Executive

Minutes of the meeting held on Wednesday 18 December 2019 at the Town Hall, Royal Leamington Spa, at 6.00pm.

Present: Councillors Cooke, Falp, Grainger, Hales, Matecki, Norris and Rhead.

Also present: Councillors: Nicholls (Chair of the Finance & Audit Scrutiny Committee); Davison (Chair of the Overview & Scrutiny Committee) and Boad (Liberal Democrat Group Observer).

88. **Declarations of Interest**

<u>Minute Number 94 – Relocation of Kenilworth School – playing pitch strategy and land purchase</u>

Councillor Hales declared an interest because he was the Vice-Chairman of Kenilworth School Board of Trustees and left the room whilst the item was discussed.

<u>Minute Number 99 – Neighbourhood Services Programme Team</u>

At the time of discussing this item, Councillor Falp declared a personal interest because a close family member worked in the department.

89. **Minutes**

The minutes of the meeting held on 13 November 2019 were taken as read and signed by the Chairman as a correct record.

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

90. **Council Loans Policy**

The Executive considered a report from the Deputy Chief Executive (AJ) seeking Members' recommendation to Council for the approval of a Loans Policy against which applications from external bodies for financial resources could be judged.

Over the course of the last 24 months, Members had agreed a number of financial loans to various organisations on a case-by-case basis. Following an assignment in relation to this matter by the Council's Internal Audit service, the following recommendation was produced:

RECOMMENDATION	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Loans to External Organisations – 6 June 2019		
To prevent loans being allocated to selected applicants, an application process should be formed. This would allow a fair and equal opportunity for a wider audience to apply.	*Corporate Management Team:* *We do not consider that a Loans Policy and application process should be developed. The Localism Act gives a broad remit for Councils to use what powers (tools) they consider necessary to deliver a specific objective. A loan may be the right solution for a specific case but we do not believe that in effect "a loan application scheme" should be established. We accept that a checklist should be established so that there is a consistency around process and procedure.* *PID: The checklist will be developed when we next consider that a loan is the appropriate tool to use.*	Update 1 Having since consulted with the Chair of the Finance & Audit Scrutiny on this matter, it was now felt that a Loans Policy and application process would aid governance and therefore should be developed. Update 2 A fair amount of progress was being made in producing these items but had stalled of late due to other priorities. It was intended that the matter would be concluded by the end of November and that a report would be issued to Executive in December.

Members were reminded that initially, the Corporate Management Team (CMT) considered that a Loans Policy approach was not necessary, however, following receipt of a subsequent loan enquiry and consequent discussions with Group Leaders, and specifically the Chair of Finance & Audit Committee, CMT accepted that in the interests of transparency, objectivity and equity, the Council should develop a written policy position on its approach to financial loans.

Members were therefore asked to consider the Loans Policy attached at Appendix A to the report and subject to any amendments it wished to make, recognising that these amendments needed to be legally compliant, to recommend the Policy to Council for adoption.

The Policy made reference to two management documents necessary for proper consideration of a loan application. These were an application form and a business plan template. It was recommended that the S151 Officer

should be given delegated authority to produce these documents, should the Policy be adopted.
No alternative options were considered as following further consideration of Internal Audit’s recommendation and the views of the Group Leaders and Chair of the Finance & Audit Scrutiny Committee, the development of a policy was considered the most prudent approach.

The Finance & Audit Scrutiny Committee suggested to the Executive that (1) it should amend the Policy so that Officers could refuse loan requests that did not meet the criteria; (2) the policy clearly stated it was for capital schemes only; and (3) there were some minor wording amendments that the Deputy Chief Executive would feedback to the Executive.

Councillor Hales, the Portfolio Holder for Finance, accepted the suggestions from the Finance and Audit Scrutiny Committee and asked officers to include these changes in the final draft of the proposal. He thanked Councillor Nicholls, Councillor Syson and officers for all their work on this project and proposed a report as laid out.

Recommended to Council that a Council Loans Policy as drafted at Appendix A to the report and minutes, be adopted, subject to the three amendments suggested by the Finance & Audit Scrutiny Committee: (1) the Policy be amended so that Officers can refuse loan requests that do not meet the criteria; (2) the policy clearly states it is for capital schemes only; and (3) there were some minor wording amendments to be made by officers in the final draft of the proposal that would be considered by Council; and

Resolved that authority be delegated to the S151 Officer to produce the application form and business plan documents necessary for a loan application to be made.

(The Portfolio Holder for this item was Councillor Hales)
Forward Plan Reference 1,081

91. **General Fund Base Budgets 2020/21**

The Executive considered a report from Finance setting out the latest projections for the General Fund revenue budgets in respect of 2019/20 and 2020/21 based on the current levels of service and previous decisions. There were further matters that would need to be reviewed in order to finalise the base position as part of the 2020/21 budget setting process as set out in paragraph 8.3 of the report. The 2019/20 latest budgets showed a forecast surplus of £469,400, and the proposed 2020/21 Base Budget forecasted a deficit of £460,600.

The February 2020 budget report would include proposed items of growth to be added to the budgets within the report. The Council would then be in a position to confirm the final Budget for 2020/21 and the Council's element of the Council Tax. The Council was required to determine its budget requirements in order to set the Council Tax for 2020/21.

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The proposed Base Budgets for 2012/21 and the Latest Budgets for 2019/20 were shown below. The figures included all financing charges, which were dealt with in paragraph 3.5 of the report. Paragraph 3.3 of the report considered the 2020/21 Base Budget, and paragraph 3.4 of the report looked at the latest 2019/20 budget figures.

	Base Budget 2019/20 £000	**Latest Budget 2019/20 £000**	**Base Budget 2020/21 £000**
Net Expenditure for District Purposes	18,059	19,241	14,631

The above figures fluctuated year on year, mainly to reflect changes to the use of reserves (often due to project slippage), and changes in external support, notably retained Business Rates and New Homes Bonus (£3.3m NHB included in 2019/20, not included in 2020/21).

In preparing the 2020/21 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 2019/20 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.

The table below summarised how the 2020/21 base budget had been calculated, supported by Appendix A to the report.

	£	£	£
NET EXPENDITURE FOR DISTRICT PURPOSES 2019/20 ORIGINAL			**18,058,607**
Less Inflation			(77,800)
Staffing			(227,100)
Plus Committed Growth:			
- Increases in expenditure	571,500		
- Reduced income	230,300	801,800	
Less Savings:			
- Reduced expenditure	(1,066,200)		
- Increases in income	(937,700)	(2,003,900)	
CHANGES IN SERVICE INCOME and EXPENDITURE			**(1,202,100)**
Changes in Interest			(272,800)
Changes in Capital financing charges			1,750,300
Changes in Revenue contributions to Capital			(2,028,700)
Changes in non-service specific contributions to reserves			(915,597)
Cahnges in IAS19 adjustments reversed			(655,000)
Changes in Contibutions to / from General Fund			201,393
NET EXPENDITURE FOR DISTRICT PURPOSES 2020/21 ORIGINAL			**14,631,203**

Inflation of 2% had been applied to general budgets, of which 1.6% had been used for most major contracts, with the exception of the cleaning contract (2.6%). 2.4% had been used for Business Rates.

Staff costs would increase in 2020/21. The main changes to funding were:

- agreed 2% pay award (+£300,900);
- Spa Centre / Pump Rooms casual staff funded from increased income (+£40,000); and
- auto enrolment (+£31,900).

Only previously committed growth and unavoidable changes were included in the Base Budget. This totalled £801,800, of which £571,500 related to increased expenditure and £230,300 related to reduced income. Appendix A to the report listed the main items, the largest of which were:

- increase in contract cleaning costs (+£219,300);
- Car Park costs funded by additional income (+£100,000);
- waste collection contract increases (+£59,000); and
- waste management – new properties (+£44,000).

Various savings and increased income were allowed for within the Budget. These totalled £2,003,900, which comprised of £1,006,200 reductions in expenditure and £937,700 increases in income. Appendix A to the report listed the main items, the largest of which were:

- leisure concession fees from contractor (-£287,100);
- removal of contingency budget (-£237,000);

- increase in recharges (-£135,700);
- additional car parking income (-£132,300); and
- increased Crematorium income (-£108,800).

Taking the above figures into account, there was a forecast reduction of £1,202,100 in net service expenditure, which was mainly the falling out of one-off and reserve funded items. There was no overall change in the level of service provision budgeted for, other than any previously agreed changes.

There were various general financing adjustments required to arrive at the demand for Council Tax. Taking all these items into account produced a forecast deficit of £460,600.

However, as outlined in section 8 of the report, the final Government Finance Settlement and other unforeseen events meant the final position would not be confirmed until early 2020.

The budget report considered by the Executive at its 21 August 2019 meeting reported a forecast deficit for 2020/21 of £309,000. The difference between this figure and the deficit shown in Section 3.3.8 of the report was mainly due to the anticipated increase in the cost of the cleaning contract (£218,000) and revenue savings from the new CCTV investment (£51,000).

Appendix B to the report was broken down into two parts – Appendix B1 and Appendix B2. Both appendices provided details of service expenditure and income in portfolio order. Appendix B1 to the report was a summarised version of Appendix B2. The analysis in Appendix B2 was divided into two sections – expenditure and income under the direct control of the budget manager, such as salaries, fees and charges income, and those items for which they had little or no control over, such as support service allocations and capital financing charges. Explanations were provided where significant variations had been identified. Appendix B2 to the report was solely provided electronically.

Under the current Budget Review process, amendments to budgets were presented to Members for approval on a regular basis. Consequently, many changes had already been reported and approved by Members. The report continued that process and provided details of the latest budgets for the current year. Appendices B1 and B2 to the report provided detailed analysis of net expenditure by service in Portfolio groupings.

The Latest Budgets totalled £19,241,190, which was an increase of £1,182,583 compared with the originally approved budget for 2019/20 of £18,058,607.

The main reasons responsible for the decrease in service income and expenditure were included within Appendix B, which was summarised as follows:

	£	£	£
NET EXPENDITURE FOR DISTRICT PURPOSES 2019/20 ORIGINAL			**18,058,607**
Staffing			549,300
Plus Committed Growth:			
- Increases in expenditure	14,230,300		
- Reduced income	534,100	14,764,400	
Less Savings:			
- Reduced expenditure	(2,028,500)		
- Increases in income	(764,600)	(2,793,100)	
CHANGES IN SERVICE INCOME and EXPENDITURE			**11,971,300**
Changes in Interest			(439,800)
Changes in Capital financing charges			(9,216,900)
Changes in Revenue contributions to Capital			(344,000)
Changes in non-service specific contributions to reserves			(523,917)
Cahnges in IAS19 adjustments reversed			(641,000)
Changes in Contibutions to / from General Fund			(172,400)
NET EXPENDITURE FOR DISTRICT PURPOSES 2019/20 LATEST			**19,241,190**

The first part of the table above showed that the total net expenditure on services had increased by £11,971,300. This was mostly due to increases in capital charges in respect of the HIF Grant for Kenilworth School. The swing from the Original Net Expenditure of £18.1m to £19.2m also reflected the increased contribution to the Business Rates Retention Volatility Reserve of £1.6m, as the level of rates expected to be received this year had increased as detailed in paragraph 3.6.3 of the report.

The 2019/20 budget was reviewed in order to set the 2020/21 base budget. This was to be reviewed again in February.

The Quarter 2 budget review to the Executive on 13 November 2019 reported a budget surplus of £163,700. Following this review, the net amount of interest received was recalculated and was expected to be £142,300 higher. Salary reductions of £45,000, a £33,800 grant and further expenditure reductions of £84,600 had resulted in the revised surplus of £469,400. This surplus could be seen within the General Fund Summary in Appendix B1 to the report.

The comments made above concerning the content of Appendix B were equally applicable to the information provided in respect of the Latest Budgets for 2019/20.

As part of the earmarked reserve process at the year end, £44,100 was transferred to revenue for the Kenilworth leisure project. It was decided that this work was of a capital nature, and subsequently, £44,100 was added to the capital budget. This would now be shown as a contribution to capital in the revenue accounts.

In order to arrive at the position for the Council's overall net expenditure, it was necessary to take account of the effects of the Council's capital financing arrangements and any transfers to and from reserves. These were summarised in Section 3.5.1 in the report and further details were included within Appendix C to the report.

Most of the changes to the Capital Financing and Reserves figures reflected changes in specific items within the cost of General Fund service expenditure, whereby many increases in service expenditure were met by a contribution from a specific reserve which were included here.

These figures were still being updated to reflect the latest Capital Programme and use of reserves. Any further changes were to be detailed in the February 2020 Budget report.

In terms of depreciation, intangible assets and capital financing charges in Service Budget, these were non-cash charges to services that did not impact on the Council's overall external funding requirement (primarily council tax, retained business rates and Government grant). By including these charges, the full cost of the respective services provision was apparent. Variations between years occurred, which reflected new schemes and slippage between years of schemes as reflected within the Council's capital programmes.

There was a decrease in 2019/20 of £242,300 to do with loan repayments, revenue contributions and interest paid. This was due to a decrease in interest payments of £203,700, and the Minimum Revenue Provision (MRP) was reduced by £38,600. There was a decrease in 2020/21 of £137,000. Interest payments were reduced by £104,300 and the MRP by £32,700.

Concerning the revenue contributions to Capital, there was a reduction to the budget of £344,000 for 2019/20. The budget for 2020/21 was reduced by £2,029,000. This was because no schemes funded by the New Homes Bonus were included in 2020/21 budgets as this had not been confirmed.

There was a reduction in contributions to and from reserves of £916,000 when compared to the 2019/20 original budget. The 2019/20 latest budget showed a decrease in contributions to and from reserves of £524,000. The changes were categorised as follows:

	Base Budget 2019/20 £000	Latest Budget 2019/20 £000	Base Budget 2020/21 £000
Contibutions to / (from) reserves:			
Contribution to / (from) Business Rates Retention Volability Reserve	736	2,358	587
Use of New Homes Bonus	2,301	2,301	(150)
Homelessness Prevention Grant	-	-	-
Use of Community Projects Reserve	365	516	(70)
Use of Leisure Options Reserve	-	(23)	-
Services, etc.	(1,699)	(3,973)	420
Contibutions to / (from) reserves	1,703	1,179	787
Change:			
Contribution to / (from) Business Rates Retention Volability Reserve		1,622	(149)
Use of New Homes Bonus		-	(2,451)
Homelessness Prevention Grant		-	-
Use of Community Projects Reserve		151	(435)
Use of Leisure Options Reserve		(23)	-
Services, etc.		(2,274)	2,119
Contibutions to / (from) reserves		(524)	(916)

The revised net budget for 2019/20 showed an increase of £198,000 and £136,000 for 2020/21. These figures were to be updated in the February Budget Setting report.

	Base Budget 2019/20 £000	Latest Budget 2019/20 £000	Base Budget 2020/21 £000
Interest receivable	(1,075)	(1,071)	(1,027)
Deferred capital receipt	(21)	(21)	(18)
HRA Share	624	422	437
Total GF Interest Receivable	(472)	(670)	(608)
Change:			
Interest receivable		4	48
Deferred capital receipt		-	3
HRA Share		(202)	(187)
Change in GF Interest Receivable		(198)	(136)

The Housing Revenue Account balances formed part of the Council's investment portfolio and as a result of the factors described above, the investment interest to be credited to the Housing Revenue Account was expected to decrease in 2019/20 by £202,000 and by £187,000 in 2020/21.

IAS 19 required an authority to recognise the cost of retirement benefits in the net cost of services when they were earned by employees, rather than when the benefits were eventually paid as pensions. However, the charge that was required to be made against council tax was based on the cash payable in the year, so the real cost of retirement benefits was reversed out. The figures included in the budgets were based on the latest figures from the Pension Fund actuary.

In line with the decisions made at the February 2019 Executive meeting, as part of the 2019/20 Council Tax Setting, £201,400 was transferred from 2018/19 to 2019/20 via the General Fund balance. The latest budget showed an increase to this of £172,400, more details of which were provided in Appendix C to the report.

In order to complete the picture, the general grants position also needed to be considered.

The Revenue Support Grant reduced to zero for 2019/20, based upon the four-year settlement confirmed in January 2016.

Gross Business Rates income figures showed an increase of £1.65m in 2019/20, and was estimated to reduce by £0.75m in 2020/21 from 2019/20. The income for 2019/20 was higher, due to primarily one-off adjustments in respect of the appeals provision. This movement in Business Rates income was to be matched by changed contributions to the Volatility Reserve in order to smooth the net income to the General Fund. Movements in business rates were as follows:

	Actual 2018/19 £000	Original 2019/20 £000	Latest 2019/20 £000	Original 2020/21 £000
Gross Business Rates Income	7,781	5,268	6,920	4,522
Contribution from (to) Business Rate Retention Volatilitiy Reserve	(3,646)	(736)	(2,358)	(587)
Net Business Rate Income credited to General Fund	4,135	4,532	4,562	3,935

At this stage, no New Homes Bonus had been included in respect of 2020/21. However, £150,000 had been included (by way of expenditure and anticipated New Homes Bonus) in respect of the Commonwealth Games.

The Council Tax element of the Collection Fund was to be calculated in January 2020, with the Major Preceptors being notified of their share of any surplus or deficit, and was to be included within the February 2020 Budget report with any balance to be distributed / recovered in 2020/21.

The Council Tax Base for 2020/21 was calculated to increase by 274.20 from 55,577.17 to 55,851.37. This change resulted in an increased Council Tax yield of £45,700. Increasing the Council Tax Band D charge by the previously agreed £5 produced a further yield of £279,000.

The net result of all these movements was shown below:

	BASE BUDGET 2019/20 £'000	LATEST BUDGET 2019/20 £'000	BASE BUDGET 2020/21 £'000
TOTAL ESTIMATED NET EXPENDITURE	18,059	19,241	14,631
Less: Revenue Support Grant	-	-	-
Less: Business Rates Income	(5,267)	(6,919)	(4,521)
Less: General Grants:			
- New Homes Bonus	(3,359)	(3,359)	(150)
- New Homes Bonus Returned Funding	-	-	-
- Homelessness Prevention Grant	-	-	-
- Self & Custom Build New Burdens Grant	(15)	(15)	-
Collection Fund (Surplus) / Deficit	(143)	(143)	100
Council Tax	(9,274)	(9,274)	(9,599)
(Surplus) / Deficit	**1**	**(469)**	**461**

This showed that there was a forecast surplus of £469,417 in 2019/20 and a deficit of £460,587 in 2020/21.

The latest Housing Investment Programme (HIP) was shown at Appendix E to the report.

In prior years, the Housing Investment Programme was included in the February Budget Setting Report, but the 2020/21 programme was brought forward to be considered in the December budget report, in order to facilitate a greater time period for the procurement of contractors to enable works to commence early in the new financial year.

Similarly, a revised HIP would be presented to Members as part of the February Budget Report where any variations from the 2019/20 programme were included. This also included any new schemes approved during 2019/20, changes to the current schemes and slippage from 2019/20 into 2020/21.

A Housing Restructure, which was pending approval from Employment Committee in December, had been excluded as it had not yet been approved; the HIP was to be revised to factor in the impact of this change on the HRA Capital Investment Reserve included within the estimated HIP Resources at Appendix F to the report. The HRA 2020/21 Estimates also needed to be updated as part of the Rent Setting Report considered in February 2020.

Appendix F to the report showed the funding of the HIP and the forecast balances at year end until 31 March 2024 after the HIP had been financed. The capital receipts primarily related to Right to Buy sales. The Council had freedom on how the Right to Buy any purpose receipts were utilised, and was able to fund General Fund and Housing capital schemes.

1-4-1 RTB receipts had to be utilised in replacing housing stock that had been purchased from the Council by existing tenants through the RTB scheme. This could be through new build properties (such as Sayer Court), the purchase of existing properties (such as Cloister Way) or buy back of existing Council properties previously sold through RTB. However, they could only be used to fund up to 30% of the replacement cost as per RTB regulations. If the funding was not used within a three-year period from the date of receipt, the funding would be repayable to the Government, along with interest. It was envisaged that there was no requirement to repay any 1-4-1 receipts to the Government as they would be utilised to finance current or potential schemes within the Housing Investment Programme. Within the current Housing Investment Programme, there were schemes for the acquisition of properties during 2020/21, as agreed by Members. This fully utilised the 1-4-1 funding that the Council currently held and would receive in 2020/21, and it was projected to have a zero 1-4-1 balance as it did at 31 March 2020. The projections after this date showed the balance beginning to increase again, starting with approximately £1.4m generated in 2021/22, which would be available thereafter for further schemes, with this funding having to be used within the three-year timescale.

The HRA Capital Investment Reserve was funded by the surpluses generated on the Housing Revenue Account. The HRA Business Plan assumed that this funding was used for the provision of new HRA stock, and to allow debt repayments on the £136.2m loan taken out to purchase the HRA housing stock to commence from 2052/53.

The Major Repairs Reserve was used to fund capital repairs of the HRA stock. The contributions to this reserve were based on depreciation calculations.

Section 106 were payments received from developers in lieu of them providing new on site affordable homes, enabling the Council to increase the HRA stock or assisting housing associations to provide new dwellings. These S106 payments usually had a time limit attached to them, by which time they needed to be utilised or they may have needed to be repaid to the developers.

The Right to Buy Capital Receipts were shown within the sources of housing Investment Programme funding. As considered previously by Members, these capital receipts were not ring-fenced and could be used for any capital projects. The Prudential Indicators for 2019/20 were presented to the Executive on 6 February 2019 and ratified by the Council on 20 February 2019. This was a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it could afford to borrow each financial year.

In order to provide sufficient flexibility to the Council's future long-term borrowing and future-proof the Council's Prudential Indicators against any change in practice relating to internal borrowing, it was recommended that the indicator below should be revised, increasing the limit for longer-terms loan (i.e. 10 years and above) to 100%:

Period	**Upper**		**Lower**
	Current	**Revised**	**Current**
Under 12 months	4%	20%	0%
12 months and within 24 months	20%	20%	0%
24 months and within 5 years	20%	20%	0%
5 years and within 10 years	20%	20%	0%
10 years and above	96%	100%	0%

This would enable any future loans, in addition to the £136 million HRA loans from 2011/12 and the £12 million taken in September 2019 for the General Fund, to take advantage of an interest rate yield curve that might have favoured longer-term loans, which matched the pool of underlying new assets.

Increasing the 'Under 12 months' limit to 20% would allow for circa £32 million of internal borrowing. Although the Prudential Code did not specifically identify internal borrowing, it was considered good practice to allow for this position in the Council's indicators, in order to reflect this element of borrowing.

This proposed change was supported by Finance and Audit Scrutiny Committee on 12 November 2019 as part of its consideration of the Treasury Management half year report.

One of the projects forming part of the St Mary's Lands Scheme was the implementation of a Multi-Use Games Area (MUGA). This had been funded by way of a grant and a loan to Racing Club Warwick who operated the facility. The project was completed but two issues arose that required resolution. Firstly, the flood lights installation required additional works above and beyond what had been provided for, as a consequence of planning requirements. This extra cost amounted to £9,400. Additionally, the ground works for the MUGA required further strengthening to provide extra endurance at an additional cost of £20,000.

The extra £29,400 could not be afforded by Racing Club Warwick. This sum was funded from other projects budget for St Mary's Lands which included an element of contingency. The budgets for these other projects amounted to £500,800 in 2019/20. There was the potential for this to be recouped, along with the grant which had already been agreed, from Section 106 Agreements.

In terms of alternatives, 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.

The Finance & Audit Scrutiny Committee noted the report and the addendum with regard to Shakespeare England. Councillor Nicholls, the Chairman of Finance and Audit Scrutiny Committee, advised Members that the addendum had been withdrawn prior to the meeting and should not have been considered by the Finance & Audit Scrutiny Committee.

Councillor Hales, the Portfolio Holder for Finance, proposed the report as laid out.

Recommended to Council that

(1) the base budget for the General Fund services in respect of 2020/21 as outlined in Appendix B to the report, be agreed;

(2) the updated budget for the General Fund services in respect of 2019/20 as outlined in Appendix B to the report, be agreed;

(3) the 2020/21 Housing Capital Investment Programme as outlined in Appendix F to the report, be agreed;

(4) the changes to the Prudential Indicators for 2019/20, as discussed in section 3.8 of the report, be agreed; and

(5) the addition of £29,400 grant to the St Mary's Lands capital budget as discussed in section 3.9 of the report, be agreed.

(The Portfolio Holder for this item was Councillor Hales)
Forward Plan Reference 1,086

92. **Housing Revenue Account Base Budgets 2020/21**

The Executive considered a report from Finance presenting the latest projections for the Housing Revenue Account (HRA) in respect of 2019/20 and 2020/21 based on current levels of service and previously agreed Executive decisions. There were further matters that needed to be reviewed in order to finalise the base position as part of the 2020/21 budget setting process, to be reported to Executive in February 2020, as set out in paragraph 3.6 of the report.

The 2019/20 latest budgets showed a forecast reduction in the transfer to the HRA Capital Investment Reserve (HRA CIR) of £394,100. The proposed 2020/21 Base Budget forecasted a reduction in the transfer to the HRA CIR of £482,400. Appendix A to the report summarised the adjustments from 2019/20 base budgets to the 2019/20 latest budgets and 2020/21 base budgets.

The report considered the current year's budget, and included details of proposed updates to the 2019/20 Budget. The report also recommended the base budget requirements that would be used in the setting of the HRA budgets for 2020/21. These figures reflected the costs of delivering an agreed level of service, and any unavoidable changes in expenditure (for example, where the Council was contractually or statutorily committed to incur additional expenditure).

Any recent changes needing to be resolved that had not been included in the budgets at this stage would be fed into the February report. In February the Council would be in a position to agree the 2020/21 Budget for the year part of the HRA rent setting report, following confirmation of the housing rents and communal utility recharges.

In agreeing the latest 2019/20 budgetary position, managers reviewed their current and forecast financial requirements. Some changes had already been reported to Members as part of the Quarterly Budget Review Report in August, with further amendments to be identified during the budget setting process to determine next year's base position.

A review of the 2019/20 budget had been carried out in order to establish the latest budget for the current year. This informed the base position for 2020/21.

The following table summarised how the latest 2019/20 HRA budget had been calculated:

	£
Original Approved Net HRA Surplus 2019/20	**(29,400)**
Increase in Expenditure	470,700
Increase in Income	(76,600)
Reduction in contributions to reserve	(394,100)
LATEST NET HRA SURPLUS 2019/20	**(29,400)**

Key drivers of the increase in Expenditure budgets included:

- completion of the external decoration programme – budget carried forward from 2018/19 £197,000;
- increase in Supervision & Management £190,500, due to consultant fees for new housing development projects, increase in the cleaning contract and the increase in support service charges recharged to the HRA; and
- business rates of £34,900 following the acquisition of 1 Warwick Street.

Key drivers of the increase in Income budgets included a rents increase of £16,000 relating to 1 Warwick Street and an increase of £63,600 in expected interest receipts.

Appendix A to the report provided a more detailed breakdown of key variances.

As a result of the above variations to the 2019/20 HRA budgets, the forecast contribution to the HRA Capital Investment Reserve for the year would be £3.2m, a reduction of £394,100 from the original budget.

The Housing Investment Programme was presented as part of the separate December 2019 report 'General Fund Base Budgets 2020/21'.

In determining the 2019/20 Base Budget, the over-riding principle was to budget for the continuation of services at the agreed level. The following adjustments were to be made to the 2018/19 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 summarises how the 2019/20 HRA base budget had been calculated.

	£
Original Approved Net HRA Surplus 2019/20	**(29,400)**
Increase in Expenditure	616,700
Increase in Income	(135,100)
Reduction in contributions to reserve	(482,400)
LATEST NET HRA SURPLUS 2020/21	**(30,200)**

Key drivers of the change in Expenditure budgets included:

- Sheltered Schemes Fire Safety £767,000;
- external painting programme £495,000; and
- decrease in depreciation charge of (£750,000).

Key drivers of the change in Income budgets included increase of Other rents reallocated due to miscoding (£33,700) and increase in expected interest receipts (£90,900).

Appendix A to the report provided a more detailed breakdown of key variances.

Due to time constraints, the figures in the report did not include the impact of the Housing Services redesign which was approved at the Executive meeting on 13 November 2019. This would be included in the

February budget report and would reduce the contribution to reserves. It was estimated that this reduction would be around £500,000.

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

Inflation of 2% had been applied to general budgets. 1.6% had been used for most major contracts, with the exception of the cleaning contract (2.6%). 2.4% had been used for Business rates. 2% pay award had been applied to salaries.

The base rent budget in the report was a baseline calculated from the rental assumptions presented in the 2017 HRA Business Plan.

The actual rents to be charged in 2020/21 and the Council's rent policy were to be decided by Council in February 2020, and budgets would be updated to reflect those decisions. The latest version of the HRA Business Plan was also to be presented to the Executive alongside this in February 2020, incorporating this change alongside other key policy decisions.

The base 2020/21 budgets presented in the report had not been adjusted for inflation, as this was yet to be approved in February's rent setting report. This would allow for housing rents to be increased by CPI + 1% on the rent charged in 2019/20, as allowed by legislation. This would follow a period of four years of 1% reductions. In the case of void properties, the base rent would be:
the assumed rent rate which should be what the previous tenant paid if that was already above Target Social Rent (Formula Rent) then increased by CPI + 1% in the first relevant year and again by CPI + 1% for each successive year,
or
the formula rent for 2019/20, plus CPI + 1% in 2020/21 rent year and so on.

Rent budgets included the projected effect of void homes being moved to Target Social Rent (Formula Rent) when re-let. 2019/20 was the final year of the rent reduction policy, following the announcement that providers would be permitted to increase their rents by up to CPI+1% each year, for a period of at least five years.

Shared ownership properties were not governed by the national Policy. The Council adopted the Homes and Communities Agency (HCA) template lease agreement which included a schedule on rent review. Schedule 4 of the lease agreement determined that the rent would be increased by RPI + 0.5% from April each year. At October 2019, the increase had been forecast at 2.6%.

Unavoidable and previously committed growth had been included in the Base Budget. Any HRA surplus above that required to maintain the appropriate HRA working balance was transferred into the HRA Capital Investment Reserve to be used on future HRA capital projects. The 2020/21 Base Budget allowed for a £3.1m contribution to the reserve.

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

In terms of alternatives, the purpose of the report was to produce budgets as determined under the requirements of the Financial Strategy. Any alternative strategies would be the subject of separate reports.

The Finance & Audit Scrutiny Committee noted the report and that paragraph 8.2.2 was included in error and should not be considered.

Councillor Matecki proposed the report as laid out, subject to the removal of paragraph 8.2.2 in the report.

Recommended to Council that

(1) the latest revenue budget for Housing Revenue Account Services in respect of 2019/20 as outlined in Appendix A to the report, be granted; and

(2) the base budget for Housing Revenue Account Services in respect of 2020/21 as outlined in Appendix A to the report, be granted.

(The Portfolio Holder for this item was Councillor Matecki)
Forward Plan Reference 1,086

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

93. **Rural/Urban Capital Improvement Scheme (RUCIS) Changes**

The Executive considered a report from Finance seeking approval of a revised scheme and maximum contribution for the Rural / Urban Capital Improvement Scheme (RUCIS).

Historically, the annual budget was administratively split into two separate cost centres for the current financial year, one for rural and one for urban, and there was a separate cost code for slippage. A number of years ago, carry forward of remaining budget at year-end was stopped and cost codes were streamlined to just one cost centre, which held the £150,000 annual budget. It had still been projected as two separate cost centres and applications had been categorised into the appropriate cost centre area. However, analysis had shown that applications over a number of years had naturally resulted in an equal split between rural and urban areas.

RUCIS AWARD ANALYSIS

	OVERALL			RURAL			URBAN		
YEAR	NO. OF AWARDS	NO. AT 80% FUNDING	AMOUNT	NO. OF AWARDS	NO. AT 80% FUNDING	AMOUNT	NO. OF AWARDS	NO. AT 80% FUNDING	AMOUNT
2018/19	10	2	£179,851	4	0	£68,096	6	2	£111,755
2017/18	10	3	£140,821	5	1	£79,801	5	2	£61,020
2016/17	11	5	£115,158	6	2	£72,221	5	3	£42,937
TOTALS	**31**	**10**	**£435,830**	**15**	**3**	**£220,118**	**16**	**7**	**£215,712**

Additionally, as the scheme currently stood, if there had been an application which met all the criteria and had been recommended for an award but there was insufficient budget remaining in the cost centre for that area (i.e. rural or urban), it would be recommended that the "budget" for the award under consideration should simply be taken from the other area's cost centre/budget, which would be agreed, rather than declining a project which would bring community benefits.

Previous revisions to the scheme criteria and the introduction of the small grant scheme category, which increased the maximum percentage award from 50% to 80%, had no detrimental impact on applications made; annual monitoring of the awards (number, amount, location) would continue to ensure that the changes in the report did not have a detrimental effect on future applications. To simplify future reports to Executive and for ongoing management of the scheme, it was therefore recommended that the scheme should be revised to just one budget regardless of location.

Projects that RUCIS grants contributed towards could often create opportunities for not-for-profit organisations' buildings and facilities to be more environmentally sensitive, for example, by reducing energy consumption and water usage. This could reduce the organisations' running costs, which in turn, would support the organisation with its service delivery for the community and opportunity to keep activity/membership costs at a minimum to ensure inclusivity for the whole community. In June 2019, the Council declared a Climate Emergency and committed to "facilitating decarbonisation by local businesses, organisations and residents, in order for Warwick District to be as close to zero by 2030 as possible". However, costs for environmental products and delivering environmental improvements could be prohibitive for the applying organisations, and cheaper, less environmentally sensitive options, could be chosen instead.

An increased maximum percentage contribution would help to support not-for-profit organisations to deliver more environmentally sensitive projects that supported the Council's Climate Change Emergency. If the suggested maximum percentage contribution changes were agreed, it would be very likely to lead to some organisations holding back from applying in the current financial year and instead apply in the next financial year to maximise the financial support available. This would result in 2019/20 budget not being fully utilised and then lost at year-end. It was therefore recommended that any remaining 2019/20 budget on this occasion slip into 2020/21 to ensure there was no detriment to the support for projects benefitting communities across the whole of Warwick District.

In terms of alternatives, the Council could do nothing and retain the current criteria, but this was not deemed a viable option as opportunities could be missed to support the Council's declared Climate Change Emergency. Members could decide alternative amounts and/or percentage contributions for applications for environmentally sensitive projects that met the agreed climate change parameters.

The Finance & Audit Scrutiny Committee noted the report.

Councillor Grainger thanked the Finance team for bringing the report forward and emphasised that the Overview and Scrutiny Committee would continue to play a big role in making sure that the funds were distributed evenly in both rural and urban areas.

Councillor Hales, the Portfolio Holder for Finance, proposed the report as laid out.

Resolved that

(1) a revised scheme whereby the £150,000 per annum budget is no longer split into rural and urban categories (£75,000 each) and is instead, with immediate effect, considered as one budget for all applications regardless of location, be agreed;

(2) a revised criteria with regards to the maximum percentage contribution, with effect from the new financial year, if the project works are environmentally sensitive and contribute to the Council's Climate Change Emergency aims, be agreed details as follows:

- "Small Grant Scheme" – projects with a total cost of up to £10,000 with a maximum contribution of up to 80% of the overall costs (maximum of £8,000)

- "Main Grant Scheme" – projects with total costs of more than £10,000 with a maximum contribution of 50% of the overall costs (maximum of £30,000)

  If the project works meet the schemes climate change parameters, the maximum percentage contributions with effect from the new financial year will become:

- "Small Grant Scheme" – projects with a total cost of up to £10,000 with a maximum contribution of up to 90% of the overall project costs (maximum of £9,000)

- "Main Grant Scheme" – projects with total costs of more than £10,000 with a maximum contribution of 60% of the overall project costs (maximum of £30,000)

All applications had to meet at least two out of five objectives from the Council's business strategy as noted on the grant application form; in conjunction with the maximum percentage contribution change a sixth objective will be added to the application form which will help to inform the decision making process:

- Environmentally sensitive - "clean, green and safe", for example; project includes energy efficiency and renewable energy technology.

Agreement of the parameters to define qualification as an environmentally sensitive/climate change project and as such be able to apply for the increased percentage contribution be delegated to the Head of Finance in consultation with the Finance and the Environment & Business portfolio holders; and

(3) any remaining budget from the current 2019/20 financial year be, as a one-off occasion, carried forward to the 2020/21 financial year.

(The Portfolio Holder for this item was Councillor Hales)
Forward Plan Reference 1,085

94. **Relocation of Kenilworth School – playing pitch strategy and land purchase**

The Executive considered a report from Development Services regarding the relocation of Kenilworth School. Kenilworth Multi-Academy Trust (KMAT) proposed to relocate Kenilworth School from two existing sites onto a new site at Southcrest Farm, Glasshouse Lane. The quantum of playing pitch area on the new site would be less than the existing sites and therefore a strategy to ensure no net loss of playing pitches had been developed between Warwick District Council (WDC) and KMAT. The report outlined the strategy and the implications to WDC in delivering the strategy and sought support from Members for the approach set out.

The Council's partnership working with KMAT had resulted in an opportunity for WDC to secure an exclusivity option to purchase the existing school site at Leyes Lane to deliver housing. The report noted that work had commenced to prepare an offer for the purchase of this site.

Following a public consultation, KMAT submitted a planning application for a new school to accommodate around 2,200 pupils at Southcrest Farm in April 2019.

The planning application, reference W/19/0655, was considered at Planning Committee on 10 September 2019 where Members made a resolution to grant planning permission subject to the completion of a Section 106 legal agreement. The legal agreement had been drafted and was close to being signed by the required parties.

KMAT had agreed terms and exchanged contracts with the landowners for the purchase of the Southcrest Farm site. It had also agreed terms and exchanged contracts with WDC for the sale of the school's Rouncil Lane site. Completion of these land transactions was subject to obtaining the statutory consent of the Department for Education (DfE) relating to the disposal of the two existing sites owned by KMAT and purchase of the Southcrest Farm site. WDC Officers, legal advisors and representatives of KMAT had worked with the DfE to provide all of the information they required to make a decision.

The existing sites would be developed for housing with the land receipts being re-invested into the new school project. KMAT would shortly embark on an open market disposal of the Leyes Lane site. However, owing to the excellent working relationship between WDC and KMAT on the relocation project, KMAT had agreed in principle to offer the Council an exclusivity option to purchase the site, should WDC be able to meet the value requirements of the school to enable their relocation. Further detail relating to the background of the school relocation project was contained within the 'Background' section of the report.

The quantum of playing fields on the existing school sites totalled 78,046 m2 (Leyes Lane: 47,220 m2; Rouncil Lane: 30,826 m2) and the proposed playing field area on the new school site was 57,132 m2 resulting in a net reduction in playing field area of 20,914 m2. Whist there would be an overall loss in playing pitches, it was important to note that the school had prepared their planning application to meet the playing pitch provision required for a 2,200 pupil school.

Sport England had not objected to the planning application on the grounds of a loss of existing playing field area because at the time of the planning application submission, the existing playing fields on the Rouncil Lane and Leyes Lane sites remained in existence and available for use as playing fields. However, had any applications come forward for those sites without an approach that ensured there would be no overall loss in playing pitch provision, Sport England would object.

KMAT set out their approach to how the longer term deficit in playing fields would be addressed in their Sport England Statement accompanying their planning application: "*Development proposals and each future planning application for the respective sites will need to consider the relevant Sport England policy including having regard to any quantitative loss of playing field area. It is assumed that the future development of the existing school sites will enable additional playing field provision and/or a contribution towards appropriate sports provision for the town to meet the requirements of the relevant playing pitch strategy and Sport England policy. Furthermore, although the existing playing pitch area is greater than the proposed playing pitch area, the quality of new playing pitch will allow greater use by the community*".

Unfortunately, the strategy set out in the planning application had significant potential ramifications for the development of both Leyes Lane and Rouncil Lane as the issue of the loss of playing pitches would impact upon planning applications for residential development on those sites. This issue could potentially also impact upon the ability of KMAT to receive the necessary land receipts for their existing sites to fund the construction of the new school.

WDC was keen to ensure that a deliverable strategy to address this matter was devised and agreed with KMAT at this stage to avoid difficulties at a later date.

The area of deficit amounted to 2.09 hectares, a little more than the equivalent of two adult-sized football pitches and an Under 15/16 pitch.

Sport England confirmed that they could not accept any loss of playing fields but would allow the re-provision of pitches in suitable locations off-site as a potential alternative to retaining pitches on-site.

WDC Officers had appraised options that could potentially address any loss in playing pitch area. The options included:

- Option 1: Retention of pitches on site at Leyes Lane and Rouncil Lane;
- Option 2: Off-site re-provision at Castle Farm as part of the Kenilworth Wardens relocation; and
- Option 3: Off-site re-provision at Warwick University on land north of Cryfield Grange Road (as detailed in Appendix 1 to the report).

The appraisal concluded that Option 1 was undesirable, given the many cons and risks identified and lack of positives. However, it was considered that both Options 2 and 3 were realistic and deliverable although there remained risks with both.

There was more than a reasonable likelihood of being able to deliver the playing pitches required on either the Castle Farm site or Warwick

University site or a combination of both. Given the lack of other suitable sites and the disadvantages of retaining pitches on the existing sites, it was considered that both Options 2 and 3 could be pursued. Option 3, however, was the preferred option as it would have afforded greater certainty of the timely delivery of new pitches and would give the Council more control in the matter, thus minimising risk to the school relocation project and the delivery of Local Plan housing allocations.

There was a cost associated with the delivery of pitches and Sport England cost guidance currently estimated this at £282,432. In addition to the laying out of pitches, there were costs associated with the preparation and submission of a planning application.

WDC and KMAT had agreed that KMAT would provide a contribution to WDC for the value of the pitch construction works linked to the grant of planning permission and judicial review period for the redevelopment of the Leyes Lane site. The contribution would also have included £20,000 to support the preparation of a planning application (which would have been required for Option 3 but not necessarily Option 2). It was proposed by WDC that the £20,000 be payable by KMAT regardless of whether the school was ultimately successful in relocating to Southcrest Farm.

The contribution, which would be subject to relevant Sport England cost guidance and indexation, would amount to £302,432 based on today's costs and would then allow WDC to support a suitable scheme for the creation of playing fields on alternative sites.

WDC officers had engaged positively with Warwick University staff on the potential for delivery of pitches on land north of Cryfield Grange Road and both parties were in principle supportive of the delivery of pitches on the land. With the continuation of this engagement, it was hoped that a formal agreement between both parties would be reached.

The delivery of additional pitches at Warwick University would also be helpful in implementing the Council's own Playing Pitch Strategy (PPS) which identified that there was limited spare capacity across the District, with many sites at or approaching capacity, and there was evidence of overplay at many sites in the District. The PPS identified opportunities to meet these pressures and overall shortfall, and a key element of this mitigation was the securing of community use on existing or new facilities. The delivery of pitches at Warwick University was therefore something that officers were interested in pursuing, regardless of the more pressing need arising from the Kenilworth School relocation plans.

In order to formalise the approach, set out above, a legal agreement to secure funding to deliver new playing pitches was necessary and would require drafting by the Council's solicitors.

An initial discussion had taken place with Warwick University about the delivery of additional playing pitches at Cryfield, but the details of any agreement were unknown as more negotiations were required. Authorisation to enter into more detailed negotiations would provide clarity on the nature of any agreement and subsequently, an additional report would need to be brought back to the Executive before any formal agreement was entered into, so that the Executive could authorise the terms of the agreement and any ongoing expenditure that arose from it.

The £20,000 forward funding was sought to minimise risk to the delivery of the school relocation and to purchasers of the existing school sites (WDC in the case of Rouncil Lane and potentially also Leyes Lane). If there had been uncertainty on the likely delivery of replacement pitches at the time of the Leyes Lane planning application, there would be a risk that the school would not secure the land receipt that they required to fund the relocation and/or there would be a risk to delivering the number of houses anticipated to be delivered on the site. Forward funding the work to prepare a planning application would enable the Council to have greater control on this matter, thus protecting their financial interests, as well as providing greater control on delivering allocations within the Local Plan. It was therefore felt necessary to have had the funding in place in order to reduce risk for the project for all parties.

The Council had worked closely with KMAT to assist the school with their relocation project. This included the availability of significant loan facilities, the mutually beneficial agreement for the Council's purchase of the school's Rouncil Lane site and also the Council's successful bid for £9.6m of funding from the government's Housing Infrastructure Fund to support the school relocation and associated housing delivery.

At its 31 May 2018 meeting, the Executive agreed that officers should enter into negotiations with the school's representatives for the in-principle purchase of the land allocated in the Local Plan for housing at Rouncil Lane (currently the School's Sixth Form site) and possibly Leyes Lane (currently the School's main site). Subsequently, the Executive approved the purchase of the Rouncil Lane site at its 6 June 2019 meeting (Minute Number 5).

At its 21 August 2019 meeting, (Minute Number 36) the Executive noted that the School was prepared to enter into a contract with WDC for the sale of its main school site at Leyes Lane. Owing to the successful working relationship, KMAT had agreed in principle to enter into an exclusivity agreement with WDC for the Council to purchase the larger of the two existing school sites at Leyes Lane. Any purchase of the site would have to reflect market value.
The unique opportunity to purchase this site would assist in the Council's long-held ambition of delivering an extensive house-building programme. In Kenilworth alone, the Council was actively considering the purchase of three housing sites (one in part) allocated in the Local Plan – Rouncil Lane school site; Leyes Lane school site; and Kenilworth Wardens Cricket club site. These sites individually and more so collectively offered the Council a rare and unique opportunity to play a significant part in the type of housing delivered within the District. The Leyes Lane site was the largest of these sites and therefore arguably, had the greatest potential for the Council to deliver on a range of objectives and perhaps delivered something 'better' or 'different' than the norm.

KMAT was expected to commence marketing on its Leyes Lane site at the end of November 2019 and expected to receive bids towards the end of January 2019. Therefore, officers had commenced valuation and site capacity work in order for the Council to be in a position to make an informed offer for the site in due course.

In terms of alternatives, Members could choose not to agree to the strategy set out in this report relating to the re-provision of playing pitches on alternative sites and to require officers to find an alternative strategy or not agree to adopt the strategy and not seek to develop an alternative strategy.

Members could also decide that they did not wish to pursue option 3 as it would mean forward funding £20k to prepare a planning application. Option 2 was also considered to be deliverable but the pitches were unlikely to be delivered as quickly as pitches at Cryfield and as such, there were more risks with this approach.

Retention of playing pitches on either Rouncil Lane or Leyes Lane would result in significant risk to the delivery of the school's relocation, as identified in the 'Risks' section, therefore a strategy which was deemed acceptable to both WDC and KMAT would minimise risk. The options provided were considered to be the only realistic and deliverable options to addressing the shortfall.

Another option would be for KMAT to seek to re-negotiate a land purchase of more land at Southcrest Farm. However, this was unlikely to be successful and would have a financial impact upon the project. The Council would have the ability to utilise its compulsory purchase powers but the length of time and costs associated with this would put the relocation scheme at risk and therefore also the delivery of housing.

The Finance & Audit Scrutiny Committee were appreciative of the assurances from the Deputy Chief Executive in respect of the current governance structure for the project and the opportunities this project provided for the Council. The Committee noted the report.

Councillor Cooke proposed the report as laid out.

Resolved that

(1) the latest position and background relating to the Kenilworth School relocation, be noted;

(2) the strategy outlined in the report to ensure that there is no net loss of playing pitches resulting from the school's relocation, be agreed;

(3) authority be delegated to the Deputy Chief Executive (AJ) and Section 151 Officer, in consultation with the Portfolio Holder for

Development Services, to confirm the details of the legal agreement to be entered into with KMAT, and expenditure of up to £3,000 in legal costs to draft and complete the necessary legal agreement to formalise the agreed strategy to be included within the February 2020 Budget report, be authorised;

(4) officers enter into detailed negotiations with University of Warwick (UoW) for the potential delivery of playing pitches on their land, be agreed, and expenditure of up to £20,000 be authorised to undertake technical work required to support a planning application for this site, noting that this expenditure would be recouped in due course, and officers submit a planning application for proposed new playing pitches at land north of Cryfield Grange Road, with the budget included within the February 2020 Budget report, be agreed; and

(5) the valuation and survey work that has commenced to prepare an offer for the purchase of the school's Leyes Lane site, be noted.

(The Portfolio Holder for this item was Councillor Cooke)
Forward Plan Reference 1,088

95. **Tachbrook Country Park Consultation Strategy**

The Executive considered a report from Neighbourhood Services providing Members with the proposed approach for engaging with stakeholders and the public in the design and development of a masterplan for Tach Brook Country Park ('the Country Park').

The Warwick District Local Plan 2011-2029 was adopted in September 2017 and included a policy and land allocation for a Country Park (Policy DS13). Policy DS13 of the Local Plan identified land for a Country Park between the southern edge of new development sites off Harbury Lane and Bishops' Tachbrook. The Country Park would identify deficiencies in access to the countryside and natural green space in the area; act as a green buffer to prevent further urban encroachment; provide for a range of recreational activities; and improve the ecological value of the area.

In 2014, the Executive agreed to acquiring the land for the Country Park and in November 2017, the Executive approved the procurement of a Design Team to develop the concept and design of the County Park.

In 2019, Wood Environment and Infrastructure Solutions UK Limited (''Wood') was commissioned to deliver a detailed masterplan for the County Park and Appendix 1 to the report set out their approach for engaging with stakeholders and residents. The detailed design was for the agreed Country Park land north of the Tach Book.

The use of online surveys was considered standard practice when carrying out large scale public consultations, and it was considered prudent to progress this element of the project whilst seeking approval for the overall Consultation Strategy.

The masterplan was to be brought back to the Executive for approval, and for approval to submit a planning application (if necessary) to construct the Country Park. This would involve the procurement of a works contract to deliver the Country Park. 'Wood' had been commissioned to investigate what additional features/functions stakeholders and the public would like to have seen if additional land, south of the Tach Brook, was to be secured in the future.

This work could be informed by the Consultation Strategy set out in Appendix 1 to the report, and would not require a separate consultation process.

In terms of alternatives, an option would be to proceed without additional engagement. This would risk the Council adopting a masterplan for the Country Park that had a negative impact on relationships with residents and the delivery of a park that did not meet the needs of future users.

Another option would be to reduce the engagement period. However, this would entail a risk that residents felt excluded from a key Council decision.

A further alternative option would be to consider the possible extension to the country park as a separate consultative exercise and separate masterplan. This could cause unnecessary work and confusion with stakeholders.

Councillor Norris, the Portfolio Holder for Neighbourhood Services, proposed the report as laid out.

Resolved that

(1) the Consultation Strategy, set out in Appendix 1 to the report, be agreed;

(2) the online survey is already live on the Council's website, be noted;

(3) following the public consultation, a masterplan for the Country Park will be produced and brought for Executive approval, along with requests for approval to submit a planning application (if required), be noted; and

(4) consideration of the potential impact on the consultation, should additional land become available to create a larger country park, be noted.

(The Portfolio Holder for this item was Councillors Norris)
Forward Plan Reference 1,079

96. **Finance Systems Replacement**

The Executive considered a report from Finance seeking approval of the Finance Systems Replacement project.

The business case for the proposed new Finance Systems was attached at Appendix A to the report. This highlighted that systems which had been fundamental to financial management (Total) and income management (Paris) at Warwick District Council since 2005 were reaching the end of their usable life.

There had been little development of the Finance Systems in recent years, and the suppliers had stated their intention to discontinue support completely in the short to medium term future. This meant an end to supplier updates which had provided critical protection against cyber-security threats and the risk of unrecoverable system failure.

At the beginning of 2019, Finance, Procurement and ICT had jointly investigated the changing support position, as well as the growing frustrations amongst system users about the usability of finance systems. They found there were only two viable options: a re-letting of separate contracts maintaining similar IT architecture, or a move to a single integrated financial management solution. The investigation outcome recommended a consolidation of systems under a single provider.

Soft market testing undertaken later in 2019 had evidenced that it was possible to consolidate financial management and income management with other finance systems into a single integrated solution on simplified IT architecture. This would make it easier to view and analyse financial information, as well as enabling many business processes to be simplified or removed altogether, making financial management activity and the system as a whole, more user-friendly.
Costs had been estimated in the business case on the basis of a new solution delivered as a 'cloud service', which was the growing trend for technology purchases by public services, and reflected by suppliers concentrating their development strategies on services delivered through the cloud. The business case did not address the relative merits of cloud versus a more traditional on premise implementation.

A procurement process would be needed to establish a more accurate assessment of costs and the project would have to reach a design stage to establish a more accurate assessment of benefits. In the meantime, the business case provided a range for costs and potential benefits, which suggested that the project should aim to payback total costs as soon as year four, within what was anticipated to be the contract period for the new solution.

In terms of other options, alternatives to a procurement of a new finance solution were considered earlier in 2019 by joint working of Finance, Procurement and ICT. A procurement of a new, integrated solution was preferred over the implementation of replacement of systems on a similar contractual and IT architecture basis.

The Finance & Audit Scrutiny Committee supported the recommendations in the report and recommended to the Executive that a non-Executive Member should be on the Project Board for the report.

The Executive were required to vote on this proposal because it included a recommendation from the Scrutiny Committee.

Councillor Hales, the Portfolio Holder for Finance, supported the recommendation from the Finance and Audit Scrutiny Committee and proposed the report as laid out, subject to an additional recommendation 2.3 to read, "a non-Executive Member be appointed on the Project Board for the report".

Resolved that

(1) the findings of the Finance Systems Replacement Business Case at Appendix A to the report, be endorsed;

(2) commencement of a formal procurement for a replacement finance solution with funding addressed in the Budget Report 2020/21, be approved; and

(3) a non-Executive Member be appointed on the Project Board for the report.

(The Portfolio Holder for this item was Councillor Hales)
Forward Plan Reference 1,089

97. Exemption to procure support for the Future High Streets Fund application

The Executive considered a report from Finance requesting an exemption to the normal procurement process to secure consultants to support Warwick District Council's application to the Future High Street Fund.

The report provided Members with an update on guidance for completing an application, which had been released by Ministry of Communities, Housing, Local Government (MCHLG). This guidance made clear that a normal procurement process would not be compatible with MCHLG requirements.

Warwick District Council was awarded £75,000 by MCHLG to develop its application to the Future High Streets Fund in August 2019.

Since the award of funding, the Council had appointed a Programme Manager - Town Centres to coordinate the application (in post 18 November). A further stakeholder workshop to help inform a shortlist of possible projects that would form the basis for the application was held on 18 November 2019.

MCHLG also published key guidance documents including an FAQ and application form template. This included the weighting for scoring of applications, which was as follows:

Assessment criteria	**Weighting %**
Value for Money (in accordance with HMT guidance, and departmental guidance where applicable)	50%
Strategic fit of the proposal	20%
Deliverability (made up of the commercial, financial and management cases)	30%

The guidance documents identified a number of methods to demonstrate value for money including (and not limited to):

- demonstrating significant land value uplift deriving directly from the scheme;
- identifying and quantifying non-monetisable benefits e.g. perceptions of the high street, wellbeing, community cohesion; and
- Central Benefit Cost Ratio (BCR) based on HMT Green Book/ MCHLG Appraisal Guide, supported by high quality evidence, for both the total project and each discreet element.

These methods required specialist expertise to deliver a business case in line with HMT standards. Depending on the final projects, proposed specialist support might also be required to provide input on highways.

Engagement with the funder had also made clear that the Council's consultants were expected to attend a 'kick off' meeting with MCHLG in January 2020 (date was to be determined). The meeting was a critical opportunity to build a relationship with the funder and enable consultants to ask questions to inform the bid. No further meetings between the funder and consultants were proposed.

Since the award of £75,000, MCHLG also announced an opportunity for Councils who had not received the full allocation of £150,000 that was available, to apply for a top up.

Responding to the guidance above, the Council submitted an application for an additional £75,000.

The impact of these changes would significantly restrict the ability of the Council to undertake a normal procurement process. This was because:

- the Council's final bid to Future High Streets Fund would be significantly weakened if consultants were unable to meet with the funder; and
- the Council did not currently know what level of funding would be awarded to support this work.

A standard procurement process would provide 30 days for consultants to respond to an opportunity, to ensure fair access to the opportunity. This would not be possible if the Council wished to have a consultant in place for a January meeting.

Officers identified two possible frameworks, ESPO and Crown Commercial Services. These frameworks provided public sector bodies with an opportunity to procure companies from pre-selected lists. However, the Crown Commercial Services framework required a mini-competition before awarding. There was not enough time to complete this exercise.

The ESPO framework allowed for contracts to be directly awarded (i.e. without competition). However, an initial review of consultants on the framework had not identified suitable candidates. Therefore, in order to positively respond to these challenges, an alternative procurement route needed to be sought.

If the Council was to be unsuccessful in its bid for additional funding, or not receive the results of its bid prior to the January meeting, the Council would procure a consultant utilising the remainder of the budget that had already been agreed by MCHLG and this could be done via an exemption from the S151 Officer.

The alternative procurement route would require officers to identify suitable companies and invite them to respond to a high level brief.

Conversations with stakeholders helped identify consultancies with the track record to deliver the work and key criteria to assess possible tenders. These included:

- experience of consultants delivering the work and proposed number of days;
- track record and frequency of delivering Green Book standard appraisals;
- track record of engaging with MCHLG; and
- capacity to deliver work to time and quality.

These criteria would be used to inform a brief to select a consultant with a direct award.

However, until the list of projects to be proposed to the funder had been agreed, it was difficult to agree the detail of any brief/ evaluation matrix. Furthermore, the Council did not currently have the capacity to assess the economic competency of consultants.

Professor Driffield, Warwick Business School, had agreed to act as a 'critical friend' to the procurement process, to help inform the brief and assessment of consultants.

It was therefore proposed that a brief should be written in consultation with the Portfolio Holder for Environment and Business, and with support from Professor Driffield, that would respond to the emerging project and funding picture.

The fluid nature of the brief restricted the Council's ability to determine the scope and budget of the work. It might be possible that the work would be best delivered in a number of discreet packages, each totalling less than £50,000. In this case, the consultants would be procured under existing authority of the S151 Officer.

However, it was also likely that at least one work package would be up to the value of £93,000. Soft market testing with two companies (identified by stakeholders) had suggested the value for money exercise could cost £40,000 - £60,000. A more complete provision of services, including bid writing / management case, could cost up to £93,000.

An exemption would be required to award contracts above £50,000 without undertaking a competitive procurement process.

In terms of alternatives, an option would be to proceed with an open competition. The Council would be unable to secure consultants in advance of a January meeting with MCHLG due to requirements on the timeframes of running a competition. This would significantly weaken the final proposal.

While there were no legal restrictions on a shorter competition (i.e. providing one week to respond), this could lead to challenges. Potential providers could argue that the process was unfair as some consultants had already been engaged in a soft market testing exercise and were therefore able to respond in the timeframe.

Another alternative option would be to directly award through an existing procurement framework. It would be possible to award directly through the ESPO framework. However, a review of relevant Lots and companies on the framework had suggested that it was unlikely that a suitable company would be secured.

The Council could consider undertaking the work in-house. However, it lacked the capacity to do so. Conversations with the County Council had also indicated that they did not have the capacity to undertake the work either.

Councillor Hales proposed the report as laid out.

Resolved that an exemption to the regular procurement process to appoint consultants in excess of £50,000, to support the development of the bid to the Future High Streets Fund, be approved.

(The Portfolio Holder for this item was Councillor Rhead)
This item was not included on the Forward Plan and an exemption had been awarded, in line with Council Procedure Rules.

98. **Public and Press**

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

Minute Nos.	Para Nos.	Reason
	1	Information relating to an individual
99	2	Information which is likely to reveal the identity of an individual
100, 101, 102	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

The items below were considered in confidential session and the full details of these were included in the confidential minutes of this meeting.

99. **Neighbourhood Services Programme Team**

The Executive considered a confidential report from Neighbourhood Services.

The recommendations in the report were approved.

(The Portfolio Holder for this item was Councillor Norris)
Forward Plan Reference 1,090

100. **Acquisitions and Disposals of Land and Property North of Gallows Hill, Warwick**

The Executive considered a confidential from the Chief Executive.

The Finance & Audit Scrutiny Committee noted the report and that there was a known error with current Land Registry Certificate that officers were in the process of resolving.

The recommendations in the report were approved.

(The Portfolio Holders for this item were Councillors Matecki and Hales)
Forward Plan Reference 1,014

101. **Request for Council Funding**

The Executive considered a confidential report from the Chief Executive.

The recommendations in the report were approved, subject to an amendment to section 2.1 (e), to replace "December" with "February".

(The Portfolio Holders for this item were Councillors Rhead and Hales)

102. **Minutes**

The confidential minutes of Wednesday 13 November 2019 were approved and signed by the Chairman as a correct record.

(The meeting ended at 6.40pm)

CHAIRMAN

12 February 2020

Appendix A

Council Loans Policy

Contents

1. Introduction

1.1 Section 12 of the Local Government Act 2003 gives local authorities certain powers to invest. This is supplemented by Section 1 of the Localism Act which gives local authorities a general power of competence to do "anything that individuals generally may do". Thus, under this provision, local authorities can loan to organisations for legitimate purposes.

1.2 The Council does not provide loans routinely to external organisations, and requests for loan finance will only be considered in the context of the Council's wider commercial and strategic and objectives together with its corporate policies. As such, each proposal for loan finance needs to be judged on its own merit, which includes consideration of:

a. the purpose of the loan and its contribution to the achievement of the Council's strategic objectives
b. the extent to which loans will, in the medium term at least, benefit the local economy
c. the financial stability and viability of the organisation to which the loan is made
d. the nature / level of security an organisation can provide to support the loan amount
e. the Council's commercial objectives.

The loan must be in relation to capital expenditure projects; that is, the Council will not provide loans to support revenue expenditure.

1.3 Loans made to external organisations under this policy do not form part of the Council's investment or treasury management strategy. Decisions regarding the granting of loans are based on a wider concept of the commercial and strategic benefit of each proposal, together with alignment with the Council's corporate polices, rather than the narrower treasury management investment criteria which is driven by consideration of the security and liquidity of funds as well as financial yield. As such, decisions on the different levels of risk and financial return involved in each loan agreement may vary depending on the nature / purpose of the loan and its wider strategic impact. Factors that may affect the level of risk involved in a particular proposal include:

a. Whether the Council already has an interest in the asset / project (for example, owns the land / buildings to which the loan finance relates)

b. Whether loans are offered under Government-sponsored schemes (for example, loans financed from the Regional Growth Fund); and

c. The type of organisation that the funding is provided to (for example, a private company, a not for profit organisation or other public body). It should be noted that this policy does not apply to loans to private individuals.

1.4 This policy applies to all new loan approvals (including variations to existing loan agreements) with effect from its date of approval.

2. Considering a loan proposal

2.1 Applications for loans should be completed by the applicant on the Council's Loans Application form.

2.2 When considering proposals for loan finance, the following factors should be taken into account:

a. Applications will only be considered to support projects / initiatives within the Warwick District Council area.

b. There will be an assessment of the degree of correlation of the loan purpose with the Council's corporate priorities.

c. The Council will consider whether it is appropriate to analyse total support given to an organisation or a single project. For example, the Council may determine that it is inappropriate to lend monies where a grant from the Council has been agreed for the same project or where they have received any type of grant or loan from any state body.

d. The relevant organisation requesting a loan must be able to demonstrate that it has sought funding from other sources and that loans from such sources are not available.

e. A financial appraisal will be required to be carried out by the Council on receipt of any loan request that meets the specified threshold for evaluating applications. This appraisal will also consider the financial standing of the relevant organisation (especially their ability to repay the prospective loan) and will provide due diligence over the business case of the project / initiative. The following information will be required to be made available to the Council alongside the request for a loan:

   i. Copy of the latest approved annual accounts (audited where applicable), plus the previous two years' financial annual accounts including, where relevant, an assessment of company structures and governance arrangement. Additional Management Accounts and supporting information may be required.

   ii. Copy of the last six months' bank statements.

iii. The business case for the project / initiative including project / initiative risks and deliverability. This should be completed on the Council's standard business plan template.

iv. Information on proposed security to support the loan, including evidence of security of tenure of land / buildings and nature of other calls upon the assets (for example, other secured bank loans).

v. Adequacy of the relevant organisation's insurance arrangements, including insurance of assets offered as security.

vi. Details of how the project / initiative will be funded including details of all other loans / grants / support sought or given (including reasons for any refusal of funding).

vii. Confirmation from the potential lending sources (e.g. bank) that it will not provide the finance.

f. The Council may seek third party advice and support in assessing an application and, where this is the case, the applicant's permission to share information will be sought.

g. An assessment of any state aid implications will be carried out by the Council on receipt of any loan request. If a loan application includes the features of state aid then the loan is prohibited unless it is covered by an exemption under state aid rules.

h. An assessment of the applicant's overall cash flow position, spending requirements and overall prudential controls will be carried out by the Council on receipt of any loan application. The Council must ensure that the issuing of any loan does not have any negative impact on its own cash flow and spending requirements. The loan will need to be able to be afforded within the Council's Capital funding and Medium Term Financial Strategy.

i. An interest rate will be applied on the loan to ensure an acceptable return on capital employed. An arrangement fee determined by the Council's Section 151 Officer will also be payable dependent on the complexity of the application.

j. Applications should not be considered from new businesses unless the circumstances are exceptional (e.g. a joint venture project formed for the purposes of a particular project).

k. Loan applications recommended for approval by the appropriate Council officers will ultimately be determined by the Council's Executive. Depending on the funding of the loan, however, Council authority may be required. Loan applications not approved by Council officers will be reported to Executive.

3. Loan agreement

3.1 The granting of a loan will be subject to a written contractual loan agreement in a form approved by the Council's Section 151 Officer and the Council's lawyers, and entered into by the relevant organisation and the Council. The loan agreement will include details of the agreed terms upon which the loan is granted, including:

a. conditions of loan

b. loan duration and repayment details, including repayment of principal, interest and other costs (as appropriate)

c. loan security, including fixed and floating legal charges and guarantees

d. insurance requirements

e. recovery and enforcement arrangements in case of default of loan terms and conditions

f. provision for recovery of any fees incurred for items including, but not limited to, validation of financials, legal advice on loan security arrangements, and so on.

3.2 The period of the loan should be consistent with the loan purpose and other factors relevant to repayment term, e.g. the asset life subject to a maximum period of 20 years.

3.3 Interest will be charged on loans and apply until the principal of the loan is fully discharged. The rate of interest to be charged should reflect the nature of the project / initiative for which loan finance is sought and the outcome of the business case (including ability of the project / initiative to generate financial return). Consideration of the loan interest rate will take into account, and not necessarily limited to, the following factors:

- Prevailing and forecast market interest rates
- The Council's cost of funding (including interest and Minimum Revenue Provision)
- State Aid requirements
- Principal repayment provisions
- The financial strength of the organisation
- The collateral offered as loan security
- A suitable contribution to cover the perceived risk of the loan
- A contribution to the Council's on-going costs of administering the loan

The Council may offer either a fixed or variable rate facility, as determined by the Council having taken into account the advice of the Council's Section 151 Officer.

3.4 Loans should be secured via a fixed or floating charge over assets. Ideally loans should be secured via a fixed charge on substantive assets such as freehold land and buildings, but where this is not possible, a floating charge relating to a group of assets may also be considered.

4. Approval process

4.1 All loan applications will be subject to approval by Executive Committee or Council. The report accompanying each application will include an officer recommendation in respect of acceptance or rejection of the loan application. Any resolution for the approval of a loan should also include an acknowledgement of any exceptional risks (for example, approval in spite of inadequate security) and also include clear written reasons for any approval given in spite of such risks associated with the proposed loan.

4.2 Requests from relevant organisations to change materially the terms of Loan Agreements (including applications for top up loans or repayment holidays) should be considered by the Section 151 Officer in consultation with the Portfolio Holder for Finance, taking legal advice as necessary.