Executive

Minutes of the meeting held remotely on Thursday 10 December 2020 at 6.00pm, which was broadcast live via the Council's YouTube Channel.

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

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

61. **Minutes**

The minutes of the meeting held on 17 November 2020 were taken as read and signed by the Chairman as a correct record.

62. **Declarations of Interest**

<u>Minute Number 68 – Fuel Poverty Strategy</u>

Shortly before discussing this item, Councillor Boad declared an interest because he was a Director of Act on Energy, which was referred to throughout the report, and left the meeting whilst this item was discussed.

<u>Minute Number 69 – Contract Extension to VCS</u>

Shortly before discussing this item, Councillor Boad declared an interest because he was a Director of Chain Limited, the parent company of Crown Routes, which was one of the items the Executive were considering to extend the grant for, and left the meeting whilst this item was discussed.

(Councillor Davison joined the remote meeting before considering Minute Number 63 following some technical issues.)

Part 1

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

63. **Council Tax Section 13A(1)(c) Policy**

The Executive considered a report from Finance seeking approval for a policy to be introduced, in order to provide clear instructions and guidance when dealing with an application for discretionary relief to Council Tax, and to satisfy the Council's requirements to hold such a policy for Section 13A(1)(c).

Section 13A(1)(c) of the Local Government Finance Act 1992 allowed a billing authority to reduce the Council Tax payable, after taking into account any discounts, disregards, reliefs and exemptions. It could be used for individual cases, or the Council could determine classes of case in which liability was to be reduced.

All billing authorities were required to have a policy for this scheme and Warwick District Council did not hold a policy for this. The proposed Policy

looked to support only the most vulnerable and those in severe financial difficulties. This was proposed recognising not only the current financial challenges faced in the community, but also those faced by the Council, because any relief awards would be at a cost to the Council.
In the absence of a policy previously, requests for support had been minimal. These were considered on their own merits, and where necessary, a report was taken to the Executive for approval. This had only happened once and WDC never had any other cause to award or consider relief using this discretionary power. However, it was felt that it was appropriate to set a clear policy to guide decisions, should they be required.

Recommendation 2 in the report was included to ensure that explicit authority was in place for the scheme to be implemented.

In terms of alternative options, there were none because under Section 13A(1)(c) of the Local Government Finance Act 1992, it was a statutory requirement for the Council to have a Council Tax Discretionary Reduction.

There was the option to change the wording on the policy, however, the policy designed was in line with those of other Councils and provided the ability for the relevant officers to make a sound decision when considering any applications.

Councillor Hales, the Portfolio Holder for Finance and Business, thanked the Exchequer Manager for his time and effort, and he proposed the report as laid out.

Recommended to Council that

(1) the Council Tax section 13a Discretionary Relief Policy Statement, as set out at Appendix 1 to the report, be approved; and

(2) authority be delegated to the Head of Finance to provide discretionary relief, as set out within the Council Tax Section 13a Discretionary Relief Policy Statement at Appendix 1 to the report.

(The Portfolio Holder for this item was Councillor Hales)
Forward Plan Reference 1,155

Part 2

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

64. **General Fund Financial Update**

The Executive considered a report from Finance setting out an update on the General Fund financial position, including the latest Medium Term Financial Strategy (MTFS) as at December 2020, and the latest position on reserves. The report also explained to Members the significant risks the Council was facing in dealing with the MTFS, especially given the high degree of uncertainty in its operating environment. Alongside the MTFS, a number of savings proposals were presented as a way that the Council could reduce the deficit outlined in the strategy.

The report also outlined that consideration should be given to the establishment of an annual Climate Action Fund, approval for a Project Monitor for the Kenilworth School proposal, and retrospective approval for a study on the high level business case for further joint work Stratford upon Avon District Council (SDC).

As previously reported to Members, the Council needed to achieve significant General Fund revenue savings to make up the projected revenue shortfall. Within the Quarter 1 Budget report to Executive, the shortfall as depicted in the Medium Term Financial Strategy (MTFS) was shown as follows:

	2020/21 **£'000**	**2021/22** **£'000**	**2022/23** **£'000**	**2023/24** **£'000**	**2024/25** **£’000**	**2025/26** **£’000**
Deficit-Savings Req(+)/Surplus (-) future years	0	+3,190	+6,139	+5,701	+5,355	+5,306
Change on previous year increase(+) or decrease (-)	0	+3,190	+2,949	-438	-346	-49

The MTFS was in the process of being updated. However, it continued to face the following significant uncertainties:

- The impact of Covid-19 on the Council’s finances. This was previously discussed within the Q1 report. There remained significant uncertainty as to the size and the timing of the reduced income and increased costs that the Council would continue to face. The financial impact of the pandemic was expected to continue into 2021/22 and beyond.
- The impact of the forecast downturn in the economy as a consequence of the pandemic and the further uncertainties about the trade terms for leaving the EU.
- Whilst the Government had provided some funding towards the costs and reduced income incurred by local authorities, there had been no indication of funding beyond 2020/21.

The Local Government Finance Settlement was expected in December 2020 and would be a significant driver in determining the share of Business Rates that the Council would retain for 2021/22 and New Homes Bonus. It was only expected to be a one-year settlement, meaning there would remain further uncertainty for these elements of funding from 2022/23.

An updated MTFS would be included within the February Budget report. Whilst the precise shortfall would inevitably change, the figures within the above table were still the best position the Council had for financial planning. The projected figure for 2021/22 though was based on the use of £3m reserves taken from the Business Rates Volatility Reserve. This was on top of £3.1m used to support the current financial year’s budget. This action, together with other calls on reserves, meant that the Council’s overall General Fund reserves fell from just over £22m (April 2020) to just over £15m at April 2021, and were projected to fall further to just over £10m for April 2022, as set out in Appendices 1a and 1b to the report, which was not a sustainable position. The Council's useable General Fund reserves were assessed and there were a number of demands upon them:

- to maintain anticipated service requirements;
- contractual commitments;
- to support the change processes that would be required to deliver the budget proposals referred to within paragraphs 3.3.1 to 3.3.3 of the report; and
- to retain a cushion for the Council, especially in these uncertain times.

Whilst a prudent stance had been taken in deriving the MTFS figures, it was entirely possible that a worse position could yet materialise. In addition to working to address the MTFS, the February Budget report also needed to address the issue of the reserves and how these, which were severely depleted, might be topped up, the allocation of any New Homes Bonus Scheme monies and the impact on the budget situation of the project work, where these had revenue implications.

Members were also made aware that the profile for 2021/22 in the MTFS, presumed a significant use of existing reserves (£3.1m) from the Business Rate Retention Volatility Reserve, in order to dampen the impact and to give time to put in place the proposals, which were referred to in the report, for 2022/23, when it was estimated the peak of the deficit would occur. This was on top of the £3m use of reserves to maintain services in the current financial year 2020/21. Reserves being one off allocations was not a resolution to any underlying financial challenge, but offered only a temporary respite time-wise. Use of reserves in these circumstances did not, however, take away the risks the Council faced and indeed over reliance on the use of reserves to prop up the General Fund expenditure only served in the longer term to increase the risks to the Council, if the underlying problem was not tackled.

The risks which were highlighted in paragraph 3.1.2 in the report needed to be recognised as very significant and were of a scale and imminence that Warwick District Council had never experienced before. In response to these risks and recognising the need to continue to provide services and deliver its priorities, the main mitigation the Council could make was to seek a greater level of savings or income than the MTFS stated was needed. If the risk did not materialise then it meant that resources could be redeployed back into services, reserves, and/or projects or back to the community in some way. If the situation proved to be worse, this approach provided the Council with a degree of cover. The other mitigation was the retention of enough reserves so that if the budget proposals were not sufficient or if the circumstances deteriorated further, they could then be used as a backup when all else had not proved sufficient, hence the term "reserve". The most effective and less-riskier route was to agree that a clear plan of action for the next three years was initiated now, as there would be little time to pull back the situation if matters were deferred.

Officers had been working up the Budget Proposals, attached at Appendix 2 to the report, with the aim of making revenue savings and generating revenue income for the General Fund to alleviate the budget shortfall, but at the same time, ensuring that the Council's strategic aim of maintaining or improving services and delivering its priorities could be continued. If all these savings materialised, the Council would be well positioned to meet the budgeted shortfall and would still be able to deliver its services, improvements and priorities. However, there would be risks that the savings did not materialise as planned, or that the revenue shortfall increased. The retention of reserves for this eventuality was therefore a prudent step, especially for 2022/23.

Some of the savings proposals required further Business Cases to be brought to Members. In addition, some might require upfront funding (revenue or capital). These costs would need to be reflected within the business cases.

Members were asked to agree that these Budget proposals were progressed now to enable the relevant savings to be made, in line with the profile shown in the Appendix 2 to the report. These proposals as further refined would be included in the 2021/22 Budget due to be considered in February 2021. This might require further reports to the Council, Executive, and Employment Committee.

The Council had completed its purchase of land at Rouncil Lane and Leyes Lane, enabling Kenilworth School to begin construction of its new school at South Crest Farm, when a planning application for consent variation had been considered. When agreeing to support the School's ambition, Members required the Assets Manager to ensure that the cost of construction was robustly challenged to ensure that the Council's risks associated with financial support through a Forward Funding Agreement (FFA) were mitigated as much as possible. Work was commissioned from Atkins, which enabled officers to be satisfied that comprehensive design review and value engineering exercises had taken place.

The FFA required the School to agree that the Council continued with its detailed oversight of the relocation, through the appointment of a Project Monitor. Following negotiations between the School and the Council Leader, it was agreed that the Council would fund a Project Monitor role so that there were no conflict of interest concerns. The Assets Manager therefore commissioned further work from Atkins to undertake the Project Monitor role, and this was at a cost of £102,000 for 160 days' work, covering the whole period of construction. £25,000 was to be funded from the Service Transformation Reserve for 2020/21, with the remaining £77,000 for 2021/22 onwards to be determined as part of the February budget report.

Item 7 on the agenda for the meeting – Minute Number 66 – Climate Emergency Action Programme (CEAP) Review - related to the Climate Emergency Action Plan and its implementation. That report contained a reference and a recommendation to create a Climate Action Fund that the Council could use to fund the measures it would need to make itself Carbon Neutral by 2025. For the sake of completeness in the context of the report, it was proposed that the report on the budget in February should seek to make provision for a Climate Action Fund of at least £500,000 per annum.

The Council's joint work with SDC had progressed to the position it would benefit from a high level business case to look at options and outcomes to assist both organisations' financial and service arrangements for the next few years. That work was to be procured by WDC, paid for jointly, and was to be considered by both of the Councils alongside their respective budget meetings in February 2021. This was agreed by the Chief Executive in consultation with the Group Leaders under the emergency powers delegation (CE(4)), as set out in the Council's Constitution, at a cost of £22,500 to each Council.

Securing savings and balancing its Budget would enable the Council to deliver its aspirations and priorities as well as core services. The Financial Strategy underpinned all of the Council's other strategies.

The recommendations within the report would be considered as part of the 2021/22 Budget, due to be reported to Executive in February 2021.

An updated Medium Term Financial Strategy would also be included within the 2021/22 Budget report in February. This would detail the level of future years' savings to be found following the inclusion of the report's recommendations, and any further developments.

The financial climate facing all local authorities presented many risks. These were discussed in sections 3.2 and 6 of the report. These risks had increased greatly as a result of the Covid-19 pandemic, impacting on individual local authorities' income and expenditure and the broader Public Sector Finances. In such uncertain times, the Council needed to consider more carefully than ever its financial decisions, in respect of the current and next year's Budgets, but also their impact on the Medium Term Financial Strategy (MTFS) which enabled sustainable budgets for the future.

The budget proposals within the report, and within Appendix 1 to the report, were intended to help support the Council's finances into the future, whilst protecting services. However, even if all the proposals within Appendix 1 to the report were agreed and were progressed, there would invariably be differences in the levels and the timing of the savings proposed. It was quite possible that such differences might impact adversely on the MTFS.

Warwick District Council was already making extensive use of reserves (almost a third of its General Fund reserves) in order to mitigate the impact of the pandemic, other cost pressures, and to give time to put in place a range of proposals that would put the Council's financial standing on a sustainable basis, whilst at the same time maintaining services and delivering its priorities. However, some reserves also needed strengthening and, given the extent of uncertainty, the Council needed to retain reserves to remain an effective service delivery organisation.

The purpose of the report was to ensure that a sustainable ongoing financial position was achieved by the Council, in line with current Council policies, and recognised the risks currently faced and those which were anticipated.

If Members wished to change any of the proposals within the budget proposals, then they would also need to indicate clearly how they expected any change which resulted in a reduction of savings or of income to be made up. If further expenditure was proposed then, equally, ways of funding would need to also be proposed. Whilst reference had been made to the reserves, it was not considered prudent to make additional use of reserves as an alternative to dealing with the underlying deficit.

The Council could decide not to fund a Climate Action Fund but that would hamper the Council's key aim of making the Council carbon neutral by 2025 and the District by 2030. Likewise, in relation to Council Tax levels, not agreeing to a freeze would leave the issue of alignment hanging, and so would subsequently have a more dramatic impact when reconciled. The high level business case was a required piece of evidence to be considered alongside the Council's budget and Council tax setting decisions in February 2021.

The Council could decide not to agree to a Project Monitor for the Kenilworth School project but given the scale of investment tied up, this would not help the Council to manage a sizeable risk.

The Overview & Scrutiny Committee recognised the challenge of achieving financial savings whilst retaining the public facing service levels, wished to see more detail about how this balance would be achieved and agreed it would scrutinise proposals thoroughly as and when the details were available.

The Finance & Audit Scrutiny Committee noted the recommendations in the report and asked the Executive to provide further detail and the financial rationale between the Climate Emergency Action Plan and the £500,000 mentioned in recommendation 2.5. More specifically, whether the £500,000 was intended to be the first increment in a longer-term reserve that would fund agreed projects in the Action Plan and also be used to leverage more money through government and other grants. In that latter context, it would be helpful to have an indication of the ambition for the scale of the fund that might be generated to meet the Council's targets.

The Finance & Audit Scrutiny Committee noted that there were still a number of aspects which were not known at this time, such as the impact on Business Rates and New Homes Bonus arrangements, and looked forward to further detail in the Budget report, to be brought forward in February 2021.

Councillor Rhead, the Portfolio Holder for Environment, thanked the Finance and Audit Scrutiny Committee for its comments, and stated that there had been discussions at the Climate Emergency PAB pre-meeting on this matter. He explained that there was a pathway to underscore what was being set out for the proposed budgets. It was important to realise that this was a new path other than the referendum that was proposed in 2020, but the details against that referendum still stood in good stead because the Climate Emergency Action Plan would still be implemented, and he hoped and trusted that the amount raised would induce other payments from other areas and grants.

Councillor Hales, the Portfolio Holder for Finance and Business, explained that the intention was that the £500,000 that was put aside would continue to be set out in the budget for the remainder of this Council, and fundamentally, all Councillors had signed up to the Climate Emergency.

The Leader thanked Councillor Nichols, and he explained that the genus of this fund was a financial engine to drive the Climate Emergency Action Plan, and accepted this needed to be shaped further and work would take place to provide more detail for the February 2021 Executive meeting.

Councillor Falp, the Portfolio Holder for Health and Community Protection, thanked Councillor Hales for his hard work, group leaders for their input and support, and officers for the amount of work they had put in getting to this point.

The Deputy Chief Executive and Monitoring Officer clarified for Members that this item was, in fact, a Part 2 item, as it did not need Council approval, and was therefore an Executive decision.

Resolved that

(1) the current position outlined within the Medium Term Financial Strategy, (MTFS); the deficit position; the planned use of £3m reserves to partially mitigate the deficit in 2021/22; and, the reduced reserve position ongoing, as laid out in Appendix 1 to the report, be noted;

(2) the significant risks that the Council is facing to its MTFS and the annual Budget that require clear and determined action to resolve, and the comments of the Council's S151 Officer within Section 5 of the report on the financial risks facing the Council, be noted;

(3) the Budget Proposals identified within Appendix 2 to the report, which will support the Council in reducing the remainder of the deficit outlined in the MTFS, be approved, and such other reports be brought forward to Executive, Employment or other Committees of the Council as are required for implementation;

(4) the funding for the Project Monitor in relation to the Kenilworth School relocation funded, be approved;

(5) a Climate Action Fund be established in the budget for 2021/22 and subsequent years of at least £500,000 per annum; the funding for which is to be considered as part of the Annual Budget report in February 2021; and

(6) the use of the Chief Executive's emergency powers in consultation with Group Leaders for the commissioning of work to prepare a high level business case on closer working with SDC, be noted.

(The Portfolio Holder for this item was Councillor Hales)

Part 1

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

65. **Formation of a Local Housing Company**

The Executive considered a report from Housing setting out the business case and seeking approval for the establishment of a Local Housing Company (LHC). The LHC would be a separate legal entity, wholly owned by the Council (100% through its share capital), and be operated to support the Council's housing development plans and objectives, and would provide the Council with housing related income generating commercial opportunities.

At the beginning of this item, the Leader reminded Members of a revised report which had been circulated prior to the meeting in an addendum, due to substantial amendments to the report following the publication of the agenda.

The addendum advised that the report was amended to better reflect that Members were being asked to consider two separate but inter-related matters. Firstly, officers recommended that the Council created a Local Housing Company (LHC) which would then become a separate legal entity. The proposed LHC had produced a business plan which had two strands. Firstly, the purchase of homes that would become available on the private market, which would require a loan from Warwick District Council so that the LHC could purchase those homes. Secondly, the creation of a Joint Venture (JV) enterprise between the LHC and a national house builder, which could enable the purchase of significant amounts of land for a large house building programme.

With regard to this second aspect, this was more problematic for Members as not only had the LHC yet to be approved, but if Members did agree to the LHC's creation, this new company would then seek to become a 50/50 partner in a JV.

Consequently, although the LHC would be a 50% partner in the JV, this was not the same as the Council being a 50% partner, albeit it was an 100% shareholder of the LHC. Therefore, before the Council agreed to make any loan to the JV there were documents, information and evidence that officers and Members would need to see before signing-off the loan.

Finally, the Council had received detailed legal advice from Trowers & Hamlins LLP, in respect of the creation of a JV. However, this did not cover the scenario of the LHC entering into a JV, albeit many of the issues highlighted would be pertinent. Should Members wish to pursue the proposals outlined in the report, further legal advice would be sought to ensure that the Council's interests were fully protected.

The Business Case set out the rationale and basis for setting up the company and what it was intended to achieve. The Business Case had been prepared using the principles of HM Treasury Green Book Five Cases Model, which were that the business case in support of a new policy, strategy, programme or project had to evidence:

- that the intervention was supported by a compelling case for change that provided holistic fit with other parts of the Council's strategy – the "strategic case";
- that the intervention represented best public value – the "economic case";
- that the proposed Company was attractive to the market place, could be procured efficiently and was commercially viable – the "commercial case";
- that the proposed spend was affordable – the "financial case"; and
- that what was required from all parties was achievable – "the management case".

Item 6 on the agenda for the meeting, Minute Number 67 – Housing Revenue Account Business Plan Review 2020, explained that the current planned activities of the Council's Housing Revenue Account (HRA) were set to utilise all the available resources within the HRA Business Plan. The ability to expand the provision of new homes within the HRA was therefore at its limit and, particularly for tenures other than social and affordable rent, the Council would need to utilise other delivery vehicles to deliver new homes. Legal and commercial advice was that models such as Joint Ventures and/or a wholly owned company which could access alternative funding sources and provide intermediate and market rented properties, were viable options available to the Council.

Establishing a LHC would assist Warwick District Council to take a commercial approach to the delivery of new homes and offer a range of products to assist in the delivery of local housing needs. Furthermore, it could offer an alternative to traditional private rented options by offering a good quality product through a trusted organisation.

The LHC model had the aim of making significant contributions to the Council's income in the face of funding shortfalls, and by doing so, put services on a more sustainable footing to support local people, as well as raising money to invest in the Council's priority outcomes. At this stage, the initial business activities being worked on were set out in in Appendix D to the report.

The advice was that for a company to trade directly with the developer without carrying out a procurement exercise, it must be a company to which the Public Contracts Regulations (PCR) 2015 did not apply, i.e. be a 'non-teckal' company. This required the Company to act commercially and at 'arm's length' from the Council. However, it avoided the potentially expensive PCR 2015 compliant procurement procedures which could be disproportionate to its turnover, and would allow the company to take advantage of direct approaches from developers.

Being able to operate outside of the PCR 2015 did not mean that a company would not be obliged to secure value for money in accordance with good business practice - it would still seek quotes/conduct a tender process – but it would be free to do so flexibly rather than follow a specified procedure.

It was envisaged that the company would be incorporated in December 2020. It would function as an ethical landlord, providing rented homes of a good quality.

It was noted that potential housing company developments would be individually assessed on their financial viability and suitability, and that the primary focus would remain on delivering affordable/social rented units through the Housing Revenue Account (HRA), which afforded significant efficiencies.

Advice on the proposed structures had been received from Warwickshire Legal Services (WLS) and Trowers and Hamlins (legal) and the recommendations in the report had taken that advice into account. It was possible to structure the company in a number of ways, each of which had benefits and limitations. The advice was that a single company structure would achieve the Council's objectives within the desired timeline. Advice on Treasury management was received from Link and KPMG, and on Tax from KPMG, and the recommendations within the report had taken that advice on board. Discussions took place with a number of Councils who operated a LHC model and the learning from those experiences was also reflected within the proposed approach.

The Articles of Association formed part of the Company's constitutional documents and were a requirement. They set out the rules about running the company and were needed to set up the company.

Subject to the Articles, the Directors were responsible for the management of the Company's business and could exercise all the powers of the Company. The Council, as sole shareholder, could by special resolution, direct the directors to take or refrain from taking specified actions.

The shareholder's agreement set out the role of the Council as a sole shareholder and provided parameters for what the company could and could not do. It detailed how the company would conduct its business and how it would report back to the Council. A number of references were made to the Business Plan, which would require approval from the Executive annually.

It was proposed that there would initially be four Directors who would take decisions collectively. The Directors proposed were the Head of Housing and the Strategic Financial Manager as Council directors and two non-executive directors, one with experience in property development and one with experience in property sales and lettings. To support the Company being classed as a non-Teckal company, the two non-executive directors would be appointed by the Board. It was proposed that the Head of Housing would be the Chair of the board.

The quorum for the transaction of the business would be two directors, one of which would be a Council Director. The Council would retain the power to appoint and remove Council directors under the shareholder's agreement and the company would be permitted to appoint and remove the other two directors.

The budget was required to enable the Business Plan to be funded and its activities to be delivered. A budget up to the value of £56.825m had been identified as being required for the full range of activities set out for the company.

The Business Plan set out the aspirations for the company and contained specific proposals for initial lending by the Council. In each subsequent year, the company would be required under the shareholder's agreement to bring their updated business plan to Executive for approval. The company would only be able to carry out business in accordance with its Business Plan.

The Business Plan proposed two areas of activity. The first activity focused on the purchase up to 50 Market Rental Homes available on the open market, to be retained by the company for the life of the business plan and sought to continue to acquire further units beyond the life of this business plan, as the market and financing allows. These homes would be purchased using a loan from the Council of approximately £12m, to which commercial rates of interest would be charged, generating an income for the Council's General Fund. Secondly, the LHC also had the opportunity to create a six-year Joint Venture with a national property developer, which aimed to build homes on a large development site in the District. Again, the plan was to finance this using a PWLB loan of up to which the Council would lend at a commercial rate. This, in turn, would generate loan profit for the Council. There was also potential for a dividend payable to the Council's general fund upon completion of the development, which was funded from the profit share split between the LHC and Developer. The deal included for the Council to purchase the affordable properties and for the LHC to purchase some additional homes on the site, both of which would be the subject of separate reports.

The Council would finance the loan with a prudential rate which was considerably lower than the rate to be charged for the on lending. The LHC/JV would make regular loan re-payments during each financial year during the term of the loan. As a consequence, the Council effectively attracted 'loan profit' over the course of the loan period. The Business Plan set out that the Council would attract 'loan profit' from year one of operation. 'Profit' would also be generated from selling professional services to the company. The Council could also, in future years, benefit from receiving dividends from the Company.

The purchase of existing properties to rent out at market level rents was a relatively low risk form of investment. The rented property market was buoyant and was a familiar entity to the Council.

The development activity had its risks mitigated by the loan from the Council being secured against the land (which was valued higher than the loan value). Furthermore, the Terms of the loan would require the Council to be a secured creditor and therefore have preference over other creditors.

The market rented activity had its risks mitigated by purchase of an asset which would be valued prior to purchase and insured following purchase.

The Company had no stated intention to dispose of its investments, but had the option of disposing of assets in the future and realising a capital receipt, which could be returned to the Council, if considered desirable or necessary.

As sole shareholder, the Council would exercise some degree of control over the company but the company would be allowed to operate at 'arm's length' to deliver its objectives, independently of the Council.

To meet the Council's vision, aims and objectives for the provision of homes, there was a real need to open up every opportunity and channel to provide the numbers and type of homes needed. A Local Housing Company could be a very impactful additional channel that could offer the Council a 'triple dividend':

- much needed extra housing;
- a greater stewardship role in place shaping and meeting climate change objectives; and
- a financial return to the Council.

Both activities were geared to produce an income, primarily for the General Fund but also for the Housing Revenue Account.

The Business Plan set out the activities for the first year and presented the latest projections for the Company for 2020/21 - 2029/30 in detail. It included an insight to objectives, priorities and financial projections for the entire 50-year business plan up to 2069/70.

Bids to purchase the land which would be the subject of the JV detail were, at the time of writing, being considered, with the land purchase due to take place in late January. There was a chance that the landowner did not accept the bid, in which case the deal would fall away. Nevertheless, there was a time pressure to establish the company and make the necessary approvals to enable the company and the Council to take advantage of this opportunity. Given that the land purchase could be lost, the report focused on the other main area of business, namely market rented housing provision. The detail of the development opportunity was set out within the confidential appendices attached to the Business Plan at Appendix D to the report.

Whilst every matter had been considered and was set out in the report documents, the unexpected could emerge. Recommendation 2.4.1 in the report would enable the timetable to be met.

A Memorandum of Association would also need to be signed by one of the Council's authorised signatories on behalf of the Council. This was a legal statement which agreed to form the company.

Whilst striving to adopt a name that was familiar to residents of Warwick District, it should not be exclusive of other communities should the Company develop or acquire properties outside of the District. Additionally, the name adopted could not be already in use or registered with Companies House and therefore, the choice of name would be subject to availability at the time of registration.

The intention was to name the Company 'Spa Living/Milverton Homes'. However, this would be subject to availability at the time of registration.

In advance of the first property purchase, the company would adopt a range of operational polices covering:

- rent and lettings policy;
- sales policy;
- debt recovery policies;
- conflict of interest policy; and
- planned/reactive maintenance provision policy.

Where properties were retained by the company, they would be let on an Assured Short hold basis. It was important that the Company adopted a fully commercial approach to both letting and debt recovery.

Given that two directors of the company would also be employees of the Council, a clear and unambiguous conflict of interest policy would be drawn up which would make clear the respective roles and responsibilities. Such a policy also needed to cover instances where other officers were providing services to the company. The articles of association also addressed directors' legal responsibilities regarding transactions that it had another interest in.
The LHC would require some start-up funds to enable it to bring to life the business plan. Costs included legal fees, insurances and company registration, and were calculated at £200K.

The company would, where it was getting market value, agree supply agreements with the Council. Having an agreement would formalise the approach for officer time invested in the company to be recharged appropriately. As a consequence, some of the costs for the company would appear as a receipt for the Council.

It was noted that the company would buy in external support including for company secretarial services and audit services under a separate agreement.

For the avoidance of doubt, the directors who were also Council employees would not receive remuneration, but non-executive directors would receive a remuneration for undertaking the role of non-executive directors. The level of remuneration would be set by the Head of Finance.

Full due diligence was taking place, in relation to the two areas of work planned for the Company:

- the establishment of an arm's length wholly owned housing company, which would purchase accommodation in the District to let on a market rate for long term income generation; and
- a proposed Joint Venture with a Developer to deliver homes.

Expert financial and treasury advice was provided by KPMG's regeneration and housing team, who were experienced in advising on Joint Venture and Local Housing Company implementations. This expert advice would allow the Council to ensure that the arrangements were structured in a way that mitigated risk for the Council, provided commercial, tax and accounting input, and provided surety on lending as well as maximising the financial return for the Council. As described at paragraph 3.27 in the report, there was a time limited opportunity for a JV to develop housing which would enable the Council to acquire much needed affordable housing and generate income for the General Fund, thereby maintaining vital Council services. The time pressures prevented a further report being brought, setting out the detail of the loan arrangements before the land purchase was due to take place. It was therefore necessary for the delegated authority to be established.

The loan agreement was a written agreement between the Council as lender and the company as borrower, which set out the terms on which the Council would provide funding to the company in order to enable it to function and achieve its objectives. Any loans to the company would be on market terms in order to comply with state aid obligations.

A decision from full Council was needed to provide the authority to add the project to the Council's capital programme and make provision to subscribe for ordinary shares in the LHC, and make provision to fund the loan facility that the Council would be required to make available to the LHC/JV. The provisions within recommendation 2.6.2 of the report provided the necessary legal and financial approvals for this to take place.

The company would need to formally request the loan from Warwick District Council and provide key documents as part of this process.

Expert financial and treasury advice was provided by KPMG's regeneration and housing team, who were experienced in advising on Joint Venture and Local Housing Company implementations. This expert advice would allow the Council to ensure that the arrangements were structured in a way that mitigated risk for the Council, provided commercial, tax and accounting input, and provided surety on lending as well as maximising the financial return for the Council.

In terms of alternatives, the option of not setting up a LHC was considered. As this would not increase the flexibility with which the Council could address current and future needs for housing, this option was not recommended.

Options other than a wholly-owned LHC were considered (e.g. a partnership with a private sector organisation or with another LA), but since it was unlikely that such partnerships would be able to be aligned wholly with the Council's objectives, these were not recommended.

The Finance & Audit Scrutiny Committee noted the report and confidential appendices. It expressed concern about the robustness of the governance arrangements for the delegation of powers for approving loans in paragraphs 2.6.1 and 2.8 of the report, while recognising the need to balance the ability to act swiftly with appropriate oversight and scrutiny. Following the meeting, in discussion between the Chair of the Committee, the Deputy Chief Executive and Monitoring Officer, and the Portfolio Holder for Housing and Property, the latter proposed amendments to the report to read:

"2.6 That subject to the approval of recommendation 2.3, Executive agrees that it:

2.6.1 Delegates authority to the ***Deputy Chief Executive & Monitoring Officer,*** *Head of Finance and the Deputy Chief Executive (BH), following consultation with the Portfolio Holders for Housing and Property and*

*Finance**, Chair of Finance & Audit Committee and the Chair of the Finance PAB**, to agree the terms and conditions of, and approve loans up to a value of £56.835m **£11.625m.***

*2.8 That subject to agreeing recommendation 2.7, Executive agrees to delegate authority to the Chief Executive, Head of Finance and Deputy Chief Executive & Monitoring Officer, in consultation with the Group Leaders, noting that this includes the Chair of Finance & Audit Committee**, and the Chair of the Finance PAB,** to approve a loan request from the JV and determine the terms and conditions of the loan, having taken appropriate legal and commercial advice, and it is then recommended to Council that the capital programme is adjusted to reflect the loan to the JV funded by PWLB borrowing subject to Council approving changes to the Prudential Indicators as detailed in a further report."*

In response to a question from Councillor Boad, the Liberal Democrat Group Observer, Councillor Matecki, the Portfolio Holder for Housing & Property, stated that under normal circumstances, recommendations 2.6.1 and 2.8 would be Executive decisions. However, he emphasised that speed was of the essence, and as there was not an Executive meeting before a decision needed to be made, it was necessary for delegated authority to be established.

In response to a concern from Councillor Boad, the Leader reiterated that Group Leaders would be consulted as part of the process, and that he would personally undertake to engage with Group Leaders to keep them appraised and feed back any views to the Portfolio Holder for Housing & Property.

The Deputy Chief Executive and Monitoring Officer (AJ) wished to ensure that the Executive understood the extent of the control that it would have over the company. He suggested that, subject to the approval of the recommendations, a briefing for all Members could be arranged in order to make sure they were clear about the extent on the influence and control the Council could bring to the company. He could work with the Head of Housing & Property and the Portfolio Holder for Housing to bring the appropriate information forward for Members.

Councillor Matecki thanked officers for their hard work in getting the report done so quickly, and expressed his pride at the work the Housing team had undertaken. He then proposed the report as laid out in the addendum, subject to the amended recommendations proposed by the Finance and Audit Scrutiny Committee.

Recommended to Council that the capital programme be adjusted to reflect the loan to the LHC funded by Public Works Loan Board (PWLB) borrowing subject to Council approving changes to the Prudential Indicators as detailed in a further report.

Resolved that

(1) the Business Case for the establishment of a Local Housing Company (LHC), as set out at

Appendix A to the report, be noted;

(2) the Executive approve:

1. the creation of a wholly owned LHC, to be limited by Shares, with the initial purpose of the delivery of intermediate and market housing;

2. the Articles of Association, as set out at Appendix B to the report;

3. the Shareholders Agreement as set out at confidential Appendix C to the report;

4. the appointment of Directors to the LHC, as set out in section 3 of Appendix D to the report; and

5. a loan facility of £11.625m is made by the Council to the LHC.

(3) the Business Plan, as set out at Appendix D to the report, to the LHC's Board of Directors, noting the proposed initial projects to be undertaken by the LHC, including the potential Joint Venture proposal set out in detail at confidential Appendix 2, be approved;

(4) authority be delegated to the Heads of Housing and Finance, in consultation with the Portfolio Holders for Finance and Housing & Property to:

1. take the necessary legal and administrative actions to establish the LHC (a Memorandum of Association will also need to be signed by one of the Council's authorised signatories on behalf of the Council. This is a legal statement which agrees to form the Company.);

2. agree the name of the LHC; and

3. agree such Operational Policies as would be required by the LHC.

(5) authority be delegated to the Head of Finance and the Deputy Chief Executive (BH), following consultation with the Portfolio Holders for Housing & Property and Finance to consider and put in place:

1. a Loan Agreement for up to £200k to provide working capital and 100% share issue to the Council to be funded from

either share capital issue or loan;

2. a supply Agreement between the Council and the LHC, consistent with the approved business plans; and

3. remuneration levels for the Non-Executive Directors.

(6) authority be delegated to the Deputy Chief Executive & Monitoring Officer (AJ), Head of Finance and the Deputy Chief Executive (BH), following consultation with the Portfolio Holders for Housing and Property and Finance, Chair of Finance & Audit Committee and the Chair of the Finance PAB, to agree the terms and conditions of, and approve loans up to a value of £11.625m; and

(7) the LHC will seek to establish a Joint Venture (JV) company with a national house builder and that the JV will be requesting a loan of £45.210m from this Council and consequently given the need to deal with matters at speed, the following is agreed:

1. upon the JV's creation it writes to the Council to formally request a loan of £45.210m providing its:

a) Business plan;
b) Details of its corporate governance arrangements;
c) Resumes of the appointed directors;
d) Constitution;
e) Articles of Association;
f) Standing orders;
g) Schemes of Delegation;
h) Financial and contract regulations; and
i) Any other documents as considered necessary by the Head of Finance and/or Deputy Chief Executive and Monitoring Officer (AJ).

(8) authority be delegated to the Chief Executive, Head of Finance and Deputy Chief Executive & Monitoring Officer (AJ), in consultation with the Group Leaders, noting that this includes the Chair of Finance & Audit Committee, and the Chair of the Finance PAB**,** to approve a loan request from the JV and determine the terms and conditions of the loan, having taken appropriate legal and commercial advice, and it is then recommended to Council that the capital programme is adjusted to reflect the loan to the

JV funded by PWLB borrowing subject to Council approving changes to the Prudential Indicators as detailed in a further report.

(The Portfolio Holder for the item was Councillor Matecki)

66. **Climate Emergency Action Programme (CEAP) Review 2020**

At the beginning of this item, the Leader informed Members that, following advice from officers, this report was, in fact, a Part 1 item, because any changes to the Procurement Code of Practice needed to be considered by Council.

The Executive considered a report from the Programme Director for Climate Change. In light of the fact that circumstances had prevented the Council Tax referendum taking place in May 2020, the report reviewed the Climate Emergency Action Programme (CEAP) and specifically established the short term priorities for the Council in response to the Climate Emergency. It also set out the process for establishing the pathway to achieve a carbon neutral District by 2030. Linked to the CEAP, the report also sought agreement for the principle of working jointly with Stratford District Council on the response to the Climate Emergency. Finally, it sought approval for some amendments to the Procurement Strategy and Code of Practice and agreement to support the ADEPT blueprint.

Following the Declaration of a Climate Emergency in 2019, the Council considered and, subject to a successful Council Tax referendum, unanimously supported a Climate Emergency Action Programme (CEAP) in February 2020. As the Council Tax referendum did not take place in May 2020, it was necessary to review the CEAP proposals. Appendix 1 to the report set out proposals for the priority actions through until June 2021. This ensured momentum continued with regard to the Council's climate change ambitions, and in particular, included the programme of work that was required to establish the Council's and District's carbon reduction pathway and the detailed Climate Change Programme for the period 2021 to 2025.

As part of the priority actions set out in Appendix 1 to the report, there were a number of proposals that would require funding during the current financial year. Recommendation 1 sought agreement to utilise up to £60,000 from the contingency reserve to support that work. The focus of this funding was for two proposals:

1) Appointing consultants to utilise the SCATTER carbon emissions tool to undertake an analysis of the District's carbon emissions to develop a detailed carbon reduction "pathway", to help the Council identify which interventions would have the greatest potential to reduce carbon emissions by 2030, in line with the Council's ambition for the District to be "as close as possible to carbon neutral by 2030". It was anticipated that this would cost up to approximately £20,000. Subject to Stratford District Council's agreement and funding, there was potential for this study to be undertaken across the whole of South Warwickshire to inform a joint work programme.

2) Undertaking a high level feasibility study to assess the potential to invest in low carbon energy generation infrastructure in the District (or more widely across South Warwickshire) such as a hydrogen hub, solar farm and/or district heating. It was anticipated this would cost in the region of £40,000. Depending on the extent to which the study would encompass and benefit Stratford District, it was possible the costs to Warwick District Council would reduce if Stratford District Council were able to make a contribution to the study.

The programme of work set out in Appendix 1 to the report was designed to maintain momentum until a more detailed and resourced Action Programme was put forward. It was expected that this would be reported for consideration in the first quarter of 2021/22. However, in the event that the Action Programme was shared with Stratford District Council, the exact date for this was dependent on agreeing timescales with Stratford District Council. This longer term action programme would draw on four key elements to ensure it was effective in delivering carbon reduction. Specifically, the Carbon Reduction pathway to 2030 for the District (and potentially, subject to the outcomes of recommendation 4, the whole of South Warwickshire) and the associated 2021 to 2025 Action Programme would respond to:

1) the level of resource that was established through a Carbon Action Fund, including any funding directly agreed by the Council in its 2021/22 budget, funding that may be provided from Stratford District Council in the event that joint work arrangements for the Climate Emergency were agreed and any external funding such as grants and other funding mechanisms such as Community Municipal Investment Bond;
2) the recommendations of the SCATTER pathway study would show the interventions which would most quickly and most effectively achieve carbon reduction in the District (and potentially South Warwickshire) to get as close as possible to zero carbon by 2030;
3) the recommendations of the People's Inquiry into Climate Change would provide valuable insights into how people from across the District thought climate change should be addressed; and
4) the potential for joint working with Stratford District Council, providing opportunities to develop a South Warwickshire Climate Emergency Action Programme and to invest in projects which would have an impact across the whole of South Warwickshire with the potential for improvements in economies of scale and funding opportunities.

It had been agreed in principle to explore closer working with Stratford District Council across a range of services. There was potential to apply that principle to the work associated with the Climate Emergency declarations that both Councils had made. Recommendation 4 proposed that the Programme Director for Climate Change was shared across the two Councils, and that a joint strategic plan should be developed to address climate change across the whole of South Warwickshire. Discussions with Stratford District Council had started and there was emerging agreement to the principle of this arrangement. This recommendation sought to formalise that principle, and Stratford District Council would take a report to their Cabinet in January 2021, seeking a similar agreement in principle. Having established the principle, more detailed work was undertaken to put in place the financial and practical arrangements to enable this to happen. This included arrangements to:

1) share the costs of the Programme Director role and any other costs that were agreed to be within the scope of the joint arrangements. It was noted that discussions to date suggested Stratford District Council were in a position to commit financial resources to the shared work, although the scale and nature of this was the subject of the detailed discussions;
2) coordinate how financial resources for the Climate Emergency (such as the Climate Action Fund) were utilised to achieve maximum benefits;
3) adopt a shared Climate Emergency strategy or action programme in line with recommendation 3; and
4) put in place the political and management structures to support the delivery of the ambitions of both Councils in relation to climate change.

To enable momentum to be maintained, it was proposed that the detail of the arrangements set out in paragraph 3.4 of the report should be delegated to the Chief Executive, in consultation with the Section 151 Officer and the Leader of the Council to agree. It was noted that the shared arrangements may include a joint Members Advisory Board, similar to that proposed for the South Warwickshire Local Plan. As a result of recommendation 4, the role and membership of the Climate Emergency PAB would need to change. At this stage, no other changes to the responsibilities and powers of formal Council Committees were proposed. In addition, a meeting of the Employment Committee was arranged in early 2021 to put in place the necessary employment arrangements.

The CEAP that was considered by Executive in February and proposed that the Procurement Strategy and the Code of Procurement Practice were updated to reflect the declaration of a Climate Emergency. These proposed amendments to those documents were shown in Appendices 2 and 3 to the report.

Proposals to develop a Climate Action Fund (CAF) were brought forward as part of the 2021/22 budget setting report. The CAF was used to support the delivery of priority initiatives proposed in the CEAP refresh. The scale of the proposed fund was determined in the context of a full understanding of the budgetary position and other demands on the Council's finances. Given the inability to hold a Council Tax referendum in May 2020, the scale of the CAF was likely to be significantly smaller than had been anticipated when the CEAP was considered in February 2020. Therefore, as part of the CEAP refresh, proposals were developed to utilise the CAF in a way that had the potential to lever additional sources of funding and/or generate an income that would enable the fund to grow over time. Crucially, proposals focused on projects that had the potential to deliver significant carbon savings, in line with the People's Inquiry recommendations and the preferred carbon reduction pathways. In the event that recommendation 4 was supported, discussions would take place with Stratford District Council regarding the potential for similar contributions to be made by them.

A national coalition of Council organisations, environment groups and others had been formed to make a concerted push to secure more powers and resources for local authorities to deliver on climate change. This coalition had developed a blueprint for the changes needed, drawing on inputs from Councillors and Council officers, gathered through conferences and seminars organised by the LGA and the Association of Directors of Environment, Economy, Planning and Transport (ADEPT) and through other networks. The blueprint was not intended to be the final word, but rather, a starting point for constructive and meaningful discussion with the Government. Specifically, this coalition asked Councils to indicate broad support for five priorities as a good basis to hold discussions with the Government about the role of local authorities and other local actors. The five priority recommendations were:

1) invest in low-carbon and climate-resilient infrastructure including public transport, renewable energy and electric vehicle charging;
2) support reskilling, retraining and research to accelerate the move to a net-zero economy;
3) upgrade our homes to ensure they were fit for the future;
4) make it easy for people to walk, cycle, and work remotely; and
5) accelerate tree planting, peatland restoration, green spaces and other green infrastructure.

Recommendation 7 sought agreement for the Council to formally support these.

In terms of alternative options, the possibility of not seeking agreement for an interim CEAP ahead of a full refresh was considered. However, this would mean that the Council's climate emergency work until June 2021 would be undertaken within an uncertain context. The proposals for an interim Action Plan to June 2021 provided clarity about the immediate way forward.

The possibility of not funding the studies proposed in paragraph 3.2 of the report until the 2021/22 budget had been approved was considered. However, the studies proposed were considered necessary in the short term to enable the development of a full CEAP refresh in the first quarter of 2021/22. The proposal to fund this now, reflected the emergency that had been declared, enabled progress to be made more rapidly during 2021 and also helped the Council to position itself better, should external funding opportunities become available over the coming months.

Whilst it was necessary to refresh the CEAP in 2021, it was possible to delay the date of this to allow more time, and this was necessary in the context of developing a joint approach with Stratford District Council. However, efforts were made to avoid this as it was inconsistent with the declaration of a Climate Emergency. It was also possible to utilise inputs that were different from those detailed in paragraph 3.3 of the report, to inform the development of the CEAP. However, the commitment to place a strong emphasis on the People's Climate Inquiry was important as the CEAP needed to draw on a good understanding of the issues and barriers residents faced in changing behaviours associated with climate change. Furthermore, the People's Inquiry was likely to generate valuable ideas and recommendations for the Council which helped to shape our plans. The CEAP refresh also needed to draw on a detailed understanding of data and the resources available to deliver it. For these reasons, the inputs proposed in paragraph 3.3 of the report were considered to be necessary for the development of an effective CEAP.

The Council could choose not to work jointly on the Climate Emergency with Stratford District. This would have the advantage of being able to focus efforts specifically on Warwick District. However, this was not recommended as the proposal for joint working brought significant potential benefits in sharing resources, looking more widely and strategically (recognising that climate change impacts did not stop at District boundaries), increasing opportunities to attract funding and using synergies to develop interventions which had a greater impact. Furthermore, the joint approach proposed was entirely consistent with the already established ambitions of both Councils, and in that context it was expected that in working up the details, any issues around setting priorities could be managed.

The Overview & Scrutiny Committee supported the Climate Emergency Action Plan being an item in the Council's proposed budget for next year. It suggested that a "Plan for Good News" should be established to ensure residents could appreciate achievements. There was a general desire that the Council aimed high at the start of new projects and this should be set out as an ambition from the outset.

Councillor Rhead thanked the Overview and Scrutiny Committee for their positive discussion during their meeting. He then proposed the report as laid out.

Recommended to Council that the Procurement Strategy, as shown in Appendix 2 to the report, and the Code of Procurement Practice, as shown in Appendix 3 to the report, be amended to reflect the Council's Climate Emergency Declaration.

Resolved that

(1) the action plan set out in Appendix 1 to the report, be agreed as the Climate Emergency Action Programme priorities for the period until June 2021 or until such time a full CEAP refresh has been agreed;

(2) £60,000 from the contingency reserve to support the CEAP priorities, as detailed in Appendix 1 to the report, and in paragraph 3.2 of the report, be agreed;

(3) a further report will be considered by the Executive in the first quarter of 2021/22 setting out the pathway towards a carbon neutral District by 2030 and a carbon neutral organisation by 2025, along with a resourced action plan for the period 2021 to 2025, be noted;

(4) working jointly with Stratford District Council on a programme of work to address the Climate Emergency across the whole of south Warwickshire, including sharing the post of

Programme Director for Climate Change, and that joint structures to bring forward the shared programme of work are put in place alongside the practical, HR and financial arrangements required, be agreed in principle, and this authority be delegated to the Chief Executive in consultation with the Leader of the Council and Head of Finance;

(5) proposals to create a Climate Action Fund (CAF), be included within the February 2021 Budget report, when there will be more clarity over the Council's overall funding and priorities to be met from the 2021/22 Budget; and

(6) the Council formally supports the five priority recommendations calling for powers and resources to enable local authorities to address the Climate Emergency, as proposed in the ADEPT blueprint.

(The Portfolio Holder for this item was Councillor Rhead)
Forward Plan Reference 1,153

Part 2

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

67. **Housing Revenue Account Business Plan Review 2020**

The Executive considered a report from Finance. The Housing Revenue Account Business Plan (HRA BP) had been revised and updated to reflect changes in legislation, the housing market and business assumptions. Housing had moved up the political agenda over the last decade. Issues around the affordability of home ownership, high costs of private renting and availability of genuinely affordable homes had driven this. Increases in homelessness including the most visible form, rough sleeping, the tragedy surrounding the Grenfell Tower fire, ambitions to deliver new Council homes and the Climate Emergency being declared by the Council, had shaped the debate, more recently alongside the uncertain impact of Covid-19.

The 50-year HRA BP needed to remain viable, allowing the Council to manage and maintain its housing stock, to proceed with the projects already approved by Executive, to service the debt created by the HRA becoming self-financing, to service the debt from new borrowing and provide a financial surplus. Without the proposals contained within the report, the viability of the BP was at risk and would result in the Council needing to curtail its ambitions. The proposals in the BP would allow for future policy changes, and their financial implications, to be managed within the existing plan, and for investment decisions to be made regarding the existing housing stock and future construction, acquisition and service projects.

The HRA BP would continue to be reviewed on a regular basis as the underpinning assumptions would require further revisions.

In April 2012, the national Housing Revenue Account Subsidy System (HRASS) was replaced and Councils operating a HRA were required to do so on a 'self-financing' basis. This required each such Council to make a payment (and a few to receive a payment) to Government to secure release from the HRASS, each individually calculated and based on an assessment of the assumed payments that would otherwise have been made into the HRASS, had it continued to operate for a further 30 years. In WDC's case, this required a one-off payment of £136.2m which was loan financed. On 6 March 2012, the Executive approved a HRA BP for the period 2012/13 – 2061/62 which, based on the assumptions made at the time, ensured the Council would have a viable Plan that provided for the loan to be repaid under the terms arranged, for the investment and management needs of the housing stock to be met, and which provided financial headroom, through the accumulation of revenue surpluses that could be used to secure additional HRA homes. As part of the careful management and monitoring of the HRA BP, an annual review of the underpinning assumptions would be undertaken and any changes required to the Plan as a result, along with any divergences in income or expenditure, would be reported to Executive annually, as well as part of the Council's overall annual budget setting process.

The HRA BP was under material levels of strain. To ensure that the HRA BP remained robust, resilient and viable, the re-financing of the £136.2m self-financing loan was imperative over a phased period of 2051/52-2061/62, resulting in the £136.2m Self Financing loan capital repayment fully or partially being profiled over a further period of time, with a view to the debt being repaid at a later date.

The added strain placed on the BP resulted in the main from the expenditure in the Housing Investment Plan (HIP), due to extra demands being placed on it from Housing Development schemes, Climate Emergency and Fire Safety Works. In recent iterations of the HRA BP, only a five-year HIP was required but was no longer viable. The revised HRA BP provided for a minimum balance of £1.4m, increased annually for inflation, to be maintained on the HRA, and for a revenue surplus to be achieved annually for transfer to the Capital Investment Reserve (CIR). As shown in Appendix Two to the report, the balance of the CIR at the end of the current financial year was expected to be £24.9m and, based on current projections, would reduce annually until 2025/26, when it would start to increase again. A CIR balance of £72.65m was projected at 2061/62 and a MRR Balance of £40.26m totalling £112.91m available to pay back the self-financing debt of £162.3m, which was a shortfall of £23.2m.

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

In 2061/62 there was, however, capacity to pay £112m of the debt so the HRA had the option to refinance the loan repayments from 2051/52-2061/62 by either choosing to repay some of the debt and then refinance the remaining balance over a long period. Specialist Treasury Management advice was sought from Link Treasury Management, with the advice that there was no legal requirement to repay the debt within the original timeframe linked with the Governments Original Self Financing legislation. It was advised that a number of other Local Authorities had taken the decision to refinance their self-financing debt to enable them to focus on house building and other priorities in the short term. Indeed, this was the financial model adopted by many housing associations. Link Treasury Management advised that a similar level of interest repayment should be assumed in the HRA BP for an indefinite period, if the decision to refinance the repayment of Debt Capital was made. The HRA Business Plan remained viable when continuing to fund £4.765m in self-financing interest payments for the 50-year plan, and it was recommended that this course of action was taken.

Adopting this course of action ensured the HRA BP would be able to maintain existing service provision, fully meet the responsive and cyclical repair needs of the HRA stock and continue to invest in refurbishment and improvement work to maintain the Decent Homes Standard through the Housing Investment Programme (HIP). Over future years, it was necessary to keep under review the optimum time for the BP to re-finance the existing debt, and the period of new borrowing.

The removal of the HRA Borrowing cap on the 30th October 2018 by the Ministry of Housing Communities & Local Government (MCHLG) was implemented to enable Councils to build more homes. During MHCLG's consultation on the matter, the borrowing cap was stated to be the biggest barrier to Councils building new homes and as such, the cap was removed to "reaffirm the appetite to deliver a new generation of Council homes".
A Further Central Government Policy Borrowing Change on 12 March 2020 which advised that the HRA was to be given favourable rates of financing to borrow for acquisitions or construction of Social and Affordable Housing, resulting in a reduction in interest rates of -1% from 1.86% to 0.86%, where the purpose was for housing related expenditure. Details of all currently approved borrowing for such schemes and the subsequent timing of repayment of this debt were noted on Appendix 2 to the report.

The underpinning HRA BP assumptions were set out in Appendix One to the report, with exploratory notes documenting all changes from the previous iteration of the HRA BP. These changes had then applied to the HRA BP which had been revised, taking the closing 2019/20 financial position as the baseline through to 2069/70. The revised Plan was set out in Appendix Two to the report. A summary of the changes between the previously approved 2017/18 iteration of the HRA BP and the revised Plan were set out in Appendix Three to the report.

Appendix Four to the report was provided to accompany the business plan to provide Members with further detailed information in relation to the Housing Revenue Account. The appendix detailed how the Council managed housing and resources to meet demand, invested in new houses and maintained existing housing stock to a high standard. Current and historic government policies which had impacted decision making and the business plan in recent years, were also included alongside the aspirations and priorities of the Housing Revenue Account, over the period of the business plan.

A new 10-year Housing Investment Plan had been adopted, to enable the Climate Emergency and Fire Safety Works to be completed, and enabled the HRA BP to remain financially viable, as a result of phasing the expenditure across a longer period. The new HIP was noted in Appendix 5 to the report, and contained the following costs over a 10-year period:

- £23.6m Climate Emergency Works associated with the Council declaring a Climate Emergency;
- £30m required for Fire Safety works in line with Fire Risk Assessments resulting from the Grenfell Tragedy; and
- £36.8m Stock Condition Survey works.

In conjunction with the utilisation of borrowing, the development projects in the HIP were generally funded from the HRA Capital Investment Reserve, Right to Buy (RTB) receipts from the sale of Council houses and Grant, whereas the Major Repairs and Capital Works were funded via the Major Repairs Reserve (MRR), a ring-fenced account for the purpose of maintaining and improving existing housing stock.

Separate stock condition surveys were completed with a specialist housing consultancy, Michael Dyson Associates Ltd, to provide information of the main elements, known as stock attributes, of every HRA home. This survey information, complementing information from the Council's in-house team of surveyors, enabled the Council to build up a comprehensive picture of the current state of, and consequently the future investment needs, of a range of stock attributes such as kitchens, bathrooms, roof coverings, windows, doors, rainwater goods.

The surveys undertaken to date allowed the Council to fix a baseline position for the entire HRA stock which, in turn, allowed for the maintenance needed to be costed for the lifetime of the revised HRA BP. This baseline would continue to be refined in future years through a combination of in-house surveying and data analysis, and was updated to factor in the Climate Change and Fire Safety Works. The exiting 2020/21 HIP budget allocation would be directed to meet the most pressing needs, with a full revision of the profile of the future Housing Investment Programme (HIP) to take place going forward, to ensure that all the poor condition attributes were remedied as quickly as possible, and a tailored investment programme was put in place to replace items on a timely basis.

This long term maintenance programme was funded by the Major Repairs Reserve (MRR), which was forecast to have a closing balance of £2.3m at the end of the current financial year. The balance of the MRR was increased annually by the amount of the annual depreciation charge to the HRA stock, which for 2020/21 was an estimated £6.2m. This was based on current projections and the large financial strain on the HRA BP to deliver stock condition works, climate change works and fire safety works. As Noted in Appendix 2 to the report, the MRR balance was expected to drop as low as £1.023m by 2021/22. However, it would remain sufficient to fund the required level of improvements necessary, with the balance beginning to increase after this point and by 2029/30 when the HRA should complete the Climate Change and Fire Safety works, the balance returning to prior year levels of £11.3m.

The stock itself was re-valued annually and further confidence in the viability of the HRA BP could be derived from the current valuation (£402.2m based on the Existing Use Valuation methodology for social housing or £996.1m based on an unrestricted use valuation as at 31 March 2020) being significantly higher than the outstanding self-financing debt.

A number of housing acquisitions, development schemes and land acquisitions were approved, as noted in the HIP on Appendix 5 to the report, many of which would be funded using borrowing from the Public Loans Works Board (PWLB), to ensure that sufficient balances remained in the MRR and CIR. There were two material Land Purchases contained within the HIP which were yet to have the development plan approved. It was expected that these sites would warrant separate Executive approval, with the Housing Strategy and Development Team working on the optimum development plan to ensure that these schemes were financially beneficial to the HRA. The cost of carrying these land acquisitions was one of the negative contributing factors the HRA BP's reducing CIR and MRR balances up to 2025/26. It was expected that once the sites had been developed, the rental income would improve the long term projections for the HRA BP and was likely to improve the capability to repay more of the Self Financing Debts. Nevertheless, the short term negative financial impact on the HRA was material and needed to be noted where large parcels of Land were purchased, especially when there was a significant time lag between purchase and sales or occupation of homes taking place to generate rental income. Alternative delivery models were also being explored that might enable the land to be developed outside the limited capacity of the HRA BP.

The ongoing construction and acquisition projects for new homes would still be insufficient to offset the projected reduction in the HRA stock, resulting from continuation of Right to Buy sales at current levels, as shown in the table below:

New Build potential			
	New Build Homes	Right to Buy Sales	Net HRA stock reduction
2020/21 to 2069/70	298*	1,715	1417

* Assumes all ongoing and previously approved plans are maintained.

The RTB 1-4-1 capital receipts were time-limited to three years from collection and needed to be spent or have to be returned to Central Government. The Council's Policy was for the General Fund to retain and spend the Any Purpose Element of the Capital Receipts, with the HRA retaining the 1-4-1 replacement receipts. The HRA gathered a balance of approximately £3.5m every three years, so it had been assumed in Appendix 5 to the report, that the balance of any remaining receipts in the three-year cycle would be used to support housing construction/ acquisitions within the plan.

A number of options would continue to be considered in order to mitigate the reduction in HRA stock. These included:

- acquisition of existing homes;

- acquisition of s106 affordable homes;
- redevelopment of existing HRA homes;
- new build on Council-owned land, including garage sites;
- new build on acquired land;
- joint venture options; and
- Buy Back of Social Housing.

The Council had officially been awarded "Affordable Housing Investment Partner" status from Homes England, which enabled the Council to apply for grant funding. Where available, grant funding would be sought to support currently approved and potential new housing schemes to lessen the impact on the HRA Business Plan. Due to this new agreement with Homes England and to ensure that all future acquisitions remained viable, all future Affordable Housing Acquisitions linked with Homes England would need to have rents set at the national standard of Affordable Rents which were 80% of local market rents. Existing Affordable Housing tenants housed in the HRA's current affordable schemes would continue to pay "Warwick Affordable" rents for the remainder of their tenancy, which were charged at a mid-point between Local Market Rent and Social Rent, to buffer the impact of this change. This policy change would be requested in the HRA Rent Setting report in February 2021, but had been assumed in the HRA BP projections.

The uncertain impact of Covid-19 on rents, bad debt, arrears and reduced RTB Sales had been factored into the HRA BP and assumptions were noted on Appendix 1 to the report. The reduction in rental inflation linked to RPI and CPI would mean the HRA would not be able to increase rents to the previous levels expected. Industry Experts Saville's had advised the negative impact of this would be felt for three-five years and this reduction in rental inflation would inevitably increase payback period of new housing developments appraisals. The viability of the payback was currently assessed on 30-35 years, but this was likely to increase the payback period up to 40-45 years, where Homes England Grant could not be attained to support the scheme.

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

In terms of alternative options, the assumptions underpinning the HRA BP could be left unchanged from those that underpinned the version approved by Executive in 2017. This had been rejected as it would result in the BP not reflecting the most up to date policies, strategies and research on the conditions of the local housing and land markets. Changes to the forecast number of RTBs, and the one percent rent reduction for Designated, Sheltered and Very Sheltered dwellings were significant changes and should be reflected within the HRA BP. The plan would therefore not be able to deliver services in a way that was viable, maintain services and service the debts taken on by the Council.

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

An addendum circulated prior to the meeting advised Members of the following amendment to paragraph 6.7 in the report:

*"The UK left the European Union on the **31st January 2020 resulting in a subsequent transition period up to the 31st December 2020**, although Brexit is not expected to immediately impact the Housing business plan there could be impacting circumstances that could affect the UK construction industry such as delays on imported construction supplies being received and European labour losses may result in higher construction labour costs. As these outcomes are very uncertain all housing development schemes will be re-appraised and checked for viability regularly."*

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

Councillor Matecki thanked the Head of Housing and the Principal Accountant (Revenue) for their hard work in producing the report and proposed the report as laid out, and subject to the amendment as laid out in the addendum.

Resolved that

(1) the revised Housing Revenue Account Business Plan (HRA BP) assumptions, as set out at Appendix 1, and the revised HRA BP for the 50-year period 2020/21 to 2069/70, as set out at Appendix 2 to the report, be approved;

(2) on current projections, the HRA BP will not allow the self-financing debt repayments to commence from 2052/53 to 2061/62, the existing plan is for the £136.2m debt to have been cleared over this period. Instead it is recommended that the £136.2m debt is refinanced, the 50-Year Maturity Loan Interest payment will continue to be facilitated until 2051/52 with a view to the Capital Repayments being re-financed in line with specialist Treasury Advice, be noted;

(3) with the removal of the HRA Borrowing Cap on 30 October 2018, the Council is able to borrow monies (in full or part) to purchase and/or

develop housing alongside utilising balances, be noted;

1. this refreshed HRA BP has factored in a number of recently approved developments within the service area, including the recent Housing Service Review (approved in December 2019 Employment Committee), Capital projects for the construction and acquisition of new Council Housing, Funding to make homes warmer and achieve a greater EPC standard and a number of major contracts currently in the process of renewal, be noted;

2. Appendix 4 to the report - HRA Business Priorities summarises a background of policies, future projects and priorities that are identified in the next phases of the Business Plan for information, be noted.

(4) in line with the Council's announcement of the Climate Emergency, the Housing Improvement Plan has been extended from five years to 10 years to enable the BP to fund the increased costs associated with these works. Increased cost of Fire Safety Works resulting from the Fire Safety Risk Assessments completed on the HRA Stock have also been factored into the new 10-year Housing Investment Plan, be noted;

(5) development and Land purchase schemes approved in separate Executive and Council meetings since the BP was last presented have been incorporated into the overall financial assumptions, be noted;

(6) the Council has recently achieved Affordable Housing Investment Partner Status with Homes England and where available Grant will be actively sought out to support currently approved and future housing schemes to lessen the financial impact on the HRA Business Plan, be noted; and

(7) the negative impact assumptions in Appendix 1 relating to Covid-19 in regard to rent increases, bad debt levels and reduced RTB sales for a three-five-year period alongside increase levels or arrears, be noted.

(The Portfolio Holder for this item was Councillor Matecki)

(Councillor Boad left the meeting.)

68. **Fuel Poverty Strategy**

The Executive considered a report from Health and Community Protection presenting the Fuel Poverty Strategy for consideration. It also outlined the Council's latest position in relation to fuel poverty, the next steps and Action Plan to deliver improvement in this area.

The Home Energy Conservation Act 1995 (HECA) required local authorities to report on the energy conservation measures that the authority considered practicable, cost-effective and likely to result in significant improvement in the energy efficiency of residential accommodation in its area. The local authority was required to report on progress in this area to the Department for Business Energy and Industrial Strategy every two years, by way of a 'HECA report' update. Warwick District Council last provided an update in 2019, and the next update was required in March 2021.

In 2014, the Government introduced a fuel poverty legislative target for England, to improve as many fuel poor homes as was reasonably practicable, to a minimum energy efficiency rating of Band C, by the end of 2030. This was also proposed for the Council's own housing stock. This aligned with the Council's Climate Change ambitions to reduce carbon emissions from housing, by enabling all houses in the District to attain this level. It was hoped that investment in the reduction of carbon emissions from the domestic energy would include a major contribution from the Climate Action Fund (CAF). However, in the absence of the Council Tax referendum taking place, alternative sources of funding were to be explored, unless and until it was possible to re-establish a CAF of sufficient scale to meet this requirement through grant funded opportunities. In the meantime, the focus continued on promoting existing grant and loan schemes.

In addition, the Council's Strategic Approach to sustainability included the action to develop a Fuel Poverty Strategy. Progress with the Strategic Approach to Sustainability was brought forward in a separate report.
The Fuel Poverty Strategy, as shown in Appendix 1 to the report, outlined what fuel poverty was, the factors causing it, its effects, national policy instruments, the programmes already in operation within the District and the need for further work along with supporting partners.

The local charity Act on Energy supported residents significantly with fuel poverty through the Warm & Well Warwickshire scheme. The latter offered a Freephone advice line, grant funding to vulnerable residents for boiler and insulation measures and free advice.

There had previously been an additional contract with Act on Energy, primarily aimed at promoting the free help available within the community. Although drop-in energy sessions and other promotion work had been undertaken, this had not reached a significantly large number of people. Therefore, a decision was made to progress this internally and link to the community partnership team programme, to help vulnerable residents in need of financial and wellbeing support.

However, it was noted that the Freephone advice line offered by Act on Energy continued for all residents as part of the funded Warm & Well

Service for the next two years, along with all available grant funding for the District's most vulnerable residents, including through ECO and ECO (Flex). The Council's two Community Development Workers would also be supporting and promoting Act on Energy through outreach work. In addition, officers would continue to be able to attend the regional consortium meetings organised by Act on Energy, to keep updated with local and national policy updates, along with other events and seminars promoting this area of work.

Recent progress included a joint bid being developed with Stratford District Council to apply for funding from the Green Homes Grant Local Authority Delivery Scheme, targeted to help residents on low incomes. The application would include external wall insulation measures for home owners and air source heat pumps and external wall insulation in social properties that were off the gas network.

In terms of alternative options, it was a legal requirement under the HECA 1995, for the Council to reduce levels of fuel poverty in the District and the report presented a Strategy and an Action Plan to achieve this.

Councillor Rhead thanked Councillor Davison for submitting questions in advance and was glad that most of the had been answered. He then proposed the report as laid out.

Resolved that the Fuel Poverty Strategy be adopted.

(The Portfolio Holder for this item was Councillor Rhead)
Forward Plan Reference 1,103

69. **Contract Extension to VCS**

The Executive considered a report from Health and Community Protection seeking agreement to an extension to the current Voluntary and Community Sector (VCS) Contracts, for the period of one year.

Warwick District Council had made a longstanding commitment to helping its most vulnerable residents to improve their lives and circumstances. Following on from its Sustainable Community Strategy, the Council had reaffirmed this commitment in its Corporate Strategy 'Fit for the Future'. Although there was no statutory requirement to provide this type of support, the Council's clear rationale was that, in addition to improving the quality of life of its residents, investment in social and financial inclusion services could improve the capacity and resilience of communities and help to reduce the pressure on other public services provided by the Council and its partners, not least by expanding the capacity of VCS organisations and improving the wellbeing and self-reliance of individuals.

In 2018, the Council continued its investment in the Voluntary and Community Sector commissioning to the value of £1,050,000 (annual expenditure over the three-year period was no greater than £350,000). Appendix 1 to the report provided a summary of the contracts and a brief outline of the good work delivered under the contracts.

The current VCS contracts were due to end of 31 March 2021, however, as a result of the impact of Covid-19, it had not been possible as per the

Health and Community Protection Service Plan to review the commissioning arrangements in order to provide a recommendation in regards to an extension or a re-procurement exercise for the existing contracts. It was envisaged that this review would now occur in 2021/22, subject to the agreement to extend until 31 March 2022.

The pandemic had a significant impact on the ability of the Council's voluntary and community sector contract holders to deliver the terms of their service level agreements.

Over the period June to August, the Council's VCS Contract holders had been developing and implementing their recovery approaches and plans. It was proposed that in both the review of these and the current service level agreements, a set of revised outcomes for each of the contracts was established to ensure that the Council's investment continued to make a measurable improvement.

It was proposed that the Health and Community Protection Project Advisory Board would review and agree the amended outcomes in relation to Covid-19 for the extended contracts.

In terms of alternative options, the contracts could be allowed to cease. However, this did not allow the Council to provide services to the deprived communities which had been identified as Council priorities.

Councillor Falp proposed the report as laid out.

Resolved that

(1) the extension of the contracts with the Voluntary and Community sector from 1 April 2021 until 31 March 2022, be agreed; and

(2) as part of the arrangements to the contract extensions the current outcomes in the Service Agreements be reviewed to include any additional areas which are a result of Covid-19 or the pandemic response.

(The Portfolio Holder for this item was Councillor Falp)
Forward Plan Reference 1,159

70. **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 Numbers	Paragraph Numbers	Reason
71, 72	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

71. **Lillington Health Hub – Valley Road Car Park**

The Executive considered a report from Development Services.

The Executive approved the recommendations in the report.

72. **Confidential Appendices to Item 5 – Minute Number 65 - Formation of a Local Housing Company**

The Executive noted the confidential Appendices in relation to Agenda Item 5, Minute Number 65 – Formation of a Local Housing Company.

(The meeting ended at 7.22pm)

CHAIRMAN
11 February 2021

Note: Some of the above decisions were revised by the Leader following direction by Council. These were detailed in Appendix 1 to the minutes.