

**Report of the Corporate Director -  
Resources**

**Capital Accounts 2021/22**

**1 Summary**

- 1.1 The capital accounts for 2021/22 have been prepared. This report shows expenditure for the year, together with the methods of funding used.

**Recommendation to the Council**

**That the methods of funding to meet capital expenditure incurred in 2021/22 be approved.**

**2 Capital Expenditure and Financing**

- 2.1 Capital expenditure incurred by the Council in 2021/22 totalled £12,794,498.37 of which £794,560 related to disabled facilities grants received from the government and passed onto the Heart shared service project, leaving £11,999,938.37 spend on council assets. In addition, an amount of expenditure relating to 2020/21, totalling £273,493.35 remained unfunded from the previous financial year. The Authority has used a variety of sources to fund this expenditure.
- 2.2 In preparing the funding statement, the use of resources has been considered with a view to maximising the total resources available to the Council going forward. There are funding conditions attached to some sources of funding and these conditions have prevented the use of additional Right to Buy receipts held for the provision of new build housing properties in 2021/22.
- 2.3 Grants and contributions have been used for the schemes they relate to. Other sources of funding were also used, which include income from earmarked reserves previously approved by Members and capital receipts. Capital creditors 2021/22 are amounts relating to the 2021/22 financial year, which were not paid before the year end and therefore will not be financed until 2022/23. Borrowing has been used for some HRA spending, instead of some of the additional revenue included in the budget. This will leave the general HRA balances at a higher level at the end of the year, giving the HRA

greater ability to borrow in future years. This will be needed given the increasing pressures on the HRA capital programme going forward.

- 2.4 The funding for the total expenditure of £12,794,498.37 is set out in the table below.

	<b>HRA</b>	<b>General Fund</b>	<b>Total</b>
Capital Receipts	872,941.87	314,313.42	1,187,255.29
Grants and Contributions	1,329,310.00	809,120.00	2,138,430.00
Revenue / Reserves	6,775,782.96	1,230,486.14	8,006,269.10
Borrowing	1,000,000.00	-	1,000,000.00
Section 106 funding	-	19,251.73	19,251.73
Capital Creditors 2021/22	313,212.27	130,079.98	443,292.25
<b>Total</b>	<b>10,291,247.10</b>	<b>2,503,251.27</b>	<b>12,794,498.37</b>

- 2.5 The 2021/22 accounts will include these methods of funding. The accounts of the Authority will not be audited until later in the year. Any adjustments to the funding statement will be reported to this Board following the conclusion of the audit.

### **3 Report Implications**

#### **3.1 Finance and Value for Money Implications**

- 3.1.1 The funding of the 2021/22 programme uses external resources where possible and has taken the pressure on both the General Fund and Housing Revenue Account budgets into account.
- 3.1.2 Internal borrowing will be used for the HRA. As the General Fund will be compensated for any loss of investment income, there will be no impact on the General Fund position.

#### **3.2 Environment and Sustainability Implications**

- 3.2.1 The Council invests in new and existing assets to enable the provision of services to continue to be delivered to the people of North Warwickshire.

#### **3.3 Links to Council's Priorities**

- 3.3.1 The proposed funding arrangements contribute towards the Council's priority of maximising its resources.

The Contact Officer for this report is Sue Garner (719374).

## Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

**1 Summary**

- 1.1 The purpose of this report is to update Members on the position of the 2021/22 Capital Programme at the end of March 2022.

**Recommendation to the Council:**

- a That the Board notes the level of expenditure incurred to the end of March 2022 against the 2021/22 Revised Capital Programme; and**
- b That the requests to carry forward schemes identified in column 6 of Appendix A be approved and added to the 2022/23 Capital Programme.**

**2 The Current Position**

- 2.1 The Council's Revised Capital Programme for 2021/22, approved by this Board in February 2022, is set out in Appendix A. The Appendix also shows the expenditure incurred on each scheme at the end of March 2022.

- 2.2 The Appendix shows total expenditure of £11,726,445 within the financial year, with a further £4,108,626 committed and due to be paid in 2022/23. This gives an under-spend of £881,369 against the approved programme of £16,716,440.

**3 Outcomes from Capital Expenditure**

- 3.1 The £11,726,445 paid on capital schemes in 2021/22 has achieved a number of outcomes, and some of these are highlighted in the following paragraphs.

- 3.2 In terms of housing capital expenditure, the main programmes undertaken in the year related to electrical installations, external wall insulation, heating (including Air Source Heat Pumps) and roofing works. Extensive remedial works were also commenced to the Council's flats at Alexandra Court. This includes a replacement pitched roof, new windows and wall insulation as well

as internal and external improvements. Following referrals from HEART, adaptations were undertaken to properties which enabled tenants with disabilities to continue living in their current Council property. During the year pressure continued on the multi trade budget due to the need to undertake major works to individual properties which had significant damp or structural issues.

- 3.3 Work on new build properties at Warton completed and a new build scheme in Atherstone commenced.
- 3.4 On the General Fund, within Information Services the planned upgrades to the Payment Management System continued, and work on infrastructure development and backing up systems progressed. A new scanner / plotter was also purchased.
- 3.5 Work on the Council's car parks was undertaken in line with the introduction of Civil Parking Enforcement and charging. In addition, engineering works which commenced in 2020/21 were completed at Water Orton Car Park.
- 3.7 Within the Vehicle Replacement programme, a new Ransom mower was purchased.
- 3.8 Partner contributions of £1,133,099 have been paid to Sherbourne Recycling Limited for the construction of the sub-regional Materials Recycling Facility, which is scheduled to commence operation midway through 2023.
- 3.9 Within Leisure Services, work was undertaken at Cole End Park and the scheme at Boot Hill Grendon was completed. Work to transform Polesworth Workspace Units to a Leisure Hub was also undertaken, with the Hub opening to the public in January 2022. Various types of equipment have been purchased across the three leisure centres.

#### **4 Committed Spend in 2022/23**

- 4.1 Of the capital programme expenditure of £16,716,440, there are commitments of £4,108,626 which will be required in 2022/23 to fulfil contracts already let or to continue the progress of on-going schemes. These amounts are shown in column (4) of Appendix A.

#### **5 Requests to Carry Forward Budget Provision**

- 5.1 Officers are requesting to carry forward budget provision of £782,530, as shown in column (6) of Appendix A.
- 5.2 There is a request from the Housing Division to carry forward budget provision for roofing schemes, which have not progressed as quickly as originally planned.
- 5.3 The Leisure Service is requesting to carry forward the unspent budget for general leisure equipment.

5.4 Information Services are requesting to carry forward the underspends in relation to the Computer Software, Infrastructure Development and Network Infrastructure schemes. Work on infrastructure development started in 2021/22 and the remaining allocation will be needed for a new website, as support for our existing website is being withdrawn. The computer software and network infrastructure allocations will be needed to support new ways of working.

5.5 It is requested to carry forward budgetary provision for the underspend relating to both the HRA and General Fund Vehicle Replacement Programme, due to the time needed to procure vehicles.

## **6 Report Implications**

### **6.1 Finance and Value for Money Implications**

6.1.1 Payments made up to the end of March 2022 amount to £11,726,445, with further commitments of £4,108,626 due for payment in 2022/23. In addition, Members are also requested to carry forward schemes totalling £782,530, where expenditure has been delayed in 2021/22.

### **6.2 Sustainability Implications**

6.2.1 Expenditure incurred as part of the Council's Capital Programme enables the Council to continue to deliver a range of services to the people of North Warwickshire which contributes towards improving the quality of life for the communities of North Warwickshire.

### **6.3 Risk Management Implications**

6.3.1 If the financial provision requested is not carried forward, the achievement of some of the Council's objectives may be at risk.

### **6.4 Equalities Implications**

6.4.1 The Council is required to ensure it meets the requirements of the Equality Act 2010. The Act brings together all previous equality legislation and includes a public sector duty (the equality duty) replacing previous separate duties relating to race, disability and sex and extends this duty to those with other protected characteristics including age, pregnancy and maternity, sexual orientation, gender reassignment and religion or belief. The capital programme includes some provision for improving accessibility as previously required under the Disability Discrimination Act and extended by the Equality Act 2010. The Equality Act 2010 prohibits direct and indirect discrimination, harassment and victimisation, and provides that prescribed requirements to make adjustments must be complied with.

The Contact Officer for this report is Sue Garner (719374).

(1) Cost Centre Description	(2) Total 2021/22 Approved Budget	(3) Payments in 2021/22	(4) Commitments due for Payment in 2022/23	(5) Total Variation to Approved Budget	(6) Requests to c/fwd schemes into 2022/23
	£	£	£	£	£
<b>HRA Assets</b>					
Cap Hsg Disabled Facility Adaptation CH	480,780.00	451,577.88		(29,202.12)	
Cap Hsg Windows and Doors	155,040.00	142,562.50		(12,477.50)	
Cap Hsg Kitchens and Bathrooms	114,440.00	49,421.17		(65,018.83)	
Cap Hsg Insulation	929,750.00	865,080.16		(64,669.84)	
Cap Hsg Roofing	981,740.00	469,771.12		(511,968.88)	511,970.00
Cap Hsg Heating	888,000.00	752,621.80	135,380.00	1.80	
Cap Hsg Electrics	1,014,440.00	1,002,754.62		(11,685.38)	
Cap Remedial Work to Flats	3,288,280.00	1,829,125.82	1,459,150.00	(4.18)	
Cap Multi Trade Contract	771,040.00	784,230.03		13,190.03	
Cap Replacement DLO Vehicles	90,400.00	-		(90,400.00)	90,400.00
Cap Replacement Warden Vehicles	720.00	-		(720.00)	
Cap Replacement Housing Inspectors Vehicles	39,000.00	-		(39,000.00)	39,000.00
Cap New Build St. Helena, Polesworth	17,000.00	17,000.00		-	
Cap New Build Church Walk, Mancetter	49,100.00	-	49,100.00	-	
Cap New Build Atherstone	1,856,500.00	1,070,922.79	785,580.00	2.79	
Cap New Build Trinity Close, Warton	2,162,600.00	2,347,968.89		185,368.89	
Cap New Build Hatters Arms	-	-		-	
Cap Hsg General Costs	278,860.00	273,260.00		(5,600.00)	
<b>Total HRA</b>	<b>13,117,690.00</b>	<b>10,056,296.78</b>	<b>2,429,210.00</b>	<b>(632,183.22)</b>	<b>641,370.00</b>
<b>General Fund Assets</b>					
Cap DDA	25,000.00	17,721.15		(7,278.85)	
Cap Play Area Development	160,040.00	68,000.00	92,040.00	-	
Repair & maintenance of playing pitches	29,940.00	7,979.53	21,960.47	-	
Cap Wood End Recreation Ground	650.00	652.08		2.08	
Cap General Leisure Equipment	35,800.00	26,695.95		(9,104.05)	9,100.00
Cap ALC Gym Equipment	185,000.00	116,595.65	20,000.00	(48,404.35)	
Cap High Street, Coleshill	30,000.00	30,303.00		303.00	
Cap CCTV Scheme	40,350.00	40,342.85		(7.15)	
Cap Depot Works	1,850.00	1,850.00		-	
Cap Materials Recycling Facility	2,666,000.00	1,133,098.51	1,532,901.49	-	
Cap Water Orton Car Park	25,065.00	14,560.00		(10,505.00)	
Cap Parking Pay and Display	120,000.00	107,485.72	12,514.28	-	
Cap Polesworth Workspace to Gym	38,260.00	38,253.00		(7.00)	
Cap Computer Software	25,000.00	952.00		(24,048.00)	24,050.00
Cap Infrastructure Development	55,055.00	13,755.00		(41,300.00)	41,300.00
Cap Backing Up	5,000.00	4,951.80		(48.20)	
Cap Network Infrastructure	25,600.00	-		(25,600.00)	25,600.00
Cap Payment Management System Replacement	15,750.00	12,250.00		(3,500.00)	
Cap Scanner/Plotter	10,000.00	6,887.00		(3,113.00)	
Cap Mobile Devices	-	-		-	
Cap Transport	66,090.00	24,985.00		(41,105.00)	41,110.00
Cap DHS Assistance	20,000.00	-		(20,000.00)	
Capital Salaries	18,300.00	2,830.00		(15,470.00)	
<b>Total General Fund</b>	<b>3,598,750.00</b>	<b>1,670,148.24</b>	<b>1,679,416.24</b>	<b>(249,185.52)</b>	<b>141,160.00</b>
<b>Total Expenditure</b>	<b>16,716,440.00</b>	<b>11,726,445.02</b>	<b>4,108,626.24</b>	<b>(881,368.74)</b>	<b>782,530.00</b>

**1 Summary**

- 1.1 This report summarises the Authority’s Financial Strategy, projects forward the Authority’s General Fund budgets to 2026/27, and suggests a budget approach for the 2023/24 General Fund Budget.

<p><b>Recommendation to Council</b></p> <p><b>a That the Financial Strategy shown as Appendix A is approved;</b></p> <p><b>b That the General Fund budget projections for 2022/23 to 2026/27 be noted; and</b></p> <p><b>c That the budget approach, set out in section 8 of this report, be adopted.</b></p>
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**2 Introduction**

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- 2.1 The Council has adopted a clear approach to managing its financial position over a number of years, and this is set out in Appendix A to this report.
- 2.2 This update to the financial strategy has reviewed the Council’s position given current economic changes and reflects the main current financial pressures facing the Council. Economic uncertainty still exists, with the recovery of both the country and the Council unknown, making forecasting difficult.
- 2.3 The figures are intended to indicate the position in broad terms only. More accurate ones will be produced during the forthcoming estimate process. Updated forecasts for Capital and the Housing Revenue Account will be reported separately at a later date.



### 3 Review of 2022/23

3.1 In order to update the strategy, some areas of budget pressure currently being experienced have been reviewed. These are:

- Pay awards – the National Employers have made a final offer of a cash sum of £1,925 per full time employee from 1 April 2022. This exceeds the assumed increase included in the budget and will increase costs significantly in all years of the strategy
- Refuse and Recycling costs – there has been a significant increase in the disposal costs of recycle and also an increase in the employee costs of running the services
- Planning income – the mix of planning applications is currently weighted towards small applications, which reduces the level of income expected to be achieved. However, the expectation of larger applications before the end of the year have mitigated the total reduction expected
- Leisure Facility Income – although attendance at the leisure centres is slightly ahead of the national trend, income generated is below the budget
- Recovery of Housing Benefit Overpayments – collection of overpayments is lower than anticipated. Collection to date has been affected by the administration of energy grant payments and work on new business rate reliefs, as well as the increasingly difficult circumstances faced by debtors due to the current economic position
- Utility and vehicle fuel costs – there have been significant increases in both areas. The timing of some renewal terms mean that the full increases will not be felt in the current financial year but will impact on future years.

3.2 Current monitoring has also indicated a few areas where an improvement in the financial position is expected. These are:

- Investment income - as interest rates rise, the Council is able to invest any funds it holds at better interest rates
- Amenity cleaning / grounds maintenance - services have been trialling different working arrangements, which have reduced costs
- Vacancies – these are currently above the level assumed in the budget
- A reduction in the support offered to voluntary organisations.

3.3 The 2022/23 original budget has been adjusted for the following changes:

	<b>£000</b>
<b>Original Use of Balances</b>	<b>278,000</b>
Pay award – additional costs	556,000
Additional costs on refuse and recycling	250,000
Planning Income – expected reduction	20,000
Leisure Income – expected reduction net of employee savings	100,000
Reduced legal cost income – CT	50,000
Reduced recovery of housing benefit overpayments	100,000
Increased utility costs	175,000
Increased fuel costs	65,000
Increase in investment income	(200,000)
Amenity Cleaning / Grounds Maintenance – reduced costs	(95,000)
Vacancies above vacancy factor – to August	(45,000)
Reduction in financial assistance to voluntary organisations	(20,880)
<b>Total variations</b>	<b>955,120</b>
<b>Revised Expected Use of Balances</b>	<b>1,233,120</b>

3.4 The anticipated amount to be taken from balances is expected to increase to £1,233,120, with the adjustments given in the table above. The anticipated opening General Fund balance for 2022/23 is projected at £1,804,000 and this has been used as the revised starting point for the updated forecast.

#### 4 **Budget Projections 2023/24 to 2026/27**

4.1 Budget projections for 2023/24 onwards have been updated, using the major variances identified to date in 2022/23:

- It is assumed that pay awards for 2023/24 will be higher than the 2% previously used. Whilst measures will be taken to bring inflation down, there is likely to be continued pressure on pay rates to ensure compliance with the National Living Wage and from unions as pay restraint in previous years eroded public sector pay against the private sector. An increase of 4 % has been used in the latest forecasts
- The additional costs for Refuse and Recycling have not been built into this forecast of the budget in future years, as it is expected that the move to the Materials Recycling Facility should largely mitigate the current increase
- The full impact of rises in utility rates will be felt in 2023/24. The massive increases experienced this year will be built into base costs, with further annual increases of 5% built in for successive years. A 5% increase will also be built into fuel budgets
- A continued reduction in leisure income has been assumed albeit at a lower level, as some improvement in take up is anticipated
- Some improvement in recovery of housing benefit overpayments and receipt of legal cost income is expected. Although conditions for collecting debt are likely to remain challenging, greater focus will be placed on these areas

- Revised interest rates will be used in estimating investment income.

These areas will be revisited in the more detailed work carried out as part of the budget process

- 4.2 Growth is already included in 2023/24 for an additional refuse and recycling round, as the current service is expected to have insufficient capacity to accommodate the anticipated new properties in the Borough.
- 4.3 Legislation has been put forward which will increase planning fees. This still needs to go through the parliamentary process and the timing of the legislation is uncertain. It is anticipated that an increase will be in place for 2024/25, so some additional income has been assumed from that year.
- 4.4 The forecast has been summarised and is shown in the table below, together with the position expected when setting the budget in February 2022.

	<b>2022/23 Revised £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Feb 22 spending requirement	8,663	9,010	9,388	9,728	
<b>Current spending requirement</b>	<b>9,618</b>	<b>9,905</b>	<b>10,260</b>	<b>10,799</b>	<b>11,267</b>

Annual spending is expected to increase over the strategy period by £1.649 million.

## 5 Sources of Funding

- 5.1 No further information on government grant, baseline funding or council tax has been received, so these income sources have remained as forecast in February. Individual funding sources are set out below.

### 5.2 Settlement Funding Assessment / Core Spending Power

- 5.2.1 The Settlement Funding Assessment is made up of two elements: Revenue Support Grant and Business Rates.
- 5.2.2 The government includes the Settlement Funding Assessment in calculating an authority's Core Spending Power. Our figures for 2022/23 are shown below:

	<b>2022/23 £000</b>
NDR Baseline Funding	1.922
Revenue Support Grant	-
<b>Sub-total - SFA</b>	<b>1.922</b>
Council Tax	4.728
NDR Multiplier compensation	0.158
New Homes Bonus	0.723
Services / Lower Tier Grants	0.218
<b>Total</b>	<b>7.749</b>

The Council had previously been informed of a negative RSG sum from 2019/20 onwards. However there have been government decisions each year not to deduct negative RSG. In calculating the Council's core spending power, the government assumed a £5 increase in Council Tax each year.

5.2.3 The government previously stated its intention to hold a new Spending Review in 2019, which was initially postponed to 2020 due to the political turbulence around Brexit. The Spending Review did not progress as expected due to the Coronavirus pandemic and one-year reviews have been used instead of multi-year settlements.

### 5.3 **Business Rates**

5.3.1 The 2022/23 business rates baseline has been used as a starting point for each year of the strategy, with an inflationary increase applied in each year.

5.3.2 The current system allows business rate growth above a set figure to be partially retained by the Council. Additional business rate income is managed through a Volatility Reserve, as there are timing delays before a final figure is known for each year. A national re-set of business rates planned for 2020/21 has not yet taken place. It is currently expected for 2023/24.

5.3.3 Business rates of £500,000 above the baseline have been included in 2022/23, and for each following year of the strategy. The £500,000 has been left in the budget for all years, as there is sufficient in the Volatility Reserve to allow this.

### 5.4 **Government Grants**

5.4.1 The New Homes Bonus figure included in the forecast is unchanged from that estimated in February. This reflects the current understanding that the New Homes Bonus scheme will be wound down, with the final payment received in 2022/23.

5.3.2 Lower Tier grant and Services grant have been provided for 2022/23. There is uncertainty over whether these will continue in future years, but given the loss of New Homes Bonus, the assumption has been taken that this level of funding will continue in some form.

### 5.4 **Council Tax**

5.4.1 In looking at the potential income from Council Tax, the likelihood of growth in the tax base is considered. It has been assumed that a proportion of new build will be achieved each year and a growth rate of 1.5% in the tax base has been used for future years when projecting the income from Council Tax.

5.4.2 In recent years, the government has assumed an inflationary increase when taking resource allocation decisions and calculating each authority's ability to spend. Going forward a £5 increase has been used in 2023/24 and in each following year.

5.4.3 Previous decisions to freeze Council Tax have an on-going and cumulative effect on the Council's financial position, and the impact of the decisions to freeze Council Tax in each year between 2011/12 and 2019/20 has been calculated. The annual income loss from 2023/24 onwards amounts to £967,244 per annum. Further freezes in Council Tax are not financially viable.

5.4.4 A Collection Fund surplus or deficit arises where there are a different number of properties coming into the tax base than estimated, where collection rates vary from the assumed rate, or as a result of changes to reliefs awarded throughout the year. Any surplus is paid over the following year, with deficits recovered in the following year. A deficit was anticipated in 2021/22 due to the impact of Covid but a surplus position was forecast in 2022/23, as the economy returned to more normal conditions. Whilst collection remains a challenge a surplus position is still expected, with further improvement in future years.

## 5.5 Expected Resources

5.5.1 Expected Resources from the sources covered above are set out in the table below:

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Council Tax	(4,784)	(4,965)	(5,150)	(5,340)	(5,534)
New Homes Bonus	(723)	-	-	-	-
Services Grant	(132)	(135)	(138)	(141)	(143)
Lower Tier Grant	(86)	(88)	(90)	(91)	(93)
RSG	-	-	-	-	-
Business Rates Baseline	(1,922)	(1,960)	(2,000)	(2,040)	(2,081)
NDR multiplier compensation	(158)	(158)	(158)	(158)	(158)
Business Rates - Additional	(500)	(500)	(500)	(500)	(500)
Collection Fund Surplus	(80)	(97)	(109)	(114)	(114)
<b>Total</b>	<b>(8,385)</b>	<b>(7,903)</b>	<b>(8,145)</b>	<b>(8,384)</b>	<b>(8,623)</b>

5.5.2 Even with Council Tax increases in line with government assumptions, overall resources are only expected to increase by £238,000 over the life of the strategy (see table above), due to uncertainties around business rates income and new homes bonus. This is significantly less than the expected increase in spending requirement of £1.649 million over the same period (see paragraph 4.5).

5.5.3 This level of income would require the use of balances set out in the table below. As this level of use is unsustainable, a plan to reduce expenditure or increase income is required and is shown in the table. Use of balances of £1.520 million would leave insufficient balances so it is proposed to fund the increased expenditure in 2022/23 from the Volatility Reserve. This does not remove the need for expenditure reductions but delays them until 2023/24.

	2022/23 Revised £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
<b>Use of Balances</b>	<b>1,242</b>	<b>2,002</b>	<b>2,115</b>	<b>2,415</b>	<b>2,644</b>
Budget Reductions 23/24		(1,900)	(1,900)	(1,900)	(1,900)
Budget Reductions 24/25			(100)	(100)	(100)
Budget Reductions 25/26				(550)	(550)
Use of earmarked reserves	(1,242)				
<b>Revised Use of Balances</b>	<b>278</b>	<b>102</b>	<b>115</b>	<b>(135)</b>	<b>94</b>

<b>Balances C/fwd</b>	<b>1,526</b>	<b>1,424</b>	<b>1,309</b>	<b>1,444</b>	<b>1,350</b>
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5.5.4 Reductions will need to be found in line with the table to ensure there are sufficient balances at the end of 2023/24 and each subsequent year.

## 6 Required Budget Reduction

6.1 In February, budget reductions of £1.25 million were needed to leave sufficient balances of £1.445 million at the end of 2025/26. The increased costs in the current year are significant and ongoing and will require greater budget reductions than previously anticipated. As set out in paragraph 5.5.3, a reduction of £2.55 million will be needed in the budget. This equates to a reduction of around 20% of the annual net budget.

6.2 The authority has already made significant reductions in its budget over recent years, taking out £6.7 million since 2011/12. Increased efficiency, streamlining the provision of services and some income generation has significantly reduced the impact on front line services to date. Taking out a further £2.55 million will be extremely challenging and will undoubtedly impact on the range and level of services that the Council is able to offer. The Council has statutory responsibilities and options for reducing net expenditure for both 2023/24 and subsequent years will need to take account of this.

6.3 The Council's continued financial viability is dependent on budget reductions being achieved to target in each of the years covered. The difficulty in finding reductions has become greater over time, but the current level of general balances means that there is only limited time available to make those reductions.

## 7 Potential Risk Areas

7.1 In preparing this forecast, a number of assumptions have been made and these have been set out in sections 4 and 5 of this report. Clearly, should these assumptions not materialise, there will be an impact on the figures. The main risk areas for this forecast are:

- **Salary Increases** – union pressure is for pay awards to match inflationary rises and to address the erosion of real pay. Higher pay awards than included in the forecast would have an impact, given the

relative size of the payroll. Increasing the provision for pay awards in the forecast should mitigate this risk to some extent.

- **Utility / fuel costs** – the level of increases currently being experienced, together with the uncertainty over future supply and pricing are currently considered to be an increased risk.
- **Reduced Income** –the risk of an increased loss of service income is a possibility in the current economic climate.
- **Investment Income** – interest rates have started to rise and this continuation has been assumed in projecting forward expected investment income. Further changes to the economic position could pose a risk to the investment income assumed.
- **Settlement Funding Assessments** – no indicative figures have been provided for 2023/24 onwards. If the assumptions made in this forecast are materially different to settlements provided, then there will be an impact on the Council’s financial position.
- **Business Rates** – the local retention of business rates brought uncertainty around the level of funding to be received on an annual basis. However, it has allowed some additional business rates to be retained by the Council. Although successful rating appeals are an ongoing risk, the greater risk is the expected re-set which is likely to remove the growth the Council has been able to retain.
- **Government Grants** – The strategy assumes 2022/23 will be the final year of the New Homes Bonus Scheme in line with current information, removing the risk in this area. However, assumptions have been made around the continuation of Services Grant and Lower Tier Grant, which is a risk to the Council’s financial position.
- **Council Tax Support / Collection** – increases in take up of support will directly increase the costs of the Council. There are also risks around the non-collection of Council Tax, from those who have not previously been required to contribute and generally as a result of the current economic position.
- **Growth in the Borough** – if new homes and estates are delivered in line with expectations, there will be an impact on some Council services. Some funding has been included in the forecast for refuse and recycling, but the impact on services such as grounds maintenance has not yet been considered.
- **Council Tax Income** – a decision to freeze Council Tax will reduce the resources available to the Council on a permanent basis.

7.2 The potential impact of an improved or worse position for all four years of the forecast are shown in Appendix B (budget reductions of £2.55 million are included in each of the options). The increased use of balances / contribution to balances are summarised below:

<b>Year</b>	<b>Worse Case £000</b>	<b>Most Likely Case £000</b>	<b>Best Case £000</b>
2022/23	278	278	278
2023/24	712	102	(442)
2024/25	755	115	(628)
2025/26	535	(135)	(912)
2026/27	792	94	(732)

Changes in a small number of areas can materially impact on the expected use of balances in all of the years covered. These could affect the level of reductions required either favourably or adversely.

7.3 If the best case scenario occurred, the Council would be able to reduce the budget reduction target currently included within the strategy from £2.55 million to £1.75 million and achieve the same level of balances at the end of 2026/27.

7.4 If the worst-case scenario occurred there would be an additional call on balances. As the balances at 1 April 2023 are expected to be £1,526,000, the Council could manage the worst case in 2023/24 but would need further budget reductions of around £1 million in the following years to ensure that balances were at an acceptable level at the end of 2026/27. Finding budget reductions earlier is beneficial to the Council's financial position.

## **8 Budget Approach 2023/24**

8.1 As mentioned earlier, a number of areas have already been identified as potential reductions, and these are in the process of being reviewed. However the increased reduction in expenditure needed will need a wider review of available reductions, with consideration of statutory obligations. Any delay in finding reductions will put pressure on the financial viability of the Council.

8.2 A firm stance should be taken in order to limit the level of growth approved in 2023/24, as any further expenditure will increase the need to draw from balances. Only growth that cannot be statutorily avoided or would expose the Council to an unacceptable level of risk should the expenditure not be incurred, should be approved.

8.3 Whilst the use of earmarked reserves is a temporary solution, this only delays the need to reduce expenditure, it doesn't remove the need.

## **9 Conclusion**

9.1 The Council could be faced with budget reductions ranging from £1.75 million to £3.55 million. The updated strategy includes a budget reduction requirement of £2.55 million over the next four years. Given the reductions already made over recent years, the Council will not be able to achieve the further reductions required without impacting on current service provision.



9.2 It is unlikely that all of the main risk areas will materialise at the same time, in any of the years highlighted above. The main areas of concern included in the risks around the financial position of the Council, are those of Business Rates, external funding, energy costs and pay awards.

## 10 Report Implications

### 10.1 Finance and Value for Money Implications

10.1.1 As detailed in the body of the report.

### 10.2 Environment and Sustainability Implications

10.2.1 Continuing the budget strategy will allow the Council to manage its expected shortfall in resources, without disruption of essential services.

### 10.3 Equality Implications

10.3.1 Any proposed changes or reductions in services will be subject to equality impact assessments to identify if there is any scope for adverse impacts.

The Contact Officer for this report is Sue Garner (719374).

## Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

<b>Background Paper No</b>	<b>Author</b>	<b>Nature of Background Paper</b>	<b>Date</b>
Executive Board – Agenda Item 10	Corporate Director Resources	General Fund Revenue Estimates 2022/23 and Setting the Council Tax 2022/23	14 February 2022

**MEDIUM TERM FINANCIAL STRATEGY      2023/24 – 2026/27****1 Introduction**

- 1.1 The purpose of the Financial Strategy is to set out the broad financial framework that the Council will operate within, during the next four financial years. A four-year period has been used, as this normally permits reasonably robust financial forecasts to be produced. A longer period would require more speculative forecasts. However changes to the external funding regime and the difficult economic environment have increased the uncertainty over the resources available to the Council during the strategy period.
- 1.2 By using a medium term approach, the Council can ensure that financial and service decisions can be taken in a structured and proportionate way. Short-term policies are not adopted without identifying what the medium term implications of those decisions are.
- 1.3 The strategy covers all revenue and capital activity, although some individual sections may be specific to a particular type of spending only. Areas covered are:
- **General Fund Activities** – these are the majority of the day to day activities carried out by the Council, such as refuse collection and the payment of benefits
  - **Housing Revenue Account Activities** – these relate to the management and maintenance of the Council's housing portfolio
  - **Capital Spending** – this is spending that provides benefits over a period of 12 months, such as the purchase of vehicles or equipment

**2 Linking Resources With Corporate Priorities**

- 2.1 The Council has identified a number of priorities and these are given in its Corporate Plan. In arriving at the priorities, external influences are taken into account. Other factors such as legislative changes and reward incentives are also considered.
- 2.2 The Corporate Plan and associated Financial Strategy are reviewed and updated on an annual basis, before the start of each new financial year. A further review of the Financial Strategy is also carried out part way through the year, to ensure that changing circumstances are taken into account in carrying out the full review.
- 2.3 As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add known unavoidable spending pressures. This is then measured against the projection of available funding to determine affordability. The package of measures required to balance the two form the financial strategy for the budget year.

## 3 Economic Forecast

- 3.1 Both general inflation and specific areas of increase affect the spending of the Council. There are two main indices for measuring household inflation: the Consumer Price Index (CPI) and the Retail Price Index (RPI). The Council reviews these indices when it is assessing the level of inflation to be included in its financial strategy.
- 3.2 Specific areas of increase are considered separately and individual rates of increase used to reflect prevailing market conditions, where they are significantly different to the general rate of inflation. These are assessed on an annual basis and depending on economic conditions, may include:
- Employee costs – pay awards and pension costs;
  - fuel and energy costs;
  - investment rates.
- 3.3 The National Employers have put forward a final pay offer of a flat rate increase of £1,925 per full time employee for the unions to consider and this will need to be built into employee budgets for 2022/23 onwards. This is the largest element of expenditure and will have a significant impact on the Council's budgets.
- 3.4 Inflation is currently running at significantly higher levels than have been seen in recent years. The impact in 2022/23 is being assessed and will be used to determine inflationary increases elsewhere in the budget later in the year.

## 4 Demographic Factors

- 4.1 Demographic factors can affect the Council's planning in a number of ways:
- Changes in the number and value of households can affect the tax base used in calculating Council Tax
  - The characteristics of the population, and households, influences the type of services provided
  - The level of demand for services can be affected by changes in either of the above.
- 4.2 The population of the Borough currently stands at 65,452 and has been subject to limited change over recent years. The Financial Strategy has assumed only limited impact as a result of changes, around the collection of domestic refuse and recycling.
- 4.3 The Council Tax Base has remained fairly consistent over a number of years, with only small increases. Following a review of the potential new build in the area, the Financial Strategy has assumed an increase of 1.5% in the tax base for 2023/24 and following years, although there will be some movement depending on the Council Tax Support scheme adopted.

## **5 General Fund Activities**

### **5.1 Settlement Funding Assessment**

- 5.1.1 The government decides on the level of funding to be allocated to local authorities for their General Fund activities, and then currently allocates this funding between authorities using a formula calculation called the Settlement Funding Assessment.
- 5.1.2 The Settlement Funding Assessment is made up of two elements: Revenue Support Grant and Business Rates. As the Business Rates element is fixed, other than for inflationary increases, any reduction in the Settlement Funding Assessment is taken out of Revenue Support Grant.
- 5.1.3 Figures are not yet available for 2023/24 onwards, so our latest projection has assumed some elements of the 2022/23 assessment will continue and some will disappear. An inflationary increase has been assumed for those which are anticipated to remain. A Fair Funding Review is currently in progress, so the position going forward may change.

### **5.2 Business Rates**

- 5.2.1 Local authorities retain a proportion of the business rates they collect. The Secretary of State announced a baseline funding level of £1.921 million for North Warwickshire for 2022/23. As we are required to pay a business rate tariff of £15.346 million in 2022/23, we need our local share of business rates to come to £17.267 million, in order to achieve this level of funding. No announcement has been made on the baseline funding level for 2023/24, so 2022/23 levels have been assumed going forward, with an annual increase for inflation.
- 5.2.2 Business rates, including the tariff payable, will be increased by inflation each year. If the business rates in our area fall due to business closures or rating appeals, we may not achieve our baseline funding level. This would impact on our financial forecasts, reducing the level of balances we hold. The operation of a national safety net system would provide provision when the Authority's baseline funding fell by 7.5%. If additional business rates are collected, they are allocated 50% to the government, 10% to Warwickshire County Council, and 40% to this Council. We are required to pay a levy of 50% on the additional rates retained by this Council.
- 5.2.3 The Council chose to become a member of the Coventry and Warwickshire Business Rates Pool. This Local Pool agreed a safety net provision at a 5% loss of baseline funding, which would benefit the Council in the event that business rates fall. If business rates increase, the Pool will have a lower levy rate than the Council, of around 10%, allowing the Pool to keep more of the increase.

### **5.3 Council Tax Base**

- 5.3.1 The Council's tax base reduced significantly in 2013/14, following the introduction of a local Council Tax Support scheme, in place of the previous national Council Tax Benefit system. The scheme requires some residents to

pay council tax, who previously had no liability. The Government offered councils a transitional grant in 2013/14, if they restricted the maximum payment by previous Council Tax Benefit claimants to 8.5% of their council tax bill. The Council opted to take the transitional grant and also revisited the collection rate, which was revised downwards to 98%.

- 5.3.2 The transitional grant was for 2013/14 only, so the Council needed to agree a Council Tax Support scheme for 2014/15 onwards. The decision was taken to retain the maximum payment required at 8.5% in 2014/15 although there was no grant to offset the cost to the Council. This decision has been revisited on an annual basis since then and has remained at 8.5%.
- 5.3.3 Although the Council usually exceeds its target collection rate, a small margin for non-collection allows some room for other variations during the year. Any additional funds are then distributed in the following year. Additional funds reduced due to the impact of Covid, but this position is expected to improve provided the economic recovery continues.

### **5.4 Council Tax**

- 5.4.1 The Council attempts to balance the need for retaining an affordable council tax, with the retention of services. This is increasingly difficult with current financial constraints, including the pressures of government funding levels, limited income raising opportunities, economic pressures and rising expectations.
- 5.4.2 Decisions to freeze council tax between 2010/11 and 2019/20 had an on going and cumulative effect on the Council's financial position. Grant funding received towards tax freezes have generally been time limited, whereas the tax base is reduced permanently.
- 5.4.3 In 2019/20 the government brought in a requirement for proposed increases above the maximum increase of 2% (or £5 for District Councils) to be subject to a local referendum. This level is still to be confirmed for 2023/24. The current forecast has assumed a council tax increase of £5 per annum in 23/24 and the following three years.

### **5.5 Fees and Charges**

- 5.5.1 The Council has tended to increase fees and charges for inflation, on an annual basis. Any other changes have tended to be on an ad hoc basis. Demand for some services is expected to change going forward, as a result of changes in the economic situation. This will be taken into consideration in the review of fees and charges during the detailed work in the 2023/24 budget.
- 5.5.2 The ability to generate income from other areas continues to be reviewed as part of the ongoing exercise to reduce the Council's required budget.

## 5.6 Growth Areas

5.6.1 Given the Council's existing financial constraints, a strong approach is taken with growth areas. In general terms, growth will be allowed if one of the following conditions is met:

- **Statutory Need.** Where the Council needs to spend resources in order to comply with statutory requirements
- **Invest to Save.** Where services can demonstrate that an initial outlay will generate additional income or reduced costs in the future, an advance from an earmarked reserve held for this purpose will be made.
- **External Funding.** Services are encouraged to look for external funding to support service development and enhancement. However the impact of ongoing costs against potential one off funding is always considered.
- **Efficiencies.** The Council looks for efficiencies in service provision, to contribute to savings targets, or reallocate resources to other priorities.

## 5.7 Approach to Budget Reductions

5.7.1 The Authority includes the requirement to find budget reductions in its financial strategy. However whilst unidentified reductions are built into financial projections over the medium term, only identified reductions are included in the detailed budget put forward for approval for the coming financial year. This is part of the management of financial risks, and gives greater assurance around the approved budget, and the medium term position.

5.7.2 As the council looks for specific reductions in advance of setting the budget for the following year, work on finding savings for 2023/24 will be carried out in 2022 during the production of that budget. Only those found will be included. Where possible the reductions will be brought in earlier, during 2022/23, as this will give a beneficial impact on balances. The reduction target for 2023/24 is £1 million. If this target is not found, it will need to be reflected in the financial strategy for future years.

5.7.3 Any proposed changes or reductions in services will be subject to equality impact assessments to identify if there is any scope for adverse impacts.

## 5.8 General Fund Balances

5.8.1 One of the Council's aims is to have a balanced budget. However this does not require a balanced budget in each financial year, the aim is to ensure that services are adequately funded over the medium term.

5.8.2 The current policy for general balances is to retain minimum working balances of around £1.4 million on the General Fund. The risk assessments, which support these requirements, are updated on an annual basis as part of the budget process. This allows detailed consideration of changing economic conditions and other potential high risks.

## 5.9 Budget Process

5.9.1 The budget process operates throughout the year, with the budget strategy updated twice per year. The financial forecast produced in September provides

the context for the more detailed four year budget approved in February, as part of the Council Tax Setting process.

- 5.9.2 In the event of potentially significant changes to the Council's financial position, the Corporate Director - Resources will assess whether additional updates of the financial strategy are needed.

### **5.10 Budget Consultation**

- 5.10.1 The Council consults on how it spends its resources on an annual basis. A meeting with business ratepayers is held every year, whilst other ad hoc consultation is carried out as required.

## **6 Housing Revenue Account**

### **6.1 General Balances on the Housing Revenue Account**

- 6.1.1 The Council aims to have a balanced budget on the Housing Revenue Account. Again this does not require a balanced budget in each financial year; the aim is to ensure that services are adequately funded over the medium term.
- 6.1.2 The current policy for general balances is to retain minimum working balances of £500,000 - £750,000 on the Housing Revenue Account. The risk assessment, which supports this requirement, is updated annually as part of the budget process. This allows detailed consideration of changing economic conditions and other potential high risks. Given the greater risks that will be faced by the council as a result of welfare reform, an increased requirement to hold general balances may be needed.

### **6.2 Housing Business Plan**

- 6.2.1 To ensure the continued management and maintenance of North Warwickshire's housing stock, both Members and officers need to take decisions on a long term basis. For example, we need to build up surpluses to fund the capital expenditure needed later in the Business Plan. The impact of decisions taken is fundamental to the sustainability of the Business Plan.
- 6.2.2 The Business Plan currently assumes that the authority continues to increase rents in line with government policy. This includes the return of national rent policy to assumed rent increases of CPI + 1% per annum. Potential changes to the national rent policy are currently the subject of a consultation exercise, so this position may need to change.
- 6.2.3 Further detail around the management and maintenance of the Council's housing stock is given in the Housing Business Plan.

## **7 Capital Programme**

### **7.1 Capital Funding**

- 7.1.1 The Council projects its expected resources over both a three and ten-year period. These include receipts from the sale of council assets, revenue funding used to support capital expenditure and anticipated contributions from third parties. Funding from the government is also considered. Specific grant is received towards the cost of Disabled Facility Grants.
- 7.1.2 Given its restricted resources, the council prioritises capital schemes, to enable it to carry out all essential spending.
- 7.1.3 There are a number of funding issues which need to be addressed moving forward and these will be considered in future updates of the Capital Strategy. The Capital Strategy gives further detail on the allocation of capital funding.

### **7.2 Interaction between Revenue and Capital Spending**

- 7.2.1 Many capital schemes will impact on the revenue budget. This may be due to ongoing maintenance costs which are incurred following the acquisition of an asset or may be related to the cost of repaying loans taken out to finance capital expenditure, or the loss of investment income if internal loans are used.
- 7.2.2 In assessing bids put forward for inclusion in the capital programme, the impact of capital spending on the revenue budget is examined.

## **8 Efficiency Agenda**

- 8.1 All councils are required to demonstrate Value for Money. The Council doesn't set targets for individual services, as it recognises that efficiency savings can take longer to generate in some services.
- 8.2 Officers look for efficiencies in order to assist in achieving the budget reductions required as part of the financial strategy. In addition transformation reviews are carried out on individual services and procurement activity is monitored.

## **9 Treasury Management**

- 9.1 This is the management of the Local Authority's cash flows: its banking, money market and capital market transactions. The Council has adopted a Treasury Management and Annual Investment Strategy, which sets out a framework for its activity in these areas. The current Strategy aims to minimise risk by putting greater emphasis on security and liquidity. Once risk has been minimised, the Council will maximise performance wherever possible, within existing controls.
- 9.2 As highlighted in the Treasury Management Strategy, the Council has a borrowing requirement of £59.975 million. The HRA has external borrowing of £46.291 million, whilst the General Fund has internal borrowing of £13.054 million. Internally borrowed funds come from earmarked reserves held for future revenue and capital spending. As these resources are used, there will be a need for further external borrowing.



- 9.3 The government previously imposed a cap on an authority's total housing borrowing, which has now been removed. The Authority was below the cap, so investment and borrowing decisions were based on affordability within the HRA. This approach remains unchanged.
- 9.4 The Council has internal funds in excess of those needed to cover the internal loans. These are invested on the money market and generate investment income for both the General Fund and the Housing Revenue Account. The cash fund portfolio is managed internally, with advice from Link Treasury Services, the Council's treasury management consultants.

### **10 Earmarked Reserves**

- 10.1 The Council holds a number of reserves that have been earmarked for specific revenue and capital purposes. Earmarked reserves are used to hold:
- Funding received in advance for specific initiatives;
  - Funding set aside for specific services, where the timing of demand can vary;
  - Funding set aside for the future replacement of assets or other capital expenditure;
  - Funding held to enable the Council to manage specific risks; and
  - Funding where work has been delayed.
- 10.2 For the majority of earmarked reserves, there is little or no risk to the financial standing of the Council. Reserves set up to manage timing differences or hold funding received in advance match expenditure to the income available. Reserves held to allow risks to the base budget to be managed are estimated using the best available information. A review of earmarked reserves is planned, so that previous priorities can be reassessed in light of the current financial position.

### **11 Risk Management**

- 11.1 The Council has a Risk Management strategy in place which it uses to manage all of its risks, including financial risks.
- 11.2 A system of risk management has been established, which is operated by all services. This ensures that if there are significant changes in the level of risk to the Council from new legislation, or policy changes, they are considered and reported to Board. Any significant increase in financial risks will therefore be addressed during the year, if this is necessary.
- 11.3 In addition, the financial risks of individual services are considered during the budget preparation process by Service Boards, along with the related budgets. Annual risk assessments are undertaken on the level of balances for the General Fund and the Housing Revenue Account and considered at the same time as the budgets. This ensures that all current issues are included.
- 11.4 To assist with highlighting the impact of the potential risks, the major risks are assessed on differing risk levels, and these are included in reports to Board.

**Report of Management Team and the  
Director of Leisure and Community  
Development**

**Leisure Facilities Local Authority  
Trading Company: Business Case**

**1 Summary**

- 1.1 As reported to the Community and Environment Board in March 2022, before a Local Authority Trading Company (LATCo) can start to trade pursuant to the Council's powers (under Section 1 of the Localism Act and Section 95 of the Local Government Act 2003) the Authority should approve a business case. It is recommended as best practice for the business case to be compliant with the HM Treasury Green Book. This report presents that business case for Members' consideration.

**Recommendation to the Board**

- a That the Board approves the corporate business case to establish a wholly owned Leisure Facilities Local Authority Trading Company; and,**
- b That the Board approves the establishment and registration of the wholly owned Leisure Facilities Local Authority Trading Company on the basis of it being a Company Limited by Guarantee.**

**2 Consultation**

- 2.1 As the Authority's leisure facilities are of Borough-wide significance this report has been circulated to all Councillors for their consideration. Any comments received will be reported at the meeting.
- 2.2 Initial, informal discussions have been held with staff, including through the Joint Negotiating Forum, about the proposal to establish a Leisure Facilities Local Authority Trading Company. It will be necessary to undertake formal consultation with potentially affected staff as the process continues.

**3 Introduction and Background**

- 3.1 The Borough Council currently undertakes the in-house management of the following primary leisure facilities:

- Atherstone Leisure Complex (including Atherstone Memorial Hall and both indoor provision and an Artificial Grass Pitch through a Management Agreement with Queen Elizabeth School)
- Coleshill Leisure Centre (through a Joint Use Agreement with The Coleshill School)
- Polesworth Fitness Hub and associated outreach provision within community venues in Dordon and, through a short-term hire agreement, at The Polesworth School

3.2 At its meeting held on 14 March 2022, the Community and Environment Board approved the establishment and registration of a wholly owned Leisure Facilities Local Authority Trading Company (LATCo) to manage and operate these facilities and it delegated authority to the Chief Executive to set up the company, in consultation with the Chairman, Vice-chairman and Opposition Spokesperson for the Board. Before the LATCo can start to trade, however, the Authority should approve a business case. It is recommended as best practice for the business case to be compliant with the HM Treasury Green Book. The required business case is appended to this report for Members' consideration.

3.3 The context for the business case is initially provided by the Borough Council's adopted Leisure Facilities Strategy (2018), which had been commissioned as part of an overarching review of leisure, green space and playing pitch provision. Within the commission, the appointed consultant was also required to appraise the options for the future delivery and management of the Leisure Facilities service. The consultant reviewed a number of operational delivery models and, based on the prevailing circumstances in North Warwickshire at the time, concluded that there were three realistic future options for the Borough Council: Option 1: Continue with the In-House Operation, Option 2: Externalisation and Option 3: Establish a Local Authority Trading Company (LATCo).

3.4 The Leisure Facilities Strategy did not go so far as to identify a clear pathway through which to determine the most appropriate and cost-effective means by which to meet future demand for indoor leisure provision. In 2020, the Community and Environment Board, therefore, approved the undertaking of a Strategic Outcomes Planning Model (SOPM), which was intended to identify an approach to the provision and future management of effective and viable leisure facilities that would meet both corporate objectives and community demand. Work undertaken through this process has also helped to inform the business case appended to this report.

## 4 Delivery and Proposed Action

4.1 Subject to Board approval of the business case, which recommends the establishment of a Local Authority Trading Company, the Borough Council will use the power contained in Section 1 of the Localism Act 2011 to establish the LATCo and to prepare its Articles of Association. The form, or legal structure,

of the proposed company was initially considered by the Community and Environment Board at its meeting held in March 2022.

4.2 Local Authority Trading Companies are bodies that are free to operate as commercial entities, but remain wholly owned by the parent authority. There are a number of different types of LATCo:

- Company Limited by Guarantee, with or without share capital (CLG)
- Company Limited by Shares (CLS)
- Community Interest Company (CIC)
- Community Benefit Society (CBS)

### **Company Limited by Guarantee**

4.3 Not-for-profit organisations are often established as “Companies Limited by Guarantee” (CLG), primarily because this business model combines the relative flexibility of a “company” (as opposed to a charity or Community Benefit Society) with the benefit of holding limited member liability. CLGs can also restrict the distribution of profits, hence their suitability for not-for-profit organisations. A further benefit of a CLG is its simplicity for incorporation and ongoing filing requirements. Whilst setting up a CLG can be undertaken relatively quickly (incorporation can be achieved in around 48 hours), the actual time to establish a company would be that required for decision making and producing and agreeing the relevant documents (for example, the Articles of Association, Constitution, Member / Shareholder Agreement, etc.). Under a CLG, the Borough Council would be the sole member. The structure of a CLG lends itself to evidencing the non-profit distributing body (NPDO) status of the company, which then enables the company to realise some of the required tax advantages (such as securing VAT exempt status).

### **Company Limited by Shares**

4.4 A “Company Limited by Shares” (CLS) has the simplicity and flexibility of a CLG, but additionally enables the easier distribution of profits and the facility to add or remove shareholders. Given that the Authority is not seeking to establish a profit distributing company, it is considered that these additionally perceived benefits are not relevant to the current LATCo proposal.

### **Community Interest Company**

4.5 The Borough Council could consider the option to establish a “Community Interest Company” (CIC), which is, in essence, a “social enterprise”. Both a Company Limited by Guarantee and a Company Limited by Shares can be set up as a CIC. A CIC is not a registered charity and, therefore, does not have access to the more favourable tax treatments received by registered charities, although, subject to certain conditions, it can distribute surpluses. CICs are also subject to additional governance requirements, including in respect of Community Interest Reporting, in order to ensure that company activities are being undertaken for the benefit of the community.

## **Community Benefit Society**

- 4.6 A “Community Benefit Society” (CBS) is, by definition, a society, not a company. It is established pursuant to the Co-operative and Community Benefit Society Act, 2014, and is regulated by the Financial Conduct Authority (FCA). A CBS requires any surpluses / profits to be applied for the benefit of the community that it is established to benefit. CBSs are relatively common in other service sectors, such as social housing.
- 4.7 Officers have sought external legal advice on the most appropriate form of company to meet the needs of the Borough Council. Given that the company would be a wholly owned, “not for profit” organisation, that advice suggests that, subject to aligning tax advice, the flexibility and simplicity of a Company Limited by Guarantee, when allied to its capacity for an active shareholder role, would provide the most suitable vehicle through which to establish the Leisure Facilities Local Authority Trading Company. A CLG also holds the benefit of limited member liability. This is important, given that under a CLG, the Borough Council would be the sole “member”.
- 4.8 A number of significant matters remain to be considered by Councillors before the proposed LATCo can formally be established and begin to trade. In this regard, work is progressing on the production of the required service specification, as well as the formal Contract, Articles of Association and the accompanying Member Agreement. It is hoped to be able to present the formal contract documentation to the meeting of the Executive Board to be held in November. At that meeting, Councillors can also consider the length of any contract term.
- 4.9 The primary purpose of this report, however, is to seek approval of the corporate business case to establish a wholly owned LATCo to manage the Leisure Facilities service. Further to the report presented to, and approved by, the Resources Board in March 2022, Members will be aware that specialist external advisory support has been engaged to assist the Borough Council with the undertaking to establish the company. Accordingly, the business case has been presented to the Authority’s legal advisors, who have confirmed that they do not have any issues with its content or compliance with HM Treasury Green Book.

## **5 Report Implications**

### **5.1 Finance and Value for Money Implications**

- 5.1.1 As highlighted within the appended business case, providing leisure services through a Trading Company would allow business rates savings of around £152,090 to be made within the service. The Borough Council currently picks up 40% of the cost of any discretionary relief given out. If a full 20% of discretionary relief was awarded, the cost to the Authority would be £12,167. If the Authority remains above its baseline funding level, then this would

reduce the additional rates that the Council could retain. If the Borough Council was to fall below its baseline funding level, then it would be a direct cost.

- 5.1.2 Currently, the Borough Council could choose to treat its leisure services as exempt from VAT and retain the additional income. This option has not been progressed, as it would take the Authority over its partial exemption limit for VAT and would mean that the VAT on all expenditure by every Borough Council service could not be reclaimed. This would lead to additional costs of around £90,000 per annum on revenue activity. Additional costs on capital expenditure would vary according to the capital programme. Whilst a Trading Company would also have VAT regulations with which to comply and would be unable to recover all VAT on expenditure, the net impact would still be an approximate benefit of £55,000 per annum.
- 5.1.3 Other divisions currently provide services to the Leisure Facilities, with many support staff charging only a proportion of their time to the function. These staff would remain with the Borough Council. If the Trading Company buys services from the Authority, there will be limited impact on support services. If, however, the Trading Company was to obtain services elsewhere, the Council would either have to absorb the additional support costs or would need to streamline the relevant support services.

## 5.2 Safer Communities Implications

- 5.2.1 Leisure facilities contribute to community safety through the provision of well-managed indoor and outdoor leisure and recreation services that are safe by design and afford opportunities for positive activity.

## 5.3 Legal, Data Protection and Human Rights Implications

- 5.3.1 The Borough Council can rely upon Section 1 of the Localism Act 2011, which contains the “general power of competence”, in order to establish a LATCo, together with section 111 of the Local Government Act 1972. The Local Government and Housing Act 1989 and the Local Authorities (Companies) Order 1995 regulate how local authority companies must operate and set out a number of criteria that must continue to be met whilst such companies operate. The Head of Legal Services will provide on-going advice to ensure that any LATCo is set up in a way that is beneficial to the Borough Council and enables it to achieve its objectives.
- 5.3.2 When determining whether there is a business case for establishing a LATCo and, if so, when deciding which of the models is appropriate, the Board should satisfy itself that that chosen model provides adequate protection against risk for the Borough Council, whilst allowing it to control delivery of the desired leisure services.
- 5.3.3 There are no immediate data protection or human rights implications arising directly out of this report.

## **5.4 Environment, Climate Change and Health Implications**

5.4.1 The provision of a sustainable, fit-for-purpose portfolio of well managed leisure facilities has a positive impact on the health and wellbeing of individuals and communities by providing opportunities for leisure and recreation activities and by contributing to an improved quality of life.

## **5.5 Human Resources Implications**

5.5.1 As identified in the business case, the Authority would need to ensure that any staff transferring from the Borough Council to the LATCo retain certain pension protections. In this regard, the transfer of the Leisure Facilities service into the company would result in the applicability of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Where this is the case, there are obligations to inform and consult with affected employees and employees have the right to transfer with their existing employment contracts and continuity of service

## **5.6 Risk Management Implications**

5.6.1 The corporate risk management process identifies and scores risks associated with the provision, management and maintenance of leisure facilities. The process through which a LATCo would be established and the services transferred thereto would require the detailed assessment of risk at a number of key stages in order to ensure the maintenance of the best interests of both the Borough Council and the new company. This process will help to ensure that informed decisions can be made in respect of the most appropriate means by which to sustainably meet and manage the leisure-related needs of the local community.

## **5.7 Equality Implications**

5.7.1 It is intended that Local Authority Trading Company management and operation of the Authority's Leisure Facilities service would ensure continued equality of access to sustainable, good quality leisure opportunities.

## **5.8 Links to Council's Priorities**

5.8.1 The proposal to establish a wholly owned LATCo will have direct and positive links to the corporate priorities in respect of:

- Safe, liveable, locally focused communities
- Prosperous and healthy
- Sustainable growth and protected rurality
- Efficient organisation

5.8.2 It is also intended that management of the Borough Council's Leisure Facilities service through a LATCo would contribute directly to the priorities of the Sustainable Community Strategy, namely:

- Raising aspirations, educational attainment and skill levels
- Developing healthier communities
- Improving access to services

The Contact Officer for this report is Simon Powell (719352).

### Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date
1	Assistant Director (Leisure and Community Development)	Draft Leisure Facilities, Green Space and Playing Pitch Strategies	February 2018
2	Chief Executive and Corporate Director - Resources	Trading Company	February 2021
3	Director of Leisure and Community Development	Leisure Facilities Local Authority Trading Company	March 2022
4	Director of Leisure and Community Development	Leisure Facilities Local Authority Trading Company	May 2022
5	Director of Leisure and Community Development	Leisure Facilities Local Authority Trading Company	July 2022



### Leisure Facilities: Management Options

#### Introduction

This report considers the options to deliver the required management and service interventions as set out in the adopted North Warwickshire Leisure Facilities Strategy.

The Borough Council currently undertakes the in-house management of the following primary leisure facilities:

- Atherstone Leisure Complex (including Atherstone Memorial Hall and both indoor provision and an Artificial Grass Pitch through a Management Agreement with Queen Elizabeth School)
- Coleshill Leisure Centre (through a Joint Use Agreement with The Coleshill School)
- Polesworth Fitness Hub and associated outreach provision within community venues in Dordon and, through a short-term hire agreement, at The Polesworth School

The leisure facilities represent a high-profile public service, which help the Authority to meet its corporate objectives, most particularly in respect of the promotion of individual and collective health and wellbeing and the provision of services focused on the local community. Albeit adversely impacted by the Coronavirus pandemic, the leisure facilities are projected to attract approximately 310,000 visits at a net operating cost of £855,340 in 2022 / 23.

The Board will be aware of the Borough Council's adoption of its Leisure Facilities Strategy in 2018, the external production of which had been commissioned as part of an overarching review of leisure, green space and playing pitch provision in North Warwickshire. Within the commission, the appointed consultant was required to prepare a Leisure Facilities Strategy that assessed current and future growth-related needs in respect of indoor leisure provision. Allied to the Leisure Facilities Strategy and a review of operational performance, the consultant was also required to appraise the options for the future delivery and management of the Leisure Facilities service.

The consultant reviewed a number of operational delivery models and, based on the prevailing circumstances in North Warwickshire at the time, concluded that there were three realistic future options for the Borough Council: Option 1: Continue with the In-House Operation, Option 2: Externalisation and Option 3: Establish a Local Authority Trading Company (LATCo). The scale and scope of future facility provision was identified as being key to informing which of these options would most appropriately serve the Borough Council in the longer-term.

## **Strategic Outcomes Planning Model**

The adopted Leisure Facilities Strategy did not go so far as to identify a clear pathway through which to determine the most appropriate and cost-effective means by which to meet future demand for indoor leisure provision. In 2020, the Community and Environment Board, therefore, approved the undertaking of a Strategic Outcomes Planning Model (SOPM), through which an options appraisal / framework would be undertaken that would inform the decisions required to deliver a long-term and sustainable investment in leisure facility provision. The Model was intended to identify an approach to the provision and future management of effective and viable leisure facilities that would meet both corporate objectives and community demand.

An external consultant was engaged to work with the Authority, and the original intention had been to complete the SOPM process by the autumn of 2020. Almost immediately after the appointment of the consultant, however, the country was hit with the implications of the Coronavirus pandemic, which impacted on the ability of the consultant to complete elements of the commission, most particularly in respect of consultation with partners and stakeholders and the need to engage with marketplace service providers.

In the meantime, and as all Members are aware, the Borough Council is facing a difficult financial position, such that there is a need to find revenue savings within each of its services, including within the Leisure Facilities function. This challenge is being addressed in a number of ways, including, for example, through the introduction of new services at Coleshill Leisure Centre and, although not the driver for the change, through the revised approach to service provision in Polesworth. The establishment of a Local Authority Trading Company is another means by which significant financial savings could be made within the Leisure Facilities service.

## **Policy Context: Local and National**

It is recognised, national and locally, that the impact of sport and leisure is not simply for sport's sake, but that strategically directed services and facilities can have a significant and positive impact on physical and mental wellbeing, on economic growth, on educational attainment and on social cohesion and community resilience, policy objectives that are recognised within the Corporate Plan:

### **Vision**

- Protecting the rurality of North Warwickshire, supporting its communities and promoting the wellbeing of residents and business

### **Key Objectives**

- Safe, liveable, locally focused communities
- Prosperous and healthy communities
- Sustainable growth and protected rurality

These key objectives are supported by the Key Vision of the North Warwickshire Health and Wellbeing Action Plan (2020 to 2023):

- To encourage and support the local community to adopt a proactive approach in the positive self-management of their health and wellbeing

The commitment of the Borough Council to provide opportunities for sport and physical activity is a significant and valued contributor to these corporate objectives.

Nationally, the importance of physical activity is emphasised within the following key strategies:

- The Department for Digital, Culture, Media and Sport: Sporting Future: A New Strategy for an Active Nation (2015)
- Public Health England: Protecting and Improving the Nation's Health (2020 to 2025)
- UK Chief Medical Officer: Physical Activity Guidelines (2019)
- British Medical Association: Get Moving Report (2019)
- Sport England: Uniting the Movement Strategy – A 10 Year Vision (2021)

More locally, as well as the Corporate Plan and the Health and Wellbeing Action Plan, the community and health benefits of sport and physical activity are recognised within the priorities of the Leisure Facilities Strategy (2018 to 2031), the Green Space Strategy (2020 to 2033), the Playing Pitch Strategy (2018 to 2031), the Local Plan (2021) and the North Warwickshire Sustainable Community Strategy (2009 to 2026).

## **Context and Challenges**

The challenges facing the Authority's leisure facilities are well documented, including within the Leisure Facilities Strategy. In short, however, the service is, in terms of the Borough Council, relatively expensive, Atherstone Leisure Complex is old, tired, and in need of imminent replacement and the current service in Polesworth is considered to be an interim solution, whilst a review of the longer-term options is being undertaken.

Additionally, the Coronavirus pandemic has had a major impact on the leisure facilities sector. Locally, attendances within the Authority's facilities are approximately 25% down on pre-pandemic levels. This level of performance compares favourably with national data, which indicates a reduced leisure facilities throughput of 29%, when compared with 2019 / 20 attendance figures.

As part of the National Leisure Recovery Fund, set up during the pandemic by Sport England to provide operators with financial support to re-open leisure centres, a national "Moving Communities" database was developed to track the recovery of facilities in terms of throughput, participant numbers and community confidence to return to leisure activity.

A summary of the findings of recovery between April 2021 and March 2022 in comparison to the same period pre-covid (April 2019 to March 2020) shows:

- There was an initial spike in recovery rates when centres re-opened in April 2021. The spike peaked at 74% in September / October 2021. On average, the recovery rate is around 71%
- Average visits per user per month is four
- There has been a slower recovery amongst older people
- Newer and recently refurbished centres have recovered more quickly than older centres
- There has been a strong recovery in outdoor activities, swimming and swimming lessons, and a slower return to group exercise and sports hall activities
- Between April 2021 and March 2022, 8.5 million participants measured as part of the Moving Communities database generated £971m of social value, equating to £114 per person

In January 2022 (before the impact of utility and other supplier cost rises), a number of organisations surveyed their members to assess the impact on organisations and how long they deemed “recovery” would take. The figures below highlight findings from Community Leisure UK, the organisation that represents “not for profit” leisure management companies.

- Two thirds of Community Leisure UK members said it will take up to three years until their business operates “normally”, but that “normal” may look different to pre-pandemic operations
- Omicron adversely impacted January, typically the busiest period
- External operators are expected to have lost 56% of their reserves by March 2022

There is, therefore, considered to be little competitive tension in the external leisure operator market at present. Operators are generally risk averse and offering management terms that are less attractive than in previous years. Based on a review undertaken by the Authority’s consultant advisors, it is considered to be probable that there is insufficient market tension to secure a best value outcome from externalising the management function of the leisure facilities at present and possibly for a period of at least 36 months.

Indeed, in respect of the desirability of engaging with the marketplace, the Authority has been advised that this should best be left until the market has stabilised after the pandemic and confidence has returned in respect of the reliability of operational / trading data

Financially, the Borough Council’s position has been challenging for a number of years, with revenue expenditure exceeding available funding. As a result, the Authority has managed its budgetary shortfall by streamlining many services, charging where appropriate and, in some cases, stopping the provision of discretionary services. Since 2011 / 12, the Borough Council has reduced its net revenue expenditure by £6.7 million.

The Council, however, needs to find further reductions in net revenue spending of £2.55 million by 2026 /27, to ensure that its medium-term financial position remains

viable. On the current net budget of £8.66 million for 2022 / 23, this represents a significant challenge.

Although leisure facilities are discretionary, the health and social benefits they can provide are highly valued. There is a recognition, however, that their net cost to the Council, at £1.5 million (including over £660,000 of central support costs and capital charges), takes a significant proportion of the Council's resources and that to enable the continued provision of leisure services in the future, the level of financial support provided needs to reduce.

It is acknowledged that the level of support is affected by the age and condition of the existing facilities. Pre pandemic, the Council was exploring the options for the replacement of the existing facilities in Atherstone and Polesworth. Work undertaken included looking at options of direct replacement with both in-house and third-party operation, as well as options for a more fundamental partnership with an external provider. The indications were that working with an external provider could enable the provision of good facilities, enabling growth in resident use and could reduce the need for revenue subsidy from the Council. It was anticipated that this reduction in subsidy would increase the Council's ability to continue the provision of leisure facilities for residents of the Borough.

The Council originally budgeted to use general balances of £589,940 for 2020 / 21. During the pandemic, the Council incurred additional costs in order to maintain its services and also lost a significant amount of income. Whilst some Government support was received, this did not cover all of the income lost. The Council needed to use additional reserves of £213,617 in the year, taking the total use of balances and reserves to £803,557.

During 2021 / 22 leisure activity resumed in a phased way in line with Government guidelines, but public take up did not return to pre-pandemic levels. Income support from the Government ended in June 2021, with the full impact of the reduced income being borne by the Council from July 2021. An ongoing reduction in income is still impacting on the Council, as public participation is not back to pre-pandemic levels. Expenditure pressures in some high profile statutory areas have also continued, adding to the financial shortfall. Together with challenging economic conditions, this has meant that the Council's current general financial position has become more difficult and higher levels of balances are needed to fund current services. As these balances are not available, savings in the base budget are needed, with less time in which to find them. Budget reductions of £1.9 million are needed for 2023 / 24.

Looking specifically at leisure facilities, the pandemic has had a significant impact on the Council's options with regard to the future provision of the service. The wider leisure market has reduced and those external providers that have maintained operations have become more risk averse. Recovery in the leisure industry is anticipated at some point in the future, but the Council cannot afford to subsidise its leisure facilities at the current level whilst it waits for that outcome. If provision of leisure services is to be maintained, there is a need to reduce the financial subsidy required from the Council. Modelling has indicated that operating leisure facilities independently would allow for some reduction in cost, which is vital for the Council's financial resilience.

## **The Case for Change and the Local Authority Trading Company**

Given the foregoing, put simply, the Borough Council needs its Leisure Facilities service to become more commercial and financially sustainable. In view of the financial constraints prevailing upon the Authority, the service, in its current form and with the ageing stock in Atherstone, is not viable, unless very significant savings were to be made in other areas of the Borough Council's service portfolio. If the Leisure Facilities service to the local community is to be maintained in the short-term, therefore, and improved in the medium-term, an alternative, more financially efficient means of operation has to be found.

### **Management Options and the LATCo as the Proposed Option**

In reviewing the direction set by the adopted Leisure Facilities Strategy, and in conjunction with external advisory support, three types of delivery model were explored for the operation and management of the Borough Council's facilities:

- In-house
- Externalisation
- Local Authority Trading Company

The characteristics for each model are set out below.

#### **In-house**

The services would continue to be delivered through direct management of the facilities through the use of frontline staff.

The Borough Council would hold full responsibility for all income and expenditure risks, including tax and non-domestic rates. It would also be responsible for future lifecycle investment and replacement of equipment. The Authority would have full control over all aspects of service delivery, including pricing, programming and marketing.

The in-house option would also allow for full flexibility for delivery and decision making by elected Members through the Community and Environment Board. Staff can work across the Leisure Facilities service and with other Borough Council services.

The Authority has direct control over what is seen as a high-profile service for the community.

#### **Externalisation**

The Borough Council could undertake a procurement exercise for the Leisure Facilities service.

The Authority would retain strategic control of the service and outcomes via a service specification. The responsibilities of each of the parties are defined within a contract. Specifications are output based, with the contractor providing method statements,

which form part of the contract, detailing their approach to achieving the specification requirements.

The contractor takes a prescribed level of risk. The contractor is normally provided with a degree of flexibility in programming, pricing and marketing and is committed to meeting corporate objectives; for example, increasing participation levels.

Within the last few years, and most especially post-pandemic, contractors have become more risk averse, or are costing in premiums if they are being required to hold more risk than they would otherwise wish to take. Councils are increasingly having to accept a greater share of risk, for example in respect of utility tariffs, building structure (particularly in ageing facilities), buildings insurance, pension contribution rates and changes in law. A number of external operators have stated that they will not bid for contracts where the main driver is cost reduction within the service. Many, in the short to medium term, are also focused on re-building their capital reserves.

External organisations are commercially focused and can optimise income generation from leisure facilities, gyms, swimming lessons and group exercise classes. This can enable cross-subsidy to resource community interventions, where specified within the contract.

Larger, multi-site leisure operators tend to have economies of scale and standardised systems of work. This is often linked to a corporate feel / brand.

Staff would transfer under TUPE regulations to the external contractor, so that local knowledge and skills would remain within the service. Senior management would normally be based at a “head office” and not locally. The focus would be on the whole organisation, more than on local issues.

### **Local Authority Trading Company**

The Borough Council could set up a Local Authority Trading Company (LATCo). These are bodies that are free to operate as commercial entities, but remain wholly owned by the parent authority. This would be a local organisation to which existing staff would transfer under TUPE regulations from the Authority to the new company. The governance arrangements can be determined to most suit the needs of the Borough Council, while retaining a degree of autonomy and commercial flexibility.

The LATCo would be eligible to claim mandatory / discretionary national non-domestic rate relief (NNDR), as well as certain tax / VAT advantages. Income on most sporting activities is exempt from VAT, although the VAT on corresponding expenditure would be non-recoverable.

Services would be defined within an output-based specification and would be supported by a contract / partnership agreement and relevant asset and property leases. These agreements would define the level of responsibility and risk taken by each partner.

The outcome of the “options appraisal” is detailed in Appendix 1. In the shorter-term at least, the impact of the pandemic means that external operation of the Authority’s leisure facilities is highly unlikely to realise best value for the local community. The options appraisal concludes that the LATCo approach to the management and operation of the Borough Council’s leisure facilities represents the preferred solution at this juncture.

In view of this outcome, the option and potential financial advantages of establishing a LATCo through which to manage the Authority’s leisure facilities were further assessed.

As is clear, in the Borough Council’s case, the initial drive to review the option to establish a LATCo was informed by the need to realise a saving within the revenue budget. Transferring the management of the Leisure Facilities services to a LATCo affords the potential for a significant financial saving to be made by the Authority. Mandatory 80% relief from National Non-Domestic Rates (NNDR) is available, with the option to grant a further 20% discretionary relief, of which 50% would be met by Central Government. In North Warwickshire’s case, this could amount to a saving of as much as £152,090 in respect of its leisure facilities, including Atherstone Memorial Hall, ownership of which would remain with the Authority:

- Atherstone Leisure Complex      £56,300
- Atherstone Memorial Hall      £8,270
- Coleshill Leisure Centre      £83,500
- Polesworth Workspace Units      £4,020 (estimate\*)
  
- formal valuation still to be confirmed

Charges made to leisure users by the Council are currently both standard rated and exempt, depending on the activity being undertaken. The Council could opt to make all charges exempt of VAT, which would increase the leisure income it receives. The Council, however, can only recover the VAT it pays on all of its activities if it remains within its partial exemption limit of 5%. The option of making all leisure activities exempt has been considered but has not been taken due to the wider impact on the Council.

If leisure facilities are operated independently of the Council, it gives greater freedom to use a different VAT approach. Whilst an independent company would still be subject to VAT regulations, an assessment has indicated that there could be a net benefit for the company in treating all activities as exempt. This additional income would reduce the cost of leisure provision, improving its financial sustainability.

Changing leisure services that are currently standard-rated to VAT exempt status could potentially realise an additional £112,000 in income. Whilst non-recoverable VAT on corresponding expenditure would amount to around £57,000, it would still provide a net benefit in the region of £55,000

In addition, there are potential benefits of having leisure facilities provided independently when the Council comes to replace any of those facilities. Due to the mixed supply of services currently provided, any capital expenditure on leisure



facilities is also caught under the partial exemption rules. Whilst an application can be made to HMRC to have a temporary suspension to the partial exemption limit for the Authority, there are timing issues to be considered, which could present difficulties for the Council.

If the Council provides a management subsidy to an independent organisation, that payment is standard rated. This means that any capital expenditure on leisure facilities will also be standard rated, so there would be no adverse impact on the Council's partial exemption position. VAT recovery on other Council services would be unaffected.

An ongoing legal case involving another local authority is seeking to change the VAT status of leisure activities to "non-business" status. If successful, this would remove the VAT benefits of operating a LATCo. As cases of this nature generally take a significant amount of time to go through the legal process, and there is no guarantee of success, the Council needs to act to reduce its costs now.

## **Financial Risks**

The economic outlook has deteriorated, with supply chains under pressure and inflation running at significantly higher levels than previously expected. These conditions are increasing service costs and are also influencing the pay claims being sought by workers. Pay awards above the level included in the budget are now expected and, together with the increased service costs, will put further pressure on the Council's financial position.

As future Financial Settlements from the Government towards annual Council spending are not known, assumptions around the level of funding that will be received have been included in the financial forecasting for future years. These forecasts have been used in the current Medium Term Financial Plan. Grant funding above or below that assumed position will impact on the Council's Medium Term Financial Plan and may improve or make worse the position set out above.

Even with Government income at the forecast level, the Council still needs to make significant spending reductions. If the subsidy to the Leisure Facilities service cannot be reduced in the short to medium-term, other services would be affected. There are only limited opportunities to reduce other service expenditure, as a significant number of services are statutory. Other larger discretionary services have already been reduced, with the remaining discretionary services minimal in comparison to those delivered through leisure facilities.

As identified above, the LATCo will be able to claim business rate relief, which will reduce the operating costs from the current position. This would reduce the financial subsidy needed by the LATCo and provide a saving to the Council. In addition, the LATCo should be able to increase the income it retains by changing its VAT status. Splitting this increase would benefit both the Council and the LATCo.

As the Council currently provides support services to the Leisure Facilities, there could be an increase in central costs borne by the Council if the LATCo purchases any or all of these services externally. In the short-term, it is expected that support services will

be provided by the Council, to facilitate the establishment of the independent company and to allow the impact on the Council to be managed. If the LATCo subsequently chooses to obtain support services elsewhere, then the Council will need to reduce its support costs to ensure that there is no adverse effect on its finances.

In order to meet the Council's overall Medium Term Financial Plan, the subsidy given to the LATCo needs to fall, and sooner rather than later. This requirement will be more achievable if the provision in Atherstone and Polesworth is replaced with new facilities and the Council is currently bidding for grant funding to help realise this ambition in respect of Atherstone Leisure Complex. If the bid is successful there will be a construction period before any new facilities are ready. Reserves, however, should allow the continued level of subsidy to be maintained for a limited period, whilst the build takes place. Clearly, any immediate reduction in the subsidy needed whilst construction takes place will require less use of limited reserves.

If grant funding is not obtained, the Council will be unable to afford to replace existing facilities and will be unable to continue to provide the current level of subsidy. There will, therefore, be a need to close one or more of the facilities.

### **Strategic Vision and Objectives**

Having determined, in principle, to establish a Local Authority Trading Company, at its meeting held in May 2022, the Community and Environment Board acknowledged that the adoption of a shared vision would help to build mutual trust between the Authority and the proposed LATCo, as well as support the process for strategic planning between the two organisations. Further, it was noted that a shared vision would help both organisations to understand the broad outcomes that they wanted to deliver through the Leisure Facilities service and ensure that the LATCo supported the Borough Council in the delivery of its Corporate Plan priorities. The Board resolved that a group consisting of the Chairman, Vice-Chairman and Opposition Spokesperson, together with relevant Officers, meet to further consider and establish a vision and an accompanying set of values for the LATCo.

The group gave detailed consideration to the establishment of a shared (between the Authority and the LATCo) mission, vision and sets of values, aims and strategic objectives for the Leisure Facilities service. The outcome of this process, which was approved by the Community and Environment Board at its meeting held in July, is attached at Appendix 2.

### **Governance**

The Authority can rely upon Section 1 of the Localism Act 2011, which contains the "general power of competence", and other powers in order to establish a LATCo.

In establishing a LATCo, the Borough Council will be specifying the services to be provided at the leisure facilities. Under these circumstances, the award of a contract to the company would be a procurable contract. In order to award the contract to the company without a procurement competition, the LATCo would need to be structured as a "Teckal" company. To be Teckal compliant the following conditions need to be met:

- The Authority exercises a control over the company that is similar to that it exercises over its own departments
- More than 80% of the activities of the company are undertaken on behalf of the Borough Council (if the company's sole activity is carrying out the Leisure Facilities function for the Authority, this requirement will be met. It will, however, also have scope to provide limited additional services whilst remaining within this exemption)
- There is no direct private capital participation in the company

There are a number of different types of LATCo:

- Company Limited by Guarantee with or without share capital (CLG)
- Company Limited by Shares (CLS)
- Community Interest Company (CIC)
- Community Benefit Society (CBS)

As Councillors are aware, Officers have sought external advice on the most appropriate form of company to meet the needs of the Borough Council. Given that the company would be a wholly owned, "not for profit" organisation, the flexibility and simplicity of a Company Limited by Guarantee, which also has the benefit of limited member liability, is considered to be the most appropriate vehicle through which to establish the LATCo. Under a CLG, the Borough Council would be the sole "member". At the very least, the following documentation would need to be produced:

- Articles of Association
- Member Agreement
- Service Level Agreement – with regard to services provided by the Borough Council to the LATCo
- Leisure Operation Agreement

Who sits on the Board of the company is a matter for the Borough Council to determine. Members and Officers are permitted to sit as Directors of companies. In determining this matter, the Authority would need to take the following into account:

- It is appointing people to operate and make decisions about a business
- Directors are likely to require the following skills
  - Leisure management
  - Financial skills
  - Business experience
- There will be conflicts of interest between being a Director of a LATCo and making formal decisions within the Council that relate to the company

Members and / or Officers who might be expected to make decisions about the company within the Council, therefore, would find it to be extremely difficult to undertake the role of a Director.

The Borough Council would need to monitor and hold the LATCo to account. This is necessary to ensure that the company delivers the outcomes required by the Authority.

Conversely, the LATCo must be able to demonstrate an appropriate degree of independence from the Borough Council in order to benefit from “Eligible Body” status to receive certain tax benefits. This requires an ability to transact at a distance, with Directors making decisions in an “independent” capacity. It may be appropriate, therefore, for Members to undertake the “Shareholder” role within the Council and not sit on the LATCo’s Board of Directors, which would enable the Directors to make decisions (within their remit) in the best interests of the company and also reduce the risk of Members having conflicting interests. Indeed, Councillors are in the best position to hold the performance of the LATCo to account. In this regard, consideration should be given to the following:

- Establishing a Member Board to review performance
- Identifying a resource within the Authority to review performance
- Agreeing a set of key performance indicators (KPIs), with baseline data provided. This need will be addressed within the process of drafting the Service Specification

There would be a need for a formal Contract, which obliges the company to provide a Leisure Facilities service, a Service Specification and a right for the LATCo to occupy the specified leisure facilities. The Borough Council would also need to ensure that any staff transferring from the Authority to the LATCo retain certain pension protections. In this regard, the transfer of the Leisure Facilities service into the company would result in the applicability of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Where TUPE applies there are obligations to inform and consult with affected employees and employees have the right to transfer with their existing employment contracts and continuity of service.

There are further key considerations that would need to be determined between the Borough Council and the LATCo, including:

- The contract term, which needs to be co-terminous with any lease agreements
- Asset risks:
  - The LATCo will not be able to accept significant maintenance risks associated with the sites, most particularly at Atherstone Leisure Complex and Memorial Hall
  - Asbestos works, responsibility for which will need to remain with the Borough Council
  - Utilities. The tariff risks will need to be agreed in view of current cost volatility
- Trading risk, given that the LATCo has no other business activities / contracts through which to share risk
- Joint use agreements, which would need to be novated to the LATCo

The Borough Council would need to develop a Service Specification against which the LATCo would deliver the Leisure Facilities service. The Specification would set out the scope of the service and is important for three principal reasons:

- To set out the strategic outcomes that the Authority expects the company to deliver
- To set out the minimum operating standards expected in delivery
- To clarify the parameters within which the LATCo would manage the facilities, such as minimum opening hours, concessionary pricing policy, staffing arrangements

The Borough Council may not want to commit to a longer-term funding agreement with the LATCo, preferring instead to have more flexibility and control over its budget. Nevertheless, the LATCo should be required to produce a five-year business plan, which would provide a level of surety to both the company and the Authority.

In assuming that the LATCO is established as a company limited by guarantee, it is advisable to have a Member's Agreement held between the Borough Council and the company. This Agreement will provide visibility about the Council's role and clarity over decision making, for example in order to approve changes to the company business plan or the approval of contracts above a certain value. The Agreement should also set out the reporting arrangements / frequency to which the Borough Council would expect the LATCo to adhere.

## **Operations**

The Borough Council would need to determine a suitable management structure for the new company and to this end it would be necessary to produce a skills matrix and undertake a skills audit for the senior team. This team would need to further develop its commercial mindset and the additional core skills that may be required to strengthen the business could include:

- Company finance
- Commercial skills
- Sales and marketing
- Performance management

As previously identified, the LATCo should be required to produce a business plan, which will include business, financial and marketing proposals. This will not be a straight-forward undertaking, in view of the age and condition of Atherstone Leisure Complex and Memorial Hall, the recently changed approach to provision in Polesworth, the impact of the pandemic and the volatility of certain costs, including utilities. There are risks associated with these factors and the Borough Council and the LATCo would need to agree on the approach to be taken to the planning process, so as not to undermine the opportunity for company success.

Financial planning would need to be carried out by both the Borough Council and the LATCo. The Borough Council would need to assess the impact of the LATCo on its financial position. The new company, too, would require advice and support in respect of the following:

- Tax / VAT / NNDR
- Cashflow and cash management
- Initial financial position / investment
- The extent and cost of services to be provided by the Council
- Reserves and contingency arrangements

The LATCo would need to set up its operating procedures, but this should be straight forward, given that it is currently managing the service. The most significant changes are likely to occur in respect of the marketing, branding and communication of the service.

## **Conclusion**

The management options review has been undertaken relatively soon after leisure facilities have fully re-opened following the Coronavirus pandemic, which has had a significant impact on the industry, as well as aspects of the wider economy.

The pandemic has impacted the market in a number of ways; operators have used up their reserves and, as noted above, are being more selective in the contracts for which they bid.

It is anticipated that over the next 36 months, the operator market will be in a better position to understand the level of demand and whether operations are likely to achieve a pre-covid-19 position.

In the meantime, the Borough Council is under pressure to find savings across its service portfolio, including within its Leisure Facilities service. Given the level of savings required, it is recommended that the Authority establishes a LATCo and transfers all leisure facility operations to the new wholly-owned company.

## **Appendix 1**

### **Advantages and Disadvantages of Each Management Option**

The advantages and disadvantages for continuing the operation in-house, procuring an external operator, or setting up a LATCo are outlined in the table overleaf.

**Table 1 - Advantages and Disadvantages of Alternative Management Options**

IN-HOUSE		EXTERNAL CONTRACTOR		LOCAL AUTHORITY TRADING COMPANY	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
<b>OPERATIONS</b>					
Effective cross department working; health, community cohesion, etc.	Without a defined specification, service delivery can be based upon short term priorities.	Head office specialists enable operations to be the latest in the market. Enable best practice from several contracts to be disseminated across facilities.	Operations can be 'corporate' as opposed to locally led.	Transferred staff maintain effective relationships with Borough Council departments.	The Council can have less influence, as it is led by a Board of Directors.
Joined up service provision for residents.	There is no 'contractual' requirement for the Borough Council to carry out its responsibilities; therefore, where budgets are not available, facilities can deteriorate and service levels reduce, for example, in relation to repairs and maintenance.	Economies of scale provide effective product management	Changes to the specification / contract require a variation that can affect the management fee and can incur legal costs.	Single focus on service delivery and empathy with the local area.	Expertise re market led product development has to be bought in or learned as products mature in the industry. Marketing and branding expertise will need to be bought in or developed over time.



IN-HOUSE		EXTERNAL CONTRACTOR		LOCAL AUTHORITY TRADING COMPANY	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
Changes in priorities can be implemented quickly.	Officers have to use council contracts in areas that may not be suitable for the service, for example IT.	Generally, have well-structured Quality Management Systems covering general operations, H&S, etc.	It can be harder to work with other partners and Council departments effectively.	Closer links with the community, including through the company Board.	No ability to easily gain information about industry best practice in relation to operations.
Members / Officers feel that they 'own' the services.	The Council can be slow to react to implement change.	A contract and specification that ensures roles and responsibilities are clearly defined between the parties.	May not fully achieve local priorities and cultural requirements and operating philosophy may not be compatible.	Staff feel more involved in service delivery as not part of a large organisation.	
Officers can have some autonomy to make local decisions that impact on the services.	Limited access to the benefits of developing new opportunities, from economies of scale and also to the wider knowledge gained by experienced (larger) operators for innovation and development.	Output based specifications allow the Council to focus on ensuring that the external contractor is delivering Council targets and objectives.	Service delivery can lack a "local", needs-based focus.	Stronger 'partnership' approach.	Normally a much softer approach to monitoring in place.
		An external contractor with charitable status can make it easier to apply for external funding.		Arm's length from the Council results in operations being less influenced by Officers / Members. Possible	

IN-HOUSE		EXTERNAL CONTRACTOR		LOCAL AUTHORITY TRADING COMPANY	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
				external funding benefits also.	
<b>RISK</b>					
	Council has to pay for all risks / additional costs as they occur.		Contractors are becoming increasingly unlikely to accept risk on utilities tariffs, LGPS pension contributions; NJA salary rises above inflation and building structure of older buildings.	Generally, accept all income risk and some expenditure risk. LATCos have legal structures in place to lever in NNDR and VAT benefits.	Less able to withstand significant changes in leisure trends.
No procurement implications of delivery of in-house support services.	Council may not be best placed to manage all risks; for example. income risk, change in industry trends, procurement of building specialists, etc.	External contractors with trust legal structures in place to lever in NNDR and, in some cases, VAT benefits.	Contractors, and in particular those with 'hybrid trust' structures, may propose that risk on loss of NNDR and VAT relief, even where their structures are eligible for such relief, remains with the Council.	Formal agreements ensure that both parties can manage their risk liabilities effectively.	No other contract / sites to absorb poor financial performance.
	Non-statutory status of leisure means service is vulnerable to year on year savings.	Offer local authorities a known level of financial commitment and certainty over a contract period.	Following Covid-19 pandemic, likely to require open book deficit position / income benchmarking. Greater aversion to holding any risk.		Ultimately risk of 'failure' remains with the Council.
			Limits to risk transfer, e.g. market will not accept		

IN-HOUSE		EXTERNAL CONTRACTOR		LOCAL AUTHORITY TRADING COMPANY	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
			unaffordable and costly repairing obligations (particularly of older buildings).		
			The Council is obliged to fulfil its responsibilities or be subject to a claim from the operator.		
<b>INVESTMENT</b>					
Low costs in providing capital if the Council has access to it.	Future invest to save investment opportunities compete with capital for other corporate priorities.	Can, in some cases (number declining) provide investment into facilities.	Large scale operator investment unlikely / will be costly.	The Council could support the LATCo in respect of investment opportunities in relation to Prudential Borrowing etc.	
	Can be slower to react to introduce income generating schemes due to sign off timescales and Council procedures.	New investment opportunities can be negotiated at any time during the contract period.		New investment opportunities can be negotiated at any time during the contract period.	

IN-HOUSE		EXTERNAL CONTRACTOR		LOCAL AUTHORITY TRADING COMPANY	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
	Ancillary areas are often not invested in, e.g. changing rooms.			Status can make it easier to apply for external funding.	
	Limited 'sinking' fund in place for future building works and equipment replacement.				
<b>FINANCIAL</b>					
Economies of scale normally achieved in utilities purchasing.	The Council does not have the benefit of NNDR and VAT relief.	National operators are able to 'spread' the risk of the contract across their company.	Projected profits will not necessarily be re-invested into the contract and are liable to be "lost" to the company.	NNDR and VAT savings.	Disadvantages of a small company, higher central costs.
Effective purchase ledger and accompanying budget monitoring systems in place.	Increased staff costs from T&Cs and pension contributions.	Councils can plan, knowing the longer-term management fee – although where there are shared risks these have to be incorporated.	Expenditure will include an element for both head office costs and surplus.	All profits are re-invested back into the services / facilities.	Few economies of scale realised.
No need to pay operator any management fee and local authority retains any surpluses.	Unlikely to deliver required level of savings.	Economies of scale in purchasing utilities, R&M contracts, fitness equipment, etc.	Operator will have a 'central cost' recharge and Council's central costs have to be shared over fewer departments.	Councils can plan, knowing the longer-term management fee.	Unable to spread financial risk across contracts.
	Budget set year on year and may be subject to	Gain benefit of operational skills (delivering services and			Additional set up costs could be required to

IN-HOUSE		EXTERNAL CONTRACTOR		LOCAL AUTHORITY TRADING COMPANY	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
	reductions with changing priorities of Council or central government.	commercial elements; fitness, swimming lessons, dry side courses, secondary sales).			establish trading company.
	Often look to cut costs to achieve budget as opposed to generating more sales.	Existing market place had established track record in improving financial position.	Needs suitable client-side resources / expertise for the partnership to be effectively managed.	Committed to local priorities alongside cost reduction.	Needs suitable client-side resources / expertise for the partnership to be effectively managed.
	Any surpluses are allocated into the Council's central funds as opposed to being re-invested into the service / facilities.	Financial benefits should be achievable (NNDR and VAT) because of taxation efficient models.	Need to consider VAT implications on surplus management fees and costs within investment projects.	Financial benefits should be achievable (NNDR and VAT) because of taxation efficient models.	Need to consider VAT implications on surplus management fees and costs within investment projects.
	Central/support costs of the Council can be arbitrarily included in leisure budgets and disproportionate to overall service.				

## Evaluation Framework

The following evaluation framework was agreed with leading Councillors and Management Team.

**Table 2 - Evaluation Framework**

Options Appraisal Evaluation Criteria			Overall Weighting
	Criteria	Measures	
1	Council Influence and Control	Ability for Council to influence strategic and operational direction	10%
2	Council Objectives / Strategic Outcomes	Able to understand the community within which the organisation is working to deliver the strategic outcomes of the Council; ability to work with the Council's key stakeholders	20%
3	Innovative and Flexible	Must be an agile organisation able to react to change in direction from the Council, customer expectation and changes in, and impact of, external environment	5%
4	Capital Resources	Access to capital funds for development works / lifecycle and on-going maintenance works	5%
5	Revenue Implications	Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs	25%
6	Risk / Sustainability	How much financial risk can be transferred? Risk of not meeting customer demands and expectations	15%
7	Service Delivery	How well will the services be delivered? Potential for innovation and maintain / improve service quality. Will customers, particularly targeted and vulnerable people, be able to access and afford facilities and services?	15%
8	Staffing	Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development	5%
			100%

## Management Options Evaluation

Given the strategic and financial outcomes of the service, how well the service is currently performing and a review of the potential options available, the following management options have been evaluated.

- In-house
- Externalisation
- Local Authority Trading Company

The following tables set out the evaluation criteria and its importance, then each management option is scored (out of 5, with 5 being the highest) depending on how well it meets the criteria above.

### Council Influence and Control

**Table 3 - Council Influence and Control**

<b>Council Influence and Control</b>	<b>WEIGHTING</b>
<b>Ability for Council to influence strategic and operational direction</b>	<b>10%</b>
<b>IN-HOUSE</b>	
The Council can exert the most direct control over services by continuing to operate the leisure facilities through the in-house option.	
<b>SCORE</b>	<b>5</b>
<b>EXTERNALISATION</b>	
The external contractor must deliver against the Council's specification and contract. The specification will include an annual service planning element to ensure that the Council's changing requirements can be incorporated into future service delivery.	
An outsourced partner will report to its own board of trustees / directors, which may have different objectives to the Council.	
Changes to service delivery can be more formal. Whilst flexibility in contracts can be included, there may be financial consequences to any significant changes.	
<b>SCORE</b>	<b>3</b>
<b>LATCo</b>	
LATCos will have a Board that will direct operations to ensure that its objectives, and those of the Borough Council, are met. The Board may include elected Members.	
The specification will set out the Council's priorities in respect of pricing / programming and other elements of service delivery.	

The Council can reflect any changing priorities through the annual service planning process and will, in practice, be able to influence how core services are delivered by the LATCo.

The LATCo is established to meet local needs.

<b>SCORE</b>	<b>4</b>
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### 1.1.1 Council Objectives / Strategic Outcomes

**Table 4 - Council Objectives / Strategic Outcomes**

<b>Council Objectives / Strategic Outcomes</b>	<b>WEIGHTING</b>
<b>Must be able to meet the Council's current and future strategic objectives; ability to work with Council's key stakeholders.</b>	<b>20%</b>
<b>IN-HOUSE</b>	
Continuing to operate in-house means that joined up work to achieve the Council's wider strategic objectives continues to be achievable. The service can work with the other Council departments to ensure that wider strategic objectives are delivered. Delivering services in-house means that changing priorities can be quickly implemented.	
<b>SCORE</b>	<b>4</b>
<b>EXTERNALISATION</b>	
Within any type of externalisation, the process ensures that a specification is developed so that the organisation is clear what the Council requires, both on an annual and longer time frame. The Council can set out targets (outputs) in relation to participation, target groups, programming, etc. and outcomes. The Council can implement a performance management system to ensure that the partner records, reports and delivers the required outcomes.	
There will be a concern that services being managed by an external organisation will not consider local stakeholders. However, the specification can be clear in the outputs required.	
There is a risk that external partners will focus solely on the operation of facilities and programmes without working in partnership with all stakeholders, so a strong specification is required to ensure they meet the Council's wider needs for sport and health development.	
Any change to service priorities can be managed through the annual service planning process and contract change procedures. However, this can have explicit financial implications if the changes are business critical.	
<b>SCORE</b>	<b>2</b>
<b>LATCo</b>	
As with the external option, a specification and performance management system would be in place. Therefore, whilst the LATCo is a separate body (albeit wholly owned by the Authority), the clearly defined specification and longer-term financial	



stability (known management fee / funding agreement) should enable the Council's strategic outcomes to be met.

The organisation will have local Directors and will be able to fully demonstrate inclusion of local stakeholders with the delivery of services. These can include representatives from key stakeholders, education, health, voluntary sector, etc.

LATCos usually have strong links with existing partners and work closely to meet the Council's objectives. The Council, however, will need to ensure that these arrangements are formalised.

<b>SCORE</b>	<b>4</b>
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## Innovation and Flexible

**Table 5 - Innovation and Flexible**

<b>Innovation and Flexible</b>	<b>WEIGHTING</b>
<b>Must be an agile organisation able to react to; change in direction from the Council, customer expectation and changes in, and impact of, external environment</b>	<b>5%</b>
<b>IN-HOUSE</b>	
Existing staff and skills would continue as they are within the in-house operation.	
Typically, there is less commercial experience and expertise within the in-house option, which can impact on the level of service and revenue opportunities. The Borough Council, however, has demonstrated commercial expertise within specific areas of the operation.	
<b>SCORE</b>	<b>3</b>
<b>EXTERNALISATION</b>	
It is likely that the service would benefit from the breadth of leisure experience that such a partner would bring.	
External contractors can demonstrate experience and success in delivering innovative investment into facilities to improve the revenue position, for example: established operation of key brands, retention systems and new product developments, such as personnel training, urban gyms, indoor clip and climb, etc.	
However, larger organisations can struggle to be flexible at a local level and may need 'sign-off' from regional and national level, which can hamper agility.	
<b>SCORE</b>	<b>4</b>
<b>LATCo</b>	
Existing staff and skills would transfer to the new company.	
Freed from corporate processes, the LATCo will provide staff with the space and opportunity to be more commercial and agile in their approach to meeting local	

need. The company should be quicker to react to the external environment, whilst still meeting corporate objectives.

**SCORE**

**4**

## Capital Resources

**Table 6 - Capital Resources**

<b>Capital Resources</b>	<b>WEIGHTING</b>
<b>Access to capital funds for development works / lifecycle and on-going maintenance works</b>	<b>5%</b>
<b>IN-HOUSE</b>	
<p>The Council would need to explore opportunities for investment, i.e. through prudential borrowing, external funding streams and the potential of grants, although the Borough Council has made provision within its capital programme for leisure-related developments.</p>	
<b>SCORE</b>	<b>3</b>
<b>EXTERNALISATION</b>	
<p>National operators are more likely to be able to fund equipment / ICT fit out and lifecycle works. They have strong, well-established supply chains. Capital reserves, however, have been heavily impacted by the pandemic, as has the appetite for risk.</p> <p>Pre-Covid, organisations could access funding for smaller investments, but the preference was for the Council to fund larger scale projects. The borrowing rates were more cost effective and, as the operators do not 'own' the buildings, loans are based on future revenue improvements, as opposed to using assets / long leases as collateral.</p> <p>Whilst it is still the Council that can access capital investment more cheaply, the significant benefit is that external contractors have experience of being innovative and investing into customer critical areas and there are many examples where the operators have significantly reduced the revenue position with investment into facilities.</p>	
<b>SCORE</b>	<b>3</b>
<b>LATCo</b>	
<p>LATCos do not have direct access to their own capital resources, the responsibility for which remains with the Council. However, where the Council funds capital investment, the LATCo can use any revenue improvements to repay the capital costs.</p> <p>Ultimately any risk of these payments being made falls back to the Council.</p>	
<b>SCORE</b>	<b>3</b>

## Revenue Implications

Table 7 - Revenue Implications

Revenue Implications	WEIGHTING
Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs	25%
<b>IN-HOUSE</b>	
<p>The in-house operation is unable to gain NNDR and VAT efficiencies. No improvement in central support costs and no additional availability of funds from the Council's existing budgets.</p> <p>No further significant improvements in income or expenditure are projected, until the longer-term impact of the pandemic is known and the future of the facilities in Atherstone and Polesworth is determined.</p> <p>Additional savings will be required, which could lead to a reduction in service.</p> <p>The Council is able to apply for external funding available only to statutory bodies.</p>	
<b>SCORE</b>	<b>2</b>
<b>EXTERNALISATION</b>	
<p>An external contractor is likely to achieve an improved fitness offer through more aggressive targets. Swimming lesson pupil numbers could be higher too.</p> <p>An external contractor would operate with reduced central costs; although they would also include an element of profit in their business plans.</p> <p>Performance could improve in areas such as:</p> <ul style="list-style-type: none"> <li>• Established sales and marketing function at head office that focuses on key brands; health and fitness, children's activities and swimming</li> <li>• Economies of scale for all marketing and sales activities</li> <li>• Economies of scale for suppliers; fitness equipment, office equipment, repairs and maintenance agreements, utility purchasing, etc</li> <li>• More commercial approach and established suppliers in areas of secondary spend; retail, vending and catering</li> </ul> <p>Operators could receive VAT and NNDR relief.</p> <p>Profits made in the contract may not be reinvested in North Warwickshire.</p> <p>Potential revenue benefits will have been adversely impacted by the pandemic.</p>	
<b>SCORE</b>	<b>4</b>
<b>LATCo</b>	
<p>A significant change in revenue against the existing performance is possible, not least because the LATCo would benefit from NNDR and VAT relief.</p>	

The LATCo is likely to need to recruit additional support, given the new skills required to operate more commercially. There would be a need to appoint a Chief Executive / Head of Operations, Finance, Marketing and Administration staff.

The LATCo will need to have a suitable reserves policy and, therefore, the Council may have to provide a level of subsidy over and above the management fee in the early years of operation (or accept the cash flow risk).

LATCos may be able to apply for funding that is not available to local authorities.

**SCORE**

**4**

## Risk / Sustainability

**Table 8 – Risk / Sustainability**

<b>Risk / Sustainability</b>	<b>WEIGHTING</b>
<p><b>How much financial risk can be transferred? Risk of not meeting customer demands and expectations</b></p> <p>Note: The pandemic has led many councils and external operators to question the sustainability of their operations and their approach to “risk”.</p>	<p><b>15%</b></p>
<b>IN-HOUSE</b>	
<p>All risks remain, with the Council managing price sensitivity and programming requirements, marketing and branding and price changes for expenditure (e.g. utilities). The Council continues to absorb and manage any under-performance and it holds the risks associated with its building assets.</p> <p>The Council, as a large organisation, is able to manage variations in short-term trading performance.</p>	
<b>SCORE</b>	
<b>3</b>	
<b>EXTERNALISATION</b>	
<p>Where the Council is contracting with an external organisation, it will complete a ‘selection questionnaire’ to assess the organisation’s economic standing and technical capacity, etc. to check the suitability and sustainability of the organisation and to ensure there are mitigations to protect the Council if the contract fails.</p> <p>Established contractors have head office support to ensure that they are developing their products and services and assessing the trends in each market, so that they can react to changes in the leisure market. Where they manage several contracts, they can spread risk across contracts.</p> <p>The pandemic, however, has resulted in a fundamental shift in the approach of the external marketplace to risk. Contractors are now far more risk averse and are less likely to engage with authorities that will not hold risks associated with building assets, utilities, pensions and certain aspects of trading.</p>	

The Council would sign up to a contractual arrangement; it will have responsibilities that may incur costs. For example, if the Council retains repairs and maintenance responsibility for the building structure, the Council must fulfil these obligations, or the operator may be able to bring a 'loss of income' claim against the Council if non-delivery of their obligations impacts on their income generation.

**SCORE**

**3**

**LATCo**

The key risk for a LATCo is that it has a smaller base to share risk if any local factors impact on its income generating opportunities. It does not have a larger organisational mix of facilities and contracts.

The LATCo is also dependent on a small team of experts within its senior management team to deliver the strategic direction of the organisation, as well as operational requirements.

A new LATCo will require a period of support to ensure longer-term stability. Ultimately, if the LATCo fails, the Council will have no option but to assume operational responsibility or to close the service.

**SCORE**

**3**

**Service Delivery**

**Table 9 - Service Delivery**

<b>Service Delivery</b>	<b>WEIGHTING</b>
<b>How well will the services be delivered? Potential for innovation and maintain / improve service quality</b>	<b>15%</b>
<b>IN-HOUSE</b>	
Existing staff and skills, so the same level of customer service and satisfaction will continue.	
Annual maintenance programmes are based on priorities across the Council's asset base, therefore there can be conflicting demands on resources.	
The in-house management of the service may mean limited monitoring and measuring of performance compared to that of an external operator. The Council has implemented KPIs to manage performance.	
<b>SCORE</b>	<b>3</b>
<b>EXTERNALISATION</b>	
It is likely that the service would benefit from the breadth of leisure experience that an external partner would bring.	
External operators tend to hold an externally validated quality accreditation, although, to date, this has not been sought by the Borough Council.	

The head office support teams will have more time to establish links with National Governing Bodies to introduce new programmes and activities into facilities.

A performance management system would be put in place as part of the contract with detailed key performance indicators.

The level of service standards in areas that are important to the council can be tested through the procurement process.

Large operators tend to be weaker at delivering bespoke commissioned health and wellbeing services / services within the community.

<b>SCORE</b>	<b>4</b>
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<b>LATCo</b>
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All the existing staff, skills and operational practice transfer.

The LATCo can determine new procedures to follow and may set up new operating systems.

New organisational procedures, policies and standards in relation to central services (HR, Finance, VAT, Health and Safety, Maintenance, etc.) may take time to become established and there may be risk in the mobilisation / transition period away from the Council. However, there a reduction in the need to adhere to corporate process will bring with it a freedom to develop, innovate and focus on the Leisure Facilities service. Improvements are likely, therefore, with increased autonomy and flexibility of service delivery.

<b>SCORE</b>	<b>4</b>
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## Staffing

**Table 10 - Staffing**

<b>Staffing</b>	<b>WEIGHTING</b>
<b>Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development</b>	<b>5%</b>
<b>IN-HOUSE</b>	
All the existing staff, skills and operational practice remain with the Council.	
Staff terms and conditions are protected, as is their continued access to the LGPS.	
<b>SCORE</b>	<b>4</b>
<b>EXTERNALISATION</b>	
Staff will be subject to TUPE, so all current terms and conditions would be protected in accordance with legislation.	
External operators are likely to offer new joiners their own company terms and conditions, which may vary from the current terms and conditions.	

External operators will offer training and development for staff specialising in the leisure industry.

**SCORE**

**4**

**LATCo**

Staff will be subject to TUPE, so all current terms and conditions would be protected in accordance with legislation.

Subject to the terms of the contract, the LATCo may offer new joiners their own company pension provisions, although most employment terms and conditions would remain.

The LATCo is likely to need to recruit additional support, given the new skills required to operate more commercially. There would be a need to appoint a Chief Executive / Head of Operations, Finance, Marketing and Administration staff.

**SCORE**

**4**

## **Evaluation Scores**

The weighted scores for each option are set out below. The highest scoring option is the Local Authority Trading Company.



**Table 11 – Evaluation Scores**

	Criteria	Measures		In-house		External Contractor		LATCo	
				Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
1	Council Influence and Control	Ability for Council to influence strategic and operational direction	10%	5	10%	3	6%	4	8%
2	Council Objectives / Strategic Outcomes	Must be able to meet Council's current and future strategic objectives; ability to work with Council's key stakeholders	20%	4	16%	2	8%	4	16%
3	Innovative and Flexible	Must be an agile organisation able to react to; change in direction from the council, customer expectation and changes in, and impact of, external environment	5%	3	3%	4	4%	4	4%
4	Capital Resources	Access to capital funds for development works / lifecycle and on-going maintenance works	5%	3	3%	3	3%	3	3%
5	Revenue Implications	Ability to maximise revenue, through performance and / or governance structure. Ability to effectively manage expenditure and costs	25%	2	10%	4	20%	4	20%
6	Risk / Sustainability	How much financial risk can be transferred? Risk of not meeting customer demands and expectations	15%	3	9%	3	9%	3	9%
7	Service Delivery	How well will the services be delivered? Potential for innovation	15%	3	9%	4	12%	4	12%

		and maintain / improve service quality							
8	Staffing	Degree of impact on local employment, impact upon staff terms and conditions, future opportunities for staff development	5%	4	4%	4	4%	4	4%
		<b>TOTAL</b>	<b>100%</b>		<b>64%</b>		<b>66%</b>		<b>76%</b>

## Appendix 2

### LATCo Mission, Vision, Values, Aims and Strategic Objectives

#### Mission and Vision

**Mission:** To provide great value, sustainable and inclusive leisure services that promote choice and encourage all residents of, and visitors to, North Warwickshire to become more active, more often

**Vision:** To inspire the residents of, and visitors to, North Warwickshire to become more physically active and enjoy living healthier and happier lives

#### Values

**Customer Focused:** We will deliver an excellent customer experience and put the customer at the heart of everything we do

**Positivity and Innovation:** With a positive, “can-do” attitude, we will embrace learning, change and use innovative thinking to constantly improve the customer experience

**Interactive and Fun:** Through our interactive approach with customers, communities and staff, we will ensure enjoyable and engaging service experiences

**Integrity:** We will be honest, respectful, inclusive and accountable in all that we do

**Recognition:** We will recognise and reward the great achievements of our customers and staff

**Collaborative:** We constantly seek to empower our workforce and engage in constructive partnerships to grow our business and increase the range of services we offer to our customers and communities

**Sustainability:** Working with our commissioners, staff, suppliers, customers and local communities, we will reduce energy consumption and minimise our environmental impact

#### Aims

To deliver sustainable, accessible and high-quality leisure services for all residents of, and visitors to, North Warwickshire, both within facilities and in active environments

To provide positive leisure experiences for all people residing in and visiting North Warwickshire

In listening to our customers and communities, to continuously develop and improve the quality and choice of services we offer

Working with key partners, to increase opportunities to improve the physical, social and mental health and wellbeing of our community

Consistent with the Borough Council's Climate Change Action Plan, to improve the Leisure Facilities' carbon footprint and ensure a cleaner environment for future generations

As a commercial entity, the company will be economic, optimise business opportunities and ensure sound financial management. In so doing, it will seek to maximise the opportunity to secure external resources through which to enhance service provision

### **Strategic Objectives**

To provide residents with great value leisure service provision and choices that meet and, where possible, exceed the needs and expectations of customers and the community

To provide a service that will adapt to the changing needs of the community and the wider social, economic, local, national and global environment

To ensure the company remains responsive to the Borough Council and its communities through regular engagement and collaborative work

To provide positive leisure experiences for children and young people and pathways to enable them to be active through life

To increase opportunities for ageing populations to be physically, mentally and socially active as they grow older

To find ways to promote an inclusive and accessible leisure environment

To provide services that enable people to effectively improve their physical, social and mental health and wellbeing and enable people to better manage their health

To develop opportunities for our communities to participate in a wide range of active environments

To ensure that the facilities are maintained to an optimal standard, including through the management of health and safety and staff knowledge and training

To ensure that services operate commercially, are well marketed and financially viable

**Report of the Chief Executive**

**Calendar of Meetings 2022/23 and  
2023/24**

**1 Summary**

- 1.1 The purpose of this report is to seek approval for changes to dates of three Board meetings in January and February 2023 and to approve a calendar of meetings for 2023/24.

**Recommendation to the Council**

- a That the revised calendar of meetings for 2022/23, as submitted at Appendix A to the Chief Executive’s report be approved; and**
- b That the draft calendar of meetings for 2023/24 as submitted at Appendix B to the Chief Executive’s report be approved.**

**2 Report**

- 2.1 The Executive Board approved a calendar of meetings for 2022/23 at its meeting held on 22 November 2021. To allow time for budget reports to be prepared for the Community and Environment Board and Resources Board, following the Christmas and New Year holidays, it is proposed to change the date of those meetings as follows:

- Community and Environment Board – 16 January 2023 meeting moved to 23 January 2023
- Resources Board – 23 January 2023 meeting moved to 30 January 2023

- 2.2 It is also proposed to move the Community and Environment Board meeting which was due to be held on 27 February 2023 to 27 March 2023.

- ... 2.3 A revised calendar of meetings for 2022/23 is submitted as Appendix A.

- ... 2.4 A draft calendar of meetings for 2023/24 is also submitted as Appendix B.

2.5 Points to note on the 2023/24 calendar are as follows:-

- a The majority of all main Board meetings will meet on a Monday. Meetings of the Full Council continue to be held on Wednesdays;
- b Planning and Development Board to meet once each month;
- c The Resources Board, the Community and Environment Board and the Executive Board to meet at least once a cycle;
- d A meeting of the Special Sub-Group has been scheduled each month (except in April 2024);
- e A meeting of each Licensing Committee has been set for the end of January and additional meetings will be arranged on an ad hoc basis;
- f A number of meetings of the Safer Communities Sub-Committee and the Local Development Framework Sub-Committee have been set; and
- g A meeting of the Executive Board and Full Council is scheduled on 19 July 2023. It is needed to consider the audited accounts before the end of July and is an annual requirement.
- h Following the Borough Council Elections held on 4 May 2023, the Annual Council meeting will be held on 17 May 2023 to appoint the Mayor and Deputy Mayor and make appointments to Boards / Committees and Outside Bodies etc for the ensuing year.

### 3 Report Implications

3.1 There are no report implications.

The Contact Officer for this report is Amanda Tonks (719221).

#### Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date
None			

**NORTH WARWICKSHIRE BOROUGH COUNCIL  
DRAFT MEETINGS TIMETABLE – 2022/23**

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
1					PLAN			SSG						BHOL
2		BHOL	BHOL							BHOL				
3			BHOL				PLAN						PLAN	
4		COUNCIL		PLAN			SSG			LDF				Elections
5				SSG		PLAN			PLAN					
6			PLAN			RES			SSG		PLAN	PLAN		
7			SSG					RES				SSG	BHOL	
8														
9		PLAN			SSG					PLAN				
10		SSG					CEB			SSG			BHOL	
11	PLAN			LDF										
12	SSG					LDF								
13			EXB			SSG					EXB	RES		
14								SAC			SSG			
15	BHOL													
16		CEB										SAC		
17							LDF							COUNCIL
18	BHOL													
19						EXB							COUNCIL	
20			RES	EXB/COUNCIL							LDF	LDF		
21								EXB				EXB		
22			COUNCIL								COUNCIL			PLAN
23		LDF								CEB				SSG
24					CEB					LIC				
25	LDF													
26									BHOL	BHOL				
27			SAC									CEB		
28						COUNCIL		LDF						
29					BHOL									BHOL
30								COUNCIL		RES				
31							PLAN							

EXB - Executive Board  
RES - Resources Board  
CEB - Community and Environment Board  
PLAN - Planning and Development Board

LIC - Licensing Committee (Alcohol & Gambling Committee & Taxi & General Committee)  
SAC - Safer Communities Sub-Committee  
SSG - Special Sub-Group  
LDF - Local Development Framework Sub-Committee

**NORTH WARWICKSHIRE BOROUGH COUNCIL  
DRAFT MEETINGS TIMETABLE – 2023/24**

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
1	BHOL								BHOL			BHOL	
2													Elections
3			SAC										
4	Elections		LDF		PLAN						PLAN		
5		CEB			RES					PLAN	SSG		
6							PLAN	COUNCIL					BHOL
7				PLAN			SSG						
8				CEB					PLAN			PLAN	COUNCIL
9						PLAN			SSG			SSG	
10			PLAN			SSG							
11					LDF			PLAN			RES		
12		PLAN			SSG			SSG		EXB	SAC		
13							RES			SSG			PLAN
14							LDF						SSG
15				SSG					LDF				
16						CEB							
17	COUNCIL		SSG										
18					EXB						EXB		
19		RES	EXB/COUNCIL										
20		EXB					SAC						CEB
21										COUNCIL			
22	PLAN								CEB				
23	SSG												
24													
25								BHOL			CEB		
26		SSG						BHOL					
27					COUNCIL		EXB						BHOL
28		COUNCIL		BHOL									
29	BHOL								RES		BHOL		
30									LIC				
31													

**EXB - Executive Board**  
**RES - Resources Board**  
**CEB - Community and Environment Board**  
**PLAN - Planning and Development Board**

**LIC - Licensing Committee (Alcohol & Gambling Committee & Taxi & General Committee)**  
**SAC - Safer Communities Sub-Committee**  
**SSG - Special Sub-Group**  
**LDF - Local Development Framework Sub-Committee**



**1 Summary**

- 1.1 The report covers revenue expenditure and income for the period from 1 April 2022 to 31 October 2022. The 2022/23 budget and the actual position for the period, compared with the estimate at that date, are given, together with an estimate of the out-turn position for services reporting to this Board.

**Recommendation to Council**

**To consider if any further information is required.**

**2 Introduction**

- 2.1 Under the Service Reporting Code of Practice (SeRCOP), services should be charged with the total cost of providing the service, which not only includes costs and income directly incurred, but also support costs relating to such areas as finance, office accommodation, telephone costs and IT services. The figures contained within this report are calculated on this basis.

**3 Overall Position**

- 3.1 Net expenditure for those services that report to the Executive Board as of 31 October 2022 is £376,115 compared with a profiled budgetary position of £375,830; an overspend of £285. Appendix A to this report provides details of the profiled and actual position for each service reporting to this Board, together with the variance for the period.
- ...
- 3.2 Where possible, the budget to date figure has been calculated with some allowance for seasonal variations, to enable a better comparison with actual figures.

**4 Risks to the Budget**

- 4.1 The key risks to the budgetary position of the Council from services under the control of this Board are:-

	Likelihood	Potential impact on Budget
The Local Plan process is becoming more costly due to the Duty to Cooperate and also needs to be repeated more often as national guidance requires.	High	High
The Emergency Planning budget may be insufficient to cover the costs of any major local emergency.	Low	High

## 5 Estimated Out-turn

5.1 Members have requested that Budgetary Control Reports provide details on the likely out-turn position for each of the services reporting to this Board. The anticipated out-turn for this Board for 2022/23 is £772,150, the same as the Original Budget.

5.2 The figures provided above are based on information available at this time of the year and are the best available estimates for this Board and may change as the financial year progresses. Members will be updated in future reports of any changes to the forecast out turn.

## 6 Report Implications

### 6.1 Finance and Value for Money Implications

6.1.1 Income and Expenditure will continue to be closely managed and any issues that arise will be reported to this Board for comment at future meetings.

### 6.2 Environment and Sustainability Implications

6.2.1 The Council must ensure that it adopts and implements robust and comprehensive budgetary monitoring and control, to ensure not only the availability of services within the current financial year, but in future years.

The Contact Officer for this report is Nigel Lane (719371).

## Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date
Executive Board – Agenda item 9	Corporate Director - Resources	General Fund Revenue Estimates and Setting the Council 2022-23	14 <sup>th</sup> Feb 2022
Executive Board – Agenda item 10	Corporate Director - Resources	Financial Strategy 2022-2027	12 <sup>th</sup> Oct 2022

## North Warwickshire Borough Council

## Executive Board

## Budgetary Control Report 2022/23 as at 31 October 2022

Cost Centre	Description	Approved Budget 2022/23	Profiled Budget October 2022	Actual October 2022	Variance	Comments
		£	£	£	£	
2000	Housing Strategic Service Review	34,670	20,224	20,224	-	
2001	Outreach and Access to Services	121,710	74,999	75,669	670	
2002	Corporate Communications	72,120	31,897	32,215	318	
2003	Community Strategy	133,620	77,053	77,053	-	
2007	Emergency Planning	40,090	21,583	20,363	(1,221)	
2009	N.Warks Local Development Framework	366,890	148,295	148,813	517	
5050	Support to Parishes	3,050	1,779	1,779	-	
	<b>Total Expenditure</b>	<b>772,150</b>	<b>375,830</b>	<b>376,115</b>	<b>285</b>	

## 1 Summary

- 1.1 This report shows the key recommendations of the Independent Remuneration Panel following a review of the current Members' Allowances Scheme.

### Recommendation to the Council

- a That the Independent Remuneration Panel's report, as set out in Appendix A, be noted; and
- b That the following be approved;
  - 1) That the Special Responsibility Allowances for the roles listed in paragraph 7.1 remain unaltered;
  - 2) That the Vice Chair of Executive Board be paid an SRA of £2,988, with effect from 4 May 2022;
  - 3) That travel allowances are maintained, with the addition of the allowances for travel by motorcycle and bicycle, and the passenger supplement, set out in paragraph 8.2;
  - 4) That the Travel Allowance Scheme highlights that electric / hybrid travel is payable at the HMRC rate of 45p per mile;
  - 5) That no changes are made to the current definition and scope of approved duties for which Members can claim travel allowances;
  - 6) That no changes are made to current rates and conditions in the Travel Allowance scheme where Members travel by public or other means of transport;
  - 7) That there are no changes to subsistence rates and approved duties, other than to specify that a Member is unable to claim subsistence when attending an approved duty within the Borough of North Warwickshire;
  - 8) That there are no changes to the scope or levels payable in the Dependent Carer's Allowance Scheme; and
  - 9) That indexation, as set out in paragraph 10.1, is applied from 1 April 2022 until March 2026.

## 2 Introduction

- 2.1 The Panel was convened under the Local Authorities' (Members' Allowances) (England) Regulations 2003. These regulations require all authorities to set up and maintain an advisory panel, consisting of at least three people who are

not members of the Council in respect of which they make recommendation, to review and provide advice on Members' Allowances. All Councils are required to convene their Panel and seek its advice before they make any changes or amendments to allowances and they must "pay regard" to the Panel's recommendations before setting a new or amended Members' Allowances Scheme.

### **3 Terms of Reference**

3.1 The Terms of Reference of the Panel were to make recommendations to the Council on:-

- i The amount of basic allowance that should be payable to its elected members and the expenses that it is deemed to include.
- ii The responsibilities or duties which should lead to the payment of a special responsibility allowance and the amount of such an allowance.
- iii The duties for which a travelling and subsistence allowance can be paid and the amount of this allowance.
- iv Whether the authority's allowances scheme should include an allowance in respect of the expenses of arranging for the care of children and dependents and if it does make such a recommendation, the amount of this allowance and the means by which it is determined.
- v Whether annual adjustments of allowance levels may be made by reference to an index, and if so, for how long such a measure should run.
- vi Any matters brought to the attention of the Panel in their consultation with Members and briefings from Officers.

### **4 The Process**

4.1 The Panel met on 17 and 18 October, having received an evidence pack in advance of their review. During their meeting, they had the opportunity to talk to the Leader of the Council and other Members, obtain further clarification on processes from officers and discuss the evidence obtained.

4.2 The Panel considered a range of evidence, including some benchmarking of the allowances paid by the Council's nearest neighbours. In addition, all Members were sent a questionnaire, to allow them the opportunity to make comments on the current scheme and changes in responsibilities.

### **5 Panel Recommendations**

5.1 The Panel looked at the competing issues faced by the Council but were mindful of the tough economic climate which continues for both the Council and its residents. Each allowance was reviewed and all comments and suggestions were considered, with the conclusions of the Panel set out in their report, attached at Appendix A.

...

5.2 The Panel felt that it could not recommend increases in the main allowances payable. Instead the main changes proposed are to allow the anomalies which have arisen, to be addressed.

## 6 **Basic Allowance**

6.1 The Basic Allowance being paid is marginally below other authorities in the comparator group used. Whilst the Panel recommends that this should remain unchanged, they consider that indexation should be applied for 2022/23 and future years. Use of the recommended indexation for 2022/23 will remove the difference with the comparator group.

## 7 **Special Responsibility Allowances (SRA's)**

7.1 The Panel recommends the continuation of the one SRA per Member rule and that the following SRA's should remain unchanged:

- Leader of the Council
- Deputy Leader of Resources Board
- Deputy Leader of Community & Development Board
- Deputy Leader of Planning & Development Board
- Vice Chair of Resources Board
- Vice Chair of Community & Environment Board
- Chair of Licensing Committees
- Chair of Special Sub-Group
- Chair of Safer Communities Sub-Committee
- Chair of the Health and Wellbeing Working Party
- Leader of the Main Opposition Group
- Deputy Leader of the Main Opposition Group
- Leader of the Minority Opposition Group (only payable if 4 or more members)

7.2 There was consideration given to the absence of an SRA for the Deputy Leader of the Council. As there is no formal role description for this role and as the Deputy Leader of the Majority Group is typically Vice Chair of the Executive Board, the Panel felt that this could be covered by recognising the role of Vice Chair of the Executive Board. In proposing an appropriate SRA, the Panel considered the calculation methodology used for other Vice Chairs and are recommending an SRA of £2,988.

## 8 **Travel and Subsistence Allowances**

8.1 The mileage rate is set at the standard HMRC approved rate of 45p per mile and subsistence rates are based on the rates applicable to Officers.

8.2 The Panel recommends that the current Travel allowances including what constitutes approved duties are maintained, with the addition of the following mileage allowances to be inserted into the allowances scheme:

- Travel by motorcycle: 24p per mile

- Travel by bicycle: 20p per mile
- Passenger supplement rate: 5p per passenger (max of 4)

8.3 The Passenger Supplement allowance should only be claimed for carrying fellow Councillors to an approved duty who would also be eligible for claiming the mileage allowance if travelling in their own vehicle.

8.4 Although the issue was not raised with the Panel, the use of electric / hybrid vehicles was considered. To future proof the scheme, the Panel recommends that the scheme is amended to state that where travel is in an electric / hybrid vehicle that the HMRC rate of 45p per mile is applicable.

8.5 The Panel recommends that there is no change to the current Subsistence allowances and approved duties, other than to include the condition that a Member is unable to claim subsistence when attending an approved duty within the Borough of North Warwickshire.

## 9 The Dependant' Carer' Allowance

9.1 Whilst rarely claimed, the Panel recommends no change to the scope and levels payable in the Dependent Carer's Allowance Scheme.

## 10 Indexation

10.1 Until the end of March 2022, all allowances were indexed. Regulations require a further view from the Panel if it wishes to continue with the indexation after this point. The Panel considers that it would be appropriate to continue indexation to all allowances, to ensure that allowances do not lag significantly behind those paid by the Council's peers. Given the flat rate increase agreed for employees from 1 April 2022, an increase of 4.04% is recommended as this equates to point 43 on the employee scale. The Panel therefore recommends that Members Allowances are indexed as follows:

<b>Allowance</b>	<b>Indexation</b>
Basic Allowances / SRA's	annual percentage salary increase for local government staff for the relevant year (4.04% from April 2022)
Travel Allowance Mileage Rates	HMRC approved mileage rates for motor vehicles, motor cycles and bicycles
Subsistence Allowances	same rates that apply to Officers
Dependants' Carers' (Childcare)	national living wage hourly rate
Dependants' Carers' (elderly or other dependant relative)	median hourly rate charged by a Home Care Assistant by Warwickshire County Council

10.2 The Panel recommends that the indices apply for the maximum length permitted by the 2003 regulations (four years), running from 1 April 2022 until 31 March 2026.

## 11 Publicity

- 11.1 Once a report is received from the Independent Remuneration Panel, regulations state that as soon as practicably possible, the results must be published and that copies of the report should be available for inspection by members of the public.

## 12 Report Implications

### 12.1 Finance and Value for Money Implications

- 12.1.1 The current cost of the Members' Allowance Scheme (Basic Allowance and Special Responsibility Allowances) is shown below, together with the cost of the proposed allowances.

	<b>Current</b>	<b>Proposed</b>
Basic Allowances	189,490	189,490
SRA's	49,363	52,351
<b>Total</b>	<b>238,853</b>	<b>241,841</b>

... This is based on each position of responsibility being filled by a different Member. In reality, a Member may hold more than one position of responsibility, but may only be paid one SRA. A summary of the proposed allowances is attached at Appendix B.

### 12.2 Legal, Data Protection and Human Rights Implications

- 12.2.1 As indicated above the Panel was convened under the Local Authorities' (Members' Allowances) (England) Regulations 2003. The Council must "pay regard" to the Panel's report before setting a new or amended Members' Allowances Scheme. Once a report is received from the Panel the Council must make a copy available for public inspection at its offices and must publish a notice in a local newspaper summarising its recommendations.

- 12.2.2 Although the Executive Board has the responsibility for Members' Allowances and any reports of the Independent Remuneration Panel, the Council's Constitution states that any decisions regarding levels of payment must be made by full Council.

### 12.3 Links to Council's Priorities

- 12.3.1 This review contributes to responsible financial and resources management

The Contact Officer for this report is Sue Garner (719374)

### **Background Papers**

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date
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# **APPENDIX A**

**A Review**

**Of**

**Members' Allowances**

**For**

**North Warwickshire  
Borough Council**

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**A Report**

**By the**

**Independent  
Remuneration Panel**

**Dr Declan Hall (Chair)  
John McGuigan  
Marion Plant OBE**

**November 2022**

The IRP recommends that the following allowances and indexation are paid and applicable for 2022/23

<b>North Warwickshire Borough Council IRP Executive Summary</b>	<b>BA &amp; SRAs 2022/23 (recommended)</b>				
<b>REMUNERATED POSTS</b>	<b>Basic Allowance</b>	<b>Nos. Paid</b>	<b>SRA per Post</b>	<b>Total per Member</b>	<b>Total per Category</b>
All Members	£5,414	35	-		£189,490
Leader of Council/Chair Executive Board	£5,414	1	£11,951	£17,365	£11,951
Vice Chairman of Executive Board	£5,414	1	£2,988	£8,402	£2,988
Deputy Leaders/Chairs of the other Boards	£5,414	3	£5,421	£10,835	£16,263
Vice Chairmen of the other Boards	£5,414	3	£1,899	£7,313	£5,697
Chairman of the Licensing Committees	£5,414	1	£1,899	£7,313	£1,899
Chairman Special Sub-Group	£5,414	1	£1,899	£7,313	£1,899
Chairman Safer Communities Sub-Committee	£5,414	1	£1,899	£7,313	£1,899
Chairman Health & Wellbeing Working Party	£5,414	1	£1,899	£7,313	£1,899
Main Opposition Group Leader (£1,264 standard element + £254 per member X 11 Members)	£5,414	1	£4,058	£9,472	£4,058
Main Opposition Group Deputy Leader	£5,414	1	£1,899	£7,313	£1,899
Minority Opposition Group Leader	£5,414	0	£1,899	£7,313	£0
<b>SUB TOTALS</b>					
<b>BA SUB TOTAL</b>	£5,414	<b>35</b>			<b>£189,490</b>
<b>SRAS SUB TOTAL</b>		<b>13</b>			<b>£50,452</b>
<b>TOTAL PAYABLE (BA + SRAs)</b>					<b>£239,942</b>

The IRP also recommends that

#### **Other SRAs – Members of the Planning Board & Shadow Board Chairmen**

The Members of the Planning & Development Board and the Shadow Board Chairmen are not paid an SRA

#### **Confirming the ‘One SRA only’ Rule**

The One SRA only rule is maintained

### **The Dependants' Carers' Allowance**

There is no change to the scope and levels payable in the Dependants' Carers Allowance scheme, subject to any indexation that may be applicable.

### **Travel Allowances**

The current Travel Allowances including what constitutes approved duties are maintained with the addition of the following mileage allowances to be inserted into the allowances scheme:

- Travel by motorcycle: 24p per mile
- Travel by bicycle: 20p per mile
- Passenger supplement rate: 5p per passenger (maximum of 4)

The Passenger Supplement allowance should only be claimed for carrying fellow elected Members to an approved duty who would also be eligible for claiming the mileage allowance if travelling in their own vehicle.

The scheme is clarified and amended to expressly state that where a Member claims the mileage allowance by travel in a hybrid/electric vehicle that the HMRC rate of 45p per mile is applicable.

### **Subsistence Allowances**

There is no change to the current Subsistence rates and approved duties for which they can be claimed except in one regard, namely that the allowances scheme is amended to clarify that a Member is unable to claim Subsistence allowances for attending an approved duty within the Borough of North Warwickshire.

### **Indexation**

The North Warwickshire Borough Council Members Allowances are indexed as follows:

- **Basic Allowance and SRAs:**
  - Indexed to the annual percentage salary increase for local government staff set at SCP 43 to be applied for the same year that applies to staff
- **Travel Allowance – Mileage Rates:**
  - Indexed to HMRC approved mileage rates for motor, hybrid and electric vehicles, motor cycles and bicycles
- **Subsistence Allowances:**
  - Indexed to the same rates that apply to Officers
- **Dependants' Carers' Allowance – Maximum Rates:**
  - Childcare element:
    - indexed to the 'national living wage' hourly rate
  - Elderly or Other Dependant Relatives element:
    - indexed to median hourly rate charged for a Home Care Assistant by Warwickshire County Council

The IRP also recommends that the indices apply for the maximum length permitted by the 2003 Regulations namely four years and to run from 1 April 2022 until 31 March 2026.

**Implementation of Recommendations**

The recommendations contained in this report should be implemented from the date of the Council's Annual Meeting on 4<sup>th</sup> May 2022 with the exception of the recommendations on indexation which for continuity purposes should be implemented from 1<sup>st</sup> April 2022.

# **A Review of Members' Allowances**

**For**

**North Warwickshire Borough Council**

**By the**

**Independent Remuneration Panel**

**November 2022**

## **The Regulatory Context**

1. This report is a synopsis of the deliberations and recommendations made by the Independent Remuneration Panel (the IRP) for North Warwickshire Borough Council to advise the Council on its Members' Allowances scheme. The Panel is established under *The Local Authorities' (Members' Allowances) (England) Regulations 2003 (SI 1021)* (the 2003 Regulations). These regulations, which arise out of the relevant provisions contained in the Local Government Act 2000, require all local authorities to establish and maintain an advisory Independent [Members] Remuneration Panel to review and provide advice on Members' allowances on a periodic basis. All Councils are required to convene their IRP and seek its advice before they make any changes or amendments to their members' allowances scheme. They must 'pay regard' to their IRP's recommendations before setting a new or amended Members' Allowances Scheme.
2. On this particular occasion, the IRP has been reconvened as the authority's powers to continue the indexation of allowances lapsed on 31<sup>st</sup> March 2022 as indexation had been in place for four years, the maximum time period permitted by the 2033 Regulations (10. (5)). This is known as the 4-year rule and is the mechanism by which IRPs are convened at least every four years so as to ensure that a Council's Members' Allowances Scheme is subject to

periodic scrutiny in a context whereby the Council retains the right to determine its own allowances but only after receiving advice from its IRP. As such the IRP has also been asked to review the whole scheme of allowances as it has not been reviewed for over four years.

### Terms of Reference

3. The Terms of Reference<sup>1</sup> of the IRP are to make recommendations to the Council on:-
  - I. The amount of basic allowance that should be payable to its elected members and the expenses that it is deemed to include
  - II. The responsibilities or duties which should lead to the payment of a special responsibility allowance and as to the amount of such an allowance
  - III. The duties for which a travelling and subsistence allowance can be paid and as to the amount of this allowance
  - IV. Whether the authority's allowances scheme should include an allowance in respect of the expenses of arranging for the care of children and dependants and if it does make such a recommendation, the amount of this allowance and the means by which it is determined
  - V. Whether annual adjustments of allowance levels may be made by reference to an index, and, if so, for how long such a measure should run
  - VI. Any matters brought to the attention of the IRP in their consultation with Members and briefings from Officers.

In arriving at their recommendations the IRP shall also take into account:

- a) The issues that the IRP is required to take into account as set out in the 2006 Statutory Guidance on Members' Allowances
- b) Any recent changes in the Council's governance arrangements and roles of post holders
- c) The views of Members both written and oral
- d) Allowances paid in comparable councils, namely the four other Warwickshire and five adjacent District Councils plus North Warwickshire Borough Council's five nearest neighbours as defined by the Chartered Institute of Finance and Accountancy (CIPFA – 2014 model)<sup>2</sup>

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<sup>1</sup> Terms of reference based on those laid out in 2006 Statutory Guidance paragraph 62

<sup>2</sup> Within the list of the CIPFA five nearest neighbours, two of those councils (Daventry and Copeland) no longer exist so the IRP simply went further down the list to choose Tewkesbury and Newark & Sherwood as appropriate Councils for benchmarking purposes. North Leicestershire falls within CIPFA five nearest

## The IRP

4. North Warwickshire Borough Council reconvened its Independent Remuneration Panel and the following IRP Members carried out its independent review; namely:

Declan Hall PhD (Chair) A former academic at the Institute of Local Government, The University of Birmingham, now an independent consultant specialising in Members' allowances and support.

John McGuigan: A representative from the local Chamber of Commerce and a former local government director.

Marion Plant (OBE) Principal & Chief Executive of North Warwickshire & South Leicestershire College and is also the Chief Executive of the Midland Academies Trust. Marion is also a Board Member Coventry & Warwickshire Local Enterprise Partnerships (LEP) and Programme Board Member Leicester & Leicestershire LEP. Marion previously worked in the National Health Service as a health visitor and a midwife.

5. The IRP was supported by Sue Garner, Corporate Director (Resources) at North Warwickshire Borough Council and whose role was to take the organisational lead in facilitating the work of the IRP.

## Process and Methodology

6. The IRP convened in person<sup>3</sup> at the Council House in Atherstone on 17<sup>th</sup>-18<sup>th</sup> October 2022 to meet with a range of Members to discuss issues of concern and receive factual briefings from relevant Officers to obtain an overview on any recent changes in Council structures and the challenges it faces.
7. All Members were invited to make written submissions to the IRP, with five responses received. In addition, all Members who were not specifically invited to meet with the IRP were given the opportunity to request a meeting with the IRP if they so wished, no such requests were received.
8. In arriving at its recommendations, the IRP also took into account a wide range of information and evidence. The details of representations and evidence received and considered by the IRP are set out in the following appendices:

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neighbours and adjacent Council sub-list, which gave the IRP a benchmarking group of 14 Councils, including North Warwickshire Borough Council.

<sup>3</sup> Marion Plant joined the IRP virtually

- Appendix 1: Written evidence and data reviewed by the IRP
- Appendix 2: Members who met with and Officers who briefed the IRP
- Appendix 3: Benchmarking data – summary of allowances paid in the four other Warwickshire Councils, five adjacent Councils and five CIPFA Nearest Neighbours

### **Key Messages – Now not the time to increase allowances**

9. Although a case can be made and was made in some of the representation received the overwhelming view in the representation made to the IRP was now was not the time to increase allowances. Even within the small minority of representation who suggested that there was a case to increase allowances, there was a further view that now was not the time. Moreover, benchmarking shows that compared to the comparator group of councils the allowances paid in North Warwickshire Borough Council are broadly in line with their peers.

### **Recognising the economic context**

10. The context for the overwhelming view that now was not the time to increase allowances was the fact that it continues to be an economically tough climate for both the Council and the Borough residents. In representations made to the IRP this view emerged as a key message. In particular it was stressed that as the Council continues to grapple with austerity it is unlikely to accept any recommended increase in spend on allowances at this moment. The IRP cannot ignore the current economic context or the realities faced by Members. There is little point in the IRP making recommendations that bear no relationship to economic constraints within which the Council has to operate; otherwise, the review would simply make aspirational recommendations for a future date rather than supporting Members in the present.

### **Allowances as an enabler**

11. The function of allowances is to enable most people to be an elected Member rather than attract people to being an elected Member. There was a universal agreement in the representation received that this principle should underline the allowances paid in North Warwickshire Borough Council. There was some anecdotal evidence that the Basic Allowance in particular was so low as to be a barrier to serving on Council. However, generally, in the representation received, the view was that the current allowances broadly fulfilled the enabling function although there was a minority view that the current level of allowances were at a level that acted as a barrier for some people.
12. The IRP notes that the present make-up of elected Members does not fully reflect the population of North Warwickshire Borough Council, in particular regarding younger working people and women. However, North Warwickshire Borough Council is not unique in that respect, it is a fact across all of UK local government, which in turns suggests other factors may be in play when it comes to widening access. Moreover, to increase representation from traditionally underrepresented groups would require such an boost in



allowances that they would have to reflect commercial market rates and thus become an attraction rather than enabler – a principle that had no support. Indeed, the legislative underpinning of the current framework of allowances in England is that they should be an enabler rather than an attraction.

### **Prime function of this review – addressing anomalies**

13. Ideally, the purpose of any review is to make recommendations based on knowledge of the current governance structures, an analysis of the evidence and representations and the levels and scope of allowances paid in comparator councils - thus arriving at an evidenced-based judgement on the monetary worth of the roles under consideration. On the other hand, the logic of having an IRP is *inter alia* to ensure public accountability vis-à-vis allowances.<sup>4</sup> Bearing in mind the requirement to balance these two competing imperatives the IRP concluded in conjunction with looking at the wider evidence such as the benchmarking that at this stage the main task is to address the most pressing anomalies.
14. This has led the IRP to make recommendations for only one new SRA and addressing the indexation issue, with some other marginal amendments to the scheme (see below). Broadly speaking the current scheme is fit for purpose.

### **Recommendations - the Basic Allowance**

#### **Recalibrating the Basic Allowance in line with the 2006 Statutory Guidance**

15. The IRP is required to pay regard to the 2006 Statutory Guidance when arriving at recommended levels of allowances. In considering the Basic Allowance the Guidance (paragraph 67) states:

Having established what local councillors do, and the hours which are devoted to these tasks the local authorities will need to take a view on the rate at which, and the number of hours for which, councillors ought to be remunerated.

16. The Statutory Guidance (paragraphs 68-69) expands on the above statement by breaking it down to three variables - time, public service and worth of remunerated time.

#### **Time to fulfil duties for which the Basic Allowance is paid**

17. The Basic Allowance is primarily a time-based payment (see 2006 Statutory Guidance paragraph 10). It is paid to compensate for workload, plus an element of minor expenses. Obviously, Members work in different ways and have varying commitments and the time spent on council duties varies. Yet, the Basic Allowance is a flat rate allowance that must be paid equally to all Members. As such, the time assessment is typically the average time required

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<sup>4</sup> See 2006 Statutory Guidance paragraph 4

to carry out all those duties for which the Basic Allowance is paid. These duties included preparing for and attending meetings of the Council and its Boards, sub-committees and panels (formal and informal), addressing constituents' concerns, representing and engaging with local communities, external appointments and other associated work including telephone calls, emails and meetings with Officers.

18. The time basis of the current Basic Allowance has not been revisited since 2001, where the time assessment (based on questionnaire returns and interview responses) of what was required for the ordinary member was 17 hours per week or 884 hours per year. The most up to date information available on what is a reasonable time expectation for which the Basic Allowance is paid comes from the 2018 Councillors Census. In data supplied to the Chair of the IRP from the Local Government Association, it shows that Councillors in district councils who held "no positions" of responsibility put in on average 14.3 hours per week "on council business"<sup>5</sup>.
19. For the purposes of recalibrating the Basic Allowance in line with the 2006 Statutory Guidance, the IRP rounded down the 14.3 hours per week from the 2018 Councillors Census and adopted 14 hours per week, or 728 hours per year as the expected time input from Members for their Basic Allowance.
20. The IRP recognises that some Members who hold no positions may well put in more than the average of 14 hours per week as set out in the LGA Councillors Census (2018). However, the IRP has opted for 14 hours on the basis that it has a basis in the hard data and that to adopt a higher figure would be recognising those Members who have the capacity to put in more time than 14 hours per week.

### **The Public Service Discount (PSD)**

21. The Public Service Discount (PSD) recognises the principle that not all of what an elected Member does should be remunerated – there is an element of public service. Typically, this voluntary principle is realised by discounting an element of the expected time inputs associated with the Basic Allowance. It is often conceptualised as the proportion of time frontline Members spend dealing with constituents, surgeries, general enquiries from citizens and working with local community groups.
22. The historical PSD that has been applied in North Warwickshire is one third. The normal range for this public service discount is between 33% - 40% in counties, unitary and metropolitan councils whereas for district councils the normal range for this public service discount is between 40% - 50%. The public service discount tends to be higher at district councils as there is a closer relationship between elected Members and their constituents at the district level, thus more time is spent dealing with constituent and local issues due to the nature of the services they are responsible for.

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<sup>5</sup> Information based on National Census of Local Authority Councillors 2018 (LGA), breakdown of weekly hours by councillors by number of positions held and type of council, in email from S. Richards, LGA 21 October 2019.

23. For the purposes of recalibrating the Basic Allowance the IRP has opted for the mid-point between 40%-50% and chosen a public service discount of 45%. Thus, of the expected time input of 728 hours per year, 45% of that time, or 328 hours per year are deemed public service and not paid, leaving 400 remunerated hours per year.

### The rate for remuneration

24. The rate for remuneration used in 2001 to arrive at a Basic Allowance was £7 per hour, which was arrived at through the responses to the questionnaire responses asking what an elected Member's time was worth. Since then IRPs have switched to a locally based rate of remuneration as the Office of National Statistics in its Annual Survey of Hours and Earnings (ASHE) started to publish (around 2011) average earnings on a local authority basis. To base the rate of remuneration on the median earnings of Members' constituents is robust and is a rate that is readily defensible; a Basic Allowance based on the median earnings of those Members represent cannot be attacked for being excessive.
25. ASHE 2021 Table 7.6a shows that the median hourly earnings (excluding overtime) for all full time employees in the area of North Warwickshire Borough Council was £14.13 per hour.<sup>6</sup> For the purposes of recalibrating the Basic Allowance the IRP has adopted this hourly rate of £14.13 per hour as it is related to the median hourly earnings of those Members represent.
26. If the IRP updated the variables to arrive at a recalibrated Basic Allowance by the methodology as set out in the 2006 Statutory Guidance to take into account the most recent data available it gives the following values:
- Time required to fulfil duties: 728 hours per year
  - Public Service Discount: 45% (328 hours)
  - Rate for Remuneration: £14.13 per hour
27. By following the methodology as set out in the 2006 Statutory Guidance with the updated variables it produces the following recalibrated Basic Allowance:
- 728 annual hours minus 45% PSD = 400 remunerated hours multiplied by £14.13 per hour  
= £5,652.
28. This figure is marginally above the current (£5,414) Basic Allowance paid in North Warwickshire Borough Council. However, the IRP notes that if the Council adopts the recommended indexation for the Basic Allowance, which is 4.04% (see below for the discussion on probable indexation point) then the

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<sup>6</sup> See

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/placeofworkbylocalauthorityashetable7>

Basic Allowance for 2022/23 will be £5,633, a difference so marginal to the recalibrated Basic Allowance (£5,652) as to make no difference.

## Benchmarking the Basic Allowance

29. As a further checking mechanism the IRP considered how the North Warwickshire Borough Council Basic Allowance benchmarked against the Basic Allowance paid in the comparator group of Councils. Benchmarking shows that the Basic Allowance paid in North Warwickshire is broadly in line with that paid in the comparator group:
- Mean Basic Allowance in benchmarking group: £5,677
  - Median Basic Allowance in benchmarking group: £5,347
  - North Warwickshire BC Basic Allowance: £5,414
30. As such, benchmarking does not produce a compelling case to revise the Basic Allowance.
31. Consequently, the IRP is not recommending any change to the Basic Allowance for the following reasons:
- It reflects the weight of the representation received that there is no case to change at the present bearing in mind the economic context and the feeling that the current level largely fulfils the function of being an enabler in that it enabled most people to be a Member by providing a sufficient compensation to permit most people to be a Member without incurring undue financial cost
  - Recalibration (especially when a retrospective index is applied to the current Basic Allowance) does not show the current Basic Allowance is out of line
  - Similarly, benchmarking shows that that the current Basic Allowance is broadly on par with peer Councils
32. **The IRP recommends that the current Basic Allowance (£5,414) remains unaltered for 2022/23, subject to any indexation that may be applicable.<sup>7</sup>**
33. The Basic Allowance is currently deemed to cover incidental telephone costs and the cost of £35 incurred by each Member to register with the Information Commissioner. The IRP received no representation or evidence that this situation should be changed. Nor did it receive any representation or evidence that there were additional expenses that needed to be recognised not otherwise specifically reimbursed through the Members' Allowances scheme.
34. **The IRP does not recommend any changes to the expenses that the Basic Allowance is intended to cover.**

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<sup>7</sup> See below for recommendations on indexing of allowances

## Special Responsibility Allowances – Leader of the Council

35. In consideration of the Leader's SRA (currently £11,951) the IRP explored the extent to which the Leader's role has changed since the last review in 2017. There may have been some changes, in particular the sub/regional agenda has placed greater demand on the Leader as it has on all Leaders in the West Midlands. North Warwickshire Borough Council is now a full member of the Coventry and Warwickshire Local Enterprise Partnership (LEP) with the Leader being the Council's representative on the LEP Board. The Council is also a non-constituent member of the West Midlands Combined Authority (WMCA) which the Leader now attends. However, these duties were largely in place at the time of the last review in 2017.

### Recalibrating the Leader's SRA I – replicating the 2001 methodology

36. The SRA for the Leader was originally arrived at in 2001 by assigning an additional two days per week to the role, equivalent of 832 hours per year on an 8-hour working day. This sum was then multiplied by the average Warwickshire average earnings rounded down to the nearest £ which was £10 per hour. A higher rate of remuneration than that applied to the Basic Allowance was utilised to recognise the responsibility factor within the Leader's role. In 2001 this arrived at a figure of £8,320. A further uplift of £1,000 was applied in the 2008 Review to recognise additional demands upon the role.
37. The IRP replicated the same methodology to recalibrate the Leader's SRA but with the 2021 Warwickshire median hourly earnings (£15.80) and again rounded down to the nearest £ applied, which equates to £15 per hour. Thus, the recalibrated Leader's SRA by replicating the original methodology but with an updated hourly rate is as follows:
- 16 hours per week = 832 per year X £15 per hour = £12,480
38. The recalibrated SRA (£12,480) by replicating the original methodology is marginally above the current Leader's SRA (£11,951) however once again it is noted that if the Council accepts the recommended (likely) indexation of 4.04% for 2022/23 then the SRA will rise to £12,434, only marginally less than the recalibrated SRA for the Leader.

### Recalibrating the Leader's SRA II – the factor approach

39. The most common way of arriving at a Leader's SRA is through what is known as the factor approach. This approach is set out in the 2006 Statutory Guidance (paragraph 76) which states

One way of calculating special responsibility allowances may be to take the agreed level of basic allowance and recommend a multiple of this allowance as an appropriate special responsibility allowance for either the elected mayor or the leader.

40. The normal range of a multiple of the Basic Allowance to arrive at a Leader's SRA is 2.6-3.0. Benchmarking shows that the Leaders' mean SRA (14,588) is 2.6 times the mean Basic Allowance (£5,677). However, most of the Leaders in the benchmarking group have executive powers which are not the case in North Warwickshire Borough Council. This would explain why the Leader's current SRA (£11,951) works out to be a factor of 2.2 times the North Warwickshire Borough Council Basic Allowance (£5,414).
41. As such, for recalibration (II) purposes the IRP decided that in this context a more appropriate factor is 2.4 times the current Basic Allowance, which is the mid-point between the current multiple of 2.2 and the benchmarked multiple of 2.6, which equates to £12,999. The recalibration (II) of the Leader's SRA based on the factor approach shows a very marginal increase may be merited.

### **Benchmarking the Leader's SRA**

42. As a further checking mechanism the IRP considered how the SRA for the Leader of North Warwickshire Borough Council Basic Allowance benchmarked against the Leaders SRA paid in the comparator group of Councils. Benchmarking shows that the Leader's SRA paid in North Warwickshire is somewhat below with that paid in the comparator group:

- Mean Leaders SRA in benchmarking group: £14,588
- Median Leaders SRA in benchmarking group: £13,649
- North Warwickshire BC Leader's SRA: £11,951

43. Again, this benchmarking needs to be treated with caution. All but one of the Leader's in the benchmarking group are executive Leaders where it would only be expected that the Leaders SRA would be above that of the Leader's SRA in a committee model of governance. To an extent it is logical that a Leader of a 4<sup>th</sup> Option Council is paid less than executive Leaders yet the Leader of North Warwickshire Borough Council chairs the Executive Board which is responsible for the development of the strategic policy framework and budget to send to Council for determination. However, the fact remains that the Leader has limited formal decision making powers compared to Leaders with a Leader/Cabinet model of governance.
44. There is some marginal evidence to increase the Leader's SRA especially when considering the recalibrated (II) SRA which is £12,999. However, this is not backed up by the SRA arrived at by recalibration (I), £12,480, particularly when this year's probable indexation is taken into account. Similarly, benchmarking does not provide a conclusive case to enhance the Leader's SRA due to the different model of governance in North Warwickshire Borough Council compared to the peer Councils. Moreover, based on the weight of the representation received it is clear that there is no appetite to increase the Leader's SRA at this stage, largely arising out of the current economic context.
45. **The IRP recommends that the Leader's SRA (£11,951) remains unaltered for 2022/23 subject to any indexation that may be applicable.**

## Deputy Leaders/Chairmen of the Boards – Planning & Development, Resources and Community & Environment

46. The IRP considered whether there was a case to pay a differential SRA to the three Chairmen of the Boards and concluded that there was no case to do so. In the representation received it was accepted that their workload and responsibility was broadly equal.
47. In considering their current SRA (£5,421 – which equates to 45% of the Leader's SRA) the IRP received next to no representation that it needed revision. Benchmarking the SRA paid to the Chairmen of the Resources and Community & Environment Boards is difficult as only one other Council in the benchmarking group has a similar governance mode, which is South Derbyshire where equivalent roles are paid an SRA of £9,815 but then South Derbyshire has a completely different remuneration model to that of North Warwickshire.
48. The Chairman of the Planning & Development Board can be benchmarked, with a mean SRA of £5,585 and median SRA of £5,659 which when this year's indexation is taken into account is in line with the SRA paid to the North Warwickshire to the Chairman of the Planning & Development Board.
49. The IRP received no compelling evidence to revise the current SRA (£5,421) paid to the Chairmen of the three principal Boards. **The IRP recommends that the SRA (£5,421) for the Chairmen of the Planning & Development, Resources and Community & Environment Boards remains unaltered for 2022/23 subject to any indexation that may be applicable.**

## Vice Chairmen of the Boards – Planning & Development, Resources and Community & Environment

50. Currently only the Vice Chairmen of the Resources and Community & Environment and Planning & Development Boards receive an SRA (£1,899). Benchmarking shows that Vice Chairmen of Committees/Boards are not typically remunerated, where it does occur it applies mostly to Vice Chairmen of Planning Boards, with a mean SRA of £2,069 and median SRA of £1,760. It was noted in the December 2017 Review that the Vice Chairmen of the Resources and Community & Environment Boards had more or less taken on the old Portfolio Holder roles regarding their respective remit which was an argument to maintain their SRAs rather than increase it.
51. The logic in paying the Vice Chairman of the Planning & Development Board arising from the 2017 Review was the fact that they are expected to chair the Local Development Framework Sub-Committee thus they do have a discrete task to undertake. This remains the case. The IRP also noted that these posts do have role profiles. Moreover, next to no representation was received to alter these SRAs.

52. As such, no compelling evidence was received to amend these SRAs. **The IRP recommends that the SRA (£1,899) for the Vice Chairmen of the Planning & Development, Resources and Community & Environment Boards remains unaltered for 2022/23 subject to any indexation that may be applicable.**

### **Chairman of the Licensing Committees – Taxi & General + Alcohol & General**

53. North Warwickshire Borough Council has two licensing committees
- Taxi & General Licensing – sets policy, fares, etc. and deals with applications for Private Hire and Hackney Carriage Drivers Licences
  - Alcohol & Gambling Licensing – sets policy regarding Alcohol and Gambling premises policy and deals with hearings regarding reviews of licensed premises
54. The Chair and membership of each committee are the same. When they meet as full committees which is normally no more than once per year (to approve policy and fees schedules) they simply follow one after the other, the Committee Members simply changing “hats” while remaining *in situ*. Hearings to deal with taxi license applications and applications regarding licensing premises meet as and when required which typically are no more than two per year. It is expected that the Chairman also chair these hearings.
55. Currently the Chairman of the Licensing Committees receives an SRA (£1,899) that was set in the 2017 Review on a par with the Vice Chairmen of the Boards. Benchmarking shows that this SRA is somewhat below the mean SRA (£2,845) and median SRA (£2,569) paid in the comparator group of Councils. However, the IRP has decided not to be guided by the benchmarking as licensing issues have such a varying resonance in different Councils. The SRA allowance paid to the Chairmen of Licensing is largely a function of how important licensing issues are in that Authority. In many Councils dealing with licensing premises is of such significance that there can be six or more licensed premises hearings per year, the same with taxis; this is not the case North Warwickshire Borough Council. Moreover, no representation as received to alter this SRA.
56. **The IRP recommends that the SRA (£1,899) for the Chairman of the Licensing Committees remains unaltered for 2022/23 subject to any indexation that may be applicable.**

### **Chairmen Safer Communities Sub-Committee & Special Sub-Group and Health & Wellbeing Working Party**

57. Currently, the Chairmen of the Safer Communities Sub-Committee and Special Sub-Group and Health & Wellbeing Working Party each receive an SRA of £1,899 that was originally set on a par with the SRA paid to the Vice Chairmen of the Boards. The Safer Communities Sub-Committee is a Sub-Committee of the Executive Board with delegated responsibility for the



statutory function of developing the Council's Crime and Disorder Strategy. It has three scheduled meetings per year but can meet more often.

58. Similarly, the Special Sub-Group reports to the Executive Board. It is scheduled to meet 10 times per year although meetings can be cancelled due to lack of business. This is due to the nature of its remit, which primarily relates to personnel e.g., senior staff appointments, staff structures, conditions of service, staff grievances, etc., and issues referred to it as and when required by the Executive Board.
59. The Health & Wellbeing Working Party which reports to the Community & Environment Board, deals with a statutory function of the Council and is charged with identifying and developing the corporate contribution to the health and wellbeing agenda and bring focus and co-ordination to health improvement activity across North Warwickshire where the County also has a statutory responsibility in this area. It has five scheduled meetings per year.
60. Benchmarking the SRA paid to the Chairmen of the Safer Communities & Sub-Committee and Health & Wellbeing Working Party is difficult as they are a North Warwickshire Borough Council specific sub-committee/working party. Nonetheless, the representation received agreed that these posts should continue to get an SRA at their current level as they reflected the priorities of the Council and given recognition in the Constitution.
61. Benchmarking can be done for the Chairman of the Special Sub-Group as five out of the 14 comparator group of Councils pay a similar post, often termed Appeals or Human Resources Committee. The mean SRA is £1,655 and median SRA is £1,662 which is only marginal below paid to the Chairman of the Special Sub-Group. Again, the representation received supported the continuation of this SRA at the current level.
62. **The IRP recommends that the SRA (£1,899) for Chairmen of the Safer Communities Sub-Committee & Special Sub-Group and Health & Wellbeing Working Party remains unaltered for 2022/23 subject to any indexation that may be applicable.**

### **Leader and Deputy Leader of the Main Opposition Group**

63. Currently the Leader of the Main Opposition Group receives an SRA based on two elements, a standard element of £1,264 plus £254 per Group Member. This currently equates to £4,058 with a Main Opposition Group of 11 Members. Benchmarking shows this SRA to be on a par with peers where equivalent posts receive a mean SRA of £4,316 and median SRA of £4,058.
64. The Deputy Leader of the Main Opposition Group receives an SRA set at £1,899 set on a par with the Vice Chairmen of the Boards. Benchmarking shows that equivalent post is paid a mean SRA is £2,693 and median SRA is £2,704. However, this post is only remunerated in four out of the 14 benchmarked Councils and where the size of the Main Opposition Group is more substantial than it tends to be in North Warwickshire Borough Council.

65. No evidence was received to alter the basis or level of the SRAs paid to the Leader and Deputy Leader of the Main Opposition Group. **The IRP recommends that the SRA for Leader of the Main Opposition Group, £1,264 plus £254 per Group Member) and SRA for Deputy Leader of the Main Opposition Group (£1,899) remains unaltered for 2022/23, subject to any indexation that may be applicable.**

### **Leader of the Minority Opposition Group**

66. Currently, the allowances scheme contains provision for an SRA (£1,899) for the Leader of the Minority Opposition Group. It is currently not payable as there is a qualifying criterion of having at least four Members in the Minority Opposition Group. This qualifying criterion for the SRA for a Leader of a Minority Opposition Leader is relatively common.
67. However, although it only takes two Members to form a group the IRP previously decided that for this SRA to be payable then the Minority Opposition Group should be 'sizeable' and reach a critical mass, defined in this case at 10% of the Council, or four Members.<sup>8</sup> This is a common practice; for instance, in place in the allowances scheme of Tamworth and North West Leicestershire.
68. While this SRA is not currently payable the IRP decided that provision for it should be maintained in the event that there is a sizeable Minority Opposition after the next election, thus future proofing the scheme.
69. Benchmarking shows that provision for an SRA for Leaders of Minority Opposition Groups is in place in seven out of the 14 Councils in the benchmarking group with a mean SRA of £1,890 and median SRA of £1,662.
70. The IRP received no evidence that the SRA for the Leader of the Minority Opposition Group required revision. **The IRP recommends that the SRA for Leader of the Minority Opposition Group is maintained at £1,899 for 2022/23, subject to the Group reaching four Members, which is 10% of the Council membership, and any indexation that may be applicable.**

### **Further SRAs considered (I) – Vice Chairman of the Executive Board**

71. The IRP did receive some representation that the "Deputy" Leader of the Council merited an SRA as is normally the case elsewhere. However, the Council does not have a formal Deputy Leader of the Council as it is normally recognised. The Chairmen of the three Boards are also "Deputy Leaders", and their role profiles assign them the following Deputy Leader functions:
- Sharing a special responsibility with the Leader of the Council, the Chief Executive and Senior Management in leading and guiding the

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<sup>8</sup> Applying a qualifying threshold to the SRA for Leader of the Main Opposition Group is not applicable as the 2003 Regulations [5(2)(b)] require that at least one Opposition Member is paid an SRA which means even if Main Opposition Group was no more than two Members one of them would have to be paid an SRA.

Authority according to its approved vision and values and towards its main objectives and priorities

- He or she will deputise, when requested, for the Leader of the Council and will generally assist the Leader, as and when required
72. There is no formal role description for a Deputy Leader of the Council as the role is typically recognised. There is a Deputy Leader of the Majority Group and the post holder is typically a Vice Chairman of the Executive Board, with the Leader being the Chair. In that capacity the Vice Chairman of the Executive Board can stand in for the Leader in respect of matters relating to the remit of the Executive Board.
73. As such, the IRP has decided that rather than attempt to remunerate a role that has no constitutional recognition (Deputy Leader of the Council) that there is merit in recognising the role of Vice Chairman of the Executive Board which will almost certainly always be the Deputy Leader of the Majority Group. In arriving at the appropriate SRA the IRP decided it should be set at 25 per cent of the Leader's/Chair of Executive Board SRA, which equates to £2,988.
74. **The IRP recommends that a new SRA is added to the schedule, namely the Vice Chairman of the Executive Board set at £2,988, subject to any indexation that may be applicable.**

#### **Further SRAs considered (II) – Members of the Planning & Development Board**

75. Representation was received to remunerate the ordinary Members of the Planning & Development Board. It was argued that they had to attend more meetings as the Planning & Development Board meets more often (monthly) than any other Board or Sub-Committee, with the additional burden of accompanying site visits. While the reality is that most Planning & Development Board Members do regularly attend site visits, they are strongly 'encouraged' to do so rather than it is 'expected', it is not a requirement. Similarly there isn't a formal training plan for Board Members on planning issues, so where training is arranged, it isn't mandatory but again 'encouraged.'
76. It is noted that Members elsewhere are not typically remunerated for sitting on planning committees. Benchmarking shows that out of the 14 Councils in the comparator group only Bassetlaw and Warwick remunerate Planning Members with an SRA of £718 and £582 respectively. The IRP maintains the view that all Members can expect to undertake a regulatory role and while the other regulatory duties, whether it is licensing or appeals may be much more irregular they have the potential to be more involved with longer meetings and training is also expected for these roles. Moreover, while it is recognised that in reality that those who serve on Planning are those who tend to have an interest in the topic, over the term of being an elected Member all Members have the opportunity to serve on the Planning Board, even if that opportunity is not taken up.
77. **The IRP does not recommend that the ordinary Members of the Planning & Development Board are paid an SRA.**

### Further SRAs considered (III) – Shadow Chairs

78. The IRP also received representation that there was a case to pay an SRA to the Shadow Chairs/Spokespersons appointed by the Main Opposition Group on the Resources, Community & Environment and Planning & Development Boards. Their role is put the Opposition view on these Boards, although that is relatively limited on the Planning & Development Board due to the nature of the regulatory framework surrounding planning, and liaise with their wider group on the work of the respective Boards.
79. These roles are internal political appointments and are given no constitutional recognition. Nor are there any role profiles for these roles. The IRP also notes that in the benchmarking group no equivalent roles are remunerated. Thus, **the IRP is not recommending an SRA for the Shadow Chairs/Spokespersons on the three Boards.**

### Confirming the ‘One SRA only’ Rule

80. The 2003 Members’ Allowances Regulations do not limit the number of SRAs a Member may receive. Nevertheless, it is common for authorities to have a ‘One SRA only’ rule set out in their allowances scheme. In other words, regardless of the number of remunerated posts a Member may hold they can only receive one SRA. The prime reason for this rule is that it can create a lack of transparency in the allowances scheme. If a Member receives more than one SRA, the public are unable to ascertain their true level of remuneration by a reading of the Members’ Allowances scheme. It can also lead to (and in some councils has led to) a situation whereby the highest remunerated Member is not necessarily the Leader, an anomalous situation which does not meet the ‘feel fit and fair’ test.
81. The ‘One SRA only’ rule has always been accepted by North Warwickshire Borough Council and no reasons were presented the IRP to alter this situation.
82. **The IRP recommends the continuation of the One SRA only rule.**

### The Dependants’ Carers’ Allowance

83. While the Dependants’ Carers’ Allowance (DCA) is rarely claimed there was universal support in the representation received to maintain this allowance as it helps to reduce a barrier to serving on Council for those with caring responsibilities. It is noted that the DCA is an allowance given statutory recognition in the 2003 Regulations and as such is now almost universally adopted by English councils.
84. There was some representation received that the DCA was hard to access. The IRP has had this issue raised before and as such it amended the child care element so it was self-certifying and did not require receipts. The IRP

does not feel it could make the child care element of the DCA any more accessible. Many Councils when it comes to Members claiming for child care require that the care is provided by professional child minders and that claims are supported by receipts.

85. The elderly/disable element of the DCA does require receipts but it is difficult to envisage this type of care would not be provided by non-professional carers who would be in a position to provide receipts.
86. There may be an issue around awareness of the DCA and its availability and there may well be a case for the Council to promote this allowance where it knows an elected Member has caring responsibilities.
87. The IRP continues to support provision of the DCA at the current rates and definition of approved duties (which are defined by statute in any case) with one minor amendment. The rate claimable for the child care element is currently capped at the living wage currently £10.90 per hour (capped at 15 hours per week). Similarly the IRP continues to support the elderly/disabled element capped at a similar hourly rate chargeable by Warwickshire County Council Social Services Department for provision of a Home Care Assistant.
88. **The IRP recommends no change to the scope and levels payable in the Dependants' Carers Allowance scheme, subject to any indexation that may be applicable.**

### Travel Allowances

89. The Panel received no representation that the current terms and conditions and rates payable for Travel Allowances required revising. The mileage allowance is set at the standard HMRC approved rate of 45p per mile and the Subsistence rates, which are rarely claimed, are based on the rates applicable to Officers. However, there is a minor omission in the schedule of travel allowances in that there is no provision for reimbursement of travel by motorcycle or bicycle, nor is there provision for a passenger supplement rate. Allowances for this mode and kind of travel when a Member is undertaking an approved duty is now commonplace and typically set at HMRC rates.
90. **The Panel recommends that the current Travel Allowances including what constitutes approved duties are maintained with the addition of the following mileage allowances to be inserted into the allowances scheme:**
  - **Travel by motorcycle: 24p per mile**
  - **Travel by bicycle: 20p per mile**
  - **Passenger supplement rate: 5p per passenger (maximum of 4)**
91. **The Passenger Supplement allowance should only be claimed for carrying fellow elected Members to an approved duty who would also be eligible for claiming the mileage allowance if travelling in their own vehicle.**

92. While the issue was not raised with the IRP there is no express provision in the allowances scheme for when a Member claims a mileage allowance if undertaking an approved duty when travelling by a hybrid/electric vehicle. The IRP notes that the Office of Low Emission Vehicles clarifies that when claiming business mileage by travel in an hybrid/electric vehicle that the normal HMRC rates apply with no tax or national insurance implications.
93. Thus to future the proof the travel allowances **the IRP recommends that the scheme is clarified and amended to expressly state that where a Member claims the mileage allowance by travel in a hybrid/electric vehicle that the HMRC rate of 45p per mile is applicable.**

### Subsistence Allowances

94. No issues were raised regarding Subsistence rates. The IRP notes that they are not very high but can be disregarded when Democratic Services books accommodation and meals directly for a Member, e.g., when attending a Conference. Otherwise the Subsistence rates claimable are the same that apply to Officers and the IRP notes this is common practice across local government.
95. The only issue the IRP picked up on regarding the Subsistence allowances is that on a close reading of the allowances scheme it would permit a Member to claim Subsistence Allowances attending an approved duty within the Borough of North Warwickshire. While no claims have been made in this regard the IRP felt that to clarify the situation it should recommend that the allowances scheme should be amended to state that Subsistence allowances cannot be claimed by a Member attending an approved duty within the Borough of North Warwickshire.
96. **The IRP recommends that there is no change to the current Subsistence rates and approved duties for which they can be claimed except in one regard, namely that the allowances scheme is amended to clarify that a Member is unable to claim Subsistence allowances for attending an approved duty within the Borough of North Warwickshire.**

### Indexation

97. Until the end of March 2022 all allowances were indexed. Under the 4-year rule the authority to index allowances lapsed and the Council requires a further view from the IRP if it wishes to continue with the indexation of allowances. In the representation received the principle of indexation had almost universal support. Moreover, the IRP notes that indexation of allowances is common practice. The IRP received no evidence to not recommend that the allowances continue to be indexed. To do otherwise would only lead to allowances decreasing in relative value over time leading to the IRP having to recommend periodic substantial increases simply to maintain their relative value.

98. The IRP points out that if there is no provision in the allowances scheme to index allowances then the Council is not able to apply an annual cost of living increase without coming back to the IRP for advice. However, where a Council has adopted indices they are under no obligation to apply them each year. Councils retain the right choose whether or not to apply an index to their allowances even though the provision has been adopted.
99. In settling on the appropriate index for the Basic Allowance and SRAs the IRP has continued to adopt what is known as the 'NJC' index. This is the annual percentage increase in local government staff salaries as agreed each year by the National Joint Council (NJC) for local government staff. For instance if staff salaries increase by 1% next year then the Basic Allowance and SRAs would also be increased by the same amount. By using the NJC index it ensures Members and Officers are treated equally in their annual cost of living increase. If another index was utilised, such as CPI currently around 10%, it creates an inequity between the annual cost of living increase between staff and Members.
100. There is however an anomaly with the NJC index for this year as all grades have been offered a flat rate £1,925 increase which creates different percentage increases for different grades of staff which presented the IRP with a range of indexation points to choose from. Although the NJC pay agreement has yet to be finalised the current pay offer is at the least indicative of what the final agreement will look like. The IRP noted that the offered percentage increase in staff salaries ranged as follows:
- |                                     |                      |
|-------------------------------------|----------------------|
| • Spinal Column Point (SCP) 1       | 10.50%               |
| • Spinal Column Point (SCP) 43      | 4.04%                |
| • NWBC Chief Executive pay increase | 1.9% (approximately) |
101. The IRP notes that currently the Basic Allowance is indexed to the highest SCP which is now SCP 43 and this is the typical SCP utilised by the vast majority of Councils. The IRP received no evidence to change its previous recommendation.
102. **The IRP recommends that the North Warwickshire Borough Council Members Allowances are indexed as follows:**
- **Basic Allowance and SRAs:**
    - Indexed to the annual percentage salary increase for local government staff set at SCP 43 to be applied for the same year that applies to staff
  - **Travel Allowance – Mileage Rates:**
    - Indexed to HMRC approved mileage rates for motor, hybrid and electric vehicles, motor cycles and bicycles
  - **Subsistence Allowances:**
    - Indexed to the same rates that apply to Officers
  - **Dependants' Carers' Allowance – Maximum Rates:**

- Childcare element:
  - indexed to the 'national living wage' hourly rate
- Elderly or Other Dependant Relatives element:
  - indexed to median hourly rate charged for a Home Care Assistant by Warwickshire County Council

**103. The IRP also recommends that the indices apply for the maximum length permitted by the 2003 Regulations namely four years and to run from 1 April 2022 until 31 March 2026.**

### **Implementation of Recommendations**

**104. The IRP recommends that all the recommendations contained in this report should be implemented from the date of the Council's Annual Meeting on 4<sup>th</sup> May 2022 with the exception of the recommendations on indexation which for continuity purposes should be implemented from 1<sup>st</sup> April 2022.**



## Appendix One

### Information considered for North Warwickshire Borough Council – Member’s Allowances Review November 2022

1. IRP Terms of Reference
2. North Warwickshire Borough Council Members’ Allowances Scheme 2021/22
3. North Warwickshire Borough Council statutory publication of Members’ allowances and expenses received, including sub-totals 2020/21
4. Schedule of Council, Boards, Sub-Committees, etc. meetings 2022/23
5. Number of Licensing Committee and Sub-Committee meetings 2021/22 and 2022/23 to date and who chaired them
6. Independent Review of Allowances for North Warwickshire Borough Council, Report of the Independent Remuneration Panel, December 2018, including report to Executive Board and council minutes recording decision of council accepting recommendations
7. Diagram/flowchart showing North Warwickshire Borough Council committee structure
8. North Warwickshire Borough Council, 2022/23 membership of Boards, Sub-Committees, etc. and setting out the Chairs and Vice Chairs
9. North Warwickshire Borough Council terms of reference for Committees, Sub-Committees, Panels, etc.
10. Member Role Profiles/Job Descriptions for Members and Post Holders including
  - a) Leader of the Council
  - b) Deputy Leaders and Board Chairmen
  - c) Ward Member
  - d) Chairs of Task and Finish/Working Groups
  - e) Vice-Chairs of Boards
  - f) Opposition Group Leader
  - g) Opposition Group Deputy Leader
11. New Council Constitutions: Guidance on Regulation for Local Authority Allowances, Department for Communities and Local Government, 5<sup>th</sup> May 2006 (extract)
12. Replies to questionnaire sent out to all Members (X 5)
13. Benchmarking data BM1-3 - Members’ Allowances Schemes from the four other Warwickshire District Councils, five adjacent Councils and five CIPFA Nearest Neighbours (2022/23) – see Appendix three for summary

14. National Employers for Local Government Services, Local Government Services Pay Offer, 2022-23, 25<sup>th</sup> July 2022
15. Power point IRP training presentation by IRP Chair (Dr Declan Hall), "Reviewing Members' Allowances: the North Warwickshire Borough Council Model, Patterns, Approaches and Issues to consider"
16. Office for Low Emissions Vehicles, Ultra Low Emission Vehicles Tax Benefits , 2018
17. National Census of Local Authority Councillors 2018 (LGA), breakdown of weekly hours by councillors by number of positions held and type of council, in email from S. Richards, LGA 21 October 2019.
18. Annual Survey of Hours and Earnings (ASHE), Table 7.6a, weekly pay (excluding overtime) - all full time employee jobs in area of North Warwick Borough Council, Office of National Statistics (Work Geography), 2021
  - Showing median NWBC earnings of £14.13 per hour
19. Statutory Instrument 2003 No. 1021, The Local Authorities (Members' Allowances) (England) Regulations 2003

## Appendix Two

### Members and Officers who met with the Panel

#### **Members**

Cllr M. Bell:	Deputy Leader/Chair of Community & Environment Board and Member of Executive Board (Conservative)
Cllr D. Clews:	Chair Special Sub-Committee (Conservative)
Cllr J. Gosling:	Leader of Opposition (Labour & Co-operative) Group and Member of the Executive Board
Cllr D. Humphreys:	Chair of Safer Communities Sub-Committee and Member of Executive Board (Conservative)
Cllr A. Jenns:	Chair of Licensing Committees – Alcohol & Gambling plus Taxi & General Licensing and Member of Executive Board (Conservative)
Cllr D. Reilly:	Vice Chair of Planning & Development Board, Chair of Local Development Forum, Vice Chair of Conservative Group and the Executive Board (Conservative)
Cllr M. Simpson:*	Deputy Leader/Chair of Planning & Development Board, Vice Chair of Local Development Forum and Member of Executive Board (Conservative)
Cllr D. Wright:	Leader of the Council and Conservative Group and Chair of the Executive Board

#### **Written Submissions:**

Cllr M. Bell

Cllr A. McLauchlan

Cllr D. Reilly

Cllr M. Simpson

Cllr S. Smith

#### **Officers**

Sue Garner: Corporate Director (Resources)

Steve Maxey:\* Chief Executive of the Council

- The IRP met virtually with Cllr M. Simpson and Steve Maxey, Chief Executive

### Appendix Three: Benchmarking

BM1 N. Warwickshire BC BM Group - 4 Other Warwickshire DCs + CIPFA 5 Nearest Neighbour + Adjacent Districts: BA + Programme Chairs SRAs (22/23 Unless indicated 21/22*)							
Comparator Council	Basic Allowance	Leader	Leader Total	Deputy Leader	Programme or Policy Chairs	Programme or Policy Vice Chairs	Programme or Policy Subs Chairs
Nun & Bed	5,134	11,300	16,434	7,000	Executive Governance		
Rugby	7,132	13,508	20,640	5,944	Executive Governance		
Stratford-on-Avon	6,129	13,790	19,919	7,585	Executive Governance		
Warwick	5,730	16,619	22,349	8,310	Executive Governance		
Selby*	4,704	11,460	16,164	5,959	Executive Governance		
Bassetlaw*	4,744	13,430	18,174	9,021	Executive Governance		
Tewkesbury	7,350	8,800	16,150	6,600	Executive Governance		
Newark & Sherwood	5,250	19,750	25,000	11,150	Executive Governance		
Hinckley & Bosworth	5,280	16,830	22,110	8,250	Executive Governance		
Lichfield	4,298	12,641	16,939	7,737	Executive Governance		
N.W. Leicestershire	5,115	20,460	25,575	12,788	Executive Governance		
S. Derbyshire	7,590	19,653	27,243	10,809	9,815	2,103	
Tamworth*	5,609	14,038	19,647	10,528	Executive Governance		
N. Warwicks	5,414	11,951	17,365	NA	5,421	1,899	1,899
Mean	5,677	14,588	20,265	8,591	7,618	2,001	
Median	5,347	13,649	19,783	8,250	7,618	2,001	
Highest	7,590	20,460	27,243	12,788	9,815	2,103	
Lowest	4,298	8,800	16,150	5,944	5,421	1,899	
Mean Ratios	2.6	100%		59%	52%	26%	

BM2 N. Warwickshire BM Group: 4 Other Warwickshire DCs + CIPFA 5 Nearest Neighbours+ Adjacent Districts: Planning & Licensing/Regulatory SRAs (2022/23 unless indicated 20/21*)									
Comparator Council	Chair Planning	Vice Chair Planning	Members Planning	Chair Lic'ng &/or Regulatory	Lic'ng V/Chr	Chairs Lic'ng Panels/Subs	Chair Audit	Appeals or HR Chair	Other or Comments
Nun & Bed	4,771			1,000			2,692		
Rugby	4,162			4,162		595	3,435	595	Vice Chair Audit £1,465
Stratford-on-Avon	6,206	4,138		3,448		1,724	3,448		2 V/Chairs of Planning Committees, each V/Chair gets SRA of £2,069
Warwick	5,817		582	4,154			4,154	1,662	Chairs Advisory Programme Boards £333
Selby*	4,584			3,438			2,292		Chair Policy Review £2,292
Bassettlaw*	3,178	1,128	718	2,153	410		3,178		Planning Minority Spokesperson £1,007 V/Chair Audit £615, Licensing Members £24 p/mtng
Tewkesbury	2,200			2,200			2,200		Chair Standards £2,200
Newark & Sherwood	6,100	1,525		3,470	868		6,000		V/Chair Audit £1,500, Chair & V/Chair Policy & Performance £8,500/£4,250
Hinckley & Bosworth	5,500			2,500		2,500	4,620	2,500	
Lichfield	6,446	1,621		2,580	645		1,621	1,621	V/Chairs Audit + Employment £645
N.W. Leicestershire	7,673			2,558			2,558		Chair Local Plan £2,558
S. Derbyshire	9,815	2,103		4,865			4,865		
Tamworth*	6,316			1,403			3,509		
N. Warwicks	5,421	1,899		1,899				1,899	Chair H&WB Working Party £1,899
<b>Mean</b>	<b>5,585</b>	<b>2,069</b>		<b>2,845</b>	<b>641</b>	<b>1,606</b>	<b>3,429</b>	<b>1,655</b>	
<b>Median</b>	<b>5,659</b>	<b>1,760</b>		<b>2,569</b>	<b>645</b>	<b>1,724</b>	<b>3,435</b>	<b>1,662</b>	
<b>Highest</b>	<b>9,815</b>	<b>4,138</b>		<b>4,865</b>	<b>868</b>	<b>2,500</b>	<b>6,000</b>	<b>2,500</b>	
<b>Lowest</b>	<b>2,200</b>	<b>1,128</b>		<b>1,000</b>	<b>410</b>	<b>595</b>	<b>1,621</b>	<b>595</b>	
<b>Mean Ratios</b>	<b>38%</b>	<b>37%</b>		<b>20%</b>	<b>23%</b>	<b>56%</b>	<b>24%</b>	<b>11%</b>	

<b>BM3 N. Warwickshire BM Group: 4 Other Warwickshire DCs + CIPFA 5 Nearest Neighbours + Adjacent Councils: Group &amp; Misc SRAs (2022/23 unless indicated 2020/21*)</b>							
<b>Comparator Authority</b>	<b>Main Opposition Group Leader</b>	<b>Main Opposition Group D/Leader</b>	<b>Minor Opposition Group Leader</b>	<b>Chairs Areas or Local Forums</b>	<b>Chair Council</b>	<b>Council V/Chair</b>	<b>Other or Comment</b>
<b>Nun &amp; Bed</b>	2,692						£383 Tel Allowance
<b>Rugby</b>	2,973		1,066		3,973		Chair Shareholders, £3,435, Broadband provided directly or can be reclaimed if Cllr already has broadband
<b>Stratford-on-Avon</b>	3,448		1,724		1,724		Lump sum travel paid depending on Ward £100/£150/£300
<b>Warwick</b>	4,154		1,662	831	4,083	1,164	
<b>Selby*</b>	2,290						
<b>Bassettlaw*</b>	1,845				7,979	2,525	Majority Group Whip £1,845
<b>Tewkesbury</b>	NA				2,200	1,350	
<b>Newark &amp; Sherwood</b>	6,400		853				
<b>Hinckley &amp; Bosworth</b>	4,620		4,620		8,000	3,000	2nd SRA payable at 50%
<b>Lichfield</b>	2,943	735			2,885	735	
<b>N.W. Leicestershire</b>	5,115						2nd SRA payable at 50%
<b>S. Derbyshire</b>	9,249	4,630					
<b>Tamworth*</b>	6,316	3,509	1,403				If Main Opposition Group > 7 Members Deputy Leader £2,106
<b>N. Warwicks</b>	4,058	1,899	1,899				
<b>Mean</b>	<b>4,316</b>	<b>2,693</b>	<b>1,890</b>		<b>4,406</b>	<b>1,755</b>	
<b>Median</b>	<b>4,058</b>	<b>2,704</b>	<b>1,662</b>		<b>3,973</b>	<b>1,350</b>	
<b>Highest</b>	<b>9,249</b>	<b>4,630</b>	<b>4,620</b>		<b>8,000</b>	<b>3,000</b>	
<b>Lowest</b>	<b>1,845</b>	<b>735</b>	<b>853</b>		<b>1,724</b>	<b>735</b>	
<b>Mean Ratio</b>	<b>30%</b>	<b>62%</b>	<b>13%</b>		<b>30%</b>	<b>40%</b>	

## APPENDIX B

Set out below are details of the amounts of Basic and Special Responsibility Allowances proposed under the Scheme with effect from 1 April 2022.

<b>Allowance</b>	<b>Amount per annum £</b>
Basic	5,633
Leader of the Council and Chairman of Executive Board	12,434
Deputy Leader and Chairman of Resources Board	5,640
Deputy Leader and Chairman of Community & Development Board	5,640
Deputy Leader and Chairman of Planning & Development Board	5,640
Vice Chairman of Executive Board	3,109
Vice Chairman of Resources Board	1,965
Vice Chairman of Community & Environment Board	1,965
Vice Chairman of Planning & Development	1,965
Chairman of Safer Communities Sub-Committee	1,965
Chairman of Special Sub Group	1,965
Chairman of Licensing Sub Committee	1,965
Leader of the Main Opposition Group – standard element - per group member	1,315 264
Deputy Leader of the Main Opposition Group	1,965
Leader of the Minority Opposition Group <i>(Only payable if 4 or more members)</i>	1,965