Executive

Minutes of the meeting held on Wednesday 2 November 2016 at the Town Hall, Royal Leamington Spa, at 6.00 pm.

Present: Councillor Mobbs (Chairman); Councillors Butler, Coker, Cross, Phillips, Shilton and Whiting.

Also present: Councillors; Barrott – Labour Group Observer, Boad - Chairman of Overview & Scrutiny Committee & Liberal Democrat Observer, Mrs Falp - Whitnash Residents Association (Independent) Observer, and Quinney - Chair of Finance & Audit Scrutiny Committee.

(Apologies of absence were received from Councillor Grainger).

54. **Declarations of Interest**

Minute Number 57 - Review of Support to Town and Parish Councils

Councillor Mrs Falp declared an interest because she was a Whitnash Town Councillor and was therefore in receipt of the concurrent services Grant. Councillor Mrs Falp, with the agreement of the Chairman, addressed the Committee on this item and then left the room while the matter was debated.

55. **Minutes**

Neither the public nor confidential minutes of the Executive meeting on 28 September 2016 were submitted for approval.

Part 1
(Items on which a decision by Council is required)

56. **Budget Review to 30 September 2016**

The Executive considered a report from Finance that provided an update on the latest financial position and sought approval for amendments to the 2016/17 budgets.

The figure reported to July's Executive was £900 (F). Since then, after appropriating extra parking revenue to the Parking reserve, additional variances had altered this figure to £246,400 (F). The latest variances that had been identified were as follows:

	£
Building control restructure – ringfenced - for information only	42,500 (F)
Total Variance to July Executive	900 (F)
Town Hall lease income – Bromford vacated, not replaced by another tenant yet	9,800 (A)
Electricity	207,000 (A)
Minor Variances	6,500 (A)

Travel token usage Apr-June 2016 closure of scheme – no budget	5,000 (A)
Johnston Publishing vacated 32 Hamilton Terrace –lost rental income	14,000 (A)
Resettlement Service no longer provided - budget given up as saving	4,400 (F)
Racing Club Warwick – additional electrical, drainage, tarmacking & fencing works	25,000(A)
Crematorium income – Fees & Charges	20,500 (F)
Business rates – Jubilee House	11,600 (F)
Increased B&B costs which are not eligible for Benefits Subsidy	50,000 (A)
Legal Services – shared services	40,000 (A)
Street Name & numbering	10,000 (F)
Payments Processing transaction charges	15,000 (A)
Investment interest	131,000 (A)
Parking Income (Surplus to Parking reserve)	176,000 (F)
Recycling Credits	20,000 (F)
Council Tax subsidy less than anticipated	16,000 (A)
Development Control – income – budget review & Fees & Charges	293,000 (F)
Development Control– Agency Staff (increased workload)	49,400 (A)
Planning Viability Appraisals	10,000 (A)
One-off Housing Benefit New Burdens Grant	16,900 (F)
Jubilee House –rents/service charge – Warks Ambulance Service vacated	10,300 (A)
Althorpe Enterprise Hub –rents/service charge – large office vacated	9,500 (A)
Cleaning Contract Contingency saving	80,000 (F)
Electric cars – insurance costs	4,200 (A)
Subsidence Claim – Settled – balance on provision	62,300 (F)
Gym Reserve write back	122,500 (F)
Non salary variances	**215,400 (F)**
Salary Variances	207,000(F)
Overall Variance	**422,400(F)**
If extra Parking income appropriated to Reserve	**176,000(A)**
Forecast position as at 31st March 2017	**246,400(F)**

The following variances to salaries budgets had also been identified:

	£
Vacant posts and staff turnover in Contract Services	77,100 (F)
Green Space Development salary overspend	9,200 (A)
Assistant Conservation Officer post saving	13,800 (F)
OSS/Reception salary – vacancies	54,000 (F)
Neighbourhood Services -Community Rangers re-graded	26,900 (A)
Housing Assessment Officer omitted from original budgets	28,900 (A)
Development Services – Vacancies	41,600 (F)
Financial Services – Vacancies	57,200 (F)
Committee Services – new staff at bottom of scale	5,800 (F)

Media Room– new staff at bottom of scale	6,200 (F)
Customer Support Team – new staff at bottom of scale	8,200 (F)
Warwickshire Direct– new staff at bottom of scale	8,100 (F)
Total estimated Salary variance	**£207,000 (F)**

The Executive were asked to agree the changes to the General Fund Budget, which would result in £246,400 being allocated to the General Fund. The use of this funding would be considered as part of the 2017/18 Budget Report in February 2017.

Appendix A to the report provided details of the allocations out of the contingency budget, with a balance of £71,500 (15% of the original budget of £471,300) left for the rest of the year. This was after two further calls on this budget, authorised under the Head of Finance's delegated powers, for Accountancy sickness cover (£10,000) and historical non-compliances for Payment Card Industry Data Security Standard (PCIDSS) £8,400.

None of the 2016/17 Training Contingency Budget of £4,900 had currently been allocated. However, this budget was fully allocated in 2015/16 and was expected to be so this year, mainly for professional training.

There were other Contingency Budgets for Price Inflation (£24,000) and Contract Cleaning (£92,600). The Housing Support & Neighbourhoods' Manager was now able to return £80,000 of the Contract Cleaning Contingency as the contract was not being re-let. The remainder could be surrendered later in the year. The position for 2017/18 and onwards would be made clear later in the year. Any forthcoming demands for the use of these budgets would be reported upon during the year.

Upon closure of the 2015/16 Accounts, revenue slippage from 2015/16 was added into the 2016/17 budget, totalling £322,600 for the General Fund, as detailed in Appendix B1 to the report, along with progress on expenditure for this year. £258,700 of revenue slippage was approved for the Housing Revenue Account (HRA) at the same time, and this was set out in Appendix B2 to the report, along with progress this year.

Managers had stated that approval of the earmarked reserve requests, at year-end, had taken a long time and this had delayed commissioning of works etc. until early July. It was therefore recommended that the Head of Finance, in consultation with the Finance Portfolio Holder, was delegated authority to agree revenue slippage at year end, above items already allowed for in the Budget process, with these retrospectively reported as part of the subsequent Final Accounts report to Executive.

The Original Budget for 2016/17 Planning income was set at £702,000. The projected Planning income for the year had been increased by a further £293,000, in addition to the £100,000 recurring increase previously reported. The 2016/17 budget would be amended to £1,095,000 accordingly. Due to the buoyant state of the market, income levels were likely to remain high in the short–term (2017/18). Longer term forecasting was more difficult. However, the Head of Development had agreed, when competing work pressures allowed, e.g. the

Examination In Public of the Local Plan, to try to profile this income over the next 3-5 years.

Waste recycling income for the first quarter was understood to be in the process of being agreed with Warwickshire County Council (WCC). Income was estimated to be up by £20,000 for 2016/17. Confirmation had been obtained to similarly increase this budget for future years based on prior year outturn, tonnages to date, the continued growth in new properties and the increase in the multiplier in line with inflation. This had now been built into the Medium Term Financial Strategy (MTFS).

Car Parking income had improved on the previous year despite the price increase agreed previously only recently being implemented. Whilst any uplift in this income was due to be earmarked for investment in parking, the projected outturn had been reviewed upwards by £176,000. Forecast income for 2017/18 was again estimated to be up, despite the decision not to increase charges for next year at this stage. Any forecast increase in parking above inflation was appropriated into parking reserves, to fund improvements and new builds. Since Fees and Charges were agreed in September, it had been agreed with the Head of Neighbourhood Services that it was reasonable to increase the Parking Income Budget by an extra £90,000 from 2017/18. This had now been built into the MTFS.

Cremation fee income for this year and next was holding up well and was potentially up by £20,000, but was obviously influenced by a number of external factors e.g. cold winter, effectiveness of the 'flu vaccine' etc. A number of new products offered at the Crematorium and introduced by the Bereavement Manager were agreed in the September Fees and Charges report to Executive, ensuring income levels were maintained/exceeded for 2017/18. There were plans for further proposals, which would be reported to the Executive.

Leisure centre income, based on last year's profiled income, was forecasting an underachievement against the budget by a potential £200,000 (some of this was due to the decision not to increase Fees and Charges from January 2017, to reflect disruption due to building works). However, this was to be reviewed as part of the Base Budget, with Finance seeking to accommodate the various Leisure Centre options changes. A reserve had been created to mitigate some of this lost income with a more definitive position being reported in the Base Budget report. Income from the Royal Spa Centre was following a similar profile to previous years and the net position (reflecting payments to artists and income) was forecast to be close to the budget for this year.

Appendix C to the report provided details of income received compared to a profile budget to the end of September, and compared this to previous years. The latest budget was the estimated out-turn, unless notified in paragraphs 3.4.1to 3.4.5 of the report.

The External Auditors presented their Audit Findings Report to Finance & Audit Scrutiny Committee on 20 September 2016. The report referred to the large surplus over budget for 2015/16, largely as a result of unplanned income. They stated that the increased levels should have been known and reported sooner. Income monitoring was something that was being taken very seriously by the Senior Management Team. It was apparent that in the past, there had been overly cautious projections. Whilst overly optimistic projections were not sought, the skill was in making forecasts that were realistic and not overly risky.

For 2016/17, HRA electricity was forecast to be overspent by £35,000 due to increased usage throughout the year, and higher rates which were forecast to increase by approximately £1,400 per month from October 2016. Communal and other cleaning was likely to be £45,000 under budget in 2016/17.

The following General Fund Capital project variances had been reported:-

Culture
Castle Farm Sports Pitch drainage - £73,000 budget slipped to 2017/18
Play Area Improvement Programme increase by £195,800 funded from £66,300 section 106's and £129,500 request from Public Amenity Reserve.
New Gym Equipment - 2016/17 budget £29,300 saving
St Nicholas Park Tennis Courts -£23,000 **Addition to Capital Programme** following portfolio holder approval for Equipment Renewal Reserve draw-down.
Edmondscote Track Athletics Equipment - £10,900 - **Addition to Capital Programme** following Portfolio Holder approval for Equipment Renewal Reserve draw-down.
Victoria Skate Park £7,300 increase to budget funded from Section 106
GF -Play Area Improvement Programme- further Section 106 monies of £1,884 to be used instead of Public Amenity Reserve
Development
Jubilee House Phase 2 £331,300 budget - returned and to be earmarked within Capital Investment Reserve
2nd Warwick Sea Scout HQ £49,800 budget slippage to 2017/18
Chief Executive's Office
ICT - Overall underspend back to ICT Reserve. £21,300

The following Housing Revenue Account Capital project variances had been reported:
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Scheme	Amount £	Reasons
Water Services	-9,700	Reduction in 2016/17 budget. This is for responsive work and very unlikely to be spent.
Thermal Insulation	-89,900	Not required –in 2016/17 – see below
Thermal Insulation	-40,000	Virement to Door Entry/Security/Safety Systems
Door Entry/Security/Safety Systems	40,000	Virement from Thermal Insulation
Environmental	1,000	Increased budget funded from a

Improvements - tenant participation		'gesture of goodwill' payment from Severn Trent. No overall cost to WDC.

The main factor for not undertaking a thermal insulation programme in 2016/17 was the lack of underlying data required to target properties. The Stock Condition Survey data should alleviate this, enabling the Council to identify properties lacking loft or cavity insulation as well as the solid brick wall properties.

A number of programmes in which the Council had clad the external envelope of solid brick wall properties had been undertaken. Housing and Property Services had also been looking at how to access ECO (Energy Company Obligation) grant funding for WDC (officially designated) in fuel poverty areas.

Net Business Rate Retention had not been amended within the forecast for the current year on the basis that any variation to the original estimated income was compensated for by changing the contribution from the Business Rate Volatility Reserve. Business Rate income for future years was currently being reviewed and would be included within the MTFS. Whilst Business Rate Retention had now been in operation for three complete years, there remained many uncertainties in respect of the figures for the following reasons:

- There were still some substantial appeals awaiting determination by the VOA.
- All properties were being revalued from 1 April 2017. This would create a new round of new appeals to be submitted.
- For 2017/18, alongside the new rateable values, the rate poundage was still to be determined.
- The Top-ups and Tariffs used in the Rate Retention system all needed to be amended by DCLG to ensure authorities were not unduly benefited or lost out. Whilst there had been a consultation over this, the precise details were not expected to be known until the 2017/18 indicative Grant Settlement expected in December 2016.
- 100% Business Rates Retention was expected to come in from 2020/21. Again, there were significant uncertainties as to how this would work in practice, with functions having to transfer from central to local government.

Consequently, forecasting Business Rates Retention was not straightforward. It was therefore imperative that the Council maintained a level of reserves (notably the Business Rates Volatility Reserve), to enable it to have some stability in its finances moving forward. Within the Medium Term Financial Strategy, there would be more detail on the projected levels of Retained Business Rates.

The Council had been in the Coventry and Warwickshire Business Rates Pool since the start of Business Rates Retention. By pooling, councils sought to reduce the levy due to central government and retain more funds locally. For 2017/18, the pool should continue to operate with the same membership. However, it was noted that Coventry would be part of the new West Midland Pool as part of the Combined Authority. However, for the first year, that new pool was effectively a "desk top exercise" and consequently should have no impact on the Coventry and Warwickshire Pool.

As in previous years, the Council had to confirm their membership of the Pool in October, ahead of the new financial year. Under delegated authority to the Head of Finance, in consultation with the Finance Portfolio Holder, this had been agreed.

Further proposals would be reported to Councillors ahead of the Council committing to the following projects:

- Re-development of Newbold Comyn and St Nicholas Park Leisure Centres.
- Office Relocation project.
- Re-development of Covent Garden Multi Storey Car Park.
- Re-development of Linen Street Car Park.

The Council had liabilities for asset maintenance, ICT and Equipment renewal reserve, for which there was some funding.

Following the review of Corporate Assets, the future cost of maintaining all the Council's property assets and land holdings had been established, as previously reported to Executive. The cost of these works was only funded up to and including 2018/19. To fully fund the works required in subsequent years would amount to an additional cost, averaging out at approximately £1 million per annum.

A separate ICT Reserve had been established to provide funding for the Council's ICT infrastructure. Contributions of £250,000 per annum were being made to this reserve.

For some years, the Council had maintained an Equipment Renewals Reserve to fund service equipment replacement. Contributions of £100,000 per annum were being made to this reserve.

It was important that the Council's financial projections were as inclusive of all potential funding demands upon the Council as possible. It was important that Portfolio Holders and Heads of Service reviewed all items currently budgeted for in current and future years. Any further items which were not currently budgeted for should be identified, and where these were unavoidable they should be included in projections and future Budget reports.

Under the Accounts and Audit Regulations 2015, a local authorities' audited Statement of Accounts from 2017/18 must be published by 31 July 2018, and annually thereafter. Under the current regulations, the draft accounts must be completed and signed by the responsible finance officer by 30 June, with the audit and formal publication completed by 30 September.

With this new tighter timetable, it would be necessary for the draft accounts to be ready by the end of May, leaving June and July for the audit to be completed.

The Annual Governance Statement (AGS) formed part of the Statement of Accounts. It was prepared separately to the Accounts, and was currently agreed by Finance and Audit Scrutiny Committee before the end of June. The deadline for the completion and agreement of the AGS would also be brought forward. In considering the Annual Governance Statement, the Finance and Audit Committee also agreed the Internal Audit Report from the Council's Audit and Risk Manager which supported the AGS.

These new arrangements would impact on the reporting arrangements to Members. Currently, the following reports were presented to members:

Early June	Executive	Final Accounts report – to review revenue and capital outturn against budget and agree appropriation of any balances
June	Finance & Audit Scrutiny Committee	Agree Annual Governance Statement and Internal Audit Annual Report
July	Finance and Audit Scrutiny Committee	Note draft Statement of Accounts (including AGS)
End of September	Finance and Audit Scrutiny Committee	Consider External Auditor's Audit Findings Report on the Statement of Accounts
Before 30 September	Council	Formally approve audited Statement of Accounts

With the new reporting deadlines, it would not be possible to compress the above arrangements. Consequently, an amended reporting regime had been proposed.

The Accountants would need to give priority to the completion of the Statement of Accounts over the Final Accounts report to Executive. Consequently, the current Final Accounts report was proposed to be reported to Executive in late July 2017.

Within the current June Executive Final Accounts report, the use of any balance was agreed. Fortunately, this had always been a surplus balance in recent years, and had been appropriated to selected reserves. In future, it was proposed that any surplus or deficit on the General Fund balance was appropriated to or from the General Fund Balance within the Statement of Accounts. It would then be possible for that appropriation to be reviewed as part of the later July Executive Final Accounts report, with any further allocation reflected in the new year accounts. Similar arrangements would need to apply to the Housing Revenue Accounts, with the balance being automatically appropriated to or from the HRA Capital Investment Reserve. This changed arrangement for the treatment of balances in from 2016/17 Accounts would need to be agreed by Council.

Also within the Final Accounts report in June, proposals for revenue slippage (Earmarked Reserves) and capital slippage were put forward. In recent years, greater effort had gone into identifying these so as to include them in the new year Budget in February. With the Final Accounts report having to be delayed as part of the early closedown, there were likely to be problems if some items of revenue or capital slippage were delayed. Consequently, it was proposed that in future the Head of Finance, in consultation with the Finance Portfolio Holder, could agree items of revenue and capital slippage.

The Annual Governance Statement would need to be agreed by the end of May each year. The proposed committee timetable for 2017-19 incorporated a May Finance and Audit Scrutiny Committee which would enable this to be achieved.

The Audited Statement of Accounts was currently agreed by Council. Under the Accounts and Audit Regulations, it was possible for this to be delegated to a council's audit committee, but not to a scrutiny committee. Consequently, Warwick District Council had continued to seek Council approval. Most local authorities delegated this function to their audit committee, which was generally believed to be a more efficient use of members' time given the complexity and length of the document. The Council's Constitution made it clear that the Finance and Audit Scrutiny Committee acted as the Council's audit committee. I The agenda of this Committee was structured such that audit and scrutiny items were considered separately. Consequently, it was proposed that the approval of the audited Statement of Accounts should be carried out by the Finance and Audit Scrutiny Committee in future. The Council's External Auditor had considered this proposal and supported this change. This would also require Council to agree a change to the Committee's functions within the Constitution.

Whilst the early closedown did not formally come into place until the production of the 2017/18 Statement of Accounts in the Spring of 2018, it was intended that early closedown should be piloted in closing the 2016/17 Accounts, with the reporting deadlines duly brought forward.

If these changes were approved, the future reporting cycle for the Statement of Accounts would be as follows:-

May	Finance and Audit Scrutiny Committee	Agree Annual Governance Statement and Internal Audit Annual Report.
July	Executive	Final Accounts report - to review revenue and capital outturn against budget and agree any further appropriation of any balances in new year accounts.
July	Finance and Audit Scrutiny Committee	Consider External Auditor's Audit Findings Report on the Statement of Accounts. Formally approve audited Statement of Accounts.

Closing the Council's accounts, producing the Statement of Accounts (and associated working papers), and producing relevant reports for Members were significant tasks. Whilst the bulk of this was done by Accountants, the work was reliant on contributions from officers across the Council. Consequently, early closedown was being managed as a project within the 2016/17 Finance Service Plan, with contributions and commitment required from all key stakeholders, including the officers from all service areas and the Council's External Auditors. The Executive could choose to task Portfolio Holders with ensuring that their Managers agreed to meet this commitment.

As part of the early closedown, the following changes and initiatives would need to be pursued: greater reliance on estimates; certain elements of the work by external audit being undertaken earlier in the year; more tasks undertaken on a rolling basis throughout the year, rather than just at year end; reduction in the size of the notes to the accounts ("de-cluttering"); and information from other Service Areas being produced much earlier and within earlier deadlines. Monitoring expenditure and income and maintaining financial projections was good financial practice and part of good governance.
With regard to recommendation 2.1 in the report, the Finance & Audit Scrutiny Committee made the following comments:

With respect to car parking income, whilst the Committee noted that the income expectation was prudent because of the variable nature of this service, which was dependent on a number of factors, they felt that this provided an example of where further work was required to provide more accurate forecasts of income.

The Finance & Audit Scrutiny Committee had significant concern over the £25,000 additional expense for Racing Club Warwick because they did not believe that Members had been made aware of this additional expenditure, and therefore this sensitive subject matter, on which a final cost had previously been agreed, had avoided due consideration and scrutiny.

The Finance & Audit Scrutiny Committee noted the investigatory work by Finance into the additional insurance cost of electrical vehicles and how this aspect had been missed from either the business case or budgetary allocation of the agreed project costs.

The Finance & Audit Scrutiny Committee noted the revised Appendix B1. However, this needed to be revised further to show the correct percentage level of expenditure.

The Finance & Audit Scrutiny Committee asked if work was under way on income modelling as a result of population growth with regard to: (1) potential increases in income; and (2) additional demands for services (and associated costs of these).

The Finance & Audit Scrutiny Committee also questioned the statement to Overview & Scrutiny Committee by Councillor Coker that "Income was 2%

up on budget" for leisure centres, as this was was not verified by the figures in the budget report.

With regard to recommendation 2.2, the Finance & Audit Scrutiny Committee asked for the detailed mitigation and/or reasons for the slippages with regards to the 2nd Warwick Sea Scouts and Castle Farm projects.

The Finance & Audit Scrutiny Committee supported all the other recommendations in the report

The Executive received detailed responses from officers to the questions raised by the Finance & Audit Scrutiny Committee.

In response to the questions regarding Racing Club Warwick it was explained that:

The reasons for this were:

1. Being unable to carry out the works as originally planned, owing to the need to get legal agreements in place which had taken far longer than anticipated, resulting in a delay of nine months from the original date of authorisation. The works had then been then affected by the impact of other works on an overlapping scheme being undertaken at the same time. This included having to:

- Undertake additional tarmac and preparation works due to changing rooms being moved further away from the main club house.
- Clear additional land from within the Racecourse.
- Excavate and provide foundations for new changing rooms.
- Undertake additional drainage works due to the new location and size of changing rooms.

2. The extra cost associated with each and every building being filled with rubbish and waste unaccounted or unable to be viewed prior to the works starting, including underneath units and behind units within overgrowth.

3. Having to undertake additional works to re-build and adapt the electrical intake room as the original was found to be unsuitable upon demolition of the adjoining timber building.

4. Scheme variation - Additional fencing was required to enclose the large piece of grassland earmarked for the 'MUGGA' together with a new 3.6m wide double gate allowing direct access to the 'MUGGA' area from within the car park."

With regard to the electric car insurance provision, investigations had showed that there was budgetary provision for this, was being corrected.

With regard to population growth and the challenge that this would bring, a cautious approach had to be taken within the MTFS, with changes factored in where appropriate.

With regard to the statement from Councillor Coker to Overview & Scrutiny Committee, it was noted that the 2% overachievement on income was for 2015/16, not for the current year, whereas presumably the £200k in the Budget report was the figure for the current year.

With regard to the Sea Scouts and Castle Farm, the Sea Scouts were struggling to raise funding despite intensive efforts, the timescale had been extended; and the drainage works at Castle Farm had slipped in light of the ongoing dialogue with Kenilworth Wardens. Therefore, it made sense to wait to do any improvements until the Council had confirmed the way forward with Wardens.

In addition, to this revised Appendices B1 and B2 to the report were circulated at the meeting which set out the correct level of spend, as a percentage, on earmarked reserves.

Resolved that

(1) the latest variances for the General Fund budget, the projected outturn on budget and changes detailed in the report be noted;

(2) the latest variations on the Housing Revenue Account (HRA) as detailed in section 3.5 of the report, be noted;

(3) the changes to the Capital Programme detailed in paragraph 3.6 of the report, be approved; and

(4) the new requirement for the Council's Audited Statement of Accounts to be approved by 31 July from 2017/18, be noted.

Recommended that

(1) the plan for the Council's Audited Statement of Accounts for 2016/17 to be approved by 31 July 2017, be approved;

(2) any revenue surplus or deficit balance on the General Fund on closing the Accounts from 2016/17 is appropriated to/from the General Fund Balance, and any revenue surplus or deficit balance on the HRA is appropriated to/from the HRA Capital Investment Reserve; and authority is delegated to the Head of Finance, in consultation with the Finance Portfolio Holder, to amend these arrangements if necessary, with this subsequently reported to Executive/Council;

(3) the Head of Finance, in consultation with the Finance Portfolio Holder, has delegated authority to agree revenue and capital slippage at year end, above items already allowed for in the Budget process, with these being reported to Members as part of the subsequent Final Accounts report to Executive, with the Constitution being amended to reflect this; and

(4) the Finance and Audit Scrutiny Committee, as the Council's audit committee, in future be responsible for approving the Council's Audited Statement of Accounts, with the Constitution being amended to reflect this.

(The Portfolio Holder for this item was Councillor Whiting)
Forward Plan Reference Number 779

57. **Review of Support to Town and Parish councils**

The Executive considered a report from Finance that set out proposals for the provision of funding to town and parish councils in the form of concurrent services and Council Tax Reduction.

In July, the Executive had considered a report on the funding that that the District Council provided to parish and town councils. Following the agreement of the recommendations, parish and town councils were consulted on the proposal to reduce the funding.

The report considered by the Executive in July explained how the District Council provided funding to parish and town councils for concurrent services (£50,000) and Council Tax Grant (£95,000). Many local authorities had ceased to provide this funding as their own funding streams had significantly reduced in recent years.

In July, the Executive agreed that the Parish and Town Councils should be consulted in line with the Warwickshire Local Councils' Charter on the following proposed changes in funding: That the Council agrees to reduce the concurrent service grants to parish and town councils by 50% for 2017/18, and stop the grants from 2018/19; and that the Council agrees to reduce the Council Tax Reduction funding for parish and town councils by 50% for 2017/18, and to stop the grants from 2018/19.

All 25 parish and town councils were consulted on this, together with the Warwickshire Association of Local Councils (WALC) and Warwickshire Rural Community Council (WRCC).

Responses had been received from 16 of the local councils and from WALC. Those Councils that had not responded tended to be the smaller councils. In monetary terms, the respondents received 96.1% of concurrent services allocation and 97.3% of Council Tax Grant. The responses received were summarised within Appendix A to the report and the details of the individual responses were available on request.

Within the responses, the councils acknowledged and understood the financial pressures faced by the District Council and the justification for the withdrawal of Council Tax Grants. Many also acknowledged that several other district councils had already ceased the support.

The main concern arising from the proposals was the timescale for the withdrawal of both streams of funding over the two year period. It was pointed out that the potential increase in the local council element of the Council Tax may not be acceptable to local residents, and there was a lack of time to consult over potential increases. In line with the WALC response, many suggested that the concurrent services funding was reduced over a three year period, and the Council Tax Reduction Grant over 4 years. The impact of this over future years for individual parish/town councils was shown within Appendix B1 to the report.

Taking into account the need for the Council to make savings, as reflected in the Medium Term Financial Strategy (MTFS), and the proposal to extend the period over which the funding was phased, it was proposed to reduce the concurrent services funding over two years, and the grant over three years. This extended the largest element of the funding, the grant, over an additional year to the period originally proposed. By doing this, it increased the savingsthe Council needed to find in 2017/18 and 2018/19 above those currently assumed in the MTFS. This was considered in section 5 of the report. The impact of this over future years for individual parish/town councils was shown within Appendix B2 to the report.

Whilst there was overall acceptance of the reduction, Whitnash Town Council was strongly opposed to the removal of the concurrent services support (but accepted the loss of the Council Tax Reduction Grant), as shown within their response. They also noted the sums paid by the District Council to maintain neighbourhood open spaces, in addition to the destination parks. The neighbourhood open spaces maintained by the District Council included some sites that did not really fit into the ‘park’ category, e.g. cemeteries. The District Council also looked after other areas of open space which had been included because they were classed as green corridors, e.g. cycle-paths and connecting footways. The response also suggested that the District Council could maintain Whitnash open spaces instead, for which the cost could prove to be far higher than that paid by Whitnash.

Several responses had made reference to the Local Government Finance Settlement Technical Consultation paper issued on 15 September. Within this consultation, the Government was proposing that some parish/town councils would be subject to the same requirement as district councils to hold a referendum to agree any council tax increase of £5 or 2%, whichever was the higher. This was based on specific criteria, and the government estimated that this would affect 120 of the 8,800 parish councils nationally. None of the parish or town councils in Warwick District had council tax or precepts of the level specified, and they would continue to be well below these levels if the parish funding ceased and local council taxes were increased to compensate for this.

However, in order to avoid parishes being unduly constrained by referendum principles for taking on responsibilities from other tiers of local government, the Technical Consultation proposed that parishes should not be subject to the referendum principles where there had been a transfer of responsibilities and certain conditions were satisfied.

The Consultation also sought views as to whether to extend the referendum principles to all parish and town councils, in order to reflect the impact of higher increases on local tax payers. Whilst the Government was not advocating this response within the consultation, there was a risk that local parish/town councils could be restrained in increasing their council tax to compensate for the proposed reduction in support from the District.

How the final referendum principles were to be applied should be known as part of the Local Government Grant Settlement (provisional in December, final in February 2017), ahead of the District Council agreeing its budget for 2017/18. If it was apparent that the local parish and town councils were to be restrained in their ability to increase their element of the Council Tax from 2017/18, the District Council should review the extent to which support was reduced.

The Council could choose not to progress the savings proposed, or to propose other levels of savings or savings profiles. This would mean that the Council would need to seek to identify alternative savings. Paragraph 5.4 of the report showed the savings profile should the funding be reduced over a three year period for concurrent services and four year period for the grant.

Alternatively, the Council could consider phasing the reduction of all funding over three years:

	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**Total £000**
MTFS(rounded)	70	75			145
Savings Profile	48	48	49	0	145
Additional savings required in year	22	27	(49)	0	0

Under this scenario, additional savings above those in the recommendations would need to be made by the District Council until 2019/20, but this amount would be lower than the savings required from the WALC proposal. The impact of this over future years for individual parish/town councils was shown at Appendix B3 to the report.

If the grants were maintained, albeit at a lower level, the administrative work involved (for the District and parish/town councils) would still exist

The Finance & Audit Scrutiny Committee thanked the Head of Finance for the clarification that this item would now be a part 1 agenda item and would be considered by Council on 16 November 2016.

In addition, they appreciated the addition to recommendation 2.1 to include, at the end, "thereby ending the concurrent services scheme".

The Finance & Audit Scrutiny Committee recommended to the Executive that:

With regards to recommendations 2.1 and 2.2, the proposal from WALC should be followed; concurrent services should be phased out over three years and Council Tax support should be phased out over four years. This would provide the parish/town Councils with time to build these changes into their budgets at a more sustainable rate.

The Head of Finance provided verbal clarification regarding the information circulated by Whitnash Town Council. The Executive thanked the Head of Finance for this and asked that it be circulated to all Councillors ahead of the Council meeting.

Resolved that the proposal from the Finance & Audit Scrutiny Committee could not be accepted because:

(1) of the additional financial requirements that this would place on Warwick District Council;

(2) the actual precept increases for tax payers would be small in actual value compared to the percentage increase;

(3) the parish/town Councils could, in line with the District Council, look to reduce their costs to support these changes; and

(4) some councils had already planned for these changes and therefore why should this Council continue to fund those councils who had not taken these steps?

Recommended to Council that

(1) it reduces the concurrent service grants to parish and town councils by 50% for 2017/18, and stops this funding from 2018/19, thereby ending the concurrent services scheme;

(2) it reduces the Council Tax Reduction grants for parish and town councils by 33.3% for 2017/18, 33.3% for 2018/19 and that it stops the grants from 2019/20.

(3) it reviews the reductions if necessary, as part of the Local Government 2017/18 Grant

Settlement referendum principles will apply to local parish and town councils for 2017/18.

(The Portfolio Holder for this item was Councillor Whiting)

(The meeting ended at 6.48pm)