

 Executive & Council, 13th February and 20th February 2013 respectively		Agenda Item No. <h1 style="text-align: center;">5</h1>
Title		BUDGET 2013/14 AND COUNCIL TAX – REVENUE AND CAPITAL
For further information about this report please contact		Mike Snow (Tel: 01926 456800) mike.snow@warwickdc.gov.uk
Service Area		Finance
Wards of the District directly affected		All
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006		No
Date and meeting when issue was last considered and relevant minute number		
Background Papers		Report to Executive 12 th December , 2012: Approval of General Fund Base Budgets 2013/14 Report to Executive 10 th October, 2012: Proposed Fees and Charges for 2013/14
Contrary to the policy framework:		No – this reports sets a part of the policy framework
Contrary to the budgetary framework:		No – this reports sets the budgetary framework
Key Decision?		Yes
Included within the Forward Plan? (If yes include reference number)		Yes
Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant Deputy Chief Executive, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Deputy Chief Executive & Monitoring Officer	23 rd January 2013	Andrew Jones
Chief Executive	29 January 2013	
CMT	29 January 2013	
Section 151 Officer		Report Author
Portfolio Holder(s)	29 January 2013	Andrew Mobbs
Consultation Undertaken		
Please insert details of any consultation undertaken with regard to this report.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

This report updates members on the overall financial position of the Council. It includes the latest position in respect of the 2012/13 General Fund Revenue Budget and the future implications of the proposed changes within. For 2013/14 onwards, the report considers both the General Fund Revenue budget and the Capital Programme. The information contained within this report supports the recommendations to Council in respect of setting next year's budgets and this Council's level of Council Tax for 2013/14. It updates members on the latest projections and assumptions in the Medium Term Financial Strategy, identifying the on-going savings required by 2017/18. The report also updates members on the Council's Reserves and General Fund.

2. RECOMMENDATIONS (TO COUNCIL)

- 2.1 The 2012/13 Latest General Fund Revenue Estimate of net expenditure, including the proposed adjustments in section 3.2, is agreed by Council at £16.1m, after the projected £520,000 surplus has been appropriated (recommendation 2.3), as summarised in Appendix 1.
- 2.2 The Executive notes the Chief Executive's use of his Emergency Powers, in consultation with Group Leaders, to approve the use of £14,000 funding from the Service Transformation Reserve to fund temporary Agency staff at the Royal Spa Centre (paragraph 3.2.8).
- 2.3 That the Council approve the 2012/13 projected surplus of £520,000 is allocated, as discussed in paragraph 3.2.9) to:-
 - £2,000 to a new Public Amenity Reserve (subject to recommendation 2.16)
 - £200,000 to the General Fund Early Retirement Reserve
 - £300,000 a new Sports and Cultural Facilities Reserve (subject to recommendation 2.17)
 - £18,000 to the General Fund Balance, from where it will be used to fund the 2012/13 Collection Fund Balance
- 2.4 The Executive agrees the changes to the latest 2013/14 General Fund revenue budgets (as previously agreed by the Executive on 12th December 2012) in paragraph 3.3.1 with net expenditure of £15.9m after the appropriations in recommendation 2.12 below, as summarised in Appendix 1.
- 2.5 That the Executive notes the Grant Settlement for 2013/14 in section 3.4 and agrees that should there be a non-material change to the final grant settlement for 2013/14 when the announcement is made, this is accommodated within the Contingency Budget in 2013/14 (paragraph 3.4.4).
- 2.6 That the Executive agrees the creation of a Business Rates Retention Volatility Reserve, and the allocation to it in 2013/14 of anything above the Baseline figure of £3.011m (paragraph 3.4.9).
- 2.7 That the Executive agrees the Statement of New Homes Bonus Use within Appendix 11, notes the New Homes Bonus allocation due for 2013/14 of £1,009,000, of which £30,000 will be allocated to the W2 (Waterloo/Warwick District Council) Joint Venture and £215,000 to Chase Meadow Community

Centre project, and agrees that the balance of £764,000 is appropriated as follows (paragraph 3.4.12):-

- £80,000 Warwick Fire Station/Old Gas Works housing development
- £224,000 Public Amenity Reserve
- £160,000 Community Forum Grant Funding for the period 2014/15-2017/18 in place of current revenue funding
- £300,000 Rural and Capital Improvement Schemes for the period 2016/17 and 2017/18 to enable the current scheme to be funded within the Capital Programme for a further two years.

- 2.8 That Executive notes that the Job, Skills & Economy Delivery Plan, one of the five Delivery Plans that will accompany the Local Plan, will set out a strategic approach to delivery of significant growth in the local economy and consequent increases in the Business Rates and Council Tax tax bases of the Council (paragraph 3.4.13 – 3.4.15).
- 2.9 That Executive delegates authority to the Chief Executive and s151 Officer, in consultation with the Leader and Finance Portfolio Holder, to agree a financial contribution to the Coventry & Warwickshire Local Enterprise Partnership (CWLEP) up to a maximum of £25,000 per annum for 2013/14 and 2014/15, funded from the 2013/14 Contingency Budget and 2014/15 to be included within the Medium Term Financial Strategy when the amount becomes definitive. (paragraphs 3.4.13-3.4.22)
- 2.10 The Council Tax of a Band D property for Warwick District Council for 2013/14 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police Authority precepts is agreed by Council at £146.86, representing a zero increase on 2012/13 (paragraph 3.5.6).
- 2.11 Subject to approval of the above recommendations, the Council Tax charges for Warwick District Council for 2013/14 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police Authority precepts, for each band is agreed by Council as follows (paragraph 3.5.6):-

Band	2013/14
A	£97.91
B	£114.22
C	£130.54
D	£146.86
E	£179.50
F	£212.13
G	£244.77
H	£293.72

- 2.12 That the Council approve that the 2013/14 projected surplus of £680,000 is allocated as follows (paragraph 3.5.11):-
- £74,000 to the Public Amenity Reserve
 - £200,000 to the 2013/14 Contingency Budget
 - £200,000 to the Capital Investment Reserve
 - £206,000 to the Service Transformation Reserve

- 2.13 That Council agree the changes to the financial projections (paragraph 3.6.3) and note the significant future forecast deficit, currently estimated to rise to over £1.34m by 2017/18 on net expenditure of £17m and that further on-going savings/ increased income of this amount must be secured in order for the authority to be able to set balanced budgets in the future without impacting on the range and quality of services provided(Paragraph 3.6.4).
- 2.14 That Executive agree to the following projects being included within the Fit For the Future Change Programme (paragraph 3.6.6):-
- A business case exploring alternative delivery models for the Council's Cultural Services;
 - A business case for the relocation of WDC's HQ by April 2016;
 - The development of an Asset Management Plan' with proposals for the future management of the Council's assets;
 - A business case for the tendering of off-street parking management;
 - The development of proposals to reduce Council costs in line with the reduction in Housing Benefit Administration Grant;
 - The development, through CMT discussions with the Trade Unions for changes to staff Terms and Conditions so that a sustainable pay award (or awards) could be made;
 - The development of proposals for all discretionary spending so Members can consider whether the Council's objectives are being met.
- 2.15 That the Executive approve that the £33,000 deficit on the Collection Fund Balance (this Council's share) is met from the General Fund Balance (paragraph 3.7.2).
- 2.16 That Executive approve the creation of a new Public Amenity Reserve and that the existing balance on the Play Equipment Reserve is transferred to the created Public Amenity Reserve (Paragraph 3.7.3 vii).
- 2.17 That Executive approve the creation of a new Sports and Cultural Facilities Reserve (paragraph 3.2.6 and 3.7.3.viii).
- 2.18 The Executive note the latest schedule in respect of the Equipment Renewal Reserve and that that this Reserve, estimated to have an unallocated balance of £1.3m as at the 1st April 2013, will be exhausted during 2016/17 should all the indicated projected requests be fully funded (paragraph 3.7.3.xi).
- 2.19 That the General Fund Capital Programme and the Housing Investment Programme, together with their financing, as set out in Section 3.8 and Appendix 8, are agreed by Council.
- 2.20 That Executive agree that the de minimis limit for all individual items of capital expenditure other than land and buildings is revised tot £5,000, with the limit for land and buildings remaining at £20,000 (paragraph 3.8.4).
- 2.21 That should the Executive agree future capital projects, self-funded or otherwise, amendments be made to the Capital Budget as appropriate (paragraph 3.8.5).

- 2.22 That the Executive approve the continuation of the Housing Investment Programme as set out in Appendix 8, and grants authority to the Head of Housing and Property Services to incur expenditure, using existing compliant contracts in accordance with the Code of Financial Practice (paragraph 3.8.10).
- 2.23 That the Prudential indicators (paragraph 3.9 refers) as shown within Appendix 10 in paragraphs 2.2, 3.1, 4.1, 5.2, 6.2, 7.2, 8.2 and the annual adoption of the Code of Practice, as shown at paragraph 9.1 of Appendix 10 are approved and endorsed by the full Council.
- 2.24 That Executive note that if there is any future mismatch between the proposed General Fund budgets and subsidiary strategies and action plans, officers would bring forward proposals for managing service provision within the agreed budgets.
- 2.25 That the Executive note the risks and opportunities that may impact upon the Council's financial position (paragraph 3.10).
- 2.26 That the Executive note the arrangements for Financial and Budget Management as outlined in paragraph 3.10.7 and the continuation of quarterly reports.
- 2.27 That Executive agrees the revised Financial Strategy as set out in Appendix 12.
- 2.28 The Executive agrees that, subject to approval by Employment Committee of the extension of one of the Project Co-ordinator posts for a further 12 months, the cost of £51,000 is financed from the Service Transformation Reserve (paragraph 3.11.5)

3. REASONS FOR RECOMMENDATIONS

- 3.1** The Council is required to set a budget and council tax each year taking into account the many factors that are considered in paragraphs 5 and onwards of this report. In particular:-
- The revenue and capital budget are being considered together.
 - The Council is required to determine an authorised borrowing limit in accordance with The Local Government Act 2004, Section 3, and to agree prudential indicators (Appendix 10 refers) in accordance with the CIPFA Code for Capital Finance in Local Authorities.
 - The Chief Financial Officer is required to report on the robustness of the estimates made and the adequacy of the proposed financial reserves. (This statement is made at Appendix 2).

3.2 2012/13 Revenue Budget

- 3.2.1 The latest Estimates for 2012/13 were reported to the Executive in December 2012 of £15.5m. Further proposed changes have arisen since December when Members last approved budgets, totalling £116,000. These are detailed in Appendix 3.
- 3.2.2 This year's Responsive Repairs element of the Corporate Property Repairs & Maintenance Budget faced a projected overspend of some £436,000. Officers

have been able to reduce this to £146,000 by deferring planned project work, from savings and use of an un-needed Revenue Contribution to Capital Outlay in respect of the Spa Centre Air Curtain. This overspend has been partly caused by exceptional items, including:-

• Asbestos Removal	£160,000
• Sea Cadets building	£88,000
• CCTV electric/asbestos works	£20,000
• Pump Rooms asbestos works	£80,000
• Emergency lighting works	£50,000
• Works related to the Flume at Newbold Comyn Leisure Centre	£21,000

3.2.3 In addition to approving the additional budget of £146,000 Corporate Property Repairs & Maintenance Budget as shown in Appendix 3, Members are also asked to approve the re-allocation of the monies set aside for the Spa Centre Curtain (£25,000) to finance the Corporate Property and Repairs Maintenance Budget and note that the planned work to Leamington Cemetery has now been deferred to 2013/14. The funding for this project is proposed to be financed out of the 2013/14 funding for planned projects which will be considered as part of a report to Executive in March 2013. In view of the current year overspend on this budget, the forthcoming report will need to consider the future resourcing of this budget in more detail.

3.2.4 Increased costs in staffing at the Spa Centre (£15,000 non-recurrent) have arisen mainly as a result of sickness by contracted staff. There has also been a higher than anticipated spend on casual staff due to the popularity of the pantomime in December. However, Members are asked to note that the pantomime generated an additional £20,000 income in 2012 compared to the pantomime in 2011.

3.2.5 In addition, whilst awaiting the outcome of the staffing restructure at the Town Hall and Spa Centre, it proved necessary to utilise Agency staff to cover the post vacated by the outgoing Town Hall Supervisor. The non-recurrent cost of this is £31,000 (net of savings on vacancies). However, Members are asked to note that general income at the Town Hall is £13,000 more than 2011/12 and in addition to this, two new leases have been agreed which will generate an additional £22,000 in 2012/13 increasing to £50,000 in 2013/14. This increased income has already been built into the budgets.

3.2.6 Employment Committee authorised the new structure for the Spa Centre and the Town Hall at their meeting on 2nd January 2013. The matching process for existing staff has now taken place resulting in current staff being matched into posts, or being offered alternative posts. The result of this has been that there remain some vacant posts which are fundamental to the success of the new structure. These have also been subject to matching against staff currently at risk elsewhere in the organisation.

3.2.7 Officers consider that of the vacant posts, there are three which must be filled as a matter of urgency. These are the Technical Manager, Operations Manager and Technician. The 2 Managers posts are key posts in the new structure (together with the Customer Services Manager which has been filled through the matching process). It is essential that these posts are filled on a temporary/interim basis whilst the recruitment process is underway. The technician post is essential in order to offer the technical support for acts and

hires that have already been taken for the Spring season. Without this post many of the acts would not be able to perform and the Council could be in breach of contract.

3.2.8 The total cost of recruiting these temporary posts through Comensura are estimated to be £14,200 for the period up to the end of March 2013. A sum of £120,000 for Cultural Services FFF Transformation projects was highlighted to Members previously of which this request forms a part. Due to the need to have these staff in post as soon as possible, the Chief Executive has used his Emergency Powers, in consultation with the Group Leaders, to use the Service Transformation Reserve to fund these appointments.

3.2.9 Taking into account the changes above, for 2012/13 there is projected to be a surplus of £520,000 on the General Fund Budget. This is recommended to be allocated as follows:-

- £300,000 Sports and Culture Facilities Reserve. The formal report for the Asset Condition Survey commissioned last year is due to be received soon. Indications are that approaching £10m needs to be spent on maintaining these facilities within the next 4 years. When the report is received, greater consideration will be possible as to how to finance any necessary works, but the proposed new reserve will be available to assist towards financing these works.
- £200,000 General Fund Early Retirement Reserve. This reserve has been used over the last year to pay the one-off costs relating to early retirements and redundancies arising from staffing reviews completed as part of the Fit For the Future Change Programme. With more reviews currently underway, it is likely there will be further demand upon this reserve.
- £2,000 Public Amenity Reserve. This new reserve is proposed to finance further works to Play Areas and works coming out of the Green Space Strategy. Additional funding is discussed further below.
- £18,000 to the General Fund Balance towards financing the Collection Fund Balance (see paragraph 3.7.2)

3.3 2013/14 Revenue Budget

3.3.1 Since Members agreed the 2013/14 Base Budgets in December, further changes have been identified. These need to be included in next year's Budgets to ensure it contains the most realistic figures as at the beginning of April 2013. These changes are:-

- Savings from transferring the Tree Maintenance Contract to the County Council £24,000 Favourable
- Recurrent Savings on Audit Fees £37,000 Favourable
- Additional Savings from the Development Services Restructure £35,000 Favourable
- Reduced Car Parking Fee Income £10,000 Adverse
- Changes to NNDR charges on Council Properties £14,000 Favourable.

3.4 Government Grant

3.4.1 Details of the provisional Grant Settlement for 2013/14 and 2014/15 were announced on 19 December 2012. This included details of the new Business Rates Retention scheme which commences 1 April 2013.

3.4.2 Under the settlement for 2013/14 the Council will receive total grant of £7.537m, and £6.571m for 2014/15. These figures include various specific grants which have previously been separately identified. To enable comparison, estimates of these grants should be excluded. This is shown in the table below.

	2013/14 £000	2014/15 £000
Revenue Support Grant	4,526	3,467
Business Rates Retention	3,011	3,104
Total Grant	7,537	6,571
Specific grants included within above:-		
CT Freeze (re 2011/12 4 yrs)	196	196
Homelessness	67	67
Council Tax Support	808	808
Total Specific Grants	1,071	1,071
Adjusted Grant (ie exc spec grants)	6,466	5,500
Prior yr comparable Grant	6,985	6,466
Reduction on prior yr	-519	-966
Reduction on prior yr	-7.4%	-14.9%

3.4.3 Members will note the sizeable reductions in grant compared to 2012/13. It should be noted that in 2010/11 Government Grant was £10.5m. In announcing the settlement, the Government has referred to reductions in Spending Power, which for Warwick District Council would amount to a reduction of 2.6%. It should be noted that Spending Power includes Revenue Support Grant, Retained Business Rates, New Homes Bonus and Council Tax income.

3.4.4 The final Settlement for 2013/14 is expected to be received prior to the Council confirming its Budget. It is likely that there will be a small change to the figures. It is recommended that any such change is reflected within the Contingency Budget for 2013/14.

3.4.5 The 2014/15 provisional grant settlement will not be confirmed until this time next year. Beyond 2014/15 further grant reductions are expected in line with the details received from the Government, most recently from the Chancellor's Autumn Statement. Details of the Government's latest Comprehensive Spending Review proposals are anticipated in June/July 2013 but in the meantime further reductions of 10%, 9% and 8% from 2015/16 to 2017/18 respectively have been included within the financial projections as discussed in section 3.6.

3.4.6 Under the Business Rates Retention scheme, any Business Rate income is allocated on the following basis, using the Baseline figures:-

	£m Baseline	£m NNDR1		
Business Rates Collected	62.597	63.344		
Paid to Central Government	31.299	31.672	50%	of total
= Retained locally	31.299	31.672		
Paid to WCC	6.260	6.334	20%	of retained locally
= BRR after reallocation to WCC	25.039	25.338		
Tariff to Central Government	22.028	22.028	88%	of balance after

				WCC
= Baseline Retained by WDC	3.011	3.011		
Income above Baseline	0.000	0.299		
Levy on additional BRR to Central Government		0.149	50%	of income above baseline
Additional funding retained locally		0.149	50%	of income above baseline

3.4.7 If Business Rates Income is in line with the Baseline the Council will retain £3.011m. This is within the Grant Settlement figures quoted in paragraph 3.4.2 above. As Business Rates income varies to the Baseline, the Council will retain more or less income, working out at the Council retaining 20% of any increased revenues. Conversely, if there is any reduction in the new business rate receipts, the Council will bear 20% of this cost. There is a Safety Net whereby the Council will not be able to receive less than £2.785m, this being within 7.5% of the Baseline retained income figure.

3.4.8 In future years the Baseline will be increased by inflation (as will the Business Rate Multiplier). The figures are not due to be reviewed until 2020 when there is due to be a "reset" of the system. This delay in the "reset" is intended to create certainty for authorities, and to provide an incentive to encourage the local economy, and thereby business rate growth.

3.4.9 The "NNDR1" figures are the current estimate of Business Rates income for 2013/14 based on the current rating list. It will be seen that this will generate an additional £149,000 income to the Council in 2013/14. It is recommended that this is allocated to a new Business Rates Retention Volatility Reserve to help accommodate any future swings in Business Rates retained income.

3.4.10 Members will recall that the Council has entered into a "pooling" arrangement with the other Warwickshire Councils and Coventry City Council. Under this arrangement the amounts due to be paid to Central Government under the Levy should greatly reduce, meaning more income will be retained locally. The details of how any additional income will be allocated were the subject to a report to the Executive in October 2012. Whilst there are risks attached to pooling, especially if income should substantially decline, however, based on the NNDR1 figures, the Council's past history of slow but steady business rate growth and the new assessments expected in the forthcoming months, these risks are thought to be minimal. The pooling arrangements will continue to be reviewed at least annually.

3.4.11 In addition to the funding the Council will receive by way of Revenue Support Grant and Business Rates, it will also receive New Homes Bonus (NHB) in 2013/14 of £1.009m. Members have already agreed that £30,000 of this will be allocated to the W2 Housing Joint Venture with Waterloo Housing Group. In addition, an allocation of £215,000 has been agreed to fund the Chase Meadow Community Hall Scheme, in lieu of the additional council tax and NHB that will come from further housing in that area. This leaves £764,000 unallocated.

3.4.12As NHB cannot be relied upon in future years, with each allocation being time limited, it should not be used to support recurring expenditure on core service provision. A "Statement of New Homes Bonus Use" is attached as Appendix 11. Under this Statement, the following allocations of the 2013/14 NHB are proposed:-

- £80,000 Warwick Fire Station/Old Gas Works Housing Development
- £224,000 Public Amenity Reserve
- £160,000 Community Forum Grant Funding 2014/15-2017/18 in place of current revenue funding
- £300,000 Rural and Capital Improvement Schemes 2016/17 and 2017/18 to enable the scheme to be continued for two more years within the Capital Programme.

3.4.13It will be clear to Members that the Government's policy objective is to promote economic growth through its Industrial Strategy and the strategic approach to growth set out with the National Planning Policy Framework. As part of that overall strategic approach Councils are being encouraged to facilitate and enable growth in their local economies with the incentive that both they and the local communities they serve are rewarded through the Business Rates Retention and New Homes Bonus schemes. The same incentives are also being used to ensure that Councils become less reliant on increasingly diminishing financial subsidies they have previously received from Government.

3.4.14 If Members wish to continue to provide the range and quality of local services in the face of fast-diminishing central government grants then this Council must ensure that it is able to grow its own income base. The Job Skills and Economy Delivery Plan, that the Council has requested to be presented alongside the Local Plan, will set out a strategic approach to delivering growth in the local economy through job creation and retention supported by ensuring appropriate land and infrastructure is available and that the existing and future workforce has the skills required by business.

3.4.15 The emerging Coventry & Warwickshire Local Enterprise Partnership (CWLEP) Growth Strategy and, if successful, the proposed Coventry & Warwickshire City Deal should significantly assist the Council to deliver the Jobs, Skills & Economy Delivery Plan. It should be noted that its successful delivery is of critical importance to the ability of the Council to meet the significant financial challenges it will face in future years. Aside from the societal and community benefits provided by economic development, the growth of the local economy will increase both the Business Rates tax base and the Council Tax tax base and therefore the revenue income available to the Council.

3.4.16It is recommended that this Council makes a financial contribution to the CWLEP of up to a maximum of £25,000 per annum over the next 2 years. The government policy in respect of Local Enterprise Partnerships (LEPs) is developing rapidly. There are proposals for a further devolution of funding, powers and responsibilities released in the Autumn Statement and indications that more will follow in the next Comprehensive Spending Review. Hence maintaining our influence with the CWLEP is considered prudent, particularly given its potential importance to the successful delivery of the Jobs Skills Delivery Plan.

- 3.4.17 The Government is proposing to provide 'core funding' to all LEPs to ensure they have sufficient resources to support the Board's activities, develop both effective stakeholder engagement and a strategic framework for economic development within their area of operation. An initial grant has been made for the financial year 2012/13 (£125,000 for the CWLEP) to provide each LEP with the resources it needs to assemble an application for core funding for the remainder of this Parliament.
- 3.4.18 DCLG and BIS are subsequently offering each LEP £250,000 per annum for each of the next 2 financial years subject to an equivalent amount of local match funding being secured from the public sector and the submission of a satisfactory growth strategy for their area. Contributions towards the match funding from the private sector are not permitted as the Government is keen to avoid any perception that businesses could be seen to be 'buying' influence on their local LEP.
- 3.4.19 Local match funding could either take the form of a financial contribution or an 'in-kind' contribution, e.g. staffing resources, provided those resources offered are wholly under the control of the LEP. The CWLEP has already secured a significant proportion of the £500k match funding it needs for 2013/14 and 2014/15 through a financial contribution of £125,000 from Warwickshire County Council and 'in-kind' staffing resources from Coventry City Council equivalent to £270,000, leaving a £105,000 shortfall.
- 3.4.20 The CWLEP Board has proposed that this £105,000 is split proportionately between the 5 district/borough councils, the 2 universities and the Chamber of Commerce (who are considered to be a public sector organisation in respect of the match funding criteria). Individual contributions of £15,000 over the next 2 years would allow the shortfall to be met. Each district/borough council is currently considering whether they are prepared to make such a contribution. The exact amount of the contribution required will be dependent on the outcome of those discussions, hence the recommendation of delegation to officers to agree the final amount of the contribution to be made by this Council, allowing for a larger sum if necessary.
- 3.4.21 It is thought unlikely that allocation of staff resource from the Deputy Chief Executive (BH) to support CWLEP and City Deal activities could be treated as an 'in-kind' allocation as this is not being provided through a formal secondment and the resource is therefore not under the CWLEP's control. In any case, members may not wish to maintain the provision of this resource allocation for a 2 year period, so it is recommended that a financial allocation is made and funded from the 2013/14 Contingency Budget, any contribution for 2014/15 to be included in the Medium Term Financial Strategy when proposals become more definitive.
- 3.4.22 It appears likely that the expectation of public sector contributions to match the core funding will become linked to the ability of public sector bodies drawing down funding from those capital budgets devolved to LEPs (e.g. Regional Growth Fund, Growing Places Fund), to support the development of our on strategic ambitions through the successful delivery of the Local Plan and the Jobs, Skills, Economy Delivery Plan.

3.5 2013/14 Council Tax

- 3.5.1 In setting these Budgets, Members need to be aware of the impact on their local Council Tax Payers. This is the third year that this Council has been able to “freeze” its share of the Council Tax. The Government is providing a 2 year Grant equivalent to the value a 1% per cent increase would have yielded. This equates to £79,000 per annum, a total of £158,000 over the two years.
- 3.5.2 The 1% tax freeze grant is helping the Council to maintain its funding and services for the period that the grant is paid. When the 2 year grant ceases in 2015/16, the Council will need to find an equivalent level of savings. This has been factored into the financial projections discussed in sections 3.6. For comparison, a 2% increase would generate an additional £158,000 income per annum, on-going.
- 3.5.3 If the Council was to propose an increase of above 2% this would require a referendum. Whilst this would have one-off costs relating to its administration, if the electorate agree to an increase above 2%, this would help to protect the Council’s funding and services into the future.

3.5.4 Calculating the district element

The Council’s element of the Council Tax is calculated by taking its total budget requirement, subtracting the total External Grant from Central Government in respect of Revenue Support Grant (RSG) and Retained Business Rates and any collection fund balance. This figure is divided by the 2013/14 tax base to derive the District Council Band D Council Tax. The Tax Base for 2013/14 has been calculated at 48,679.52 Band D equivalent dwellings. These figures are shown in Appendix 1. The District element represented 10% of the total Council Tax in 2012/13.

- 3.5.5 The Council Tax Base for 2013/14 has substantially reduced compared to previous years. This relates to a change in funding for the new Council Tax Support scheme (replacing Council Tax Benefits), for which the cost of this support is now a charge on the collection fund, so reducing the number of band D Property Equivalents. A separate grant is being paid to the main preceptors to compensate for this reduced tax base.
- 3.5.6 The recommendations within this report produce a Band D Council Tax for Warwick District (excluding parish/town council precepts) for 2013/14 of £146.86, this being the same as for 2012/13. Based on this zero increase the Council Tax levels for each of the respective bands will be:-

Band	2013/14
A	£97.91
B	£114.22
C	£130.54
D	£146.86
E	£179.50
F	£212.13
G	£244.77
H	£293.72

3.5.7 Parishes

Parish and town councils throughout the district have been asked to submit their precepts for 2013/14. At the time of writing, not all precepts have been confirmed. It is estimated that the precepts will total around £1,100,000. This figure excludes the Grants that this Council will be awarding to the Parishes in respect of the Council Tax Support adjustments to the Tax Base. An updated position will be given to the meeting.

3.5.8 Major Precepting Authorities

At the time of writing neither the County Council nor the Police Authority have set their 2013/14 budgets and element of the Council Tax. The meeting of the County Council is scheduled for the 5th February 2013 and the Police Authority is due to meet on the morning of 20 February 2013.

3.5.9 Formal Setting of the Tax

This is the arithmetical process of aggregating the council tax levels calculated by the major precepting authorities (the County Council and the Police Authority) and the parish/town councils for their purposes with those required by this Council. A report to the Council Meeting on the 20th February, 2013 will provide the required details. This Executive report will be updated to take account of all the precepts and will be sent by e-mail to all members as soon as possible following the Police Authority Tax setting. The Council will then be in a position:-

- (a) to consider the recommendations from the Executive as to the council tax for district purposes; and
- (b) formally to set the amount of the council tax for each parish/town, and within those areas for each tax band, under Section 30 of the 1992 Act.

3.5.10 Making the Council Tax Decision and Legal Implications

3.5.10.1 The setting of the budget and the Council Tax by Members involves their consideration of choices and alternatives. No genuine and reasonable options should be dismissed out of hand and Members must bear in mind their fiduciary duty to the Council Taxpayers of Warwick District Council.

3.5.10.2 Should Members wish to propose additions or reductions to the budget, on which no information is given in the report before Members, they should present sufficient information on the justification for and consequences of their proposals to enable the Executive (or the Council) to arrive at a reasonable decision on them. This report sets out relevant considerations for Members to consider during their deliberations, including the statement at Appendix 2 from the Chief Financial Officer.

3.5.10.3 Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. They are 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 consider should be provided, against the costs of providing such services.

3.5.10.4 It is a duty on all Members of the authority to set the budget. What this means in practice is that collectively all Members have this duty not just the Executive. Case Law has shown that abstention is not a defence in failing to comply with this duty.

3.5.10.5 Members are also reminded of section 106 of the Local Government Finance Act 1992, which requires any member who has not paid his/her Council Tax or any instalment for at least two months after it becomes due and which remains unpaid at the time of the meeting, to declare that at the meeting and not vote on any matter relating to setting the budget or making of the Council Tax and related calculations.

3.5.11 Taking into account all the above changes to the 2013/14 Budget, there is a projected surplus of £680,000. This is recommended to be allocated as shown below. The financial position will be monitored over the year, and should there be any variance to this projection, details will be reported to the Executive, with changes to these appropriations if necessary.

- £74,000 to the Public Amenity Reserve to supplement the allocation from 2012/13 and New Homes Bonus discussed above.
- £200,000 to form a 2013/14 Contingency Budget.
- £200,000 to the Capital Investment Reserve. The CIR does not now receive annual contributions from the General Fund. This is discussed further in paragraph 3.7.3.ii.
- £206,000 to the Service Transformation Reserve. This reserve is being used to finance many of the Fit For the Future projects. Again, this is discussed further in paragraph 3.7.3.vi.

3.6 Medium Term Financial Strategy

3.6.1. The Strategy has been updated to reflect the 2012/13 and 2013/14 proposed budgets in this report alongside other known changes for the next 5 years.

3.6.2. The Strategy was last presented to members in December as part of the Base Budget report. At this point it was forecast that on-going savings of some £1.7 million would need to be achieved by 2017/18.

3.6.3 Since December the Strategy has been updated to reflect the Budget Changes outlined in 3.2 and 3.3 above. Alongside this, other changes are included, including the provisional 2013/14 and 2014/15 Government Settlement Figures announced on the 19th December 2012. The projections have also been amended to reflect the additional reductions in Public Sector funding announced by the Chancellor in his Autumn Statement. Most of note is the latest forecast of -8% in 2017/18 (previously -1%). The main changes and their impact are summarised in the table below:-

		<u>£'000's</u>
Ref	December Executive (Deficit)	1,700
1	Further RSG Reductions	700

2	Loss of Decrim SLA with County Council	212
3	HB Admin Subsidy Reductions	214
4	County Council start charging for HMRS service	25
5	Tax base Finalised	32
6	Audit Fees recurrent saving	-37
7	Tree Maintenance transferred to County Council	-24
8	Investment Interest changes	-140
9	Business Rate Growth	-349
10	New Council Tax Support Scheme	-90
11	Fees and Charges 2013/14 2% increase	-140
12	-2.5% Deflation on Discretionary Budgets	-599
13	Capitalise Recycling Bins from 2014/15	-120
14	Community Forums	-40
15	Minor Changes	-4
	February (Deficit)	1,340

Ref

- Further reductions are expected in future years in Revenue Support Grant as discussed in paragraph 3.4.5.
- Warwickshire County Council have given notice that they are intending to tender for the provision of on street parking enforcement. This service is currently provided on their behalf by the District Council. This will have an adverse impact upon the Council's finances. £212,000 from 2014/15 has been factored in to the Council's financial projections to allow for this, although all efforts are being made to reduce this cost.
- Housing Benefit Admin Grant has been significantly reduced over recent years. As well as the reduction for 2013/14 of £65,000 it is prudent to allow for further reductions of 10% per annum, totalling £214,000.
- Warwickshire County Council have announced their intention to start charging for the HMRS payroll system from 2013/14, which has been factored into the Budget and Strategy.
- Since the December Executive Report, there have been further refinements to the anticipated impact to the Council Tax Base from the Council Tax Reforms, including the Council Tax Support Scheme. A slight reduction in the Tax Base has reduced the amount of income the Council can raise locally will reduce by some £32,000.
- Section 3.4.5 to 3.4.10 outlines the new Business Rate Retention Scheme as well as assuming an additional £149,000 income for 2013/14 a further recurrent increase of some £200,000 has been included for future years.
- It is proposed to "deflate" discretionary budgets by -2.5%. These are budgets where Managers have the discretion to determine how the service is procured and the level provided. By removing previous inflation of 2% from 2014/15 on these budgets it is estimated this would yield savings net savings approaching £600,000 net of allowing for increases to contractual budgets.
- Prior to re-tendering it's Waste Collection Contract, the Council decided

to capitalise the replacement of Recycling Containers. Whilst the new contract yielded significant savings which meant that these containers could continue to be accommodated within Revenue, funding from the Capital Investment Reserve will save £120,000 revenue per annum.

14. As outlined in paragraph 3.4.12, allocation of the £160,000 New Homes Bonus Allocation from the new Community Forums Reserve will yield a £40,000 per annum saving for the four year period to 2017/18.

3.6.4 These changes now mean that there will be an underlying deficit of £1.34m by 2017/18 unless on-going savings of the same magnitude can be achieved. These are profiled by year in the table below and in Appendix 4. Members will note the significant pressures in 2015/16 and 2016/17, primarily caused by the loss of income from Chandos Street Car Park on the current assumption that this might be when development of the proposed Clarendon Arcade could begin to be developed and further reductions in Government Funding.

	Additional savings(-) required in year £'000's	On-going Savings (-) required (£'000's)
2014/15	126	126
2015/16	-850	-724
2016/17	-227	-951
2017/18	-389	-1,340

3.6.5 From the table in paragraph 3.6.4 it will be noted there have been adverse and favourable changes now included within the projections last reported in December 2012. These projections assume that the outstanding savings requirement of £232,000 from the agreed Fit For the Future projects are made. As reported within the previous Budget reports, it is notable that the Council is well on the way to achieve them, having already made the required savings for 2012/13.

3.6.6 Based on all the in-built assumptions, there is still an underlying deficit, estimated at £1.34m by 2017/18. The Council needs to actively plan now to make the required savings ahead of then. Accordingly, several projects are proposed below for consideration to be included within the Fit For the Future programme. At this stage it is not possible to include a figure for the potential saving for each project.

- A business case exploring alternative delivery models for the Council's Cultural Services;
- A business case for the relocation of WDC HQ by April 2016;
- Bring forward the Council's Asset Management Plan with proposals for the management of the Council's assets;
- Bring forward a business case for the tendering of off-street parking management;

- Bring forward proposals to reduce Council costs in line with the reduction in Housing Benefit Administration Grant;
- CMT enter into discussions with the Trade Unions for changes to staff Terms and Conditions so that a sustainable pay award (or awards) can be made;
- Officers bring forward full details of all discretionary spending so Members can consider whether the Council's objectives are being met.

3.7 Reserves and Balances

3.7.1 General Fund Balance

This balance stood at £1.546m as at 31 March 2012, projected to reduce to £1.518m after financing the Collection Fund Balance from 2011/12. Financially, the forthcoming years will be very difficult for the Council. There are many known specific demands upon the Council's finances, in addition to any not immediately apparent. Many of the risks facing the Council are discussed in paragraph 3.10 below. In order to consider a reasonable level of general reserves a risk assessment has been done and is contained at Appendix 7. This shows the requirement for the General Fund balance of over £1.5 million against the risks identified above. It has been agreed that £1.5m should be the minimum level for the core General Fund Balance.

- 3.7.2 In accordance with the relevant regulations, the Collection Fund Balance has been projected. This shows a Council Tax balance as at 31st March 2013 of £294,300. This deficit balance will be shared with Warwickshire County Council, and Warwickshire Police Authority. This Council's share will be £33,000. Members are asked to approve that this be funded from the General Fund Balance in 2013/14. Thus there will be no impact on the Council Tax for 2013/14. In estimating the balance, a prudent approach has again been taken. Taking into account the additional contribution proposed to the General Fund Balance of £18,000, the residual balance will still be in excess of £1.5m.

3.7.2 General Fund Earmarked Reserves

- 3.7.3 The reasons for the reserves and their use are included in Appendix 5a and Finance and Audit Scrutiny Committee is especially asked to scrutinise this element and pass comment to the Executive. Those General Fund reserves which show a significant change in the overall balance in the period 1st April 2012 to 31st March 2017 are detailed below and also shown in Appendix 5b.
- i.) Other Commuted Sums - reduction of £251,000 due to annual funding of mainly Open Spaces maintenance costs.
 - ii.) Capital Investment Reserve – a decrease in the balance of £1,805,000 mainly due to the use of the reserve in financing projected General Fund capital expenditure offset by contributions from the General Fund in respect of previous capital expenditure financed by this reserve and also

a contribution of £300,000 from the 2013/14 New Homes Bonus in order to provide finance for the 2016/17 & 2017/18 Rural/Urban Capital Improvement Grants programmes. £1,400,000 of the balance is reserved for the consequences of the Leamington Asset study and any future Spencers Yard project. £270,000 of the balance is also reserved for the 2017/18 Rural/Urban Capital Improvement Grants and Replacement Bins programmes (for which 2017/18 is not shown within the proposed Capital Programme).

- iii.) Planning Appeals Reserve – decrease in balance of £263,000 due to funding the Local Plan and Town Centre Plans costs in 2012/13 – 2013/14.
- iv.) GF Early Retirements Reserve – decrease in balance of £189,000 due to funding early retirement and redundancy costs in 2012/13 offset by a contribution of £200,000 from the budget surplus.
- v.) St Mary’s Lands / Forbes Estate Community Fund – reserve is providing finance for the “Sky Blues in the Community” project and will be extinguished by 31st March 2015.
- vi.) Service Transformation Reserve – a decrease of £1,044,000 as a result of various approvals under the Council’s Fit for the Future programme offset by the allocation of the 2012/13 New Homes Bonus to this reserve. As per paragraph 2.9 above, the residual balance of the, £206,000, of the 2013/14 surplus will be transferred to this reserve and has been included in the projection of this reserve’s balance at 31st March 2017. This reserve also contains provision for the Fit For Future Local Pay Award which has also been factored into the projection of the balance at 31st March 2017.
- vii.) Public Amenity Reserve. It is proposed that a new Reserve is created. “The Public Amenity Reserve” this will fund future Play Equipment Replacements and Open Spaces. The existing balance of £380,000 (after budgeted expenditure of £100,000 in 2012/13) on the Play Equipment Reserve is recommended to be transferred here. There is a programme to utilise the remaining £380,000 as agreed by the October 2012 Executive. The contributions proposed in this report to this reserve total £300,000. £76,000 of this is from allocations from the estimated 2012/13 and 2013/14 budget surpluses as discussed in paragraphs 3.2.6 and 3.5.8, plus a further £224,000 from the 2013/14 New Homes Bonus (paragraph 3.4.12).
- viii.) Sports and Culture Facilities Reserve – initial allocation of £300,000 from the 2012/13 budget surplus, as discussed in paragraph 3.2.6.
- ix.) Community Forums Reserve – initial allocation of £160,000 from the 2013/14 New Homes Bonus which will be amortised to revenue each year to fund the grants and exhausted by the end of 2017/18, as discussed in paragraph 3.4.12.

- x.) Business Rates Retention Volatility Reserve – initial allocation of £149,000 from the 2013/14 NNDR contribution from Central Government, as discussed in paragraph 3.4.9.
- xi.) Equipment Renewal Reserve – the schedule has been updated to include the latest predictions from Heads of Service as to when items of Equipment will need replacing and their costs. Members are asked to approve the Schedule at Appendix 6a and Appendix 6b. Members are also asked to note the estimated costs of replacing these items, projected £3.388m by 2022/23. The balance on this Reserve currently stands at £1,343,000. Should all of the items listed require replacement in the years indicated and the costs are as predicted, this Reserve will be fully depleted during 2016/17.

Service Managers and Portfolio Holders have already been tasked with reviewing their items on this schedule on a quarterly basis. There needs to be careful scrutiny of the need to spend from this Reserve..

In September 2011, members re-affirmed the following process for the release of monies from this Reserve-

- Service Manager to consult Portfolio holder
- Service Manager to report to Senior Management Team
- Chief Executive to consult the Corporate and Strategic Leadership Portfolio holder

It is recommended that the same approval process remains in place for 2013/14. This will enable both SMT and the Council Leader to scrutinise and challenge the need for the replacement and the costs.

3.8 General Fund and Housing Capital Programmes.

- 3.8.1 Appendix 8 contains the current capital programmes for both the General Fund and Housing (HRA), together with their funding. Appendix 9 contains reconciliation and details of all the changes, including funding, to the current capital programme compared to that shown in the 2012/13 Budget Book.

General Fund Capital Programme

- 3.8.2 The current General Fund Capital Programme includes the additional projects, listed below and detailed within the Capital Variations in Appendix 9:-

<u>Project</u>	<u>Amount</u>	<u>Comments</u>
Server Upgrade	£40,000	Approved by SMT 22/6/12 and funded from Equipment Renewal Reserve
Meadow Community Sports Pitch Carpet Replacement	£75,000	Approved by SMT November 2011 and funded from Equipment Renewal Reserve
SNP Boathouse Refurbishment	£70,000	Agreed as part of Corporate R & M and funded from Revenue agreed February 2012
Castle Farm LC Replacement Roof	£180,000	Agreed as part of Corporate R & M and funded from Revenue agreed February/June 2012

<u>Project</u>	<u>Amount</u>	<u>Comments</u>
Millbank Open Space Improvements	£70,800	Approved by April 2012 Executive and funded from Capital Investment Reserve
Oakley Woods Crematorium Improvements	£985,000	Approved by May 2012 Executive and funded from Capital Investment Reserve
Chase Meadow Community Centre	£1,305,800	Approved by March 2012 Executive and to be funded from New Homes Bonus, Capital Investment Reserve and External Contributions
Broadband UK	£175,100	Approved by August 2012 Executive and funded from Capital Investment Reserve

<u>Project</u>	<u>Amount</u>	<u>Comments</u>
Leek Wootton Community Woodland	£50,000	Approved by August 2012 Executive and funded from Capital Investment Reserve
Jubilee House Phase 2	£444,200	Feasibility study approved by November 2012 Executive and funded from Capital Receipts
CCTV Control Room Refurbishment	£130,000	Approved by SMT 15/8/2012 and funded from Equipment Renewal Reserve
Play Area Improvement Programme	£480,000	Approved by October 2012 Executive and funded from Play Equipment Reserve
Replacement Sauna at NCLC	£8,500	Approved by December 2012 Executive and funded from Equipment Renewal Reserve
Website CMS Replacement	£150,000	Approved by November 2012 Executive and funded from Capital Investment Reserve
Victoria Park Bowling Greens and Ancillary Improvements	£200,000	Approved by December 2012 Executive and funded from Capital Investment Reserve
DMC Letter Folding Machine	£18,000	Approved SMT January 2013 and funded from Equipment Renewal Reserve and RCCO
VDI Infrastructure	£26,900	Vired from Agile Working budget on closure of that project
Replacement Recycling and Refuse Containers	£360,000	As per para 3.6.3 and funded from Capital Investment Reserve
Rural/Capital Improvement Scheme – 2016/17 and 2017/18	£300,000	As per para 3.4.12 and funded from 2013/14 New Homes Bonus
TOTAL	£5,069,300	

3.8.3 At this time, the only proposed additions to the programme are £360,000 in respect of Replacement Recycling and Refuse Containers over the period 2014/15 – 2016/17 and which are to be funded from the Capital Investment Reserve and £300,000 in respect of Rural/Urban Improvement Scheme which will allow the continuation of these grants for 2016/17 and 2017/18. The £300,000 will be funded from the 2013/14 New Homes Bonus allocation as discussed in paragraph 3.4.12.

3.8.4 The current de minimis limit for capital expenditure is £20,000. It is becoming increasingly obvious that for vehicles and equipment this limit is set too high as

purchases are being made out of revenue budgets that should properly be capitalised. Therefore it is proposed to set the de minimis limit for all individual items of capital expenditure other than that incurred on land and buildings at £5,000 with the land and buildings de minimis limit remaining at £20,000.

- 3.8.5 Any future capital schemes, both self funded and otherwise will need to be in line with the Council's corporate priorities and full business cases will be required. The business case will need to identify the means of funding following, where appropriate, the carrying out of an options appraisal exercise. It will also need to make sure there are no additional revenue costs which the Council is unable to accommodate and will put further pressure on the Council's reducing revenue resources.
- 3.8.6 The current capital programme funding for the Conservation Action Programme runs out at the end of 2014/15. It is proposed that the existing funding for 2013/14 and 2014/15 totalling £206,000 is reprofiled to enabled funding of £56,000 in 2013/14 and £50,000 in the subsequent three years. This has been reflected in the proposed Capital Programme.
- 3.8.7 Also shown in Appendix 8 is a summary of the total General Fund capital resources available to the Council over the period 2012/13 to 2016/17 matched against the projected spend. This shows that over the period the Council has £4.005m surplus resources once the current programme is financed. The major elements are represented by balances of £2.422m and £1.343m on the Capital Investment Reserve and Equipment Renewals Reserve respectively with external contributions and smaller reserves making up the balance. However it should be borne in mind that the current projected calls on the Equipment Renewals Reserve figure are, in the main, not reflected in the capital programme outlined in Appendix 8, when these are taken into account the "surplus" balance is exhausted by the end of 2016/17. The Capital Investment Reserve is in effect a capital contingency for overspending, unbudgeted risks materialising, receipts not materialising when anticipated or some major event that requires expenditure in excess of insurance or Government reimbursement schemes. It should also be borne in mind that £1.4m of the £2.42m balance on the Capital Investment Reserve is effectively reserved for the consequences of the Leamington Asset Study and any future Spencers Yard project and that £0.27m is also earmarked for the 2017/18 Rural/Urban Initiatives and Replacement Bins programmes. The policy is for the unreserved balance on the Capital Investment Reserve to be maintained at around £2m. The above commitments leave only £750,000 unallocated.

Housing Investment Programme

- 3.8.8 The proposed Housing Investment Programme (HIP) is shown in Appendix 8 part 2. For 2012/13 the figures reflect the slippage from 2011/12 as agreed in June, 2012, plus any changes identified as part of the Budget Monitoring process. The current HIP and its funding reflect the new Self Financing regime which commenced on 1st April 2012.
- 3.8.9 The Housing Revenue Account related expenditure and its financing as shown in Appendix 8 part 2 and 4 is based upon the current 50 year self financing business plan which incorporates a programme of new build. Other than the Fetherston Court redevelopment in 2013/14-2014/15, no new build is included

in the HIP as shown in Appendix 8. This situation is reflected in the balance on the Housing Capital Investment Reserve which is predicted to rise from £8.508m at 1/4/12 to £26.709m at 31/3/17.

3.8.10 Paragraph 10.4 of the Council's Code of Financial Practice states:-

"The approval by the Council of a programme of capital expenditure does not give the senior manager (in this instance the Head of Housing and Property Services) does not have authority to incur expenditure"

Therefore in addition to budget approval it is necessary for Executive to give authority to the senior manager concerned to incur the necessary expenditure. It is proposed that the Head of Housing & Property Services will work with the Procurement Manager, to ensure that the programme is delivered in accordance with the Code of Procurement Practice.

3.8.11 Expenditure on the General Fund (GF) element of the HIP has been reduced by a net amount of £1.1m for 2012/13 from the original budget. This comprises:-

- A reduction of £74,000 in expenditure for discretionary private sector housing grants, to reflect the latest forecast for actual expenditure.
- £783,300 is net 'slippage' of part of the Housing Association programme into 2013/14 to reflect future expenditure of s106 receipts on providing affordable housing when appropriate schemes become available.
- A £249,000 s106 contribution has been committed to the redevelopment of Fetherston Court, shown within the HRA section of the HIP.

3.8.12 Expenditure on Discretionary Private Sector Housing grants in 2013/14 onwards has been reduced by £40,000 per year to reflect the projected ongoing requirement, as agreed following the 'General Fund Housing Investment Programme' report to Executive in January 2013.

3.8.13 The Registered Provider programme is primarily funded from commuted sums (s106 contributions) from developers, and secondarily from capital receipts from active disposals of housing assets which have been retained subject to being used to provide affordable housing or regeneration. Decent Homes Grants are funded from Capital Grant balances received for this purpose in previous years. Disabled Facilities Grants are mandatory, and whilst mostly funded from the Capital Grant received for this purpose, there is also a significant use of capital receipts to meet necessary expenditure. Discretionary Private Sector Housing Grants are funded from general capital receipts. In addition general capital receipts can be used to fund additional expenditure on any of these areas.

3.8.14 13 council houses have been sold in 2013/14 to date, resulting in approximately £220,000 of useable capital receipts. Right to Buy Legislation was changed in April 2012 to increase the maximum discount available to tenants which has led to an increase in Council House sales compared to previous years; however the amount received per receipt is, of course reduced, and the number of sales is still very low compared to that seen up to 2007/08. Furthermore the 'pooling' mechanism used to determine the share of each

receipt the council must pay over to central government has been changed so it is based on a complicated series of thresholds measured each quarter. After a certain threshold, part of any additional receipts must be used to provide for the debt taken on by the HRA under Self Financing. After another threshold additional receipts are reserved for the provision of new recordable housing, and can be retained only subject to being spent within 3 years on providing new affordable housing with at least 70% of the funding being provided from other sources. The net effect of all these changes is to reduce the average amount of each receipt that is available for other purposes, such as funding the General Fund HIP programme.

3.8.15 Additional Capital Grant allocation of £68,727 was awarded towards 2012/13 expenditure on Disabled Facilities Grants (DFG's). This has been included in the estimates, reducing the funding contribution necessary from capital receipts by an equivalent amount, enabling these receipts to be used towards expenditure in future years.

3.8.16 Currently there is £1m unallocated within the 2013/14 registered provider element of programme, as suitable schemes have yet to be identified. However it is expected that a number of opportunities will become available during the year. Financing for these potential projects is provided from projected s106 contribution balances of £596,000, and £338,000 of Capital Receipts from active disposals which are restricted to use on providing affordable housing or regeneration, with any remainder financed from other capital receipts, currently £91,000.

3.9 Prudential Indicators.

3.9.1 The Council is required to determine an authorised borrowing limit in accordance with The Local Government Act 2004, Section 3, and to agree prudential indicators (Appendix 10 refers) in accordance with the CIPFA Code for Capital Finance in Local Authorities.

3.10 Risks and Opportunities

3.10.1 The risks in the 2013/14 budgets and beyond, together with notes on how they are controlled are considered to be:

Revenue

- Economic cycle issues that can affect some of the key assumptions set out above – regular budget monitoring will be undertaken to highlight these areas.
- Further large 'environmental' prosecution or case of some type – there is little the Council can do in addition to the regular monitoring of premises.
- Costs from an environmental uninsured event – the Council's insures to mitigate against the effects of this
- Partner issues – to the extent that any financial difficulties from partner organisations could affect plans the maintenance of good relations is critical in being able to take any issues on board.
- The costs of planning appeals, including the risk of costs being awarded against the Council and the costs of defending appeals - a reserve and regular budget monitoring.

- Reduction in parking income – this is kept under review.
- WCC have given notice that they are intending to tender for the provision of on street parking enforcement. This service is currently provided on their behalf by the District Council. If the District ceases to provide this service it will have an adverse impact upon the Council's finances. £212,000 from 2014/15 has been factored in to the Council's financial projections to allow for this, although all efforts are being made to reduce this cost.
- Reduction in local land charges income – keep under review, review costs.
- Revenue implications of capital schemes not fully identified – Close scrutiny of capital proposals.
- Housing Revenue Account Self Financing – whilst the HRA Business Plan has been prudently prepared so as to enable it to finance its borrowing of £136m, there are undoubtedly risks associated with it. As the Housing Revenue Account is a ring fenced account, these risks should be borne by the HRA. Progress on the Business Plan will continue to be closely monitored.

Capital

- Dealing with contaminated land – this is not controllable to the extent it is 'historic'.
- Loss or delay of capital receipts – The capital investment reserve should be able to smooth any delay in capital receipts, but a review of the Capital Programme will be required should it become apparent that capital receipts are not going to materialise. Capital Programme only prepared on the basis of capital receipts likely to be received with a low level of risk attached.
- Large projects going over budget due to unforeseen circumstances – The balance on the Capital Investment Reserve is judged to be adequate to cover this eventuality.

Later Years & Medium Term

- Revenue Support Grant Settlement. As discussed in paragraph 3.4.5, there is a risk that future grant reductions may be greater than the reductions that have been factored in for 2014/15, and the assumed decreases of 10,9 and 8% beyond that. The position will be monitored, and reported to members as any further details about future settlements is received.
- Superannuation Fund contributions. Increased contributions have been included in the financial projections. Whilst there are proposals for changes to the Local Government Pension Scheme from April 2014 that will make some savings for employers in the longer term and ensure the scheme is self financing, there are risks that the delayed upturn in the economy will impact upon the value of the pension fund assets. The pension fund is due to a triennial revaluation as at 31 March 2013; the results of this will inform the 2014/15 Budget Setting process.
- The savings from projects in the Fit For the Future programme are not realised. Only those that have clear plans to deliver savings have been included within the medium term financial strategy and 2013/14 Budgets. Further savings/ increased income of £810,400 are required from Fit For the Future interventions during 2013/14, of which £578,600 have already been achieved.

Progress on the programme is being closely monitored by the Senior Management Team, with regular reports issued to Members. A separate report on Fit For the Future is due to be presented to Members in May.

- HB Administration Grant – Further reduction in annual grant. Last Four years have seen real terms reductions and further reductions are expected.
- Universal Credit – under the proposals, Housing Benefits are due to be administered by the Department for Work and Pensions, with work moving over on a transitional basis from 2013 to 2017. Local authorities are due to retain council tax benefit by way of new “Council Tax Support” schemes they have drawn up to be implemented from April 2013. Funding for Council Tax Support from central Government will only be 90% of the amount currently received for council tax benefits. Whilst this Council has agreed for the first year not to pass on this reduction in central government funding to claimants by way of reduced support, it is intended to present members with a new proposed scheme for 2014/15 that will reduce the overall cost of council tax support. Whilst this should assist the Council’s financial position, it will undoubtedly make council tax recovery more difficult.
- The Council is part of the 51M group which is due to appeal the HS2 decision of the Government. There may be additional costs of this, above those allowed for to date within the budget and financial projections. It is believed that these costs should be able to be contained within the Planning Appeal Reserve. Details of this would need to be reported to the Executive.
- This council has commissioned condition surveys on its Corporate Assets. At the time of writing this report, the costs to bring these properties to a reasonable standard are still being assessed. Monies will need to be identified to carry out these works in the medium term as referred to in paragraph 3.2.9.
- Proposed Single State Pension (April 2017 earliest) – potential significant increase in employers’ National Insurance Contributions.
- The economy affects the Council in many ways. In addition to an increase in Council Tax Support take-up as discussed above. It can restrict the Council’s ability to increase its Fees and Charges annually by 2% and reduce customer numbers for non-essential services. Interest rates have remained low and are likely to do so until the economy recovers.

3.10.2 Having considered these risks and controls, the Head of Finance and CMT consider that together with the Council’s core General Fund Balance of £1.5million (see paragraph 3.7.1), the forecast balance on the Council’s reserves together with the ability to borrow in future years within the prudential framework give sufficient capacity to manage the risks during the current year. However, the Council faces a significant challenge to balance budgets, without impacting the breadth and quality of service provision, for future years and must continue to address this on an ongoing basis.

3.10.3 Members will want to be clear about the potential for taking money from the Council’s balances and reserves. The earmarked reserves generally have commitments against them. In order to consider a reasonable level of general reserves a risk assessment has been done and is contained at Appendix 7 and shows the requirement for the General Fund balance of over £1.5 million

against the risks identified above. Also it should be noted that the Council needs to secure substantial recurring savings in its Budget. Reserves and balances can only be used once, and their use may, at best, delay the need for the savings to be made.

- 3.10.4 A key issue for this Council a few years ago was the risk of overspending. Whilst the Council has reviewed its budget monitoring process it is acknowledged that we are now in an unprecedented economic situation and will need to be extra vigilant in budget monitoring.

3.10.5 Opportunities/Positive risks

There are also some opportunities for the Council, including Business Rates Retention and the proposed projects discussed in paragraph 3.6.6.

3.10.6 General contingency

As referred to in paragraph 3.5.11, it is recommended that the unspent 2012/13 Contingency Budget balance, currently £120,000 is slipped to 2013/14 for use in the year towards any unforeseen expenditure that cannot be accommodated within existing budgets.

3.10.7 Budget & Financial Management

The Budget Management regime requires quarterly budget monitoring reports to be issued to the Executive, alongside monthly monitoring reports to the Senior Management Team. All officers are mandated to adhere to the Code of Financial Practice for which amendments are due to be proposed to the members for consideration in March. The budget monitoring framework has continued to be reviewed throughout the year so as to ensure it is more risk based and accurate, alongside the overall Financial Management Practices of the Council.

3.10.8 Financial Strategy

The Financial Strategy sets out the framework for the Council's finances. This has been updated to reflect recent changes. The updated Strategy is set out in Appendix 4 for members' consideration.

3.11 Project Co-ordinator posts

- 3.11.1 Members will recall that approval was given to fund two, temporary 12 month Project Co-ordinator posts from the Service Transformation Reserve in December 2011. The first of these posts was recruited in April 2012 and the funding is due to expire this coming April.

- 3.11.2 A proposal to extend this post for a 12 months will be considered by Employment Committee on 13 February 2013, prior to the Executive meeting, as the major corporate projects that the postholder was employed to co-ordinate (Clarendon Arcade, Coventry & Warwickshire Gateway, Leamington Station area) still require their specialist input. A verbal update will be provided to Executive on the outcome of their consideration of the recommendation but subject to their agreement of the extension it is proposed to continue to fund this post from the Service Transformation Reserve.

- 3.11.3 The second Project Co-ordinator is co-ordinating the work on the establishment of the Limited Liability Partnership that was approved in January 2013 and the major projects, including the relocation of the Council's HQ accommodation from Riverside House, associated with the Leamington Assets study. They too were recruited on a 12 month temporary contract but in their case this does not expire until October 2013.
- 3.11.4 The timeframes of the projects being worked on by both postholders are likely to extend beyond the October 2013 for this second post and, assuming the proposed 12 month extension is approved for the first post, even the April 2014 that this would entail. Given the importance of the major corporate projects to the delivery of the Council's growth agenda and the emerging Jobs, Skills & Economy Delivery Plan, together with their potential to have a positive impact of the MTFs through the delivery of business rates and/or council tax base growth and the Council's wider strategic aspirations to create jobs and wealth through economic development, further consideration as to how this is best delivered and funded will be required. A further report will be brought to Executive prior to the expiry of the second temporary contract addressing these issues.
- 3.11.5 The cost of extending the first Project Co-ordinator post will cost £51,000. This is proposed to be financed out of the Service Transformation Reserve. The figures quoted for the balance of this reserve, elsewhere in this report, reflect this funding.

4 POLICY FRAMEWORK

4.1 Policy Framework

The budget is a major milestone in the life of the Council. It is a financial expression of the Council's policies, having regard to resource availability and taxation consequences. The Council has formulated a number of strategies setting the framework to ensure that its overall aims and objectives are achieved. The Financial Strategy is one of its Resource Strategies, the 2013-14 Budget has been set in line with this Strategy. Should there be any mismatch between these subsidiary strategies and action plans, officers will bring forward proposals for managing these within the agreed budgets.

4.2 Fit for the Future

The Council's priorities have been reaffirmed within its Fit For the Future Programme. Savings from the Programme have been built into the Budgets now presented to members for Approval. The Budgets have also been set to support this Council's delivery of the projects within the Fit for the Future Programme.

5. BUDGETARY FRAMEWORK

- 5.1 The Council's budget and Council tax setting is a major component in reflecting and expressing the Council's priorities and policies. The budgets proposed for both capital and revenue are in accordance with Fit for the Future. The financial strategy and capital strategy are revised in the light of the proposed revenue and capital budgets, and the issues that these budgets address.

6 ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 No specific alternatives to the recommendations are made, however, the information given will enable Members to propose variations to the proposals.
- 6.2 Members do have a duty to consider all possible options. The proposals in the report reflect the Portfolio Holder priorities contained within Fit For the Future programme which was approved by Members in October 2010.

7. BACKGROUND

- 7.1 This is a complex report which brings together the information which has been set out in a number of background reports over the last few months. The appendices to the report are:-

Appendix 1: Proposed summary budget
Appendix 2: Statement by Chief Financial Officer
Appendix 3: Main Budget changes 2012-13
Appendix 4: Medium Term Financial Strategy (Financial Projections)
Appendix 5: Summary of Reserves and Balances
Appendix 6: Equipment Renewal Schedule
Appendix 7: Risk Assessment against General Fund balances
Appendix 8: Proposed Capital Programme
Appendix 9: Changes within Capital Programme (Variations)
Appendix 10: Prudential indicators
Appendix 11: Statement of New Homes Bonus
Appendix 12: Financial Strategy February 2013

7.2 Key Assumptions

There are a number of key assumptions made in setting the budget that Members are endorsing in agreeing to the budget. The main ones are:-

- 7.2.1 Staff turnover - The salary estimates include a 2.75% vacancy factor.
- 7.2.2 Inflation assumptions. No inflation allowance has been included within the 2013/14 Budget for pay or price inflation. Major contracts have been budgeted for at the 2013/14 tender prices. The latest RPI (December 2012) is 3.1% having followed a downward trend from 5.6% from September 2011. Economists are expecting inflation to continue to fall over forthcoming months.
- 7.2.3 Whilst including zero inflation for most budgets, the 2013/14 estimates do include a £75,000 Inflation Provision which budget managers may seek to access if it proves impossible to manage their services with no inflationary increase. In addition, the cost of the Fit For the Future Achievement Award for staff has been allowed for from the Service Transformation Reserve (paragraph 3.7.3.vi).
- 7.2.4 Our Treasury Consultants currently forecast the Bank Rate on which short term investment rates are based to be 0.5% at the start of 2013/14 and it is expected that Bank Rate will remain at this level throughout 2013/14. The target return for the Council's cash flow derived investments in 2013/14 reflects this forecast and has been set at 0.64%. When the expected returns from the

Council's core investments are added in, the overall investment rate for 2013/14 is expected to be 0.81%.

7.2.5 Key activity assumptions – it is considered that it is those large and/or volatile budgets which Members should pay most attention to. The key figures for 2013/14 which have formed the basis of the Estimates, are as follows:

- i) Number of planning applications – 1,800 estimated (1,600 originally estimated in 2012/13).
- ii) Number of building control applications – 1,500 estimated (1,500 initially estimated in 2012/13).
- iii) Car Parking - The target for off street car parking for 2013/14 income from all ticket sales, season tickets and excess charge notices from all WDC car parks, excluding Royal Priors, is £2,405,000.
- iv) Number of gym admissions to Leisure Centres - 100,000. Total number of swimming admissions, 260,000. 2012/13 estimated admissions – 110,000 and 240,000 respectively.

7.2.6 The Council is reliant on income collection. Recovery measures have been set for the main sources of income as detailed below. These are deemed to be stretching, yet should also be achievable. These will be monitored throughout the year as part of the budget review process.

- Council Tax - percentage received in the year - 98.8% (98.8% 2012/13 target)
- Business Rates - percentage received in the year – 98.5% (98.5% 2012/13 target)
- Housing Rents – percentage of rent collected – 98.5% (97.5% 2012/13 target).

7.2.7 Staff Pay

As local government did not have a pay award in 2010/11, 2013/14 will be the fourth consecutive year officers have had no pay rise. The Government instigated a public sector pay freeze for 2011/12 and 2012/13, and is seeking to limit public sector pay rises to 1% for 2013/14 and 2014/15. However, the local government pay increases are agreed independently from Central Government. No pay allowance has been included within the 2012/13 Estimates.

7.2.8 As an alternative approach to pay, a Local Pay Agreement has been agreed; details of this were reported to members as part of the Budget Review Report in August 2012. This agreement entails that if the authority achieves the required level of savings and service performance each year all staff will receive a one-off payment as a percentage of their basic pay in place of a possible annual negotiated increase. By taking this approach it has enabled over £1m to be removed from base budgets by 2016/17. Under this approach it is intended that officers will receive an element of a pay award, whilst at the same time providing the organisation with the incentive to ensure the savings required are achieved. This agreement is due to be considered annually with the unions.