

Cabinet

Excerpt of the Minutes of the meeting held on Thursday 10 February 2022 in the Town Hall, Royal Leamington Spa at 6.00 pm.

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

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

91. **Apologies for Absence**

No apologies for absence were received.

92. **Declarations of Interest**

There were no declarations of interest in respect of the Part 1 items.

Part 1

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

93. **Review of Warwick District Council Members' Allowances Scheme**

The Cabinet considered a report from Democratic Services which brought forward the recommendations of the Independent Remuneration Panel following a review of Warwick District Members' Allowances Scheme undertaken in 2021.

The Panel was convened because under the regulations for allowances the indexation of allowances was required to be reviewed every four years which had expired.

The Panel was convened under The Local Authorities' (Members' Allowances) (England) Regulations 2003 (SI 1021) ("the 2003 Regulations"). These regulations, which arose out of the relevant provisions contained in the Local Government Act 2000, required all local authorities to establish and maintain an advisory IRP to review and provide advice on Members' allowances on a periodic basis.

All Councils were required to convene their Panel and seek its advice before they made any changes or amendments to their Members' Allowances Scheme. The Council must 'pay regard' to their Panel's recommendations before setting a new or amended Members' Allowances Scheme. On this particular occasion, the Panel was reconvened under the 2003 Regulations as it was not reviewed the allowances scheme since 2017.

The review was undertaken in August 2021 by the Council's IRP. The IRP comprised of:

Dr Declan Hall	An independent consultant specialising in members' allowances and support and a former academic at the Institute of Local Government, The University of Birmingham.
Christopher Purser	Former Independent Chairman of Warwick District Council Standards Committee and former Governor of Warwickshire College. Previously the Group Treasurer of a multinational corporation. A Chartered Accountant and Chartered Secretary.
Alan Wilkinson	Former Warwick District Councillor (for Leamington Brunswick Ward) and Leamington Town Councillor; and Town Mayor. Previously a Sales Manager in a local electronic business.

The IRP met on 4, 5 and 11 August 2021. The IRP meetings were in closed session to enable the IRP to meet with Members and Officers and conduct its deliberations in confidence.

All Members were provided a questionnaire addressing the issues that the IRP were required to consider. The questionnaire also had the methodological advantage of ensuring all Members were being asked a common set of questions, the main point being that all Members had at least one opportunity to exercise their voice during the review. Twenty-four Councillors responded to the questionnaire. A number of Members from across the Council were also invited to meet with the Panel.

The IRP met with the Chief Executive and the Democratic Services Manager & Deputy Monitoring Officer for factual briefings on political structures and constitutional changes since the last review and to obtain an overview on the challenges facing the Council.

The IRP took account of the range and levels of allowances paid in comparable local authorities, namely the four other district/borough councils in Warwickshire and Warwick District Council's eight nearest neighbours as defined by the Chartered Institute of Public Finance and Accountancy or CIPFA, which were used by councils for benchmarking purposes.

After considering this information the IRP produced the report and recommendations, as set out at Appendix A to the report.

The recommendations from the IRP were ones for the Cabinet to consider and determine what, if any, they felt should be recommended to Council. Officers set out the financial implications of these which the Cabinet need to be mindful of as well as the overall recognition for Councillors in the level of their allowances.

In terms of alternative options, the Cabinet could make a number of recommendations to Council about the Independent report. This was because within law they only had to 'pay regard' to their Panel's recommendations before setting a new or amended Members' Allowances Scheme. For this reason, Cabinet could recommend to Council, as an example, increasing the allowances to the value as proposed, but phasing these in over the next four years (the life of the scheme), or recommend that no changes be made and the current scheme be readopted.

The Finance & Audit Scrutiny Committee raised a question from one of the political groups about the rationale for adopting the recommendations of the independent review regarding the increase in Special Responsibility Allowances in the current economic climate. It received clarification about the decisions that the Council could take on the review, noting that the last review had been held in 2017 and there had been changes in the roles and expectations of those Councillors who held positions of responsibility and leadership subsequently as the review noted. It had no further questions on the review of the Scheme.

The Group Leaders welcomed the recommendations in the report, and noted that it would be good for the Council as a corporate body to be reviewed by an independent panel.

This sentiment was echoed by the Leader, who stated that it was our civil duty to keep our democracy healthy, so it was in our interests to have this independent review. He also stated that this would increase diversity amongst future Councillors as it would no longer be a position limited to those who can afford it. He then proposed the report as laid out.

Recommended to Council that

- (1) the recommendations from the IRP as set out at Appendix 1 to the minutes, be accepted but do not come into effect until Annual Council in May 2022; and
- (2) the IRP be thanked for their work and detailed report which clearly sets out the challenges faced and reasoning for their recommendations

Resolved that

- (1) the recommendations of the Independent Remuneration Panel (IRP) be noted, following a review of Warwick District Members' Allowances Scheme undertaken in 2021, as set out at Appendix A to the report; and
- (2) subject to Cabinet agreeing recommendation (2) above, Cabinet asks officers to produce a draft Members Allowances Scheme for Council to consider at its meeting on 23 February 2022.

(The Portfolio Holder for this item was Councillor Day)
Forward Plan Reference 1,244

94. **Public and Press**

Resolved that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following items by reason of the likely disclosure of exempt information within the paragraph of Schedule 12A of the Local Government Act 1972, following the Local Items 9(a), 10 & 11/ Page 3

Government (Access to Information) (Variation)
Order 2006, as set out below.

Minutes Numbers	Paragraph Numbers	Reason
98, 99	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

The minutes of the following items will be detailed within the confidential minutes of the Cabinet.

95. **Confidential Addendum and Appendices to Item 6 – General Fund 2022/23 Budgets and Council Tax**

The Cabinet considered a confidential addendum which formed part of the decision made for Item 6 – General Fund 2022/23 Budgets and Council Tax. The details of this discussion will be included in the confidential minutes.

Part 1

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

100. **General Fund 2022/23 Budgets and Council Tax**

The Cabinet considered a report from Finance which informed Members on the Council's financial position, bringing together the latest and original Budgets for 2021/22 and 2022/23, plus the Medium-Term Forecasts until 2026/27. This would be presented to Full Council alongside a separate report recommending the overall 2022/23 Council Tax Charges for Warwick District Council.

The report presented a balanced budget for 2022/23, which the Council was able to achieve without having to reduce the services it provided but with a heavy reliance on reserves and an ambitious savings / income generation programme. Once again, the Council did not have to rely on New Homes Bonus to support core revenue spending and was able to allocate this funding to support specific project work, while also replenishing reserves.

No increase was proposed for Council Tax for 2022/23 which would erode the revenue base of the Council into the future. However, a charge for the collection of garden waste of £20 for 2022/23 was proposed from August 2022.

Regarding mandatory obligations, by law the Council needed to set a balanced budget before the start of the financial year. As part of this process, it needed to levy a council tax from its local taxpayers to contribute to financing General Fund expenditure.

It was prudent to consider the medium term rather than just the next financial year, taking into account the longer-term implications of

decisions in respect of 2022/23. Hence, Members received a five-year Medium Term Financial Strategy (MTFS) detailing the Council's financial plans, Capital Programme and Reserves Schedule.

The Local Government Act 2004, Section 3, stated that the Council must set an authorised borrowing limit. The CIPFA Code for Capital Finance in Local Authorities stated the Council should annually approve Prudential Indicators. These would be included in the Annual Treasury Management Strategy report to Cabinet and Council in March 2022.

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

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

- 2021/22 Revenue Budget – update to the current year's budget.
- 2022/23 Revenue Budget – details of main items included within the proposed 2022/23 Budget.
- 2022/23 Local Government Finance Settlement.
- Business Rates – details of main drivers impacting upon the Council's share of Business Rates.
- Council Tax – proposals for Warwick District Council level of council tax for 2022/23.
- New Homes Bonus – details on the Council's allocation for 2022/23
- Medium Term Financial Strategy – revenue projections for the Council for the next five years, taking into account latest information and decisions by Members.
- Reserves and Balances – details on the funds held by the Council and the proposed usage thereof.
- Capital Programme – details of Council's capital projects and funding thereof.
- WDC / SDC Joint Working.
- Appropriation of funding and balances – proposals for the allocation of one-off funding allocations.
- Pre-planned Maintenance Programme – agreement to the plan for 2022/23.

The current year revenue budget was last considered by Cabinet in December 2021 as part of the Q2 Budget Review report. At that time a £511,000 favourable position was forecast for the year, which was to be partly driven by non-ring-fenced Government grants.

Throughout 2021/22, expenditure/income was reviewed against budgets, with this helping to inform the Budget Process. Part of this process was to review the current year's budgets to ensure that they were up to date and relevant to the needs and requirements of the service areas. Budgets were reviewed throughout the year on a regular basis, and more formally through the Quarterly Budget Review reports presented to Members in September and December. Therefore, the primary focus of the report would be on the 2022/23 budgets.

However, there were some further notable changes that impacted on the financial position for the current year:

Expenditure Growth / Income Reductions

- Local lottery scheme currently not proposed to be taken forward at this stage (+£31k).
- Increased requirement on contingency budget during year as a result of it being over-committed (+£23k)

Expenditure Savings / Increased Income.

- Additional grants above those budgeted received in year across services, many of which were to support services impacted by COVID-19, including:
 - Rough Sleeping Initiative and Flexible Homeless Support Grant (-£130k).
 - Housing Benefit New Burdens, Administration and Local Council Tax Support admin subsidy grant (-£45k).
 - Land registry grant (-£90k).
 - Test and trace support Admin grants (-£54k).Grant will be used in the first instance to offset the additional costs associated with interventions implemented throughout the year.
- Vistry Loan income to fund one-off legal costs (-£135k).
- Sale of Equity funds in year (-£400k).
- Delay to Kenilworth Leisure development (-£500k).
- New planning performance fee charges introduced in 2021/22 (-£33k).
- Utility savings due to closure of premises (-£43k).
- Staffing recruitment delays for fixed term reserve funded posts (-£35k).

As a result of the changes summarised above, a surplus of £1.425m was forecast to be achieved for 2021/22. The allocation of the surplus was discussed in section 1.12.2 of the report.

In preparing the 2022/23 Base Budget the over-riding principle was to budget for the continuation of services at the existing level. The following adjustments needed to be made to the 2021/22 Original Budget.

- Removal of any one-off and temporary items.
- Addition of inflation.
- Addition of previously agreed Growth items.
- Addition of unavoidable Growth items.
- Inclusion of any identified savings.

Core inflation of 2% was included in the proposed 2022/23 Budget. The exceptions to this were:

- Waste Contract (set at 4%, but subject to review in July before new contract commenced).
- Cleaning contract (2.6%).
- Business Rates (3.2%).

The following unavoidable growth was included in the Budget:

- A 2% staffing pay increase had been factored in for 2022/23, subject to pay negotiations.

- An increase in the National Insurance contributions, as agreed in the Autumn Budget statement.
- The interest paid on PWLB borrowing to support approved schemes including our contribution to the establishment of the Materials Recycling Facility in Coventry, and the purchase of vehicles as part of the new waste collection service(+£500k)
- Increased cost of utilities due to the rise in wholesale prices (+£17,200).

As part of agreeing the 2021/22 Budget last year, a series of Budget savings were included. These continued to be monitored throughout the year and reported to Members as necessary.

The 2022/23 budget showed a deficit of £1.076m. The key drivers of the 2022/23 forecast deficit, compared to when the MTFS was presented to Members in December 2021 Q2 Budget report included:

- £936k reduction in anticipated garden waste income (see section 1.15).
- Increase in contingency provision for inflation, major contracts and ad-hoc developments in-year £800k.

Offset by:

- Increase in fees and charges above expected level (-£429k).
- Increase in forecast parking income (-£250k).

To present a balanced budget, it was proposed to use the 21/22 surplus (see section 1.12.2 in the report).

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

The Provisional Local Government Finance Settlement was announced on 16 December. The settlement was for one year only and was based on the Spending Review 2021 (SR21) funding levels announced in the Chancellor's Autumn Budget. This was the first time since 2015 that, in the context of a multi-year Spending Review, the government had only provided local authorities with a single-year settlement. The hoped-for multi-year settlement was again not forthcoming, which continued to make financial planning very difficult for local authorities. The settlement was due to be confirmed by the Government in January/February 2022, ahead of local authorities confirming their budgets for 2022/23.

The Settlement included some specific grant funding for local authorities. Those relevant to this Council were:

Grant	2021/22	2022/23
	£000	£000
Lower Tier Services	147	155
Services Grant	0	238

The Services Grant was deemed to include funding towards the increase in National Insurance contributions due to come in from April 2022. There

was no indication as to whether these grants would continue for future years.

Under the current business Rate Retentions scheme, 50% of rates collected were retained within local government, with a series of tariffs and top-ups to redistribute the revenue between local authorities to reflect the individual "needs" of authorities, and to distribute revenue to non-billing authorities. For some years the Government was planning a move to a 75% scheme to give local authorities more incentive to encourage local businesses on the basis that the local Councils would get to retain a greater proportion of the tax revenue. Michael Gove, the Secretary of State, recently announced that the scheme would not alter from the current 50% scheme to 75% on the basis that this might not be in line with the Levelling Up agenda.

The other planned change to the Business Rate Retention system was for there to be a "Re-set" of the Baselines. Under the system, each authority had a Baseline, and got to retain a proportion of the additional tax revenues above this. Authorities such as Stratford and Warwick benefitted from this since the scheme began and operated well above Baseline. If there was a re-set to the Baseline, this would reduce the business rates that the Council retained substantially. For the third consecutive year the re-set was delayed, with it now expected to be from 2023/24. This delay was good news for the Council's finances, but it did present a stepped decrease in the Council's forecast Business Rate income from 2023/24.

The Business Rate Retention scheme was very complex, with many components and parameters which drove the funding, and the timing of that funding, that Councils received. The Council's Business Rate Retention projections were based on figures provided by Local Government Futures, a specialist consultancy that many local authorities subscribed to. Given the large fluctuations in the business rates, and the difficulty in projecting the revenue, it was important that the Council continued to retain a "Volatility Reserve". Any increased business rate revenue received in the year were allocated to the reserve, whilst any shortfall should be funded from the reserve. The balance on the reserve would be kept under review. The balance of the reserve was currently forecast to be £7.6m as at 31 March 2027. It should have been noted that an annual swing in revenue of £1m (which was quite possible with a "re-set"), would soon have this balance fully utilised.

In terms of Council Tax, as part of the Finance Settlement, the Government again confirmed that for District Councils, their element of Council Tax could increase by the higher of £2% or £5 for 2022/23. As £5 was higher than 2% for this Council, this was the maximum increase in Council Tax for 2022/23. Any increase above this level would be required to be ratified by a local referendum.

Both Stratford-on Avon District Council and Warwick District Council were relatively low taxing authorities, with Stratford ranked 19/181 District Councils for 2021/22 and Warwick 62/181, excluding Parish precepts (38/181 and 33/181 respectively if Parish precepts were included).

Increasing the Council Tax by the maximum would protect the Council's tax base and maximise Council Tax revenue. If the Council agreed a lesser

increase than £5, this would erode the tax revenue of Warwick District Council from 2022/23 and for the proposed South Warwickshire District Council. A £5 increase would generate an additional £282,000 in 2022/23. If Council Tax was not increased, the Council's revenue income for all future years would be suppressed by at least this amount. With the Council having to find further revenue savings in future years, the savings to be found would be that much greater. If savings in service provision were not found, it would be necessary to make reductions in services to enable the Council to be able to agree a balanced Budget in future years. Assuming Stratford and Warwick Councils formed the new local authority from 2024/25, it would be at that stage that Council Tax harmonisation should be considered. This was discussed in the December Cabinet report on the proposed merger. At this stage it was not possible for Stratford to seek an increase above the £5 towards harmonisation.

The Tax Base for 2022/23 was agreed at 56,400 Band D dwellings. This represented a reduction of 100 from what had been allowed for within the Council's Medium Term Financial Strategy. This reduction reflected the number of new properties across the District not coming forward as quickly as previously allowed for in the projections.

The 2021/22 estimated Council Tax balance in respect of Council Tax income for the current year was recently reviewed. This gave a total estimated surplus balance of £295k as at 31 March 2022. This balance was shared with the major preceptors in 2022/23, with this Council's element being £31k. This surplus balance again reflected the additional growth in properties across the district during the current year, and how the current year estimated tax base of 12 months ago was exceeded. Estimating the tax base was invariably very difficult, and frequently resulted in a deficit or surplus balance which would need to be financed subsequently.

The Medium Term Financial Strategy (discussed in section 1.8 of the report) included Council Tax increases for future years of £5 per annum from 2023/24. Any departure from this would need to increase the savings which needed to be agreed.

The recommendation within the report was for District Council's element of Council Tax for 2022/23 to remain at the 2021/22 levels. On this basis, the 2022/23 Council Tax for each band would be as follows:

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

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

For some years the future of New Homes Bonus (NHB) were subject to review, adding to uncertainty to its continuation. Following on from the 2021 Finance Settlement, local authorities could only expect to receive the "legacy payment" from 2019/20 in 2022/23, that was £1.278m for Warwick District Council.

The recent provisional settlement included new additional allocations for 2022/23 of £1.409m, bringing the total payments for 2022/23 to £2.681m. There were no legacy payments attached to these new allocations.

The Council continued to use NHB to fund one-off items, or to support reserves. This was in view of the uncertainty over future allocations, so it was prudent not to use this funding to support core revenue expenditure, with this revenue only factored into the Medium Term Financial Strategy once it was agreed for each year.

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

	2021/22 (Latest)	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus(-) future years	-557	-1,258	-1,230	-1,900	-1,571	-1,107
Change on previous year	0	-1,258	28	-670	329	464

Once the changes outlined for 2021/22 and 2022/23 through the Budget Setting process were incorporated into the Strategy, the position of the MTFS was now as follows:

	2021/22 (Latest)	2022 /23	2023/ 24	2024/ 25	2025/ 26	2026/ 27
	£'000	£'000	£'000	£'000	£'000	£'000
MTFS Q2 Dec 21 Deficit-Savings Req(+)/Surplus(-) future years	-557	- 1,258	-1,230	-1,900	-1,571	-1,107

Surplus transferred to Service Transformation Reserve (Approved Q2)	557					
Tax base reduced forecast		18	19	19	20	21
Council Tax 1 year Freeze		282	285	288	291	294
Green waste charges		936				
PWLB Borrowing		500	510	520	531	541
Equity Fund Income	-400					
Fees and Charges	-112	-63	-72	-80	-92	-105
Grants Received	-843	-393				
Inflation Contingency		100	102	104	106	108
Contingency for in-year developments		200	204	208	212	216
Contracts Contingency		500	510	520	531	541
Leisure Concession above forecast activity	-288					
Budget setting	-474	-56	266	122	-38	-77
IAS19 Pension Adj	692	310	310	310	310	310
Budget Setting MTFS Deficit-Savings Req(+)/Surplus(-) future years	-1425	1,076	904	112	300	743
Change on previous year	0	1,076	-172	-792	188	443

Section 1.12.3 in the report proposed how the surplus was to be allocated, including its use to balance the 2022/23 budget. The below table showed the MTFS once this was actioned.

	2021/22 (Latest)	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus(-) future years	0	0	904	112	300	743
Change on previous year	0	0	904	-792	188	443

New initiatives would need to be agreed over the next year to enable savings or additional income to be generated so as to remove the forecast £904k deficit in 2023/24. By using the Business Rate Retention Volatility Reserve (BRRVR – see section 1.9.3 in the report) over the last few years, the Council gave itself some time to get new initiatives in place. However, it now needed to develop strategies above those already agreed for balancing its budget over the medium to long term to create a sustainable platform to deliver services. The Council already started realising ways to improve returns from its investments, in particular through the Local Housing Company, which would also have social benefits as well as economic to both the District and the Council. This would be discussed in greater detail as part of the updated Treasury Management Strategy, which would be presented to Cabinet in March.

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

The General Fund Balance was currently £3.34m, this being above the minimum level of £1.5m. The use of this excess balance was considered in section 1.12 in the report.

The Business Rate Retention Volatility Reserve (BRRVR) was used over the duration of the MTFS to help smooth the savings needed to be secured, with much of the shortfall being across the period 2020/21 to 2022/23 as a result of COVID-19. The BRRVR was currently forecast to have an unallocated balance of £7.6m as at 31 March 2027. Business rates were discussed in section 1.5 in the report, including the expected changes to Business Rate Retention which were delayed over the last few years. With the result of the expected changes in mind, the balance of this reserve should not be allowed to go below a level of £2.5m.

Within the report, two new reserves were proposed to allow for funding to be set aside for the planned merger with Stratford-on-Avon District Council. These were the Services Alignment Reserve, and the ICT Service System Alignment Reserve. These were discussed in more detail in section 1.11 in the report.

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

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

The Capital Programme was updated throughout the year as new and amended projects had been approved. Appendix 9 to the report, consisting of 5 parts, detailed both the General Fund and Housing Investment Programme (HIP) Capital programmes, along with their associated funding. Appendix 8 to the report detailed the variations to the capital programme as new schemes were approved and projects were updated. The most notable schemes were detailed below:

Scheme	Year	Amount	Financed From
Princes Drive Rail Bridge Refurbishment and Public Art Project	2021/22	£121k	Service Transformation Reserve
Warwick Gates Community Centre Extension	2021/22	£151k	External Contributions
Kenilworth Leisure Centres Refurb	2021/22 2022/23 2023/24	£957k £17.549m £467k	Capital Receipts / Borrowing
Decarbonisation Grant re Temperate House, Jubilee House and Sports Pavilion	2021/22	£902k	Borrowing
Frontline Vehicle Fleet	2022/23	£8.609m	Borrowing
Kenilworth Leisure Centres Fit-Out costs	2022/23	£697k	Leisure Options Reserve

Scheme	Year	Amount	Financed From
ICT software Strategy	2022/23 2023/24 2024/25	£200k £100k £50l	ICT Replacement Reserve
Desktop Infrastructure, inc servers, network	2024/25 2025/26	£170k £221k	ICT Replacement Reserve
Recycling and Refuse Containers	2025/26	£80k	Revenue Contributions

Within the changes now proposed in the Capital Programme was £697k for the fit-out cost of Kenilworth Leisure Centres, which would need to be added to the overall scheme costs.

£765k was currently held in the Leisure Options Reserve. Of this, £740k was specifically allocated to cover revenue costs whilst the Kenilworth Leisure Centres were being developed in respect of:

- Costs of the operator – this cost has now been allowed for in the changes to the concession from the leisure centre operator as a result of the impact of the pandemic.
- Revenue implications of capital funding – this cost was included within the Budget and Medium Term Strategy.

As a consequence, it was not necessary to use the additional funding set aside in the Leisure Options Reserve as intended, with it now proposed to be used to fund these Fit-Out costs.

The vehicles associated with the new waste collection contract £8.609m would be purchased by Warwick District Council, with half of the cost then recharged to Stratford-on-Avon District Council.

Within the MTFs, no funding was allowed for Rural and Urban Initiatives from 2023/24 as part of the savings agreed in December 2020. If the scheme was to continue from 2023/24, additional funding would need to be found as part of future budget setting proposals.

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

The Housing Investment Programme and associated funding were included within Appendices 9 parts 2 and 4 to the report. Additional borrowing was the primary source of funding for new construction and acquisition projects.

Appendix 9 Part 5 to the report showed the General Fund unallocated capital resources, which totalled £2.161m in 2021/22. The Capital Investment Reserve represented the largest share of this at just over £1m, for which the Council agreed the minimum balance should be £1m. Whilst the Council did hold other reserves to fund capital projects, it was noted that these were limited and were reserved for specific purposes. In addition to the resources shown here, "Any Purposes Capital Receipts" were projected to total £8.3m as at 31 March 2022.

As a consequence of the Council agreeing in December 2021 to progress with SDC to form a new South Warwickshire District Council, funds were required to be set aside to support the alignment of the staff in both authorities. The sums proposed to be set aside were repeated below:

	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Cost of Service Integration Support – 1 off costs	500	500	500	1,500
Redundancy/Pension Strain	500	500	500	1,500
Terms and Conditions – Harmonisation – Salary protection	500	500	500	1,500
Total	1,500	1,500	1,500	4,500
SDC Share	600	600	600	1,800
WDC Share	900	900	900	2,700

These costs were proposed to be shared between SDC/WDC based on the number of General Fund Full Time Equivalent staff (that was excluding the WDC Housing Revenue Account). On this basis, £900k was included in the 2022/23 Budget funded from New Homes Bonus as included within paragraph 1.11.1 in the report, with similar sums to be funded as part of the 2023/24 and 2024/25 Budgets. The proposed Budget for SDC allowed for £600k per annum for 3 years.

This funding was proposed to be set aside into a new Service Alignment Reserve, with SDC holding a similar reserve. Drawings against this funding should be shared proportionately between the two Councils.

At this stage, it was expected that there would be initial demand upon the “Service Integration Support – one off costs” in respect of primarily additional HR/ICT and Finance staff. As service alignments progressed, alongside the intended savings, there would be demand upon the Redundancy Costs/Pension Strain.

Terms and Conditions – Harmonisation – Salary protection costs would not be incurred until the Councils agreed the approach to harmonising terms and conditions.

It was proposed that drawdown from the Service Alignment Reserve be delegated to the Chief Executive, in consultation with the Head of Finance, Leader of the Council, Resources Portfolio Holder and Chief Executive for Stratford DC. Similar arrangements were proposed for SDC. In drawing down funding, each element of the overall Reserve should be ring-fenced to the three constituent parts.

In addition to the service alignment costs considered here, there would be further ICT system replacement costs as the two authorities seek to align systems.

These costs were not allowed for elsewhere. It was proposed that £0.5m from the General Fund Balance be allocated to a new ICT Service Systems Alignment Reserve. Where funding was required, this would need to be subject to a Business Cases being agreed by the Chief Executive, in consultation with the Head of Finance, Leader of the Council, Resources Portfolio Holder and Chief Executive for Stratford DC. Similar arrangements were proposed for SDC.

It was proposed to bring a report to both SDC and WDC Cabinets considering the finances of both authorities. This was likely to include:

- A merged MTFS.
- Review of the savings plans of both Councils.
- Review and potential alignment of the reserves of both Councils.
- Any principles that should be applied both Councils in respect to the management and commitment of finances in the period before the proposed new authority comes into being.

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

As discussed in section 1.2 of the report, for the current year, the Council was forecasting a surplus of £1.425m for the various reasons outlined. Conversely, 2022/23 was presenting a significant deficit of £1.076m. It was proposed that the current year surplus be used to cover the 2022/23 deficit, with £300k being allocated to the Community Projects Reserve.

The Council's policy was for the General Fund Balance to be maintained at a minimum level of £1.5m, as discussed in paragraph 1.9.1 of the report. As at 31 March 2021, the unallocated balance was £3.34m. Within paragraph 1.1.6 in the report, it was proposed £0.5m of this balance would be allocated to a new ICT Service Systems Alignment Reserve.

Given the significant uncertainty the Council was facing over future funding, and potential increased costs relating to the proposed merger with Warwick District Council, this additional General Fund Balance presented additional financial security for the Council.

Regarding the New Homes Bonus, as outlined in section 1.7 in the report, the Council would receive £2.681m in 2022/23. As part of the Budget setting report agreed by Members in February 2021, £1.278m of this allocation was already allocated as the Council expected to receive 'legacy payments'. Therefore, the table below outlined previously agreed and new proposals.

New Homes Bonus 2022/23	Approved Feb 2021 £'000	New proposals £'000	
Commonwealth Games Reserve – agreed 5 annual allocations per Executive March 2018	150		
Climate Change year 2 of 3, agreed within February 2020 Budget report (substitute Calculations). Cost of post shared with Stratford DC.	52		
Platform (previously Waterloo) Housing Group - Joint Venture Commitment	45	150	
Voluntary/Community Sector Commissioning – funded from NHB not core budget, as per December 2020 Executive. Funding from 2023/24 to be considered for 2023/24 Budget.	282		*
Rural and Capital Initiatives Grants – funded from NHB not core budget as per December 2020 Executive. Allocation reduced from £150k in view of many towns/parishes now in receipt of CIL. Funding from 2023/24 to be considered for 2023/24 Budget.	100		*
Public Amenity Reserve – to fund work on Council play areas and open spaces	270		
Joint Local Plan – required to match SDC funding, further contributions required in future years.	200	100	*
Future High Street Fund	119		
Lord Leyster Hospital – underwriting of HLF award match funding	60		
SDC/WDC Joint Working – as discussed in paragraph 1.11.2. Further similar allocations required for 2023/24 and 2024/25.		900	*
Shakespeare’s England – it is proposed to increase the contribution from both SDC and WDC to £100k for 2022/23 and 2023/24. The use of this funding will be subject to a further report being agreed by Cabinet. Additional funding for 2023/24 would need to be considered for inclusion in the 2023/24 Budget.		25	*
Tree planting		140	*
Disabled Facilities Grants – HEART scheme additional funding		5	
Service Transformation Reserve		89	
Total	1,278	1,409	
Total Allocated		2,681	

* Indicates further funding would need to be allocated for future years as part of 2023/24 Budget process.

As at 31 March 2021, the Council held £7.365m in useable Right to Buy Capital Receipts. This balance was projected to increase by £1m in 2022/23 to give an anticipated balance as at 31 March 2022 of £8.256m. Most of the balance was proposed to be used towards the Kenilworth Leisure Centre, as agreed by Cabinet in February 2021.

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

The proposed budget allocation for 2022/23 was based on a review of the current PPM data by officers within the Assets Team, in consultation with building managers from other services which hold or operate specific assets. The Proposed Corporate Property & Planned Preventative Maintenance (PPM) Programme works 2021/22 was set out at Appendix 11 to the report.

For 2022/23, the total PPM budget was £803,600. This would be funded using £413,200 from the Annual Revenue PPM budget and a £390,400 drawdown from the Corporate Assets Reserve. This was expected to leave a £272,900 balance as at 31 March 2022. Further detail of the PPM funding was also set out with Appendix 11 to the report.

Article 14 of the Constitution specified when contracts needed to be signed under seal, this being contracts over £50,000. The Code of Procurement Practice was updated earlier this year so any contract with a value exceeding sums specified in the Public Contracts Directive must be made under the common seal of the Council. Accordingly, it recommended that Article 14 of the Constitution is updated to read:

Any Contract entered into on behalf of the local authority in course of the discharge of an executive function shall be made in writing. Any contract with value exceeding ~~fifty thousand pounds (£50,000)~~ sums specified in the Public Contracts Directive must be made under the common seal of the Council"

The introduction of charging for garden waste services was discussed with Members in 2020 when the decision was taken to work in partnership with Stratford District Council (SDC) to introduce a new '123' waste collection service from August 2022. SDC decided in 2019 to introduce garden waste charges but delayed implementation for a year because of the pandemic. As WDC did not have a green waste charge in place, this was the only area not fully aligned between the two Councils for the 2022 contract. SDC went live with charging in April 2021 with a charge of £40. Take-up significantly surpassed expectations with approx. 48,000 subscribers (76%) resulting in new income of £1.77m against a target of £0.75m.

The collection of garden waste was not a statutory service – i.e. one that the Council was obliged to provide, and therefore the Council might charge for this discretionary service should they wish to. Charging for garden waste collections became more common over recent years, providing a legitimate way to raise new income to contribute to the provision of expensive and front facing waste collection and cleansing services. Over 75% of Local Authorities in England currently charged for garden waste collections with prices ranging from £25 to over £90 per year. The average was around £46 per year. Average take up rates were around 40 - 60% of all households. WDC was the only District in Warwickshire that did not currently charge for the collection of green waste.

A charge of £20 per bin was proposed for the first year, from 1 August 2022, due to the service being provided for only two thirds of the year. For the first full financial year of the service, a charge of £44 per bin was proposed. Garden waste collection would be provided as an opt-in service. The introduction of garden waste charges was initially approved in principle as part of the budget proposals agreed in the December 2020 report 'General Fund Financial Update'. It was originally forecast that £600k of income would be generated by the service in 2022/23, rising to £900k by 2022/23.

The estimated income was revised in the Q1 Budget Report presented to Members in September 2021 to £1m p.a. from 2022/23, based on an implementation date of 1 April 2022.

However, with the charges not proposed to be charged until 1 August, in line with the introduction of the new waste collection service, the forecast was revised down to £64k in 2022/23, based upon the part year charge of £20 and a 5% take up to the service.

It was then forecast that the service would generate £1m from 2023/24, based upon a charge of £44 and a 50% take up of the service.

There was a cost of £1.05 for the issue and postage of each permit. Marketing and promotional costs would also be incurred. A £50k budget was already in place for 2022/23 to cover the start-up costs of the service. It should have been noted that the new waste collection contract, due to commence 1 August, was agreed based upon a 50% take up of the service. Were the changes not to be introduced alongside the new contract, the cost of collection would increase (alongside any loss of income) due to the need to still provide a 100% collection service to all 51,700 households in Warwick District with a garden.

Appendix 12 to the report outlined an addendum to the Community Protection Fees, based upon a review of the Pest Control Service. This was outlined in the Fees and Charges report presented to Cabinet in November 21, but without the revised charges being included. These were now reflected in the appendix.

The review determined that the fees and charges needed to be increased in order to ensure the service was able to viable for the future. These fees, after careful consideration, were brought into line with those that were charged by Stratford-on-Avon District Council as part of a staged programme of team alignment.

The proposed fees introduced a fee for the treatment of rats and for the provision of advice or cancelled/no show visits. It was also proposed that reduced fees were also removed for those currently eligible. This was necessary in order to generate the required savings/income required by the Medium Term Financial plan. Careful consideration was given to implications of these changes to ensure the ability of the service to continue and to manage the impact of these changes on residents. Investigation highlighted that those persons engaging the pest control service for rats do so as the service was free of charge, no matter their financial situation rather than paying a commercial contractor (current

national average cost £150). This was reflected in the large number of rat treatments the Council undertook in relation to the other pests treated. It should have been noted that the Council was not legally obliged to provide a full pest control service; it did however have a legal responsibility (statutory duty) to deal with pests on its own land and it also had an enforcement role to ensure that people took appropriate action to control pests on their own land or in their property. This duty was set out in the Prevention of Damage by Pests Act 1949, which dealt with rodent infestations, and the Public Health Act 1936 which covered 'verminous premises'. This enforcement was normally through the service of enforcement notices. WDC would continue to honour its land ownership responsibilities in relation to pest management.

There were two occasions for the exercise of the Chief Executive's powers in consultation with Group Leaders.

Firstly, support was sought for the exercise of the Chief Executive's emergency powers to conclude the lease negotiations for the occupation of the refurbished Spencer Street Church. The outstanding issue was to offer 16 parking passes free for the company which was to occupy the premises to use in the Old Town area. However, to be consistent this meant that we should make the same offer to other tenants (29 passes) for a five-year period. The cost going forward would then be incorporated into the rent review. The free passes would mean if used to the full extent an impact of £128,250 lost income over five years but would secure the location of a company and the employment it would bring with it to underpin the Creative Quarter work as well as secure an occupier for an empty building. Four out of the five Group Leaders agreed. A disagreement by one was noted.

Secondly, the new ARG scheme to assist companies on a discretionary basis needed to be introduced as from 28 January. All Group Leaders agreed.

In approving the 2022/23 Budget and Medium Term Financial Strategy as laid out in the report, the savings previously agreed needed to be fully achieved, together with further savings approaching £1m to enable a balanced Budget to be agreed in 12 months' time for 2023/24 to provide a summary of the proposals and reasons for it by way of a conclusion.

In terms of alternative options, the Council did not have an alternative to setting a Budget for the forthcoming year. Members could, however, decide to amend the way in which the budget was broken down or not to amend the current year's Budget. However, the proposed latest 2021/22 and 2022/23 budgets sought to reflect the decisions made by Members and make appropriate recommendations. Any changes to the proposed budgets would need to be fully considered to ensure all implications (financial or otherwise) were addressed. If any Member were considering suggesting changes to the proposed Budget, these proposals should be discussed (in confidence) with the Head of Finance beforehand to ensure all implications were considered, including funding. If appropriate, alternate Budget papers could be prepared for consideration by Council.

As discussed in section 1.6 in the report, the Council had the ability to increase its share of council tax by up to £5 at Band D for 2022/23. This

level of increase was included in the Medium Term Financial Strategy for from 2023/24. If the Council was to increase Council Tax by £5 in 2022/23, this would generate an additional £282k, which would help to protect the Council's future revenue base. Given the significant level of new savings to be found in future years (in addition to the previously agreed savings, many of which have yet to materialise), this potential additional income from a Council Tax increase would significantly contribute to making the Council's finances more resilient on a recurring basis into the future.

The Finance and Audit Scrutiny Committee noted the questions that had been raised in writing by Councillors regarding the Budgets and decision on Council Tax prior to the meeting. Some Members expressed concern about the continuing impact of a freeze on Council Tax on the medium-term financial position for the Council. The Committee examined the rationale for the assumptions on inflation, wage increases and other factors, the reserves position, the need for further savings, and noted the financial pressures and risks in the medium-term financial statements, notwithstanding that a balanced budget was being proposed for 2022/23. It also noted the CFO's statement at Appendix 1 to the report. Overall, the Committee was satisfied that appropriate statements had been made about the assumptions in the Budgets and MTFs, and in the statements of risk and projections that lay behind the proposals.

A confidential addendum relating to the budget was circulated prior to the meeting, the details of which would be included in the confidential minutes. The proposals within the confidential addendum had been agreed by the Cabinet and therefore the budget proposals were amended to reflect this within revised appendices.

In addition to this the Leader proposed that:

(1) a grant of £25,000 be made to the Hill Close Gardens Trust from the Community Projects Reserve subject to the business case being brought to a future Cabinet for approval and to consider a further tranche of grant funding.

The reason for this was that Hill Close Gardens in Warwick was a listed park and buildings owned by the Council but leased and run by the Hill Close Garden Trust. The Trust has relied upon some Council funding to maintain the Gardens and the services it provides. Previous revenue contributions have been £20,000 per annum but the cost has clearly increased. However, the Trust's business plan demonstrated that although the Trust brought in a significant amount of money it required Council support. An analysis by officers indicated that it would cost more for the Council to manage and maintain as a listed entity. It was proposed that a further report on the Business Plan be brought to the Cabinet to sign off and for grant aid going forward be considered.

(2) the sum of £20,000 be made available in 22/23 from the Community Projects Reserve to support and facilitate the celebration of the Queen's Platinum Jubilee the protocol for agreeing the use of this sum to be delegated to the Head of Place and Economy in consultation with the Portfolio Holder for Place and Economy.

The reason for this, was that this year was the Queen’s Platinum Jubilee and it was anticipated that there will be widespread community celebrations. To facilitate this process the Council can as it has for earlier celebrations would support local community activities through the availability for grants and support for events. It was proposed that a one off sum of £20,000 be made available from the Community Projects Reserve.

Councillor Hales then proposed the report as revised to include the additional expenditure as detailed in the confidential papers and additional grants.

Recommended to Council that subject to the inclusion of the additional expenditure as detailed in the confidential papers and additional grants as detailed above:

- (1) the proposed changes to the 2021/22 budget as detailed in section 1.2 and notes the projected surplus for the year of £1.425m be approved;
- (2) the proposed 2022/23 revenue budget as detailed in section 1.3 of the report be approved and note that the shortfall on the year of £1.076m is supported by from surplus projected for 2021/22;
- (3) the Council Tax charges for Warwick District Council for 2022/23 be approved before the addition of Parish/Town Councils, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts, for each band with no increase from 2021/22 as follows:-

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

- (4) the reserve projections and allocations to and from the individual reserves as detailed in Section 1.9 of the report, including the ICT Replacement, Equipment Renewal and Pre-planned Maintenance Schedules be approved;
- (5) the General Fund Capital and Housing

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

- (6) the allocation of project funding discussed in Section 1.12 and summarised in Appendix 10 to the report be approved;
- (7) drawdown from the Service Alignment Reserve and the ICT Service Systems Alignment Reserve be delegated to the Chief Executive, in consultation with the Head of Finance, Leader of the Council, Resources Portfolio Holder and Chief Executive for Stratford DC;
- (8) the proposed allocation of £803,600 for the 2022/23 Corporate Property Repair and Planned & Preventative Maintenance (PPM) Programmes to fund the list of proposed works set out in Appendix 11 to the report and the drawdown of funding from the Corporate Asset Reserve of up to £390,400 to support the programme be approved;
- (9) article 14 of the Constitution be agreed to be amended to read as follows:
Any Contract entered into on behalf of the local authority in course of the discharge of an executive function shall be made in writing. Any contract with value exceeding sums specified in the Public Contracts Directive must be made under the common seal of the Council;
- (10) garden waste charges be introduced from 1st August 2022, at a charge of £20 for the remainder of the financial year 2022/23; and
- (11) the addendum to the Community Protection Fees and Charges proposals set out in Appendix 12 to the report, operate from 1 April 2022.

Resolved that

- (1) the impact on the Medium Term Financial Strategy (MTFS) be noted due to changes detailed within the report, and how these changes are expected to be accommodated

and how further significant savings need to be agreed and implemented before the Council agrees its 2023/24 Budget;

- (2) the updated Financial Strategy (Appendix 11 to the report) be noted; and
- (3) the use of the Chief Executive's Emergency powers (CE(4)) in consultation with Group Leaders as set out in Section 1.17 of the report, be noted.

(The Portfolio Holder for this item was Councillor Hales)
Forward Plan Reference 1,201

101. **Housing Revenue Account Rent Setting and Budget 2022/23**

The Cabinet considered a report from Finance which informed Members on the Council's financial position for the Housing revenue Account, bringing together the latest and original Budgets for 2021/22 and 2022/23. It followed on from the HRA Business plan approved by Members in December 2021. The report presented a balanced budget for 2022/23.

From April 2020, a new national rent policy came into effect, which included the ability for Councils to increase rents annually by up to CPI (at September) + 1% per annum. The Council would increase rents for Social and Affordable rent dwellings by CPI at September 2021 which was 3.1% +1% with the total rent increase being 4.1% from April 2022.

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

Appendix 1 to the report contained the average rents for both Target Formula Rent and Historic Rent policy dwellings.

A comparison of the Councils proposed 2022/23 rents to Local Market Rents, National Formula Rent Caps and Local Housing Allowance Rents was set out in Appendix 2 to the report. The Councils Social Rents were 41% lower than the Local Average Weekly Market Rent. This meant that the Council's housing service reduced the cost of living for tenants, allowing more money to be spent in the wider economy and reducing the social welfare costs of helping lower income tenants afford their rent.

From April 2016 landlords were permitted to set the base rent as the Target Social Rent (also known as Target Formula Rent) for new tenancies. In the Councils case this represented a small increase over the social rent charged for tenanted properties and was projected to increase rental income in total by around £6,000 in 2021/22. These tenancies were subject to agreed rental policy to comply with the Welfare Reform and Work Bill 2016.

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

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

Existing Affordable Housing tenancies would continue to pay 'Warwick Affordable' rents for the remainder of their tenancy to ensure there were no negative financial implications for existing tenants.

Affordable rents and 'Warwick Affordable' rents were inflated in line with national rent policy at CPI (at September) + 1%. CPI at September was 3.1% and so with the total rent increase was 4.1% from April 2022. This change was noted in the HRA Business Plan projections approved by Cabinet in December 2021.

The Council owned 24 Shared Ownership Dwellings at the time of writing this report. Shared owners purchased a % of the property from the Council and were required to pay rent on the proportion of their home which they do not own.

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

RPI at November 2021 was 7.1% +0.5% with the total rent increase being 7.6% from April 2022. This was a 6.2% increase in comparison to November 2021 when it was 0.9%+0.5% totalling 1.4%.

The Council would continue to use lease agreements based on the existing Housing & Communities Agency (HCA) template lease for all new shared ownership tenancies.

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

Two different rent charges applied to garages depending upon whether the renter was an existing WDC tenant or not. There were also parking spaces and cycle sheds which were charged for Market Research showed that in the private sector, garages were being marketed in the District with rents

ranging from £40-£85 per month (local market valuations last reviewed January 2021). The average monthly rent for a Council garage was currently £46.71.

Demand for garages fluctuated with some sites having waiting lists whereas there were vacancies on others. This affected the overall rent received value.

At the time of writing the report 32% of the total garage stock was void at the time of writing the report, worth approximately £324,200 in potential income in a 12-month period. Work to review each site to potentially reduce the level of voids and possibly attract additional income was in progress.

The Garage Rents increased by 10% per year from April 2021. For 2022/23, a tenant's weekly charge would increase on average by £1.08 per week from £10.78 to £11.86. Non-tenants also pay VAT on the charge, so VAT inclusive rates would increase by £1.29 per week, from £12.94 to £14.23. There were a number of Garages of non-conventional size which were charged varying rates, these rents would also be increased by 10%.

Regarding the HRA Revenue Budgets 2021/22 latest and 2022/23 base, the Council was required to set a balanced budget for the HRA each year, approving the level of rents and other charges that were levied. The Cabinet made recommendations to Council that take into account the base budgets for the HRA and current Government guidance on national rent policy.

Appendix 3 to the report summarised the adjustments from 2021/22 base budgets to the 2021/22 latest budgets and 2022/23 base budgets.

The Housing Investment Programme (HIP) was presented as part of the separate February 2022 report 'Revenue and Capital Budget 2022/23'.

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

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

The following table summarised the figures in Appendix 3 to the report and showed how the latest 2021/22 HRA budget was calculated and how this changed from the original 2021/22 approved budget:

	£
Original Approved Net HRA Operational Income Surplus 2021/22	(7,762,600)
Net Increase in Expenditure	570,300

Net Increase in Income	0
Latest Net HRA Surplus 2021/22	(7,192,300)

Key drivers of the increase in Expenditure budgets included:

- A Painting & Decorating Earmarked Reserve Request due to Covid-19 Pandemic related delayed works needing to be completed in the following year which temporarily increased the budget for one financial year. The EMR was approved as part of the Councils Financial Year End Report in August 2022.

As a result of the above variations to the 2021/22 HRA budgets, the forecast contribution to the HRA Capital Investment Reserve for the year would be £2.797m.

In determining the 2022/23 Base Budget, the over-riding principle was to budget for the continuation of services at the agreed level. The following adjustments needed to be made to the 2021/22 Original Budgets:

- Removal of any one-off and temporary items.
- Addition of inflation (contractual services and pay only).
- Addition of previously agreed growth items.
- Addition of unavoidable growth items.
- Inclusion of any identified savings.

The table below summarises the figures in Appendix 3 to the report and shows how the 2022/23 HRA base budget was calculated.

	£
Original Approved Net HRA Surplus 2021/22	(7,762,600)
Net Increase in Expenditure	240,100
Net Increase in Income	(1,272,900)
Original Net HRA Surplus 2022/23	(8,795,400)

Key drivers of the change in Expenditure budgets included:

- A net increase in Expenditure from General Supervision & Management of £240,100 consisting of:
 - Reduction in Housing Repairs Supervision Costs (-£95,100).
 - Increase in Supplies and Services & Bad Debt Provision due to increase Covid-19 related arrears (+£8,600).
 - Increased Supervision and Management Costs linked with Salary inflation (£326,600).
- A £1,272,900 increase of HRA dwelling and Garage rents as per Rent Policy and Inflation.

A number of assumptions were made in setting the budgets for 2022/23.

Inflation of 2% was applied to general budgets.

- Rents - The base rent budget in this report was a baseline calculated from the rental assumptions presented in the 2022 HRA Business Plan and as noted in paragraphs 2-2.7 in the report.
- Growth / Income Reductions from Unavoidable and previously committed growth were included in the Base Budget.
- HRA Capital Investment Reserve - Any HRA operational surplus above the amount required to maintain the appropriate HRA working

balance of £1.5m was transferred into the HRA Capital Investment Reserve to be used on future HRA capital projects. The 2022/23 Base Budget allowed for a £4,220m contribution to the reserve.

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

In terms of Sheltered Housing Heating, Water and Lighting recharges for 2022/23, costs for electricity, gas, water, and laundry facilities were provided at some sheltered housing schemes and were recovered as a weekly charge. These utility charges were not eligible for Housing Benefit. Tenants were notified of these charges at the same time as the annual rent increase. Appendix 4 to the report contained the charges for 2022/23 which would commence on the 1 April 2022.

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

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

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

The charges necessary to fully recover costs for electricity, gas, water, and laundry facilities in 2022/23 were calculated annually from average consumption over the last three years, updated for current costs, average void levels and adjusted for one third of any over-recover or under-recovery in previous years. The use of an average ensured that seasonal and yearly variations were reflected in the calculation.

The total cost to the Council in 2021/22 was calculated at £171,200 for Electricity, Heating, Lighting and Laundry and £34,400 for Water which was included in the Independent Living Service Charges budget in Appendix 3 to the report. This would be recovered by being recharged to the tenants of applicable Sheltered Housing Schemes with the service charges being itemised on Appendix 4 to the report.

It was recommended the review of the Housing Revenue Account Budgets and Rent revisions were approved to enable the budgets to be revised accordingly.

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

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

Dwellings - The Council had the discretion to decrease rents for existing tenants. However, following the negative impact of the previous rent policy of a four-year fixed 1% rental income reduction and the negative impact of the Covid-19 Pandemic; any decreases would further reduce the level of income for the HRA, which in turn could impact upon the viability of future projects and business requirements.

Shared Ownership - The Council did not the discretion to change the rent schedule for existing shared ownership dwellings, which was determined by the existing terms of the lease.

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

The Portfolio Holder for Homes, Health and Wellbeing reassured Members that there had not been a single eviction by the Council during the pandemic. He then proposed the report as laid out.

Recommended to Council that

- (1) the proposed increase to rents for all tenanted dwellings (excluding shared ownership) for 2022/23 in line with National Rent Policy, as detailed in section 1.1 in the report, be approved;
- (2) the HRA Social dwelling rents for all new tenancies created in 2022/23 continue to be set at Target Social (Formula) Rent for Social rent properties be noted;
- (3) the HRA Affordable dwelling rents for all new tenancies created in 2022/23 be noted and continue to be set at the standard National Affordable rent level;
- (4) any new shared ownership tenancies continuing to adopt lease agreements based on the existing Housing & Communities Agency (HCA) template lease with rents increased by RPI + 0.5% annually be noted;
- (5) garage rents for 2022/23 continuing to be

increased by 10% per year, as detailed in section 1.4 in the report be approved;

- (6) the proposed changes to the 2021/22 budget as detailed in section 1.5.5 in the report be approved;
- (7) the proposed 2022/23 revenue budget, as detailed in section 1.6.2 in the report be approved; and
- (8) the Sheltered Housing Heating, Water and Lighting recharges for 2022/23, set to achieve full cost recovery (Appendix 4 to the report), be noted.

(The Portfolio Holder for this item was Councillor Matecki)
Forward Plan Reference 1,202

(The meeting ended at 8.10pm)