

Resources and Fire & Rescue Overview and Scrutiny Committee

Thursday 27 May 2021

Minutes

Attendance

Committee Members

Councillor Adrian Warwick (Chair)
Councillor Parminder Singh Birdi
Councillor Sarah Boad
Councillor Marian Humphreys
Councillor Chris Mills
Councillor Caroline Phillips

Other County Councillors

Councillor Peter Butlin, Deputy Leader and Portfolio Holder for Finance and Property
Councillor Dave Humphreys
Councillor Andy Jenns, Portfolio Holder for Customer and Transformation
Councillor Kam Kaur, Portfolio Holder for Economy and Place

Officers

David Ayton-Hill, Assistant Director, Communities
Reece Bowman, Interim Programme Manager
John Cole, Trainee Democratic Services Officer
Richard Ennis, Interim Programme Director – Place Shaping
Andrew Felton, Assistant Director, Finance
Chris Kaye, Strategy and Commissioning Manager (Commercialism)
Isabelle Moorhouse, Trainee Democratic Services Officer
Rob Powell, Strategic Director, Resources
Virginia Rennie, Strategy and Commissioning Manager (Strategic Finance)
Steve Smith, Assistant Director, Commissioning Support Unit
Nichola Vine, Strategy and Commissioning Manager, Legal and Democratic

1. General

(1) Apologies

Apologies were received from Councillor Piers Daniell and Councillor Martin Watson.
Councillor Marian Humphreys and Councillor Chris Mills were present as substitutes.

Apologies were also received from Councillor Andy Crump, Councillor Sue Markham, Councillor Will Roberts, and Councillor Robert Tromans; and from officers Kushal Birla (Assistant Director, Business & Customer Services) and Sarah Duxbury (Assistant Director, Governance & Policy).

(2) Disclosures of Pecuniary and Non-Pecuniary Interests

There were none.

(3) Chair's Announcements

There were none.

(4) Minutes of Previous Meeting

Resolved:

That the minutes of the meeting held on 9 March 2021 be approved as a correct record.

There were no matters arising.

2. Public Question Time

No public questions were received or presented at the meeting.

3. Questions to Portfolio Holders relevant to the Overview and Scrutiny Committee

Councillor Boad requested an update of progress made towards establishment of a cross-party Integrated Risk Management Plan (IRMP) Assurance Panel. It was resolved that a written update would be provided following the meeting.

4. Work Programme

Councillor Boad requested that consideration be given to the Integrated Risk Management Plan (IRMP) Assurance Panel at the Committee's next meeting on 14 July 2021. The Chair agreed that this would be a suitable course of action.

Resolved:

That the Committee agrees the updated 2021/22 Work Programme, as set out in the report, and notes the scheduled future meeting dates.

5. Warwickshire Recovery and Investment Fund

Councillor Butlin introduced the report and provided an overview of the Warwickshire Recovery and Investment Fund (WRIF). He stated that, prior to the outbreak of coronavirus, economic growth in Warwickshire had been strong; recovery from the effects of the Pandemic was a key priority for the Authority.

Councillor Butlin stated that the Pandemic had severely impacted upon levels of employment and productivity in Warwickshire. In response, a recovery plan had been devised which included development of WRIF which would have the capability to intervene effectively to provide targeted financial support to local businesses.

Councillor Butlin emphasised the scale of WRIF. The initiative would make use of the Council's own financial resources as well its ability to borrow at a cheap rate. This provided a means to enact measures to stimulate the economy at a critical time.

Councillor Butlin requested that the Committee scrutinise proposals, including economic output, governance, and legal and financial considerations. The view of the Committee would be reported to Cabinet prior to presentation of the relevant aspects of proposals to full Council. The launch of the scheme was proposed to coincide with the lifting of restrictions. WRIF would seek to mitigate the impact of the cessation of the Coronavirus Job Retention Scheme (and other government support) and provide employment opportunities for individuals facing redundancy.

Councillor Butlin outlined the aims of the proposals. WRIF would be a policy response to economic recovery, it was not orientated to generate substantial returns. However, any surpluses generated by the end of the five-year scheme could be taken forward for reinvestment in a modified form.

Councillor Butlin stated that WRIF was subject to a high level of governance. It would be vital to enact measures to ensure that taxpayers' money was managed wisely. It was an ambitious project to improve the quality of life in Warwickshire and promote economic recovery.

Rob Powell (Strategic Director, Resources) summarised the work undertaken to date. It was intended that WCC make use of its financial resilience to accelerate delivery of the organisation's policy objectives and address the economic impact of COVID-19. Investment would be targeted to drive the Warwickshire economy of the future. He stated that the WRIF was a closed fund, with a five-year timescale and a maximum investment by the Council of £140million. This sum had been ringfenced; Cabinet would make a judgement whether to recommend proposals to full Council in July 2021.

Rob Powell stated that WRIF had been developed with input across service areas, including Economy & Skills, Finance, and Governance & Policy. Engagement with the Chamber of Commerce, Local Enterprise Partnership, Local Growth Hub and others had confirmed the need for intervention. This was not a speculative initiative; it sought to address a known gap in access to finance for businesses.

Rob Powell stated that the WRIF report had been shared with the External Auditor, Grant Thornton (who, helpfully, had been the auditors of recent public interest reports), to test the thinking and development of these proposals. A subsequent conversation with the Assistant Director of Finance did not indicate any material issues by the external auditor at this stage.

Rob Powell summarised the anticipated benefits of the WRIF which included creation of 2200 new jobs and safeguarding of 4000 jobs which could otherwise be lost. The scheme would also seek to attract additional private sector investment of close to £100m into the County's economy.

Rob Powell stated that WRIF represented a strong statement by the Council to promote Warwickshire as a place to do business. There were financial benefits for the Council, a net

positive return was projected from the £140million investment. However, the purpose of the scheme was to facilitate delivery of policy objectives. He highlighted the advantages of the approach taken by the WRIF compared with grant funding, which would constitute a 100% loss with some economic benefits. Financial modelling suggested that some defaults could be anticipated but that the Council stood to recover its initial investment as well as an additional £4.6million.

Rob Powell stated that WRIF should deliver advantages to WCC, as well as borough and district councils, by strengthening the business rates and council tax base. This provided a wider financial benefit which would help to fund the delivery of services and protect the most vulnerable in line with Council Plan objectives.

Rob Powell provided an overview of the structure of the Fund which was underpinned by three pillars, or streams. The balance of the fund across the three streams had been carefully examined to minimise potential risks whilst allowing for movement of funds between the pillars.

Rob Powell introduced the largest of the three pillars, 'Business Investment and Growth', which had an allocation of up to £90million. This fund was targeted at established businesses with a track record of success and strong prospects for growth. Overall, this pillar would deliver the fewest loans but they would be of the highest value. This underlined the importance of making sound judgements to limit risk. The Investment Strategy set out the key factors determining eligibility for investment, including the sectors most important to driving the future growth of the economy such as low carbon jobs, the automotive sector and battery technology.

Rob Powell outlined proposals for the middle pillar of the scheme, 'Local Communities and Enterprise' (LCE), which had been allocated up to £10million. This fund was targeted at small to medium-sized enterprises, micro-businesses and start-ups. Smaller amounts would be lent, but to a greater number of businesses. He stated that there was an increased likelihood of some losses under this pillar and it was projected that this investment stream could lose money. Its inclusion was justified by the anticipated benefit to job creation; and through consideration of the overall gains across the WRIF that would offset any losses in the LCE. External fund managers with expertise in this area would be appointed to run the LCE.

Rob Powell advised that investments under the LCE stream were more complex than the larger scale loans to established businesses. There was potential for social enterprise to be supported by this fund, and links to the robust voluntary and community sector in Warwickshire would be established. The Investment Strategy would be reviewed on an annual basis.

Rob Powell introduced the third pillar of the scheme, 'Property and Infrastructure'. A sum of up to £40million would be allocated to this stream. This fund would assess the outlook for investment in commercial sites, employment land and business premises. It was recognised that employment land was at a premium. The fund would enable investment in sites to retain, grow and attract businesses and jobs to Warwickshire. Investments under this pillar would have greater security based upon the acquisition of tangible assets. It was likely that external fund managers would be appointed to identify opportunities and make recommendations with final decisions made by Cabinet.

Rob Powell advised that, in June 2020, a report had been submitted to Cabinet to seek approval for the Council's Place Shaping Programme. This had been supported by independent economic

analysis which examined potential impacts of COVID-19 on Warwickshire's economy. Scenario modelling had been utilised to forecast possible outcomes; it was projected that employment levels would not recover to pre-2019 levels until 2025. This underlined the importance of intervention.

Rob Powell advised that, in mid-2020, 40% of small and medium sized enterprises (SME) expressed concern that they faced permanent closure; a third of businesses were not confident of surviving the coming 12 months. He commented that new business start-ups would be key to economic recovery. Supply of capital would be an important factor influencing economic growth.

Rob Powell stated that the risk appetite of banks was likely to diminish making conditions more challenging for businesses without a proven track record to access finance. It was recognised that 19,000 new homes were required in Warwickshire by 2025 and that demand for employment land was high. There was a need to ensure that business premises would be available to enable commercial activities to operate successfully.

Rob Powell provided an overview of the key principles of WRIF. The terms specifying eligibility for investments to be limited to businesses 'in Warwickshire' were under review. There were plausible scenarios whereby investment in an organisation located just outside of the County could be justified on policy grounds. Consideration would be given to enabling flexibility to allow investment in opportunities close to Warwickshire that would deliver benefits for Warwickshire residents. However, he emphasised that investments far from the County would not be considered.

Rob Powell advised that the Investment Strategy would be updated on an annual basis and presented to Cabinet. Opportunities to curtail future investments would be enabled to provide flexibility and minimise risk. He stated that WCC would be making a substantial increase in its historically low levels of borrowing in the short term.

Rob Powell advised that WRIF was riskier than ordinary treasury management approaches but the economic challenges and opportunities conferred justified the level of risk. Extensive work had been undertaken to set out governance measures to mitigate risk. WRIF would be subject to robust member oversight. Discussion with the Council's external auditor had helped to inform development of governance arrangements.

Rob Powell reported that scrutiny of the WRIF and Warwickshire Property and Development Group (WPDG) would be enabled by a cross-party Member Oversight Group. This would not be a decision-making body; its focus would be on performance, priorities, and progress. The Oversight Group would provide an annual report of its findings to full Council. The Audit and Standards Committee would examine WRIF accounts with input from internal and external auditors.

Rob Powell advised that an Investment Panel would be established, comprising officers and chaired by the Strategic Director for Communities. The Strategic Director for Resources, as the statutory Chief Finance Officer, would not contribute to the Investment Panel in the interests of maintaining independent due diligence. The Investment Panel would determine whether to progress recommendations from officers and external fund managers to Cabinet for a final decision to be made.

Andrew Felton (Assistant Director, Finance) provided an overview of projected borrowing levels. Funding for the scheme would be derived from cash balances held by WCC which had been accumulated over time. This would avoid external borrowing at a lower net cost relative to

investment income lost to the organisation. A strategy had been agreed to run normal cash balances down to around £120million which would be sufficient to finance the day-to-day operation of the Authority. The remaining amount would be invested in WRIF and WPDG. An increase in external borrowing of around £130million would be required for WRIF. He stated that WCC was a relatively low borrower in comparison with similarly sized local authorities and was rated among the most financially resilient local authorities nationally. The measures outlined were considered to be compliant with the Prudential Code and within acceptable parameters.

Rob Powell summarised the request that would be made to Cabinet in June 2021 which included consideration of the recommendations made by the OSC, and agreement to recommend that full Council review the proposed changes to the Treasury Management and Investment Strategy in July 2021.

Councillor Phillips praised the initiative. She drew attention to the high demand for employment land. She highlighted the potential for the scheme to operate flexibly to enable investment in activities close to the County boundary which could impact positively on Warwickshire residents, such as MIRA Technology Park, located north of Nuneaton.

Rob Powell stated that liaison with borough and district councils had helped to inform an understanding of the priorities for growth across the County. There was scope to factor flexibility into the scheme to enable strategic investment in businesses close to, but outside of Warwickshire.

David Ayton-Hill (Assistant Director, Communities) highlighted the importance of MIRA Technology Park, particularly in the automotive research and development sector. He commented that an investment of this type could impact positively on supply chain companies operating within Warwickshire. He stated that diversification of the automotive supply chain had been identified as a priority; with investment, a shift towards electric vehicles and new technologies could be facilitated with long-term benefits.

Councillor Butlin stated that the shortage of employment land was attributable to the expansion of large-scale 'sheds' which limited opportunities for SMEs. WRIF and WPDG would seek to invest in facilities which enabled access for smaller operators.

In response to Councillor Boad, Rob Powell advised that the WRIF Investment Strategy placed a strong emphasis on social value and the importance of creating good quality jobs with scope for personal development. Significant changes were anticipated across workplaces and the Strategy would seek to enact measures to promote opportunities in the right areas, such as electric vehicles.

David Ayton-Hill advised that an assessment would be made of the employment practices of companies seeking to access funding. The assessment would also examine the types of jobs that would be created and the outlook for inclusion of apprenticeship schemes.

In response to Councillor Boad, Rob Powell advised that financial projections took account of levels of default. Investments would be assessed annually to determine ongoing viability; the Annual Treasury Management Strategy could be utilised to address issues relating to cashflow and levels of ongoing investment. A rolling refresh of assumptions for the coming year would occur annually.

Andrew Felton commented that the annual review would focus upon levels of default based upon the current circumstances of companies accessing the scheme. A calculation of 'impairment' would be used to assess any likely losses. A Commercial Risk Reserve of £7.5million would be available if required. However, there would be opportunities to pause investments to prevent any serious difficulties. Where an asset was held as part of an investment, the Authority had greater security.

The Chair highlighted the benefits of WRIF in comparison with a grant funding approach, which did not provide any direct return. He praised the rationale of the initiative which enabled money to be recycled through the system to support business and stimulate growth. He acknowledged the presence of risk but stated that the initiative constituted a responsible course of action for the Authority during an unprecedented crisis.

In response to Councillor Birdi, David Ayton-Hill advised that work in collaboration with other agencies within the business sector had been prioritised. Liaison with the Chamber of Commerce, Federation of Small Businesses, Growth Hub and other intermediaries had helped to shape the proposals. An evidence-driven approach had been taken to identify funding gaps and ensure that intervention dovetailed with other initiatives. He stated that it was likely that WCC's investment in companies would sit alongside contributions from others, such as venture capitalist groups.

Councillor Birdi commented that, collectively, small businesses employed the largest number of people. They were usually the first to recover from an economic downturn. He emphasised the importance of support being targeted effectively to this group through the Local Communities and Enterprise pillar.

David Ayton-Hill stated that marketing of WRIF would be prioritised and the Economy & Skills Team would work closely with the externally appointed provider to promote opportunities to small business owners. Ongoing promotion would make use of success stories from businesses that had benefitted from the scheme.

In response to Councillor Marian Humphreys, Rob Powell advised that transport links to businesses in rural locations would be an indirect consideration; viability of investments would be the principal factor determining allocation of funding and any wider issues around transportation would require separate consideration.

David Ayton-Hill advised that the Local Transport Plan (LTP) provided a framework to assess accessibility to employment. He added that the issue would not be overlooked in specific cases, for example, if a business in an isolated setting presented a proposal to appoint a large number of apprentices, this would be challenged.

Councillor Butlin commented that digital connectivity was of equal importance. The Pandemic had shown the benefits of working remotely and WCC had enacted measures to improve digital connectivity across Warwickshire. This would help to support businesses in rural locations.

Councillor Kaur reported that 4G coverage in Warwickshire was at 97% - 98%. The Council was working with partnership organisations and neighbouring authorities to integrate connectivity and introduce 5G coverage.

In response to the Chair, Rob Powell advised that an eight week lead-in time for the resolution of applications to the Fund had been calculated to enable Cabinet decision-making and allow transparency and oversight to be maintained. A six week period would be viable in some circumstances. However, the Economy & Skills Team would work with businesses from the outset to smooth the process and ensure clarity in respect of timescales.

Andrew Felton commented that the investments made by the Business Investment Growth pillar of the Fund would be substantial. The eight-week lead-in period was realistic given the nature of these investments.

David Ayton-Hill advised that early engagement with a prospective applicant would provide an outline of the type of product on offer. This could be established quite quickly and enable a company to decide whether it would like to proceed.

The Chair summarised the areas of debate relevant to the Committee's recommendation to Cabinet.

The Chair moved that the Committee:

1. Notes the appropriateness and adequacy of the County Council's draft governance, control, monitoring and decision-making arrangements as set out in the report.
2. Recommends to Cabinet that businesses situated close the County boundary but outside of Warwickshire be regarded as eligible for investment in cases when a benefit to Warwickshire residents is discernible.
3. Recommends to Cabinet that the proposed Member Oversight Group be confirmed as cross-party in membership.
4. Recommends to Cabinet that the Annual Report of the Member Oversight Panel be presented to the Resources and Fire & Rescue OSC each year to enable attention to be given to the performance, priorities, and progress of WRIF.
5. Notes the WRIF's draft inaugural Business Plan and WRIF Investment Strategy in advance of them being submitted to Cabinet for approval.

Councillor Birdi seconded the motion.

The Chair called a vote on the motion. In addition to the Chair, Councillors Birdi, Boad, M. Humphreys, Mills, and Phillips voted in favour of the motion.

There were no votes against the motion.

There were no abstentions.

Resolved:

That the Committee:

1. Notes the appropriateness and adequacy of the County Council's draft governance, control, monitoring and decision-making arrangements as set out in the report.
2. Recommends to Cabinet that businesses situated close the County boundary but outside of Warwickshire be regarded as eligible for investment in cases when a benefit to Warwickshire residents is discernible.
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4. Recommends to Cabinet that the Annual Report of the Member Oversight Panel be presented to the Resources and Fire & Rescue OSC each year to enable attention to be given to the performance, priorities, and progress of WRIF.
5. Notes the WRIF's draft inaugural Business Plan and WRIF Investment Strategy in advance of them being submitted to Cabinet for approval.

The meeting rose at 11:00

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Chair