funding requirements, including how further funding of £149,000 would be required in 2024/25 to deliver the full programme of works. Further detail on the PPM schedule and funding was set out in Appendix 11 to the report.

The Returning Officer was now required to provide a pension scheme for all persons employed to work on elections to join if from their earnings on elections they met either (a) the threshold of £10,000 per annum or (b) wished to join but earned over £6,240. From experience of election fees, only a minimal number of people automatically entitled (but who could still opt out) would be less than five and those meeting the threshold of (b) and wishing to join would be very low. From knowledge and experience from other authorities, it was likely that less than five people would opt to be in the scheme. This would set the costs involved but at present it was anticipated it would be met within exiting budgets, based on low take up.

The Cabinet was aware that normally, the Returning Officer had over 700 employees to work at elections, however, it was anticipated less than 10 of these would qualify or wish to take up the pension unless there were multiple elections within the same year. The greater burden to the Council would be officer time handling initial questions about what this meant for the employee.

The Council’s Code of procurement Practice required a competitive process for all contract-spend above £25,000. It was not clear on the total costs for this scheme as it would depend on the uptake, but as the category of spend was for a Government Employee Pension Schemes (CPV 75320000) which fell under the Light Touch Regime within the Public Contract Regulations 2015 (PCR2015), with a threshold of £663,540, the Council could award a contract without undertaking a formal competition should evaluation of the market suggest an economically advantageous suitable supplier as long as the Council’s the decision making process was fair, open and transparent. As such, it was lawful for the Council to choose to direct award this contract, although an exemption from the Council’s own Code of Procurement Practice was still required.

As part of the quarterly budget reports to Members, it had been reported that the Council was facing recruitment and retention challenges within most service areas, with high levels of staff turnover followed by difficulties in attracting applicants with the required skills. This was putting pressure on some service areas, running the risk of impacting on service delivery, as well as the health and wellbeing of those staff managing the workload expected to be covered by a larger establishment.

It was stated that the challenges faced were subject to review, and that work was ongoing on how this was to be tackled going forward.

As part of this review, renumeration had been considered in more detail, including a comprehensive benchmarking exercise. Officers had considered options and the budgetary impact on the Council, as well as striving to be equitable and fair to all.

For 2023/24, outside of the national pay negotiations, it was proposed to increase all staff salaries by one increment. For 2024/25, outside of the national pay negotiations, it was proposed to increase all staff salaries by one further increment. This local remuneration initiative would not impact on the national inflationary rises which would be applied following national negotiations.

Further measures were subject to review during 2023/24 to provide targeted support to service areas facing specific staffing challenges. However, the current proposal aimed to address the ongoing erosion of salaries in local government, and specific to WDC, help address where the organisation sat following benchmarking work taking place.

It was expected that this package could be funded in 2023/24 through savings made because of the under-establishment of services. However, with the proposals expected to mitigate and reduce the levels of vacancy within the organisation going forward, this would need to be funded as part of the baseline 2024/25 budget position.

In the Levelling Up and Regeneration Bill as introduced in the House of Commons on 11 May 2022, there was a section relating to Council Tax and changes in the way that Local Authorities (LAs) could apply the Long-Term Empty Property Premium and the opportunity to introduce a premium for furnished second homes. These would come into force from 01/04/2024.

The first change which should have been confirmed and added to the Local Government Finance Act 1992 later in 2023, allowing LAs to amend how they charged the empty property premium. Currently at Warwick District Council, this was applied at an additional 100% for properties empty over two years, 200% for those empty over five years and 300% for those empty over 10 years. The proposal in this bill was to allow LAs to charge the additional 100% after a property had been empty for one year instead of two; the other bands did not change.

The second change was that LAs would be able to charge up to an additional 100% premium on all furnished second homes in the District. These were essentially homes not occupied but kept furnished as ‘second homes’ by their owners, not rented out, just used by the owners as holiday homes etc.

The recommendation was that Warwick District Council would adopt these new measures, which would come into force from 1 April 2024. This was factored into the updated MTFS and was expected to increase the Council tax received by Warwick District Council as the collecting authority by a forecast £1.31m, which would be distributed amongst the preceptors in the normal way. If implemented, this would equate to a forecast £156,000 per annum from the 2024/25 financial year.

In terms of alternative options, Council did not have an alternative to setting a Budget for the forthcoming year. Members could, however, decide to amend the way in which the budget was broken down or not to amend the current year's Budget. However, the proposed latest 2022/23 and 2023/24 budgets sought to reflect the decisions made by Members and make appropriate recommendations. Any changes to the proposed budgets would need to be fully considered to ensure all implications (financial or otherwise) were addressed. If any Member was considering suggesting changes to the proposed Budget, these proposals should be discussed (in confidence) with the Head of Finance beforehand, to ensure all implications were considered, including funding. If appropriate, alternate Budget papers could be prepared for consideration by Council.

As discussed in section 1.6 in the report, the Council did have the ability to increase its share of Council Tax by up to £5 at Band D for 2022/23. This level of increase had been included in the Medium-Term Financial Strategy from 2023/24. If the Council was to increase Council Tax by £5 in 2023/24, this would generate an additional £305k, which would help to protect the Council's future revenue base. Given the significant level of new savings to be found in future years (in addition to the previously agreed savings, many of which had yet to materialise), this potential additional income from a Council Tax increase would significantly contribute to making the Council's finances more resilient on a recurring basis into the future.

By taking the decision to freeze Council tax for a second year in succession, around £3m would be lost from the core spending power of the Council in only the five years that the MTFS covered. Given the MTFS position presented in section 1.8.2 in the report, the Council, while still likely to have needed to use reserves over the period 2022/23-2024/25, the amount of reserve funding required to balance the budget would have been significantly reduced. The MTFS were there to have been no freezes in the last two years was presented below.

	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Deficit-Savings Req(+)/Surplus (-) future years	1,008	2,926	3,702	1,824	853	823
Change to recommended position based on tax freeze	-282	-602	-632	-652	-672	-678

The Budget Review Group did not take a formal view on supporting or not the budget proposals.

The Group raised a number of points that the Cabinet and Council should take into consideration when finalising the budget and Council Tax setting for the 2023/24 financial year:

- The Council only had sufficient reserves for about two years (23/24 and 24/25) to sustain projected deficit of £3.5million.
- The change management strategy, from 24/25 onwards, was a key with proposing a positive budget effect of £1.5million recurring reducing the demand on Council reserves.
- Not increasing Council tax had a net adverse effect on the budget of just under £300,000 per annum for the Council.
- Assumptions were made in the budgeting on a lower anticipated number of new homes and inflation based on OBR, Government and advisors.
- Budget assumed no government funding in 24/25 but the Chancellor had indicated (with no detail or figures) this would not be the case.
- CEAP reserve of £500k per annum had not been increased to allow for inflation and would be used to fund £70k work on Biodiversity (as set on Cabinet agenda).
- There were no further news on the business rate retention reset proposal.

The Group noted that:

- Further details of the proposed £160k for Abbey Fields Cycle route would be shared with all Councillors.
- There was an error on the totalling in Appendix 5b and a revised one would be circulated to all Councillors.
- Officers would share the split of right to buy receipts between the one to one budget and any purpose capital budget.
  Officers would share with all Councillors the assumptions & calculations that lead to the MTFS forecasts.

  The Leader advised that there was no intention of making staff redundant, or reducing or cutting services in the budget. The proposals were reflective of a change in employment environment, with a number of positions that were not filled and the impact of technology and moving headquarters. He also reassured Members that the Council did not want staff to feel uncertain about their employment.

  Councillor Hales congratulated the Head of Finance and his team for their hard work in producing the budget. In response to a question from Councillor Mangat regarding including a provision within the budget towards Foodbanks, he was happy with the suggestion and would discuss with the Head of Finance with this regard. He then proposed the report as laid out.

Recommended to Council that

(1) the proposed changes to the 2022/23 budget as detailed in section 1.2 in the report, be approved, and the projected deficit for the year of £1.290m, be funded using Business Rate Retention Volatility Reserves;

(2) the proposed 2023/24 revenue budget as detailed in section 1.3 in the report, be approved, and the shortfall on the year of £3.528m is supported using Business Rate Retention Volatility Reserves;

(3) the Council Tax charges for Warwick District Council for 2023/24 before the addition of Parish/Town Councils, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts, for each band with no increase from 2022/23 (also frozen from 2021/22) as follows, be approved:

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

(4) the reserve projections and allocations to and from the individual reserves as detailed in Section 1.9 in the report, including the ICT Replacement, Equipment Renewal and Pre-Planned Maintenance (PPM) Schedules, be approved;

(5) drawdown from the Equipment Renewal Reserve is delegated to the Head of Finance, in consultation with the relevant Head of Service and in line with the schedule agreed within the report (as per recommendation 4 above), be approved;

(6) the General Fund Capital and Housing Investment Programmes as detailed in Appendices 9 parts 1 and 2 to the report, together with the funding of both programmes as detailed in Appendices 9 parts 3 and 4 to the report and the changes described in the tables in section 1.10 in the report and Appendix 8 to the report, be approved;

(7) the allocation of project funding discussed in Section 1.11 in the report and summarised in Appendix 10 to the report, be approved;

(8) the allocation of £4.228m for the 2023/24 Corporate Property Repair and Planned & Preventative Maintenance (PPM) Programmes to fund the list of proposed works set out in Appendix 11, and the drawdown of funding from the Corporate Asset Reserve of up to £3,815m to support the programme, as discussed in section 1.12 in the report, be approved; and

(9) the introduction of empty property and furnished second homes premium charges relating to Council tax, with effect from 1 April 2024, be approved.

Resolved that

(1) 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 and how further organisational change needs to be enacted before the Council agrees its 2024/25 Budget, be noted;

(2) an exemption to the Code of Procurement Practice to enable direct award to National Employment Savings Trust (NEST) Pension Scheme from 1 April 2023 for the provision of a pension scheme for election staff, be approved; and

(3) the Recruitment, Retention and Renumeration project proposal as included within the 2023/24 Base Budget and MTFS, be noted.

(The Portfolio Holder for this item was Councillor Hales)
Forward Plan Reference 1,315

85. **HRA Budget and Rent Setting**

The Cabinet considered a report from Housing which informed on the Council's financial position for the Housing Revenue Account, bringing together the latest and original Budgets for 2022/23 and 2023/24. The report presented a balanced budget for 2023/24.

The report made recommendations to Members in respect of Council tenant housing rents, garage rents and other HRA charges for 2023/24.

From April 2020, a new national rent policy came into effect, which included the ability for Councils to increase rents annually by up to CPI (at September) + 1% per annum. The Council would have increased rents for Social and Affordable rent dwellings by CPI at September 2021+ 1% which was 10.1% +1% with the total rent increase being 11.1% from April 2023.

However, after a short consultation, in the Autumn Statement on 17 November 2022, the Chancellor of the Exchequer announced that a one year 7% Rent Cap would be applied in the place of the National Rent Policy using a Direction to the Regulator of Social Housing and advised this would support people in social and affordable housing in England with the cost of living crisis by limiting the increase in their rents.

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

A comparison of the Councils proposed 2023/24 rents to Local Market Rents, National Formula Rent Caps and Local Housing Allowance Rents was set out in Appendix 2 to the report. The Council's Social Rents were 41% lower than the Local Average Weekly Market Rent. This meant that the Council's housing service reduced the cost of living for tenants, allowing more money to be spent in the wider economy and reducing the social welfare costs of helping lower income tenants afford their rent.

From April 2016, landlords were permitted to set the base rent as the Target Social Rent (also known as Target Formula Rent) for new social tenancies. These tenancies were subject to agreed rental policy to comply with the Welfare Reform and Work Act 2016.

The Council adopted the policy to introduce Target Formula Social Rents on new tenancies issued upon a dwelling becoming void and re-let. This phased approach equated to approximately 400 dwellings per year transferring from the prior social rent policy to Target Formula Rents. Existing tenancies commencing prior to April 2016 would remain on the prior rent policy, with rents being inflated by the 7% Rent Cap for 2023/24 and thereafter CPI+1 in line with Target Social Rents Dwellings.

New Affordable Housing tenancies within the HRA would continue to have their rents set in line with the National Affordable Housing Rate, which was 80% of the Local Market Rent in line with planning permission and grant approvals from Homes England.

Prior to 2020, existing Affordable Housing tenancies were set at a special "Warwick Affordable Rent", which was a mid-point between social and affordable rent. Any existing historic tenancies would continue to pay 'Warwick Affordable' rents for the remainder of their tenancy to ensure there were no negative financial implications for existing tenants**.**

Affordable rents and 'Warwick Affordable' rents were usually inflated in line with national rent policy at CPI (at September) + 1%. CPI at September was 10.1% and so with the total rent increase would have been 11.1% from April 2023, but for 2023/24 would also be capped at the new one year only 7% rent cap.

Shared owners purchased a percentage of the property from the Council and were required to pay rent on the proportion of their home which they did not own.

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

RPI at November 2022 was 14% +0.5% would have meant the total rent increase being 14.5% from April 2023. In comparison to November 2021, RPI was 7.1%+0.5% totaling 7.6%.

The National Housing Federation commissioned Anthony Collins Solicitors LLP to publish an advice note on the "Implementing a cap on Shared Ownership rent increases". In this document that was circulated to Registered Social Housing Providers, it stated the Government had no intention of compelling Registered Social Housing Providers to limit rent increases for shared owners, but did have some expectation that Social Landlords across the sector would treat shared owners in a similar manner to the Social and Affordable Housing and DLUHC.

Where shared ownership properties had been purchased using relevant Grant Funding from Homes England, there was an additional requirement to seek permission from Homes England to cap the Rent at 7% for one year only in place of the Homes England Lease Terms of RPI+0.5%. Permission must have been sought as the Rental increase of RPI +0.5% was a condition of the Shared Ownership Affordable Housing Program Grant Agreement, however, as social Housing Providers were collectively requesting to undertake a Voluntary 7% Rent Cap, seeking permission should not be a problem as Homes England were aware of this likely outcome.

The Council would continue to use lease agreements based on the existing HCA template lease for all new shared ownership tenancies which would be increased annually by RPI+0.5%.

Garage rent increases were not governed by national guidance. In 2020/21 as part of the HRA Rent Setting Report, Cabinet approved garage rents to be increased by 10% per year over a five-year period, with following years being inflated by CPI. The Council did not have a formal policy for the setting of rents for garages, but the points below contributed to the decision to increase the rents.

Two different rent charges applied to garages, depending upon whether the renter was an existing WDC tenant or not. There were also parking spaces and cycle sheds which were charged for.

Market Research showed that in the private sector, garages were being marketed in the District with rents ranging from £40-£85 per month (local market valuations last reviewed January 2021). The average monthly rent for a Council garage was currently £46.71.

The Garage Rents had increased by 10% per year from April 2021. For 2023/24, a tenant's weekly charge would increase on average by £1.08 per week from £11.86 to £13.04. Non-tenants also paid VAT on the charge, so VAT inclusive rates would increase by £1.42 per week, from £14.23 to £15.65. There were a number of garages of non-conventional size which were charged varying rates, these rents would also be increased by 10%.

The HRA owned a number of dwellings that were sub-leased to the Council's General Fund, to be used as Temporary Accommodation. The reason for the dwellings being sub-let was that Homelessness was a General Fund function and needed to be financed separately from the HRA Ringfence which meant the HRA could not cross subsidise General Fund costs and vice versa in line with legislation.

The way the Lease financing worked was that the HRA charged the General Fund an annual lease charge based on the weekly rent that would be charged for a Temporary Accommodation Dwelling. The General Fund temporary accommodation team allocated the temporary accommodation tenants and charged them rent, which was then collected and paid into the General Fund. At year end, an internal transfer of this rent was made by the Accountancy Team, to enable the General Fund to transfer enough Rent to the HRA to pay for the annual lease charge.

Most of the Temporary Accommodation rent was funded by tenants claiming Housing Benefit due to the nature of the service.

During the 2021/22 Social Housing Rent Regulator's inspection of the HRA Rents, it became apparent that the HRA dwellings being sublet to the general fund as Temporary Accommodation were deemed to have low rents. Although Temporary Accommodation fell outside of the Social Rent Regulators Remit, it was stated that it was good practice to have an annual rent review in place and a firm inflation policy adopted where the HRA owned the stock being sub-let to the General Fund.

There was no official national rent policy where Temporary Accommodation was concerned as providers varied greatly across the sector from B&Bs, Hotels, Private Landlords, Local Authorities and Housing Associations, so one flat rate of rental inflation had not been legislatively applied to this sector.

It was proposed that during the 2023/24 financial year, a full review of the HRA Temporary Accommodation Rents was completed to comply with the Social Rents Regulator's suggestions, and consultation would need to take place with the Local Benefits Office.

The lease agreements between the HRA and General Fund would be updated to factor in these new revised rents and an annual agreed inflation policy would be implemented.

It was not expected that this review of Temporary Accommodation Rents would generate any more income for the General Fund or HRA and should not negatively impact tenants due to the short-term nature of the service. The rent review and policy update would demonstrate good practice.

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

Appendix 3 to the report summarised the adjustments from 2022/23 base budgets to the 2022/23 latest budgets and 2023/24 base budgets.

The Housing Investment Programme (HIP) was presented as part of the separate February 2022 report 'Revenue and Capital Budget 2023/24'.

The recommendations would enable the proposed latest HIP to be delivered and contribute available resources to the HRA Capital Investment Reserve for future development whilst maintaining a minimum working balance for the HRA of at least £1.5m plus annual inflation in line with Council policy.

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

The following table summarised the figures in Appendix 3 to the report and showed how the latest 2022/23 HRA budget had been calculated and how this had changed from the original 2022/23 approved budget:

	£
Original Approved Net HRA Operational Income Surplus 2022/23	**(8,795,400)**
Net Increase in Expenditure (Recharges Adjustment?)	4,059,100
Net Increase in Income	0
Latest Net HRA Surplus 2021/22	**(4,736,300)**

Key Drivers of the increase in Expenditure budgets included:

- an increase of £1,355,400 in HRA Repairs and maintenance costs caused by increased inflation on contracts and new budget requirements for emergency works;
- an increase of budget for an Earmarked Reserve Approval of £119,400;
- an increase of £955,000 being charged to Supervision & Management – General which consisted of increased Gas and Electricity Costs, inflation on contracts and staff costs and a revision of the GF Recharges to the HRA budget was approved mid-year in the Q1 Finance Report presented to Cabinet which had increased the charges made to the HRA;
- an increase of £906,900 being charged to the Supervision & Management – Special budget line which was linked to the revision of

the GF Recharges to the HRA budget, approved mid-year in the Q1 Finance Report presented to Cabinet, which had increased the charges to the HRA; and

- a £722,400 increase on interest to be paid on Borrowing Costs for new Development Schemes for new Dwellings due to the timing of the borrowing being taken by the Council.

As a result of the above variations to the 2022/23 HRA budgets, the forecast contribution to the HRA Capital Investment Reserve for the year would be £281,000.

In determining the 2023/24 Base Budget, the over-riding principle was to budget for the continuation of services at the agreed level. The following adjustments needed to be made to the 2022/23 Original Budgets:

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

The table below summarised the figures in Appendix 3 to the report and showed how the 2023/24 HRA base budget had been calculated.

	£
Original Approved Net HRA Surplus 2022/23	**(8,795,400)**
Net Increase in Expenditure	4,994,800
Net increase in Interest on Borrowing	1,678,200
Net Increase in Income	(1,908,700)
Original Net HRA Surplus 2023/24	**(4,031,100)**

Key drivers of the change in Expenditure budgets included:

- A net increase in Expenditure from General Supervision & Management of £4,994,800 consisting in the main of:

  - an increase of £2,083,400 in HRA Repairs and maintenance costs caused by increased inflation on contracts and new budget requirements for emergency works;
  - an increase of £1,773,400 being charged to Supervision & Management – General which consisted of increased Gas and Electricity Costs, inflation on contracts and staff costs and a revision of the GF Recharges to the HRA budget, approved mid-year in the Q1 Finance Report presented to Cabinet, which had increased the charges to the HRA;
  - an increase of £1,138,000 being charged to the Supervision & Management – Special budget line which was linked to the revision of the GF Recharges to the HRA budget, approved mid-year in the Q1 Finance Report presented to Cabinet, which had increased the charges to the HRA;
  - £1,678,200 Increase in Interest on Balances Costs due to a change in treasury policy from internal borrowing for additional HRA borrowing for Development schemes changed to external

borrowing from the PWLB and this increase was the estimated interest cost on borrowing in real terms; and

- a £1,908,700 increase of HRA dwelling and Garage rents as per Rent Policy and Inflation.

A number of assumptions had been made in setting the budgets for 2023/24 as follows.

Inflation had been applied in line with specific guidance for each expenditure type, for instance the Gas and Electricity inflation had been advised by ESPO the Commercial Energy Broker that the Council should buy its energy from. The Russian war with Ukraine had caused utility costs to increase by huge and unexpected amounts. Price Caps were implemented by central government to protect consumers and businesses from these extreme price rises but because ESPO Broker affordable contracts for the Council the Caps were a lot higher than the actual usage so were not able to be applied. In real terms the increases had meant that from October 2022, the Electricity cost had doubled, and from April 2023, the Gas cost had quadrupled. Further increases were expected on electricity in October 2023 of another 30% increase on electricity and in April 2024 also 30% increase on gas on top off the previous increases. This increased cost was included in the Supervision and Management part of the Budget at Appendix 3 to the report.

Other inflation factors such as for the major works had been inflated at between 10-14% depending on the contract. Staff costs had been inflated in line with the National Local Government two-year Pay agreement and where there were no clear inflation factors, a 4% estimate had been applied to general budgets where applicable, which was an increase from 2% used in previous years.

The base rent budget in the report was a baseline calculated from the 7% Rent Cap assumptions as noted above. This Cap had meant that the rental income had not been increased at the same rate as corresponding inflation. Although increased rents higher than the 7% Cap would have been a further financial demand on tenants, in real terms the Rent Cap had meant that the increased income did not cover the costs of the increased inflation on other operation costs. If rents were inflated by national rent policy, then income increases of approx. £3m would have been anticipated but the 7% cap had meant an increase of only £1.9m. Considering that the inflation on costs had increased by £6.6m in section 1.17.2 in the report, there was a £4.7m gap between the two figures.

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

In terms of the HRA Capital Investment Reserve, any HRA operational surplus above the amount required to maintain the appropriate HRA working balance of £1.5m was transferred into the HRA Capital Investment Reserve (CIR) to be used on future HRA capital projects. If the costs increased to the point that there was a requirement to draw money out of the CIR, then this was noted in the same place in the budget appendix 3 to the report. The 2023/24 Base Budget required £268,500 contribution from the reserve into the HRA Operating budgets to enable the budget to be balanced, and this meant that there were no top ups being paid into the HRA CIR in 2023/24.

The Current Balance of the HRA CIR was £29.206m but there were numerous demands on this reserve, particularly from new build development schemes, Climate Change and Fire Safety works. The CIR was also being used to support the Major Repairs Reserve as that had been used in full in recent years to support the ongoing improvement works on the Council's Housing Stock. The full impact of having to drawdown from the HRA CIR would be documented in the forthcoming HRA Business Plan Report being presented to March Cabinet but in future years budgets would need to be adjusted to ensure that there were sufficient surpluses to enable the HRA CIR to continue to be topped up.

Notional Interest budgets had been removed in 2023/24 as they were no longer required by CIPFA Accounting Rules. Previously they were charged and reversed out to represent the cost of tying up resources in the HRA assets.

Costs for electricity, gas, water, and laundry facilities were provided at some sheltered housing schemes and were recovered as a weekly charge. These utility charges were not eligible for Housing Benefit. Tenants were notified of these charges at the same time as the annual rent increase. Appendix 4 to the report contained the charges for 2023/24 which would commence on the 1 April 2023.

A policy of full cost recovery was adopted in the report to Cabinet "Heating, Lighting and Water Charges 2018/19 – Council Tenants on 7 February 2018." Recharges were levied to recover costs of electricity, gas, and water supply usage to individual properties within one of the sheltered and the five very sheltered housing schemes.

The costs of maintaining communal laundry facilities were also recharged at those sites benefitting from these facilities under the heading of miscellaneous charges.

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

The charges necessary to fully recover costs for electricity, gas, water, and laundry facilities in 2023/24 were calculated annually from average consumption over the last three years, updated for current costs such as average void levels, Solar panel feed in tariff income, Biomass Boiler feed in tariff subsidy and adjusted for estimated inflation for the forthcoming year. The use of a three-year adjusted average ensured that seasonal and yearly variations were reflected in the calculation.

The cost of gas and electricity had increased due to the Russian War and Cost of Living Crisis. The Council's electricity contract was renewed in October 2022 and the gas contract was to be renewed in April 2023. As part of these contract renewals, inflation of 100% on top of current electricity cost had been advised and inflation on 200% had been advised on gas, meaning electric had doubled in cost and gas had tripled.

To protect the general public from the huge increases in energy costs, the Government implemented an Energy Price Guarantee which protected customers from increases in energy costs by limiting the amount suppliers could charge per unit of energy used. It currently brought a typical household energy bill in Great Britain for dual-fuel gas and electricity down to around £2,500 per year.

With the Councils ESPO Contract increases, the total charges to be paid by Sheltered Housing Tenants for their energy was below this Cap as noted in Appendix 4 to the report. Depending on the location and the number of bedrooms in the dwelling, the total annual bills ranged from £608.40 - £1,583.40 which at the top end of this range was £916.60 less than the £2,500 Energy Price Cap.

This three-year average cost calculation would shield tenants to some extent from the huge increases in gas and electricity bills which had been experienced in the current financial year, but costs were likely to increase in the next financial year as the second year of increased costs would increase the three-year average cost unless energy costs started to decrease.

The total cost to the Council in 2023/24 had been calculated at £323,181 for Electricity, Heating, Lighting and Laundry and £37,352 for Water. This would be recovered by being recharged to the tenants of applicable Sheltered Housing Schemes with the service charges being itemised in Appendix 4 to the report.

DLUHC had advised that it was able to award up to a total of £2,820,431 in Grant Funding to Warwick District Council to purchase 21 dwellings.

The objective of the funding was to ensure arrivals on Afghan and Ukraine resettlement schemes were provided with sufficient longer-term accommodation and relieve the increased pressures on local authority homelessness and housing resources. Of this funding, £2,268,600 was allocated to 19 of these homes, and an additional £551,831 in funding, referred to as "bridging funding" was to purchase two larger four-bedroom properties to support households currently residing in bridging accommodation. The level of grant was 40% for the 19 properties and 50% for the 2 x 4-bedroom properties.

It was anticipated additional match funding from the HRA of approximately £3,954,731 would be required to support the purchases. A full viability appraisal of the scheme would be completed and would be included in a further Cabinet report to be submitted at March's Cabinet meeting. It was anticipated the total Scheme costs would be approximately £6,775m including Grant and additional Funding.

The funding would be granted under section 31 of the Local Government Act 2003 and was programmed to be spent by November 2023. A "validation form" was required to be submitted by 25 January 2023 clarifying that the programme aims could be met, and a Memorandum of Understanding by 1 March 2023, authorised by the s151 officer."

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

In terms of Garage Rents, the Council had discretion over the setting of Garage rents. It would be possible to set Garage rents higher than those proposed to maximise income, however, significantly higher rents might make garages harder to let and so reduce income. Similarly, rents could also be reduced but this would reduce income to the HRA Budget when it was needed.

In terms of dwellings, the Council did have the discretion to decrease rents for existing tenants. However, following the negative impact of the previous rent policy of a four-year fixed -1% rental income reduction and the negative impact of the Covid-19 Pandemic and now the 7% rent cap not matching inflationary operational costs, any decreases would further reduce the level of income for the HRA, which in turn could impact upon the viability of future projects and business requirements.

The Budget Review Group supported the recommendations in the report.

The Group was concerned that while the HRA was on target for delivering its plans for 2023/24, in the following financial years the Council might have to reduce the ambitions in terms of development, decarbonising, decent home standards and support to customers, because of the impact in rental income reduction. While at this time there was not a proposal for cuts, if the restrictions on rent continued, there might be a need to.

The Group welcomed the agreement that the Head of Housing would share contact details of the Housing Team Financial Inclusion Officers with all Councillors to help them filter and direct cases.

Councillor Matecki proposed the report as laid out.

Recommended to Council that

(1) the proposed increase to rents for all Social & Affordable tenanted dwellings (excluding shared ownership) for 2023/24 in line with the Chancellor of the Exchequer’s one year 7% Rent Cap announced in the Autumn Statement on 17th November 2022, in place of the usual National Rent Policy increases as detailed in section 1.1 in the report, be approved;

(2) Shared Ownership tenanted dwelling rent increases are Voluntarily capped at 7% for 1 year in line with advice from the National Housing Federation, be approved;

(3) the HRA Social dwelling rents for all new tenancies created in 2023/24 continue to be set at Target Social (Formula) Rent for Social rent properties, be noted;

(4) the HRA Affordable dwelling rents for all new tenancies created in 2023/24 continue to be set at the standard National Affordable rent level, be noted;

(5) any new shared ownership tenancies will continue to adopt lease agreements based on the existing Housing & Communities Agency (HCA) template lease with rents increased by RPI + 0.5% annually, be noted;

(6) garage rents for 2023/24 continue to be increased by 10% per year, be approved;

(7) the new Temporary Accommodation rent review noted in 1.5 in the report, be approved;

(8) the proposed changes to the 2023/23 budget as detailed in section 1.33 in the report, be approved;

(9) the proposed 2023/24 revenue budget, as detailed in section 1.41 in the report, be approved; and

(10) the Sheltered Housing Heating, Water and Lighting recharges for 2023/24, (Appendix 4 to the report), be noted.

Resolved that authority be delegated to the Head of Finance in consultation with the Head of Housing and the Portfolio Holders for Housing, and Resources to agree to enter into a Memorandum of Understanding with the Department of Levelling Up, Homes and Communities (DLUCH) for the purchase of 21 properties as part of the Local Authority Housing Fund noting that a full viability appraisal will be included in a report to be submitted to Cabinet in March 2023.

(The Portfolio Holder for this item was Councillor Matecki)
Forward Plan Reference 1,314

86. **Strategic Direction Christine Ledger Square**

The Cabinet considered a report from Housing which provided an update following the decision made to temporarily rehouse residents from Christine Ledger Square (CLS) into alternative accommodation, in response to serious concerns about fire safety.

The report also set out a series of recommendations that would allow for the next steps in the decision-making process on the future of the building to be expedited to alleviate concerns and anxiety of displaced residents.

CLS was an 11 Storey High-Rise Wimpey No-Fines building constructed in 1967, containing 54 flats. Of the 54 flats, 12 were one bedroomed, 42 were two bedroomed, and 5 were leasehold with the rest being tenants.

Members were aware there had been concerns for all of the Council's high-rise buildings following the tragedy at Grenfell and subsequently extensive fire safety works at the Council's high-rise blocks were carried out. Due to locating asbestos containing material at CLS in 2019, more intrusive works were placed on hold whilst further investigative works were undertaken, and advice was sought. There were obvious delays in obtaining information as a result of the pandemic. In December 2021, in response to heightening concerns about fire risk, a walking waking watch was commissioned on a 365/24/7 basis to offer early warning and to help those who required assistance to leave the building if needed, was introduced.

Most significantly at the end of October 2022, a fire occurred in a high rise building in Bristol where, it was said, the insulating cladding was seen to encourage the spread of fire. The full findings of the investigation into the fire were still being awaited, however, the Council had been advised that the insulating cladding at CLS was materially the same as that at the building in Bristol. The recent External Wall Survey report received in October had detailed concerns regarding the external wall insulation, in this case a Structherm system. Concerns had been highlighted following the Bristol fire regarding the flammability of the internal expanded polystyrene insulation, whilst an apparent omission of vertical cavity barriers within the system had been highlighted. Within the report submitted in October, the nature of installation around window openings had also been questioned. These findings, over and above the position regarding fire safety measures and structural issues, could only draw officers to one conclusion which was in order to immediately protect the health and safety of residents, that they needed to be temporarily rehoused until a decision could be made on the future of CLS.

Cabinet members and Group Leaders were made aware of the need and urgency with which residents were required to be temporarily rehoused from CLS. Members were reminded this was not a decision taken lightly, particularly as it was so close to Christmas, but given the concerns with the safety of the building, the situation could not be ignored. The Housing team responded quickly and effectively to communicate with residents and support them, identifying and securing alternative accommodation and assisting them financially. All residents were temporarily rehoused from the building by 23 December 2022.

Tenants and other residents had been accommodated as follows:

- accepted a permanent move to another property;
- accepted a move under Decant arrangements;
- stayed with family or friends.

Officers continued to work closely with residents, ensuring contact twice a week to check on their situation and provide any update. In accordance with the Council's Decant Policy, measures had been put in place to meet the needs of individual households, and also the costs of this undertaking.

The Council was under a statutory duty to consult secure tenants on matters of housing management under the Housing Act 1985. The Council had wide discretion as to how it ran the consultation process. However, the overriding concern was that the consultation was carried out in a fair, timely, appropriate, and effective manner.

The urgency to start the consultation process was to minimise the levels of concerns and anxieties of displaced residents about having to live in temporary accommodation for a long period of time and not knowing what the future of the building would be and whether they would be moving back. The views and feedback of residents as to the future of the building were to be taken account of when the decision on the future of the block was to be made, however, they would only be one of the relevant factors which the Council would ultimately consider in making a decision.

The consultation involved a formal letter being sent to all households remaining at CLS (in the sense of not having agreed to being permanently rehoused elsewhere; some had already elected to move permanently from CLS and had no remaining interest in the block). There followed two in person sessions with residents to enable discussion and for residents to ask questions. Officers would also offer to meet individually with residents who might wish to discuss their options privately.

The consultation results would be collated and carefully considered by the Head of Service in deciding the Council's preferred option, together with all other relevant factors, which might include the degree of certainty that a given option would be deliverable, the practicality of each option, the ability of an option to deliver a safe, cost-effective, long term solution to the issues that had been identified, their likely timescales and costs and the level of disruption they were likely to cause to residents and others. This was a non-exhaustive list.

Even with expediting the start of the consultation process, given administrative timelines, it was likely that May 23 would be the earliest that a report could be presented to Cabinet. Members were aware that this was an election year, meaning that there was no Cabinet meeting in May and, given the process requirements of establishing a new administration, it was most likely that the matter would not be before Cabinet until July 2023, some five/six months away. For residents of CLS, this would mean an extended period of considerable uncertainly, anxiety and disturbance with no knowledge of when they would possibly be able to return to a safe and modern building or secure alternative permanent accommodation.

It was therefore proposed that Cabinet should delegate authority to the Head of Housing in consultation with Group Leaders and Portfolio Holders having considered the available information including the views of the residents of CLS and other relevant factors identified to decide on the most viable option for the Council.

As a result of the developing and emerging concerns for the block, the conclusion was that there were only two realistic and viable options, which were either to (a) fully refurbish the building or (b) to demolish the block. These were the two options on which residents were being consulted.

The current thinking was that both the options appeared to be viable on the information available, however:

- The refurbishment option had a great degree of uncertainty in design and cost from the beginning and had very limited scope for change during the refurbishment programme and hence would be more expensive and potentially might not be deliverable cost-effectively or at all if further investigations revealed additional barriers.
- There was also concern that this option would not be compliant with the climate emergency and decarbonisation targets and aspirations and might never meet standards which were considered modern good practice.
- The option of retaining and refurbishing the existing building, given the age and characteristics of the building, along with the choice of building material used when constructed, which now posed a risk not only to the buildings but also to the occupants and the landlord, gave rise to significant risks and reduced cost, programme and quality certainty.
- The investment needed in order to remedy current fire safety deficiencies and remove deleterious materials was significant and such investment could be undermined by the age and remaining life expectancy of the original concrete structure and the age and condition of services infrastructure that might need to be retained as part of a pragmatically designed refurbishment.
- Demolition would provide more cost certainly and less risk uncertainty.
- CLS was home to a people who had invested in their space and within the local community, and five currently owned homes in the block as long leaseholders. There were many financial and emotional ties with the building and the location.
- Demolition would provide the opportunity to provide new homes on the cleared site albeit a potentially reduced number. If taken forward this would be the subject of a separate report to Cabinet.

Residents were being consulted on these two viable options and following consideration of the feedback and consideration of any further structural or feasibility reports needed, the most viable option would be considered through the delegated authority process.

The costs of the two options were £10,092,000 for refurbishment and £1,500,000 for demolition. The costs of executing and arranging temporary and/or permanent housing options, provide interim building security and safety, resident consultation and project management costs, obtain further advice such as technical and legal advice was £2,289,000. These costs would be incurred whichever option was taken forward.

The maximum budget requirement was therefore:

Refurbishment £10,092,000.

Project costs   £2,289,000.
Contingency   £1,300,000.
Total   £13,681,000.

The implications of the two options on residents was as follows.

Refurbishment
Residents would continue to be displaced (with costs of accommodation, utilities etc. paid for by the Council) for an estimated period of c18 months/two years before returning to their current homes.

Demolition
Tenants: would be provided with a new tenancy of a new home by the Council. Costs of removals, reconnections etc. would also be met by the Council.

Leaseholders: The Council would have to enter into negotiations with leaseholders within the block to buy out their legal interests. Potentially, leaseholders could be offered the opportunity to become a secure tenant of a new property. In parallel with this, the Council would be likely to need to run a Compulsory Purchase Order exercise in case negotiations were unsuccessful. Leaseholders would be responsible for finding new properties for themselves.

Should the Refurbishment option be taken forward, it was intended that costs would be met primarily from borrowing from Public Works Loans Board (PWLB) with contributions from the Housing Investment Programme HIP), Major Repairs Reserve and Housing Revenue Account (HRA) revenue budgets. Should the demolition option be chosen, costs would be met from Housing Revenue Account Reserves and possibly PWLB borrowing if new homes were to be built on the cleared land.

A confidential addendum circulated prior to the meeting advised of an additional recommendation.

Councillor Matecki commended all staff who reacted to the situation, and who worked tirelessly with residents during all hours of the day. He then proposed the report as laid out.

Recommended to Council that a total maximum budget of £13,681,000 is made available which includes for the following:

(a) £2,289,000 to execute and arrange temporary and/or permanent housing options, provide interim building security and safety, obtain further advice such as technical and legal advice;

(b) either:

i. £10,092,000 for refurbishment of the block; or
ii. £1,500,000 to cover demolition costs; and

(c) A contingency of £1,300,000 for estimated costs associated with the above.

Resolved that

(1) the urgent response and actions taken to temporarily rehouse residents of CLS in response to fire safety concerns, be noted;

(2) the previous decision taken by the Chief Executive using his emergency powers, delegation CE(4) after consultation with Group Leaders, approving the urgent need for consultation with the residents of CLS on the future options for the building, be noted; and

(3) authority be delegated to the Head of Housing in consultation with Group Leaders and Portfolio Holders for Housing and Resources to make a final decision on future of the building following the period of consultation, taking into consideration the views of residents and all other relevant factors.

(The Portfolio Holder for this item was Councillor Matecki)
Forward Plan Reference 1,273

87. **Relocation of Office Accommodation and the Provision of Public Facing Access to Council Services**

The Cabinet considered a report from Neighbourhood & Assets which sought agreement for a project for the relocation of the Council's administrative offices and public facing access to services.

At the meeting held on 29 September 2022, Cabinet considered an initial report on options for head office relocation including public facing access to services, and approved the recommendations in that report.

The report set out the recommendations following on from detailed negotiations with Warwickshire County Council in relation to offices owned by them and available for lease as an interim administrative base for the Council.

The Council was also required to designate a location as its legally recognised Headquarters for the making and receiving of documents and notices and for the delivery of mail etc. The current designated location within the Constitution was Riverside House and it was proposed that this be amended in the Constitution to be Royal Leamington Spa Town Hall.

The Council's Medium Term Financial Strategy (MTFS) currently assumed significant savings from the running costs of corporate office accommodation, principally Riverside House, with these assumed savings being £250,000 per year ongoing from 2023/24. It was possible that additional savings could be achieved from relocation over the medium term, and these were outlined later in the report, but there would be one-off costs associated with the move to be met from the Service Transformation Reserve.

Riverside House provided around 140 desks which were available for those staff who could work from home and for staff who needed to work from an office for all or part of the week. Meeting rooms and collaborative space could also be booked at Riverside House.

Riverside House public reception had reopened following the pandemic enforced enclosure and around 250 members of the public were attending in a typical week. There were proposals for the continued provision of public facing services.

For the period January to December 2022, the peak demand for desks on any one day was around 70 and substantially less in the summer period. Whilst there was initially some evidence of a gradual increase in numbers using Riverside House over the preceding three months, these figures had largely levelled out and were still well within the capacity for desks available.

In addition to desk and meeting room space, vacating Riverside House would mean that new storage space would be needed for elections and other equipment and for service delivery linked to printing and other facilities, as well as for the deed and document store, PACE room and other storage needs. A location was also needed for the Corporate Support Team, Homelessness reception and for private interview facilities.

These services would be assisted by creating a new Customer facing facility to replace the Riverside House Reception, as well as moving deed and document storage to Royal Leamington Spa Town Hall and, potentially moving ICT server equipment off-site to a managed location.

The space currently occupied by the University of Warwick at Royal Leamington Spa Town Hall would need to be retained for use by WDC when the current lease expired at the end of May 2023. Whilst this would result in a loss of rental income to the Council of circa £26,000 p.a., there might be options to generate some new income and it would also retain a significant administrative presence for WDC within Royal Leamington Spa. As part of further work undertaken in developing options, the Council's existing assets had been considered in more detail to establish which, and to what extent these could be used to provide office accommodation, albeit on a dispersed basis, as part of a stage one approach. Apart from the continued use of Royal Leamington Spa Town Hall, these did not provide a viable option from which to deliver joined-up administrative functions as they would require significant investment to enable use as fully operational offices whilst dispersing services across several locations and losing potential benefits of co-location.

Work was initially commissioned in September 2022 through Savills to establish potential availability of private sector office accommodation available for rent to give a baseline of likely costs for options comparison. This showed that there were at that time several good quality premises available, and these were at that time all located within the Warwick Town area and surrounds. This was of course a dynamic situation and availability changed by the day, but was intended to give a comparison of costs against other options.

Except for one, none of those available were likely to generate the savings required from leaving Riverside House, particularly on a short-term lease basis. The one that might have been viable no longer appeared to be on the market.

Alongside this exercise, contact was made with Warwickshire County Council as it was also undertaking a review of its own office accommodation needs post-pandemic and with the move to agile working.

Officers were made aware that WCC offices at Saltisford, Warwick were included in that review, and site visits were arranged to look at several options. The mid-range option of ground floor accommodation at Saltisford One was considered to be the best fit, and more detailed discussions around draft Heads of Terms commenced in December.

Saltisford One was a modern, brick-built building constructed in 2006, and was in a complex of three similar WCC buildings, accessed off Ansell Way, Warwick. It had an EPC rating of D (comparison for Riverside House also being D) and had the benefit of solar panels being installed on the roof although these might not have been reflected in the current EPC rating and officers were awaiting a revised EPC from the County Council. It had available a set number of parking (including disabled) spaces, with other spaces potentially available on a first come, first served basis each day. There were existing WDC public car parks within reasonable proximity to provide additional parking for staff and Members through using the issued car parking passes and green travel options would be promoted.

Saltisford One was accessed via an entrance lobby shared with the occupant of the first-floor space. The first floor was currently vacant, although WCC was also in advanced discussions with a prospective commercial tenant. It was not intended that the building would facilitate public access, this would be elsewhere in more appropriate locations.

The building could provide a mix of good quality open-plan desk space, a variety of meeting rooms of different sizes and capacities and kitchen and casual meeting spaces. An indicative layout was attached as the appendix to the report.

A key criterion was to provide a short to medium term option to allow for the disposal of Riverside House and associated cost savings over a period, and to allow WDC to then look at options for a permanent replacement for its office accommodation and other service needs.

On that assumption, discussions with WCC had been based on a six-year lease but with a break clause after three years with six months' notice thereafter to allow all parties the necessary certainty and flexibility after the initial three-year period.

The lease would be based on inclusive costs including maintenance and repair, energy/ services costs (subject to an annual year end reconciliation of actual expenditure) and certain facilities management services. There was an option to retain WCC cleaning services which required further discussion with the existing WDC cleaning contractor, or alternatively, WDC could buy in to the WCC cleaning contract, subject to procurement and employment compliance.

Other facilities included bicycle racks and a staff shower, linked to a green transport plan to minimise the transport-related climate change impact, and a Faith room, these to be within the complex of buildings if not immediately available at Saltisford One itself.

An outline comparison of costs was shown at paragraph 2.1.5 in the report. There would be some one-off costs associated with vacating Riverside House, including deed/ document stores and ICT operations, public reception facilities, relocation or ending of contracts on the large capacity printers in Riverside House as well as the actual removals themselves. There were also many contracts associated with Riverside House which would either need ending or varying, and there might be costs with these, although they were not expected to be significant. For that reason, a contingency sum for unknown factors had been included.

There were discussions ongoing with WCC around including existing desk and storage equipment to be included as part of the proposed lease and this might reduce WDC costs in providing or transporting desks and other equipment.

Councillor Tracey echoed positive comments from the Cabinet regarding having a Town Centre based location, and the positive footfall that might bring to the Town Hall and Pump Rooms. He explained that there was the intention to ensure where possible there could be digitalisation at the forefront of customer interaction.

Councillor Matecki reassured that confidentiality for the public would not be compromised; there would be meeting rooms for privacy for the public and officers to meet. Having a front facing location on the Parade would be a much better experience for the public. He then proposed the report as laid out.

Recommended to Council that

(1) the Monitoring Officer be authorised to amend the Constitution to replace Riverside House as the Council’s formal Headquarters, with Royal Leamington Spa Town Hall, from the day the Council formally takes occupation of the office space in Warwick; and

(2) endorses the decisions taken by the Cabinet.

Resolved that

(1) there is insufficient office space of the required quality and location within the Council’s existing built assets to accommodate staff and to meet document and equipment storage needs, be agreed, as part of stage one of the two-stage relocation approach agreed by Cabinet at its

meeting of 29 September;

(2) the lease from Warwickshire County Council the Premises known as Saltisford One (Ground Floor) located in Warwick (CV34 4UL), on terms as set out in the report, be agreed;

(3) the use of the Ground Floor space at Royal Leamington Spa Town Hall as part of the office relocation strategy, be approved;

(4) alternative options for Civic and Council meetings were investigated and found not to be feasible, be noted;

(5) financial provision be made in 2022/23 from the Service Transformation Reserve in the sum of £98,000 as part of the one-off costs of moving to new offices, the balance of the estimated one-off costs of £396,500 to be funded from the reserve in 2023/24, be agreed;

(6) a Customer Service Hub is created at the Royal Pump Rooms as a replacement and significant enhancement to the customer service provision currently operated at Riverside House, be agreed;

(7) Crown Commercial Services be contracted through the Crown Hosting 2 Framework to provide a datacentre and space to allow ICT to relocate servers and other equipment currently located within Riverside House, be agreed; and

(8) the report at Agenda Item 11 – Minute Number 88 - which provides the latest position on plans for the future use of the Riverside House site, be noted.

(The Portfolio Holders for this item were Councillors Matecki and Tracey)
Forward Plan Reference 1,325

88. **Riverside House Disposal Options**

The Cabinet considered a report from Place, Arts & Economy which set out a proposal through which the Riverside House site was proposed to be brought forward for development in the context of other possible approaches, together with risks and opportunities associated with each. The paper also made a recommendation based upon the information provided and requested delegated authority for agreements needed to proceed with the recommendation.

Subject to the recommendations being accepted, the report sought approval for the allocation of the capital receipt which together with existing allocated CIL receipts to fund the project for the relocation of the Edmondscote athletics facility to land off Fusiliers Way and of the proposed Myton Path footpath/cycleway connecting Myton Road and Fusiliers Way and providing access to the relocated athletics track.

The report also sought approval to the creation of a new park as a Commonwealth Games legacy and to commemorate Queen Elizabeth II.

On 8 July 2021, Cabinet approved the draft Development Brief for the Riverside House site for public consultation. Then on 4 November 2021, Cabinet approved the updated Brief, following public consultation. It was agreed that the Brief would be used to guide future development on the site. The agreed brief was attached at Appendix 1 to the report. The site, whilst allocated in the Local Plan for housing and in many ways certainly location wise, was an attractive site, it was also far from straightforward given it was partly in the flood plain. It was covered by extensive Tree Preservation Orders (TPOs), had a major sewer running through it, adjoined a conservation area and it sloped down both west to east and north to south.

Cabinet also approved the recommendation that a further report putting forward options for how a development at Riverside House might be brought forward for consideration. The report though, had been dependent upon the Council having an agreed way forward for leaving Riverside House. That point had been reached as another report on the agenda – Minute Number 87 - recommended that the Council should move office provision to the ground floor of Saltisford One in Warwick in the short term – up to six years. Now that a plan to move from Riverside House this year had been established, options for disposal of the site could now be considered.

The options for bringing the site forward for development included:

The Council could decide to agree for Milverton Homes, the Council's wholly owned housing company, to bring the site forward for development. This option would also pose some degree of risk being carried by the Council since it was almost certain that this would involve a loan from the Council, though that risk would also be potentially balanced by the prospect of a reward. The increase in interest rates, however, made this position more difficult to assess and sustain. As a result, it was difficult at this stage to assess the financial benefit to the Council of this option or for the development that would be envisaged on site.

This option would not provide a quick solution, as it would take Milverton Homes and the Council time to complete the due diligence process to find a partner to work with in a joint venture relationship and to assess any potential loan finance. The Council would therefore continue to have a financial outlay over this period in terms of running the building, especially business rates, unless it decided to demolish the building though this would also involve a significant cost up front. The Council would also lose some degree of direct control over the development of the site should this option be chosen. The mitigation for this issue was reliance upon the Council's role as Local Planning Authority, but this could not compel the development to take place in accordance with a specific scheme.

Whilst this option had attractions, it also meant the Council was carrying risks for an indeterminate period and/or it needed to invest further to demolish the existing building. As a benchmark, the cost of demolition of the Covent Garden car park was circa £1m.

The Council could potentially bring forward the site for development itself.

In doing so, this would keep the full control of the future site within the Council's remit, in accordance with the Development Brief. This would not provide a quick solution and would mean that the Council would continue to carry costs of owning the site and /or the demolition of the existing building (circa £1m) and the upfront cost of preparing a planning application – circa £300 - £500k and then of the cost of funding the procurement and construction of new homes and ancillary development. Whilst this cost could be mitigated by the reward of receiving the full income of the site's development, the recent increase in interest rates made the assessment of any reward challenging to sustain. In addition, there was also a lack of resource/expertise available within the Council to bring forward the development of the site in this way and so would need to be bought in or time allowed for recruitment thereof, and therefore the associated costs of doing so would be high and would not be quick. This approach came therefore with a considerable degree of risk and cost, all of which would lie with the Council.

Under this option, the Council could market the Riverside House site on the general market and sell to the highest bidder/most compliant proposal. This was a more straightforward option compared to the options above. There would be some cost of marketing and obtaining expert advice to assess the financial proposals put forward. However, in following this approach, the Council would lose direct control of the future use of the site and any design for the future of the site might considerably vary from the approved Development Brief. The Council would need to rely on its role as Local Planning Authority, but this would not result in a means to compel delivery of a particular scheme. This mitigation applied though to the other options set out above.

In addition, the Council needed to reflect upon its previous experience of trying to dispose of this site via a private sector partner which ultimately was unable to deliver a developer, even with planning permission.

Although there had been expressions of interest from various companies from time to time, there was no guarantee that the interest would materialise as an up-front payment or a willingness to take on the existing building and the site's existing running costs immediately. Therefore, this approach carried the risk to the Council of continuing to have to carry the costs of the site for an undetermined amount of time unless it also decided to demolish the existing building with the upfront cost that that involved.

All the above options were technically possible, but none were without risk to the Council, nor without upfront cost. However, the Council had received a specific proposal from another public body and this was considered in the private and confidential appendix to the report.

The proposal received and set out in the private and confidential appendix was accompanied by place making infrastructure proposals. The agreed Development Brief for the site envisaged the inclusion of a bridge over the river Leam into Victoria Park. This would deliver greater access to public open space for any residents on the site but would also enable the wider existing community in the Milverton Hill area to have more direct access to Victoria Park and to the riverside corridor. The bridge would also enable a connection for walking and cycling along the river as there were tunnels under both Adelaide Road and Princes Drive, but they were on opposite sides of the river. The bridge would therefore enable that connection across the river to be made and so enable the creation of a continuous off-road footpath/cycleway route along the river through the town and onwards westwards via the proposed new park to St Nicholas Park in Warwick, and eastwards to Newbold Comyn and onwards into the wider countryside via the canal and old railway line, to Draycote Water in particular. There was always the risk that the cost of the bridge was greater than the sum allocated, in which case the Council might choose to top up the funding using the £250k already allocated in the five-year CIL programme for such a facility and top it up with more funds if or as necessary.

The proposal also envisaged a place shaping investment in the laying out of a new park covering the area along the River Leam from Princes Drive to Emscote Road. An illustration of this potential was attached at Appendix 2 to the report. This project, which the Council had previously considered and supported, would represent a clear legacy for the Commonwealth Games. Given the timing, it seemed appropriate for *Royal* Leamington Spa to add another "Royal" park and it was therefore also proposed that the park commemorated the life of Queen Elizabeth II and be named after her. As the park would take some time to implement in terms of design, community consultation, seeking of planning permission and then implementation, it seemed appropriate that the date of the late Majesty's 100th birthday be identified as a target date for opening 21 April 2026.

It was highly possible that the cost of the park could be more if local community aspirations, maximising the opportunity to implement the Council's commitment to improving biodiversity as per the recent Council motion, and integrating features to accommodate safe river bathing, were also accommodated (as laid out in another report on the agenda relating to works in Leamington proposed by Severn Trent Water (STW) – Minute Number 96). Therefore, those other opportunities for funding should be pursued. This included tapping into other funding sources held by STW and other agencies as well as approaching the West Midlands Combined Authority (WMCA) to secure Commonwealth Games legacy funding. It had circa £70m to distribute.

However, to implement the new park required the relocation of the existing athletics facilities and to secure the small portion of land owned by the Guide Dogs for the Blind charity. The Council was in discussion on the latter point and would seek to secure that land in connection with the redevelopment of the main part of their site as part, if necessary, of a Section 106 agreement and therefore at no cost to the Council.

In respect of the athletics facilities, the Council had a proposal to relocate the facilities to land off Fusiliers Way to the rear of Myton School as part of a much bigger project – the masterplan was included at Appendix 3 to the report. Connected to this was another project to create a footpath/cycleway from Myton Road to Fusiliers Way. As well as enabling access north and south to the new facilities, it would also enable a new access to Myton School and to the new Schools proposed on Fusiliers Way, as well as to the wider footpath and cycleway network. It would also create another access point to Warwick School and a pedestrian and cycle access to Warwick Technology Park. Officers were also in discussion with WCC officers on the footpath/cycleway becoming part of a bid to the Government relating to Active Travel as part of the overall funding package.

The current CIL schedule over five years allowed for £1.5m for the relocation of the athletics facilities and £1.05m for the footpath/cycleway proposal as against an estimated cost of £3m to £4m for the athletics facilities overall and £1.75m to £2.75m for the footpath/cycleway. The Council had already agreed £225,000 for athletics and £150,000 for the Myton Path for the development of the proposals for each project in the financial years 22/23 and 23/24. The programme for both projects anticipated completion by the autumn of 2024 which would be enough time to then allow for the implementation of the new park. It was proposed therefore that part or all of the receipt from the disposal of Riverside House should be used to underwrite/complete the funding gap to allow both projects to be fully implemented. This would require a detailed report so that Members could understand the costs involved before proceeding in practice.

Whilst the Programme Team progressing the Council's Leisure Development Programme was staffed to cover the athletics track and footpath/cycleway link, the team responsible for taking the Council's parks and related projects forward did not have sufficient staff resource to take this forward, so it was proposed that up to £100,000 should be provided.

In terms of alternative options, the options that were available to decide upon were set out above and in the private and confidential appendix to the report. Given the previous direction by Members to officers to arrange to leave Riverside House as soon as possible and given the opportunity to deliver that objective via the report set out at Minute Number 87, doing nothing with the Riverside House site was not a real option and indeed would be perverse in the circumstances.

The Chief Executive updated the Cabinet that he had received the valuation from Bruton Knowles and shared with Members. Although it did not change the report, it was shared ahead of Cabinet taking their decision.

Councillor Matecki praised the Council for leading by example in the high standard of houses being built. He then proposed the report as laid out.

Recommended to Council that

(1) the expected capital receipt be in principle earmarked and incorporated within the Council's Capital Programme and used to complete the funding package (including the existing commitment of CIL) necessary to cover the expected cost of relocating the Council's Edmondscote athletics facilities to land off Fusiliers Way and the associated footpath/cycleway connecting Myton Road and Fusiliers Way, subject to a further detailed report setting out and seeking approval for the details on the implementation of the schemes, be approved; and

(2) endorses the decisions below taken by the Cabinet.

Resolved that

(1) the options for the disposal of Riverside House, together with the associated risks, costs, and opportunities for each, be noted;

(2) to the necessary due diligence and completion of negotiations (in principle and subject to contract), the disposal of the Riverside House site on the basis as set out in the private and confidential appendix to the report and in line with the approved Development Brief for the site, be approved;

(3) authority be delegated to the Chief Executive, in consultation with the Deputy Chief Executive (Monitoring Officer), Head of Finance (S151), Head of Neighbourhood and Assets, Group Leaders, and the Portfolio Holder for Resources and the Portfolio Holder for Housing, to finalise and agree the Heads of Terms and to subsequently put in place the necessary agreements and to seek any consents necessary or required to implement the proposals within the report;

(4) included within the Council's project list, the new foot/cycle bridge over the River Leam and the creation of a new park stretching from Princes Drive to Emscote Road as a Commonwealth Games Legacy to be named Queen Elizabeth II Park in commemoration of the late Queen with a target date for completion of 21 April 2026 (which would have been the late Queen's 100th birthday), noting

that a full business case will be submitted to a future Cabinet meeting, be agreed;

(5) £100,000 be made available for progressing the projects listed at recommendation 4 to provide a staffing and other resource to be funded from additional income generated, be agreed; and

(6) other funding be sought for the new park, bridge, footpath/cycleway, and athletics facilities to enhance/ensure the intended outcomes, be agreed.

(The Portfolio Holders for this item were Councillors Day, Falp, Hales and Matecki)
Forward Plan Reference 1,340

A vote of thanks was recorded for the Chief Executive for his work on the project, showing entrepreneurial ability in getting the deal done in the time that had been achieved.

(The meeting ended at 6.20pm)

CHAIRMAN
8 March 2023