Cabinet

Excerpt of the Minutes of the meeting held on Thursday 8 February 2024 in Shire Hall, Warwick at 6.00pm.

Present: Councillors Davison (Leader), Billiald, Chilvers, J Harrison, Kennedy, King, Roberts, Sinnott and Wightman.

Also Present: Councillors: Boad (Liberal Democrat Group Observer), Hales (Conservative Group Observer), and Falp (Whitnash Residents Association Group Observer).

81. **Declarations of Interest**

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

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

84. **General Fund Revenue and Capital Budget 2024/25**

The Cabinet considered a report from Finance which set out the General Fund Budget for Warwick District Council, including proposals for growth, plus the Medium-Term Forecasts up to 2027/28. It would be presented to Council alongside a separate report recommending the overall 2024/25 Council Tax Charges for Warwick District Council.

The report presented a balanced budget for 2024/25, which the Council had achieved through a significant use of available reserves. The Council continued to use non-recurrent funding from the Core Finance Settlement, including the Funding Guarantee and New Homes Bonus to support non-recurrent additional activity and replenishing reserve balances, and not to support ongoing core revenue spending.

In advance of the report to approve the 2024/25 Council Tax Charges going to Council, a 2.99% increase had been recommended by officers, in line with the Medium Term Financial Strategy (MTFS) last approved in February 2023.

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 current and next financial year in the context of strategic planning and decision making, to align with the Corporate Strategy. Hence, Members received a five-year Medium Term Financial Strategy (MTFS) detailing the Council's financial plans, Capital Programme and Reserves Schedule, covering the period 2023/24 to 2027/28.

The Local Government Act 2004, Section 3, stated that the Council needed to 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 2024.

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 provided as Appendix 1 to the report.

This report was structured 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.

In preparing the 2024/25 Base Budget the overriding principle was to budget for the continuation of services at the existing level. The following adjustments needed to be made to the 2023/24 Original Budget:

- Removal of any non-recurrent (one-off) and temporary items.
- Addition of inflation.
- Addition of unavoidable pressures.
- Addition of agreed Growth items.
- Inclusion of any identified savings.

Core inflation of 4% had been included in the proposed 2024/25 Budget for staff pay, subject to pay award negotiations.

The following unavoidable cost uplifts had been included in the Budget:

- Known increases on major contracts already in place with agreed uplifts. These included the waste contract, repairs and maintenance, cleaning, and ground maintenance contracts.
- Increased cost of utilities agreed as part of the Council's commercial contracts, covering gas, electricity, and water.
- IT systems used to support services as Housing, Benefits, Council Tax, Business rates and Finance.

As part of agreeing the 2023/24 Budget last year, a series of Budget savings were included. These had continued to be monitored throughout the year and reported to Members as necessary.

The 2024/25 budget showed a deficit of £4.475m. The key drivers of the 2024/25 forecast deficit, compared to when the MTFS was last presented to Members in the December 2023 Quarter 2 (Q2) Budget report included:

- Request for recurrent Growth items £0.821m.
- Increase in revenue borrowing costs driven by new projects agreed in-year.
  Offset by:
  - Increase to investment income driven by higher than forecast interest rates.
  - The inclusion of business rates growth aligned with expected completions in-year.
  - The inclusion of change programme delivery targets from 2024/25.
  - The delay to the introduction of the second homes premium Council Tax charge.

An additional £0.045m Cost of Living Support budget had also been included from 2024 for three years.

To present a balanced budget, it was proposed to use funding from the General Fund Volatility Reserve.

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

The Chancellor announced the 2023 Autumn Statement on 22 November 2023, which was followed by the Secretary of State giving an update on local government funding in advance of the provisional local government finance settlement 2024-25 on 5 December through a pre-settlement policy statement.

This followed a similar approach to 2023/24, when for the first time a pre-settlement policy statement was published. This outlined the key decisions for the 2023/24 settlement and also for the 2024/25 settlement.

Most of those key decisions remained unchanged from those outlined in 2023/24.

The Provisional Local Government Finance Settlement was then released on 18 December.

The recent announcements and provisional settlement were once again a holding position, designed to offer some stability based on a uniform roll-over of the core elements of the settlement. However, this was the third year in succession that the Government hadonly provided local authorities with a single-year settlement. The hoped for multi-year settlement had again not been forthcoming, and this continued to make financial planning very difficult for local authorities. The settlement was due to be confirmed by the Government in February 2024, ahead of local authorities confirming their budgets for 2024/25.

The Council Tax principles of the Finance Settlement were set out in section 1.5 in the report.

Cap compensation would be paid to mitigate for lost income arising from the decision to freeze the small business rating multiplier in 2024/25. The Services Grant introduced in 2022/23 would be retained again in 2024/25, but further reduced to £0.022m.

For some years the future of the New Homes Bonus (NHB) had been subject to review, adding uncertainty over its continuation.

However, as part of the stability, this had included NHB allocations for 2024/25 of £0.902m. There were no legacy payments attached to these new allocations.

In addition, to bridge the gap and to ensure that all Councils saw a minimum 3% increase in their core spending power (before taking into consideration any local decisions on Council Tax), a further one-off Funding Guarantee allocation of £2.289m would be received. It was noted that the Council had received a provisional increase in core spending power of 4.8% as part of this settlement.

On Wednesday 24 January 2024, the Government announced additional measures for local authorities in England, worth £600 million. This included £500 million of new funding for Councils with responsibility for adults' and children's social care, distributed through the Social Care Grant. Further details on the exceptional provision of this funding would be set out at the upcoming Budget.

In addition, an increase in the funding guarantee so that all local authorities would see a minimum 4% increase in their Core Spending Power, before taking any local decisions on raising Council Tax. It was expected that this would be worth £0.176m to Warwick District Council. However, due to the timing of the announcement, this had not been included in the budget to date. Its inclusion, and how it would be used by the Council, would form part of the Council Tax Report going to Council later in February.

The Council would continue to use NHB and now the Funding Guarantee to fund one-off items, or to support the top-up of reserve balances. This was in view of the uncertainty over future allocations, so it had been prudent not to use this funding to support core revenue expenditure, with this revenue only factored into the Medium-Term Financial Strategy once it had been agreed for each year. The proposal for their use was outlined in section 1.10 in the report and Appendix 8 to the report.
Funding reforms and changes in funding distribution, including the Fair Funding Review and Business Rates baseline reset, would not be implemented until after the General Election, and therefore 2025/26 at the earliest.

Under the current Business Rate Retention scheme, 50% of rates collected were retained within local government (40% to Warwick District Council / 10% to Warwickshire County Council), 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 had been 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.

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 Warwick had 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 fourth consecutive year the re-set had been delayed, with it now expected to be from 2025/26 at the earliest, with this year being the first following the next expected General Election. Therefore, any delay in changing the baselines was seen to be of benefit to the Council. However, the MTFS did account for a steep decrease in the Council's forecast Business Rate income from 2025/26, where it was expected that District Councils would be impacted the most from any change.

While the details of any reform remained unknown, typically there would be some form of transitional funding available to Councils that were negatively affected. However, for prudence, the MTFS assumed for a 'worst-case' scenario, with this position subject to continual review as and when more information became available.

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. This information was supplemented with local knowledge from being part of a Business Rates Pool with other Councils across Coventry and Warwickshire The Council was part of the Coventry and Warwickshire business rates pool.

This had meant that any tariff payable was made through the pool to central Government, along with the other Warwickshire Councils (including the County Council) and Coventry City Council. The operation of the Coventry and Warwickshire pool had meant that the tariff payments made by the Council were reduced and more business rates income could be kept locally. The members of the pool had once again agreed to remain within the pool going forward into 2024/25.

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 business rates income received in the year above the agreed baseline was allocated to the reserve. In future years, it might be necessary to fund any shortfall to the baseline from the reserve. As the Council currently was operating above the baseline, it had been able to use the overperformance income from prior years to balance the current year budgets, with the 2024/25 being no exception.

As part of the Finance Settlement (section 1.6) the Government had confirmed that for District Councils, their element of Council Tax could increase by the higher of 2.99% or £5 for 2024/25. As 2.99% was higher than £5 for the Council, this was the maximum increase in Council Tax for 2024/25 that was allowed for. Any increase above this level would require a local referendum.

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 2.99% (or no increase), this would erode the tax revenue of Warwick District Council from 2024/25 in perpetuity. A 2.99% increase would generate an additional £0.308m in 2024/25. 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.

The Tax Base for 2024/25 had now been agreed at 58,280 Band D dwellings, representing an increase of 611 from the prior year's tax base, and above the forecast used by the government in setting the Local

Finance settlement. However, this figure represented a decrease of 520 from what had been allowed for within the Council's 2023/24 Medium Term Financial Strategy. The decrease reflected the number of new properties across the District now coming forward, following a slowdown in the construction of new properties from the second half of 2023/24 due to the current economic conditions, with inflation and interest rates being higher than what was forecast when the budget was set last year. The figures also reflected the actual impact on the changes to the Local Council Tax Reduction Scheme introduced in 2023/24.

The 2023/24 estimated Council Tax balance in respect of Council Tax income for the current year had recently been reviewed. This gave a total estimated deficit balance of £1.001m as at 31 March 2024. This balance had to be shared with the major preceptors in 2024/25, with the Council's element being £0.100m. 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 current economic conditions, and the actual impact on the changes to the Local Council Tax Reduction Scheme introduced in 2023/24 had increased the challenge of estimating the tax base with increased levels of certainty. The model used to forecast the tax base was continually revised to take into consideration current economic and sector conditions, with the forecast on new properties being reduced for 2024/25 as a result of the continued challenging market conditions.

The Medium-Term Financial Strategy assumed Council Tax increases for future years of 2.99% per annum from 2024/25. Any departure from this would increase the level of the future deficit, and the values required to be achieved within the change programme.

Therefore, the Officer recommendation within the report was for District Council's element of Council Tax for 2024/25 should be increased by 2.99%. On this basis, the 2024/25 Council Tax for each band would be as follows:

	£
Band A	121.43
Band B	141.67
Band C	161.91
Band D	182.15
Band E	222.63
Band F	263.11
Band G	303.58
Band H	364.30

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. By increasing the Council Tax by the maximum amount permitted, Members were ensuring the Council was limiting where possible the size of the financial deficit, and that it was maximising the amount of Council Tax it could receive in-year to support continued delivery of agreed services.

For some years the future of New Homes Bonus (NHB) had been subject to review, adding to uncertainty to its continuation.

It was expected that NHB payments would end in 2022/23. However, due to the ‘holding’ nature of the Finance Settlement, NHB allocations had once again been included, with £0.902m to be received in 2024/25. There were no legacy payments attached to these new allocations.

In addition, to bridge the gap and to ensure that all Councils saw a minimum 4% increase in their core spending power (before taking into consideration any local decisions on Council Tax), a further one-off funding guarantee allocation of £2.465m would be received.
However, due to the reasons covered in sections 1.3.12-1.3.13 in the report, the previously communicated allocation of £2.289m had been included in the budget to date.

The Council would continue to use NHB and now the Funding Guarantee to fund one-off items, or to support reserves. This was in view of the uncertainty over future allocations, so it had been prudent not to use this funding to support core recurrent revenue expenditure, with this revenue only factored into the Medium-Term Financial Strategy once it had been agreed for each year. The proposal for their use was outlined in section 1.10 in the report and Appendix 8 to the report.

The 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:

	2023/24	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	£m	**£m**	**£m**	**£m**	**£m**
Deficit-Savings Req(+)/Surplus (-) future years	0.600	4.334	2.476	1.525	1.501

Once the changes outlined 2024/25 through the Budget Setting process had been incorporated into the Strategy, the position of the MTFS was now as follows:

	2023/24	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	£m	**£m**	**£m**	**£m**	**£m**
Deficit-Savings Req(+)/Surplus (-) future years	0.759	4.475	2.434	-0.250	-0.903

Section 1.10.3 in the report proposed how the deficit would be covered through the use of reserves. The below table showed the MTFS once this had been actioned:

	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
Deficit-Savings Req(+)/Surplus (-) future years	0.0	0.0	2.434	-0.250	-0.903

As part of the MTFS position above, a number of key assumptions had been included, including:

- A 2.99% Council Tax increase per annum.
- A 2% tax base increase per annum.
- A 10% increase per annum on authority controlled and agreed fees and charges.
- Inflation of 4% to 2025/26, and 3% thereafter.
- Revenue expenditure costs associated with additional forecast borrowing.
- Business rates growth based on known developments (taking into consideration the assumed business rates reset from 2025/26).
- Delivery of the Change Programme.

Regarding the Change Programme, the Council's Corporate Strategy made a clear commitment to ensure continued financial sustainability. To contribute this priority and the Council's medium-term financial strategy, there would be an organisational change programme, which would set out the approach and timeframe to achieve financial efficiencies needed. The Change Programme business case - the case for change, would be presented to Cabinet in March for approval. The Change Programme would have senior Cabinet and officer sponsorship and oversight.

The Council was also maximising returns from its investments, through the Local Housing Company and by ensuring reserves were invested when not required. In addition, agreed borrowing was only taken upon need, and where possible, 'internal borrowing' from reserve balances was used to minimise the associated revenue cost. This would be discussed in greater detail as part of the updated Treasury Management Strategy, which would be presented to Cabinet in March, with current performance having last been reported to the Audit and Standards Committee in January 2024.

Members had 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 had been completed (Appendix 4 to the report). This showed the requirement for maintaining this minimum balance to mitigate against the risks that had been identified, where other funding was not available.

The unallocated General Fund Balance was currently forecast to be £1.5m, and therefore was in line with the agreed minimum level.

The Business Rate Retention Volatility Reserve (BRRVR) was used over prior years to deliver a balanced budget. However, to ensure this reserve remained available for its primary purpose of smoothing business rate receipts, any overperformance above a £2m balance had been reallocated to the General Fund Volatility Reserve. Business rates were discussed in section 1.4 in the report, including the expected changes to Business Rate Retention which had been delayed over the last few years. With the result of the expected changes in mind, it was essential that the Council moved away from its reliance on overperformance receipts to balance the budget in future years, with the Change Programme in March due to outline how the Council planned to address the ongoing deficit position.

A change programme delivery reserve had been established from 2024/25, funded with £0.500m from the Services Transformation Reserve. This would be used on an 'invest to save' basis to enable delivery of schemes within the change programme that might require an initial investment in order to deliver recurrent savings.

The Head of Finance had delegated authority to enable drawdown from the Equipment Renewal Reserve within the agreed schedule. Any further requests or requests above the agreed schedule would require Member approval.

The tables in 1.8.6 in the report showed a summary of the key reserve balances available for use by the Council before additional commitments.

The full reserve projections were included within Appendix 5 to the report, alongside an 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 either require further funds being allocated in a future year, or a reduction in funded activity. Section 1.10 covered in more detail some of these reserves.

In accordance with the Council's Code of Financial Practice, all new and future capital schemes needed to 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 have been included in the report and Business Plan.

The Capital Programme had been updated throughout the year as new and amended projects had been approved. Appendix 7 to the report, consisting of five parts, detailed both the General Fund and Housing Investment Programme (HIP) Capital programmes, along with their associated funding. Appendix 6 to the report detailed the variations to the capital programme as new schemes had been approved and projects had been updated.

Slippage and savings on existing schemes were also detailed within Appendix 6 to the report.

The HIP and associated funding were included within Appendix 7 parts 2 and 4. Additional borrowing was the primary source of funding for new construction and acquisition projects. The HIP would be presented again as part of the HRA Business Plan report due in March.

Appendix 7 Part 5 to the report showed the General Fund unallocated capital resources. These totalled £3.320m in 2023/24. The Capital Investment Reserve represented the largest share of this at just under £1.5m, for which the Council had 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 had been reserved for specific purposes. In addition to the resources shown, "Any Purposes Capital Receipts" currently totalled £9.728m (see section 1.10.8 of the report).

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 needed to be accommodated within the revenue budget. The proposed usage of these funds and balances were detailed below.

For 2024/25, it was proposed that funding from the General Fund Volatility Reserve should be used to cover the £4.475m General Fund Deficit to enable a balanced budget to be presented.

A General Fund Volatility Reserve (GFVR) had been established during the 2024/25 Budget Setting Process to enable the Medium Term Financial Strategy to be balanced over future years, until the forecast surplus position was achieved from 2026/27.

This was done by repurposing funds from the Business Rate Retention Volatility Reserve (BRRVR) above a balance of £2m. Based on latest projections, £2m was now deemed an appropriate amount for the BRRVR, to now only be used to 'smooth' receipt of business rate income.

Overperformance to date had enabled this reserve to be topped up annually, but given the forecast business rate reset from 2025/26, it might be required to bridge any gaps from underperformance against a potentially higher baseline.

The GFVR currently had a balance of £3.853m (after the 2024/25 budget is balanced) and would be used to cover the forecast 2025/26 deficit of £2.434m.

The Council's policy was for the General Fund Reserve Balance to be maintained at a minimum level of £1.5m. Following the release of £1m last year from the reserve, the balance was currently £1.5m.

The Service Transformation Reserve was to be used to support one-off costs associated with the change in delivery of services. As of 31 March 2024, the forecast balance was £0.982m, with an annual top up of £0.400m to the reserve from 2025/26 from forecast core-settlement allocations.

The Change Programme Delivery Reserve was a new reserve set up to support the implementation of schemes aligned to the change programme, with the expectation that these should bring recurrent benefit to the Council, either through increased income or service efficiency. It had been allocated £0.500m in 2024/25 from the Service Transformation Fund.

As outlined in section 1.6 in the report, the Council would receive £3.191m in 2024/25 as part of the Local Finance Settlement, made up of New Homes Bonus (£0.902m) and a Funding Guarantee payment (£2.289m).

Appendix 8 to the report outlined how this funding was to be used, primarily to support non-recurrent funding requirements or reserve top-ups.

As of 31 March 2023, the Council held £9.728m in useable Right to Buy Capital Receipts. £3.416m of this balance had been agreed to be used towards a number of projects, with £3m of this value currently planned to be used towards the Kenilworth Leisure Centre projects at Abbey Fields and Castle Farm.

The proposed PPM budget 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 2024/25 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 held or operated specific assets. The Proposed Corporate Property & Planned Preventative Maintenance (PPM) Programme works 2023/24 was set out at Appendix 11 to the report.

For 2024/25, the total PPM budget was £2.073m. This would be funded using £0.413m from the Annual Revenue PPM budget and a £1.660m drawdown from the Corporate Assets Reserve. The Council made a significant top up to the Corporate Asset Reserve in 2023/24 of £3m, and a top-up from the core settlement in 2024/25 of £0.686m, leaving sufficient capacity in the reserve to address emerging issues. Further detail on the PPM schedule and funding was set out in Appendix 9 to the report.

In the Levelling Up and Regeneration Bill, there was a section relating to Council Tax and changes in the way that Local Authorities (LAs) could apply the Long-Term Empty Property Premium and the opportunity to introduce a premium for furnished second homes. The Levelling-Up and Regeneration Bill, introduced in the House of Commons on 11 May 2022, received Royal Assent on Thursday 26 October 2023.

Section 11b of the Local Government Act 1992 had been updated to allow a local authority to amend how they charged the empty property premium. Currently at Warwick District Council, this was applied at an additional 100% for properties empty over two years, 200% for those empty over five years and 300% for those empty over 10 years. From 1 April 2024, the Bill allowed a local authority to charge the additional 100% after a property had been empty for one year instead of two, with the other bands remaining unchanged.

The second change was that LAs would be able to charge up to an additional 100% premium on all furnished second homes in the District. These were essentially homes not occupied but kept furnished as 'second homes' by their owners, not rented out, just used by the owners as holiday homes etc.

The recommendation was that Warwick District Council should adopt these new measures, with the empty property premium to be introduced from 1 April 2024.

For the second homes premium, a billing authority's first determination under this section needed to be made at least one year before the beginning of the financial year to which it related. Therefore, the recommendation was that Warwick District Council should adopt the new measures, giving notification as part of the 2024/25 Council Tax notice to be published following resolution at Council, expected to take place on 21 February 2024. The policy would then come into force from 1 April 2025.

It should have been noted that approval for their introduction was agreed as part of the 2023/24 Budget Setting Report in February 2023, on the expectation that Royal Assent would have taken place in time for their implementation from 1 April 2023 and 1 April 2024 respectively. As this did not take place until October 2023, the timelines had been updated accordingly.

The MTFS had been updated to reflect the delay to their introduction and was expected to increase the Council Tax received by Warwick District Council as the collecting authority by a forecast £1.3m, which would be distributed amongst the preceptors in the normal way. If implemented, this would equate to a forecast £0.150m per annum from the 2024/25 financial year.

One of the key impacts of the COVID-19 pandemic was how the workflow of the finance service changed to meet the needs of service delivery and additional reporting requirements to central Government, particularly to gain access to available grant funding such as the Income Compensation Scheme.

Consequently, the budget setting process was streamlined into one report that went to Cabinet in February, and this was the process that remained in place currently.

Previously, a draft base budget report was approved by Cabinet in December, before the final report (which included growth, core settlement funding with allocations and some final proposals) went to Cabinet in February.

It was proposed that the process reverted to its original format from the 2025/26 budget cycle. The benefit of this approach was that it would give Senior officers and Cabinet more time to review additional budget requirements, in particular growth requests, before they were put forward for approval.

The revised timetable would be shared with Cabinet in April, which would also include the scheduling for the Statement of Accounts, Quarterly budget monitoring and fees and charges processes.

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 2024/25 budget 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 was 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.

An addendum circulated prior to the meeting advised of an additional recommendation to the report to read:

"that Cabinet recommends to Council to approve the recommendations set out in Appendix 10: CIL Projects List 2024/24 & 2024/25".

The addendum also advised of further documents which had been circulated relating to the Community Infrastructure Levy (CIL).

The Budget Review Group thanked officers for their hard work in putting together the report.

The Group explored the Medium-Term Financial Strategy and the impact on reserves. They were keen to see the upcoming change management strategy and the assumptions underpinning it.

Members requested that communications material be made available detailing all of the grants that the Council had access to, and information be provided so that residents could see what was being delivered with those grant funds.

Councillor Chilvers proposed the report as laid out.

Recommended to Council that

(1) the proposed 2024/25 revenue budget as detailed in section 1.2 in the report, be approved, and the shortfall on the year of £4.475m is addressed using the General Fund Volatility Reserve, be noted;

(2) the Council Tax charges for Warwick District Council for 2024/25 before the addition of Parish/Town Councils, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts, for each band with an increase at band D of 2.99%;

	£
Band A	121.43
Band B	141.67
Band C	161.91
Band D	182.15
Band E	222.63
Band F	263.11
Band G	303.58
Band H	364.30

(3) the reserve projections and allocations to and from the individual reserves as detailed in Section 1.8 in the report, including the ICT Replacement, Equipment Renewal and Pre-Planned Maintenance (PPM) Schedules, be approved;

(4) the General Fund Capital and Housing Investment Programmes as detailed in section 1.9 of the report, and Appendices 7 parts 1 and 2, together with the funding of both programmes as detailed in Appendices 7 parts 3 and 4, be approved. Changes to the programme are outlined in Appendix 6 to the report;

(5) the allocation of project funding outlined in Section 1.10 in the report and summarised in Appendix 8 to the report, be approved;

(6) the 2024/25 Corporate Property Repair and Planned & Preventative Maintenance (PPM) Programme totalling £2.071m as outlined in Appendix 9 and section 1.12, funded from a drawdown from the Corporate Asset Reserve of up to £1.660m, be approved. Members should also note the 5-year programme presented in the appendix, and how this programme can be accommodated by the Corporate Asset Reserve; and

(7) the recommendations set out in Appendix 10 to the report, CIL Projects List 2024/24 & 2024/25, be approved.

Resolved that

(1) the impact on the Medium-Term Financial Strategy (MTFS) due to changes detailed within the report, how these changes are expected to be accommodated through the delivery of an organisational change programme, due to be presented to Cabinet in March, be noted;

(2) the introduction of the empty property premium charge with effect from 1 April 2024, and the second homes premium charge relating with effect from 1 April 2025, be noted. Both charges relate to Council Tax, and are outlined in section 1.12 in the report; and

(3) the budget setting timetable for 2025/26 will be shared with Cabinet in April, as outlined in section 1.13 in the report, be noted.

(The Portfolio Holder for this item was Councillor Chilvers).
Forward Plan Reference 1,427

85. **Housing Revenue Account (HRA) Budget 2024/25 and Housing Rents Setting Report**

The Cabinet considered a report from the Head of Housing which informed Members on the Council's financial position for the Housing Revenue Account, bringing together the latest and original Budgets for 2023/24 and 2024/25. The report presented a balanced budget for 2024/25 and made recommendations to Members in respect of Council tenant housing rents, garage rents and other HRA charges for 2024/25.

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+1%) at September per annum. The Council would increase rents for Social Rent dwellings by (CPI+1%) at the September 2023 rate of 6.7% + 1%, meaning a total rent increase of 7.7% from April 2024.

After a short consultation, in the Autumn Statement on 17th November 2022 the Chancellor of the Exchequer announced that a one year 7% Rent Cap would be applied in the place of the National Rent Policy, using a Direction to the Regulator of Social Housing and advised this would support people in Social & Affordable Housing in England with the cost of living crisis by limiting the increase in their rents. However, on 4 January 2024, it was announced this would revert to the National Rent Policy (CPI+1%) as detailed above.

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 Council's proposed 2024/25 rents to Local Market Rents, National Formula Rent Caps and Local Housing Allowance Rents was set out in Appendix 2 to the report. The Council's Social Rents were 42% 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 Social Tenancies. These tenancies were subject to agreed rental policy to comply with the Welfare Reform and Work Act 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 prior social 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 7.7% (CPI+1%) for 2024/25, 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.

Prior to 2020, existing Affordable Housing tenancies were set at a special "Warwick Affordable Rent" which was a mid-point between Social and Affordable rent. Any existing historic 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 would be inflated in line with national rent policy at (CPI+1%) at September, meaning total rent increasing to 7.7% from April 2024.

Shared Owners purchased a percentage of the property from the Council and were required to pay rent on the proportion of their home which they did not own.

Shared Ownership rents were currently increased once a year by the Retail Prices Index (RPI+0.5%), meaning the total rent increase from April 2024 would be 5.8%. However, the government recognised that RPI was now an outdated measure of inflation, and was committed to phasing out of usage by the end of the decade.

On 12 October 2023, it was announced that rents for new Shared Owners could instead be increased once a year by no more than the Consumer Prices Index (CPI+1%), meaning a total increase of 7.7% from April 2024. This reform brought Shared Ownership rents into line with the limit that normally applied to annual rent increases in other forms of social housing.

The Council would continue to use lease agreements based on the Homes England template lease for all new shared ownership tenancies which would be increased annually by (CPI+1%), existing Shared Ownerships would remain at (RPI+0.5%).

Garage Rent increases were not governed by National Guidance. 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 £80-£105 per month, depending on quality and location (local market valuations last reviewed January 2024). The average monthly rent for a Council garage was currently £55.19.

The HRA owned a number of dwellings that were sub-leased to the Council's General Fund to be used as Temporary Accommodation. The reason for the dwellings being sub-let was that Homelessness was a General Fund function and had to be financed separately from the HRA Ringfence, which meant the HRA could not cross subsidise General Fund costs and vice versa, in line with legislation.

The way Lease Financing worked was that the HRA charged the General Fund an annual lease based on the weekly rent that would be charged for a Temporary Accommodation Dwelling. The General Fund Temporary Accommodation team allocated the Temporary Accommodation tenants and charged them rent, which was then collected and paid into the General Fund. At year end, an internal transfer of this rent was made by the Accountancy Team to enable the General Fund to transfer enough Rent to the HRA to pay for the annual lease charge.

Most of the Temporary Accommodation rent was funded by tenants claiming Housing Benefit due to the nature of the service.

During the 2021/22 Social Housing Rent Regulator's inspection of the HRA Rents, it became apparent that the HRA dwellings being sublet to the General Fund as Temporary Accommodation were deemed to have low rents. Although Temporary Accommodation fell outside of the Social Rent Regulators Remit, it was stated that it was good practice to have an annual rent review in place and a firm inflation policy adopted where the HRA owned the stock being sub-let to the General Fund.

There was no official National Rent Policy where Temporary Accommodation was concerned as providers varied greatly across the sector from B&Bs, hotels, private landlords, Local Authorities and Housing Associations, so one flat rate of rental inflation had not been legislatively applied to this sector.

It was proposed that during the 2023/24 financial year, a full review of the HRA Temporary Accommodation Rents was completed, to comply with the

Social Rents Regulator’s suggestions, a consultation took place in January 2024 with the Local Benefits Office, where it was discovered rents were significantly undercharged and should be increased to £117.69 for a one-bed property, £147.69 for a two-bed property and £173.08 for a three-bed property.

The lease agreements between the HRA and General Fund would be updated to factor in these new revised rents and an annual agreed inflation policy would be implemented.

In determining the 2024/25 Base Budget, the overriding principle was to budget for the continuation of services at the agreed level. The following adjustments needed to be made from the 2023/24 budgets.

- removal of any non-recurrent (one-off) and temporary items;
- addition of inflation (contractual services and pay only);
- addition of previously agreed growth items;
- addition of unavoidable growth items; and
- inclusion of any identified savings.

The table summarised the figures in Appendix 3 to the report and showed how the 2024/25 HRA base budget had been calculated.

	£
Original Approved Net HRA Surplus 2023/24	**(4,031,100)**
Net Increase in Expenditure	900,800
Net increase in Interest on Borrowing	843,400
Net Increase in Income	(2,561,400)
Original Net HRA Surplus 2024/25	**(4,848,300)**

Key drivers of the change in budgets included:

a. Expenditure - the increase in expenditure of £900,800 included the following:

- increased salary costs in-year, including the Working for Warwick pay award, inflation, offset against an increased vacancy factor.

  - increase on contract inflation on existing contracts. This increase is based on individual contract inflation as per contract;
  - increase income as part of the Fees & Charges revive. The increased fees and charges related to Warwick Response;
  - decrease in the budget required for utility costs. Although utility cost was increasing in the new year, last year’s estimate budget was high compared to actual charges in year. A full reconciliation of costs had been completed as part of budget setting, including the inflation charges set by the supplier, which had then reduced the budget to expected cost in the year.

- increase in Depreciation for Equipment, Council Dwellings and other HRA Properties;

- interest on Balances Costs represented the increasing revenue cost borrowing to support the HRA's capital programme year-on-year. The amount of interest that was to be credited or debited to the Housing Revenue Account would vary depending on how the net balances and cashflow of the HRA changed. As the HRA's capital programme had begun to rely on external borrowing in recent financial years, due to interest rates and the Council's overall level of investments (of reserves and balances), this borrowing had been deferred, and the HRA had used 'internal borrowing', for which the interest was paid to the General Fund for that fund's share of the investments foregone. As underlying interest rates had risen since the Original Budget 2023/24 was set, the cost to the HRA had risen. However, given how high long-term PWLB (and other borrowing) rates were, this was still cheaper overall to the HRA than replacing the internal borrowing by external debt. When external borrowing was done by the Council on behalf of the HRA, there would be the external interest costs charged to the HRA, and the 'interest on balances' paid to the General Fund would be reduced by a corresponding amount, depending on interest rate differentials.

b. Income - an increase of Gross Income of £2,561,400 included the following:

    - HRA Dwelling Rents Income increasing by £2,278,200 in line with 7.7% increase as per Rent Policy;
    - garage rents income increasing £74,200 by 10% as above;
    - an increase in Shared Ownership of £13,800 in line with the new policy for new Shared Ownership of (CPI+1;
    - an increase of £171,700 in Service Charges in relation to heating, lighting and water cost increases; and
    - an increase of £83,000 on Legal Fee income in relation to Right to Buy properties.

A number of assumptions had been made in setting the budgets for 2024/25, including the following:

Inflation had been applied in line with specific guidance for each expenditure type. For instance, the Gas and Electricity inflation had been advised by ESPO the Commercial Energy Broker that the Council bought its energy from. The war between Russia and Ukraine had caused utility costs to increase by huge and unexpected amounts. Price Caps were implemented by central government to protect consumers and businesses from these extreme price rises, but because ESPO Broker provided affordable contracts for the Council, the Caps were a lot higher than the actual usage, so could not be applied.

Other inflation factors such as for the major works had been inflated at between 10-14% depending on the contract, staff costs had been inflated in line with the National Local Government annual pay agreement.

Rents - The base rent budget in the report was a baseline calculated from the 7.7% (CPI+1%) as at September 2023 rate. In 23/24, a rent cap of 7% was applied to social and affordable housing and shared ownership for a period of one year, which meant that the increase in income did not cover the costs of the increased inflation on other operation costs. As mentioned previously, the rent cap had now been lifted, allowing WDC to inflate rents by the National Rent Policy rates of (CPI+1%) for Social and Affordable Housing, (RPI+0.5%) for existing Shared Ownership in 2024/25.

Growth/Income Reductions from unavoidable and previously committed growth had been included in the Base Budget.

In terms of the 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 (CIR) to be used on future HRA capital projects. If the costs increased to the point that there was a requirement to draw money out of the CIR, then this was noted in the same place in the Budget Appendix 3.

While the current balance of the HRA CIR was £18.032m as at 1 April 2024 , there were numerous demands on this reserve, particularly from new build development schemes, Climate Change and Fire Safety works. The CIR was also being used to support the Major Repairs Reserve as that had been used in full in recent years to support the ongoing improvement works on the Council's housing stock. The full impact of having to drawdown from the HRA CIR would be documented in the forthcoming HRA Business Plan Report being presented to Cabinet at its meeting in March, but in future years, budgets would need to be adjusted to ensure that there were sufficient surpluses to enable the HRA CIR to continue to be topped up.

In terms of Sheltered Housing Heating, Water and Lighting recharges for 2024/25, the 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 2024/25 which would commence on the 1 April 2024.

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 assisted with reducing tenants' 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 2024/25 were calculated annually from average consumption over the last three years, updated for current costs such as average void levels, Solar panel feed in tariff income, Biomass Boiler feed in tariff subsidy and adjusted for estimated inflation for the forthcoming year. The use of a three-year adjusted average ensured that seasonal and yearly variations were reflected in the calculation.

The cost of gas and electricity had increased due to the Cost of Living Crisis. The Council's electricity contract was renewed in October 2023 and the gas contract was to be renewed in April 2024. At the end of 2023, prices started stabilise and, in some cases, slightly decrease. As part of these contract renewals, it had been predicted that gas would increase by 15% in the first six months of 2024 and then reduce by 25% in the remaining six months of 2024. Electricity was predicted to reduce by 15% in 2024, meaning gas and electricity remained high for 2024/25.

To protect the general public from the huge increases in energy costs, the Government implemented an Energy Price Guarantee which protected customers from increases in energy costs by limiting the amount suppliers could charge per unit of energy used. It currently brought a typical household energy bill in Great Britain for dual-fuel gas and electricity down to around £1,928 per annum from January 24.

Council tenants were on the ESPO business contract. Therefore, the total charges to be paid by Sheltered Housing tenants for their energy was below this cap noted in Appendix 4 to the report. Depending on the location and the number of bedrooms in the dwelling, the total annual bills ranged from £265.20 - £1,198.60 which at the top end of this range was £729.40 less than the £1,928 Energy Price Cap.

This three-year average cost calculation in Appendix 4 shielded tenants to some extent from the huge increases in gas and electricity bills which had been experienced over the last year. However, in 2024/25 it was also decided to forecast further increases based on a per property basis, percentage increase between 2022/23 to 2023/24, rather than use the previous year's mark up of 200% and 100%. This was a more accurate approach to setting budgets and had helped further reduce charges to tenants.

The total cost to the Council in 2024/25 had been calculated at £229,583.40 for Electricity, Heating, Lighting and Laundry and £39,259.74 for Water. This would be recovered by recharging tenants of applicable Sheltered Housing Schemes with the Service Charges being itemised on Appendix 4 to the report.
In terms of reserves the table at section 1.52 in the report presented the latest summary of available as at 1 April 2023. This reflected uncommitted and non-ring-fenced balances as approved by Cabinet at its meeting in February each financial year. This included estimates of reserve balances

through to the 1 April 2028 and was subject to final outturn of the current financial year.

As previously noted, the total balances on HRA Reserves would continue to fall over the coming years, as a result of supporting an ambitious Housing Investment Programme (HIP). This covered the acquisition of new properties, ongoing programmes of replacement components driven by the stock condition survey, and decarbonisation and fire safety works driven by the Council's ambitions and legislation.

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

The 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.

When it came to dwellings, the Council did have 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 and then the 7% rent cap not matching inflationary operational costs, 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.

In terms of Shared Ownership the Council did not have the discretion to change the rent schedule for existing shared ownership dwellings without permission from Homes England, which was determined by the existing terms of the lease. As noted above, permission to apply the 5.8% in line with the National Rent Policy (RPI+0.5) at November 2023 rate would be sought.

The Council did have the discretion to reduce the heating charges charged back to tenants. In 2024/25, the budget included a reduction of 1/5 of communal gas paid from scheme bills - this was calculated into Appendix 4.

Councillor Wightman proposed the report as laid out.

Recommended to Council that

(1) the proposed increase to rents for all Social & Affordable tenanted dwellings (excluding Shared Ownership) for 2024/25 in line with the Chancellor of the Exchequer's one year 7.7% (CPI+1%) as per the National Rent Policy increases, be approved;

(2) Shared Ownership tenanted dwelling rent

increases of 5.8% (RPI+0.5%) for one year in line with advice from the National Housing Federation, be approved;

(3) garage rents for 2024/25 continue to be increased by 10% per year, be approved;

(4) the new Temporary Accommodation rent review noted above, be approved; and

(5) the proposed 2024/25 revenue budget, as detailed in the report, be approved.

Resolved that

(1) the HRA Social dwelling rents for all new tenancies created in 2024/25 continue to be set at Target Social (Formula) Rent for Social rent properties, be noted;

(2) the HRA Affordable dwelling rents for all new tenancies created in 2024/25 continue to be set at the standard National Affordable rent level, be noted;

(3) any new Shared Ownership tenancies will continue to adopt lease agreements based on the revised Homes England template lease with rents increased by (CPI+1%) annually, be noted; and

(4) the Sheltered Housing Heating, Water and Lighting recharges for 2024/25, attached at Appendix 4 to the report, be noted.

(The Portfolio Holder for this item was Councillor Wightman).
Forward Plan Reference 1,428.

85. Air Quality Management Area (AQMA) Revocations

The Cabinet considered a report from the Health and Safety Premises Manager and the Air Quality Officer which recommended the revocation of the long-term compliant air quality management areas (AQMAs) in Warwick District following instruction from the Department for Environment, Food and Rural Affairs (DEFRA). DEFRA had provided advice on which AQMAs meet these criteria:

1. AQMA No.4 Warwick Road, Kenilworth
2. AQMA No.5 New Street, Kenilworth
3. AQMA No.7 Coventry Road, Warwick

Local authorities had a duty under the Environment Act 1995 to monitor the quality of air within their administrative areas. They should also prepare and implement Air Quality Action Plan (AQAP), produce annual air quality status reports, and designate special Air Quality Management Areas known as AQMAs where pollutants exceed prescribed UK objectives.

Warwick District Council currently had five designated AQMAs, which were introduced because of elevated annual average concentrations of nitrogen dioxide (NO2). The AQMAs included Warwick Town Centre, Coventry Road (Warwick), Leamington Spa (Bath st, High st) and two AQMAs in Kenilworth. (See appendix 1 to the report for maps of the AQMA's)

DEFRA had instructed local authorities that the revocation of an AQMA should be considered following three consecutive years of compliance, with NO2 annual average of 36µg/m3 or less which was at least 10% below the air quality objective at the point monitored.

Unless a likely exceedance had been identified in the AQMA area, DEFRA had advised that they would not appraise AQAPs for AQMAs that have been in compliance for five years.

Where the results for 2020 and 2021 were a continuation of a downward trend and part of many consecutive years of compliance (e.g., where compliance with the objective was met prior to the pandemic that exaggerated air quality improvements) the AQMA might be appropriate for revocation.

DEFRA had therefore directed Warwick District Council should revoke the long-term compliant AQMAs. For WDC, this included the two Kenilworth AQMAs (compliant for five years) and the Warwick Coventry Road AQMA, (compliant for four years).

A detailed assessment report undertaken by officers indicated a consistent improvement in air quality that was projected to continue in all Warwick District AQMAs.

Failure to revoke these compliant AQMAs would result in DEFRA refusing to accept any updated AQAP which included these three AQMAs and other AQMAs. AQAPs were required to be updated every five years or would lead to the Council being directed to do so by the Secretary of State

A detailed assessment had been undertaken to observe the trends of the air quality management areas to justify revocation (see appendix 1 to the report)

In theory, it was understood that Cabinet could choose not to recommending revoking the AQMAs as instructed. This would result in DEFRA rejecting the Warick District AQAP update. This in turn would result in an instruction from the Secretary of State to submit an AQAP for Warwick District. Therefore, this alternative had been discounted. An annual review for revoking retained AQMA's would occur as air quality was monitored.

Appendix 1 to the report provided visual maps of the AQMA area's within Warwick District.

The revocation of an AQMA should be considered following three consecutive years of compliance with the relevant objective as evidenced through monitoring. Where NO2 monitoring was completed using diffusion tubes, to account for the inherent uncertainty associated with the monitoring method, it was recommended that revocation of an AQMA should be considered following three consecutive years of annual mean NO2 concentrations being lower than 36µg/m3 (i.e. within 10% of the annual mean NO2 objective). There should not be any declared AQMAs for which compliance with the relevant objective had been achieved for a consecutive five-year period. Appendix 2 to the report showed graphs of the annual mean concentration of NO2 and a table showing the methodology of evaluation.

All Air Quality Management Areas (AQMAs) were initially designated based on the NO2 annual mean objective. Notably, the Warwick AQMA received additional designation based on the NO2 one hour mean, and this aspect was duly integrated into the data assessment for the Warwick AQMA. The data set comprises maximum annual NO2 measurements for all AQMAs, providing a comprehensive overview of pollutant levels. To ensure the accuracy and reliability of data trends, the years 2016 and 2017 had been included for analysis. This inclusion was particularly pertinent as 2020 and 2021 exhibited anomalous air quality conditions attributed to the COVID-19 pandemic, thereby enhancing the overall quality of our data assessment.

The New Street Kenilworth Air Quality Management Area (AQMA) was officially designated in 2008. At that time, it was in compliance with the established air quality objectives, although its declaration primarily served as a precautionary measure. Since its establishment, New Street Kenilworth has consistently adhered to Air Quality objectives.

Projections indicated a robust correlation suggesting a sustained decline in the maximum concentration within this AQMA. The likelihood of future exceedances of air quality standards was minimal, given the positive trend. Consequently, there was a compelling rationale for considering the revocation of this AQMA, as it no longer presented a significant air quality concern to warrant its continued designation.

Removing the years 2020 and 2021 as outliers due to the COVID-19 Pandemic's influence on travel showed an even stronger trend in reduction. See graph at paragraph 12.4 in Appendix 2 to the report, which showed the decrease of NO2 at New Street, Kenilworth.

Warwick Road Kenilworth had consistently maintained compliance with Air Quality objectives for a period exceeding five years. An evident and robust correlation indicated that the maximum concentration within this Air Quality Management Area (AQMA) was likely to continue its downward trend. The prospects of future exceedances of air quality standards appeared highly improbable. See graph at paragraph 13.2 in Appendix 2 to the report which showed the decrease in NO2 at Warwick Road, Kenilworth.

Warwick had maintained compliance with Air Quality objectives for a continuous period of three years. Projections indicated a strong correlation, suggesting a persistent decline in the maximum concentration within this Air Quality Management Area (AQMA). The likelihood of future exceedances of air quality standards was notably low.

Considering the positive trend and to potentially streamline administrative processes, it was advisable to consider the possibility of revoking the AQMA designation, despite the relatively short compliance duration of three years. However, if revocation was not pursued, an annual reassessment would be necessary to monitor and ensure ongoing compliance. See graph at paragraph 15.3 in Appendix 2 to the report which showed the decrease in NO2 at Warwick.

The status of the Leamington Spa AQMA revealed non-compliance with Air Quality objectives. Projections indicated a robust correlation, suggesting a promising trend of declining maximum concentration within this Air Quality Management Area (AQMA). However, it was essential to underscore that revocation should not be considered for this site at this time, given its ongoing non-compliance with air quality standards. Vigilance and remedial actions should continue until compliance is achieved and consistently maintained. See graph at paragraph 16.2 in Appendix 2 to the report which showed the decrease in NO2 at Leamington Spa.

Councillor Sinnott proposed the report as laid out.

Recommended to Council that it revokes the No.4 Warwick Road, Kenilworth, No.5 New Street, Kenilworth and No.7 Coventry Road, Warwick AQMAs.

(The Portfolio Holder for this item was Councillor Sinnott).
Forward Plan Reference 1,418.

(The meeting ended at 7.00pm)