

Title: General Fund Revenue and Capital Budget 2024/25

Lead Officer: Andrew Rollins (01926 456013)

Portfolio Holder: Councillor Chilvers

Wards of the District directly affected: N/A

Approvals required	Date	Name
Portfolio Holder	/01/24	Cllr Chilvers
Finance	/01/24	Steven Leathley
Legal Services		
Chief Executive	/01/24	Chris Elliot
Director of Climate Change	/01/24	Dave Barber
Head of Service(s)	/01/24	Andrew Rollins
Section 151 Officer	/01/24	Andrew Rollins
Monitoring Officer	/01/24	Graham Leach
Leadership Co-ordination Group		
Final decision by this Committee or rec to another Cttee / Council?	Yes	
Contrary to Policy / Budget framework?	No	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	Yes	
Accessibility Checked?	Yes	

Summary

The report informs Members on the General Fund Budget for Warwick District Council, including proposals for growth, plus the Medium-Term Forecasts up to 2027/28. It will be presented to Full Council alongside a separate report recommending the overall 2024/25 Council Tax Charges for Warwick District Council.

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

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

Recommendation(s)

- (1)** That Cabinet recommends to Council to approve the proposed 2024/25 revenue budget as detailed in section 1.2 and notes the shortfall on the year of £4.475m is addressed using the General Fund Volatility Reserve.
- (2)** That Cabinet recommends to Council to approve the Council Tax charges for Warwick District Council for 2024/25 before the addition of Parish/Town Councils, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts, for each band with an increase at band D of 2.99%.

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

- (3)** That Cabinet notes the impact on the Medium-Term Financial Strategy (MTFS) due to changes detailed within the report, how these changes are expected to be accommodated through the delivery of an organisational change programme, due to be presented to Cabinet in March.
- (4)** That Cabinet recommends to Council to approve the reserve projections and allocations to and from the individual reserves as detailed in Section 1.8, including the ICT Replacement, Equipment Renewal and Pre-Planned Maintenance (PPM) Schedules.

- (5) That Cabinet recommends to Council to approve the General Fund Capital and Housing Investment Programmes as detailed in section 1.9 of the report, and Appendices 7 parts 1 and 2, together with the funding of both programmes as detailed in Appendices 7 parts 3 and 4. Changes to the programme are outlined in Appendix 6.
 - (6) That Cabinet recommends to Council to approve the allocation of project funding outlined in Section 1.10 and summarised in Appendix 8.
 - (7) That Cabinet recommends to Council to approve the 2024/25 Corporate Property Repair and Planned & Preventative Maintenance (PPM) Programme totalling £2.071m as outlined in Appendix 9 and section 1.12, funded from a drawdown from the Corporate Asset Reserve of up to £1.660m. Members should also note the 5 year programme presented in the appendix, and how this programme can be accommodated by the Corporate Asset Reserve.
 - (8) That Cabinet approves the introduction of the empty property premium charge with effect from 1 April 2024, and the second homes premium charge relating with effect from 1 April 2025. Both charges relate to Council Tax, and are outlined in section 1.12.
 - (9) That Cabinet notes that the budget setting timetable for 2025/26 be shared with Cabinet in April, as outlined in section 1.13.
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1 Reasons for the Recommendation

1.1 Mandatory Obligations

- 1.1.1 By law, the Council must set a balanced budget before the start of the financial year. As part of this process, it must levy a council tax from its local tax payers to contribute to financing General Fund expenditure.
- 1.1.2 It is prudent to consider the medium term rather than just the current and next financial year in the context of strategic planning and decision making, to align with the Corporate Strategy. Hence, Members receive a 5-year Medium Term Financial Strategy (MTFS) detailing the Council's financial plans, Capital Programme and Reserves Schedule, covering the period 2023/24-2027/28.
- 1.1.3 The Local Government Act 2004, Section 3, states that the Council must set an authorised borrowing limit. The CIPFA Code for Capital Finance in Local Authorities states the Council should annually approve Prudential Indicators. These will be included in the Annual Treasury Management Strategy report to Cabinet and Council in March 2024.
- 1.1.4 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 provided as Appendix 1.
- 1.1.5 This report is structured to build up and present a holistic view of the Council's finances for Members to assist them in considering the Budget and Council Tax proposals and associated matters. The report is structured as follows:-
 - 1.2 2024/25 Revenue Budget – details of main items included within the proposed 2024/25 budget.
 - 1.3 2024/25 Government Funding announcements, including the Autumn Statement and Local Finance Settlement.

- 1.4 Business Rates – details of main drivers impacting upon the Council’s share of Business Rates, including future policy assumptions.
- 1.5 Council Tax – proposals for Warwick District Councils level of council tax for 2024/25.
- 1.6 New Homes Bonus and Funding Guarantee allocations.
- 1.7 Medium-Term Financial Strategy (MTFS) – revenue projections for the Council covering the period 2023/24 – 2027/28, based upon member decisions and the latest financial assumptions.
- 1.8 Reserves and Balances – details on the funds held by the Council, outlining how they will be used over the MTFS period and their forecast uncommitted balances.
- 1.9 Capital Programme – details of Council’s capital projects and how they are to be funded.
- 1.10 Proposals for the allocation of one-off funding to support non-recurrent activity.
- 1.11 Pre-planned Maintenance Programme (PPM) – agreement to the plan for 2024/25.
- 1.12 Proposals for the empty properties and second homes premium Council Tax charges.
- 1.13 The 2025/26 budget setting timetable.

1.2 **2024/25 Revenue Budget**

- 1.2.1 In preparing the 2024/25 Base Budget the over-riding principle is to budget for the continuation of services at the existing level. The following adjustments need to be made to the 2023/24 Original Budget.
 - Removal of any non-recurrent (one-off) and temporary items
 - Addition of inflation
 - Addition of unavoidable pressures
 - Addition of agreed Growth items
 - Inclusion of any identified savings
- 1.2.2 Core inflation of 4% has been included in the proposed 2024/25 Budget for staff pay, subject to pay award negotiations.
- 1.2.3 The following unavoidable growth has been included in the Budget:-
 - Known increases on major contracts already in place with agreed uplifts. These include the waste contract, repairs and maintenance, cleaning, and ground maintenance contracts.
 - Increased cost of utilities agreed as part of our commercial contracts, covering gas, electricity, and water.
 - IT systems used to support services as Housing, Benefits, Council Tax, Business rates and Finance.
- 1.2.4 As part of agreeing the 2023/24 Budget last year, a series of Budget savings were included. These have continued to be monitored throughout the year, and reported to members as necessary.

1.2.5 The 2024/25 budget shows a deficit of £4.475m. The key drivers of the 2024/25 forecast deficit, compared to when the MTFS was last presented to members in the December 2023 Q2 Budget report include:

- Request for recurrent Growth items £0.821m
- Increase in revenue borrowing costs driven by new projects agreed in-year
Offset by:
 - An Increase to investment income driven by higher than forecast interest rates
 - The inclusion of business rates growth aligned with expected completions in-year.
 - The inclusion of change programme delivery targets from 2024/25.
 - The delay to the introduction of the second homes premium Council Tax charge (see section 1.12.5).

1.2.6 An additional £0.045m Cost of Living Support budget has also been included from 2024 for 3 years.

1.2.7 To present a balanced budget, it is proposed to use funding from the General Fund Volatility Reserve (see section 1.10.2).

1.2.8 Appendix 2b includes details of the breakdown of the Budget over the Council's individual services.

1.3 **Government Funding Announcements**

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

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

1.3.3 Most of those key decisions are remain unchanged from those outlined in 2023/24.

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

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

1.3.6 The Council tax principles of the Finance Settlement have been set out in section 1.5.

1.3.7 Cap compensation will be paid to mitigate for lost income arising from the decision to freeze the small business rating multiplier in 2024/25.

1.3.8 The Services Grant introduced in 2022/23 will be retained again in 2024/25,

but further reduced to £0.022m.

- 1.3.9 For some years the future of New Homes Bonus (NHB) has been subject to review, adding to uncertainty to its continuation.
- 1.3.10 However, as part of the stability, this has included NHB allocations for 2024/25 of £0.902m. There are no legacy payments attached to these new allocations.
- 1.3.11 In addition, to bridge the gap and to ensure that all Councils see a minimum 3% increase in their core spending power (before taking into consideration any local decisions on Council Tax), a further one-off Funding Guarantee allocation of £2.289m will be received. It should be noted that the Council has received a provisional increase in core spending power of 4.8% as part of this settlement.
- 1.3.12 On Wednesday 24 January 2024, the Government announced additional measures for local authorities in England, worth £600 million. This includes £500 million of new funding for councils with responsibility for adults and children's social care, distributed through the Social Care Grant. Further details on the exceptional provision of this funding will be set out at the upcoming Budget.
- 1.3.13 In addition, an increase in the funding guarantee so that all local authorities will see a minimum 4% in their Core Spending Power, before taking any local decisions on raising council tax. It is expected that this will be worth £0.176m to Warwick District Council. However, due to the timing of the announcement, this has not been included in the budget to date. Its inclusion, and how it will be used by the Council, will form part of the Council Tax Report going to Full Council later in February.
- 1.3.14 The Council will continue to use NHB and now the Funding Guarantee to fund one-off items, or to support the top-up of reserve balances. This is in view of the uncertainty over future allocations, so it has been prudent not to use this funding to support core revenue expenditure, with this revenue only factored into the Medium-Term Financial Strategy once it has been agreed for each year. The proposal for their use is outlined in section 1.10 and Appendix 8.
- 1.3.15 Funding reforms and changes in funding distribution, including the Fair Funding Review and Business Rates baseline reset, will not be implemented until after the General Election, and therefore 2025/26 at the earliest. Business Rates are discussed in section 1.4.

1.4 **Business Rates**

- 1.4.1 Under the current Business Rate Retention scheme, 50% of rates collected are retained within local government (40% to Warwick District Council / 10% to Warwickshire County Council), with a series of tariffs and top-ups to redistribute the revenue between local authorities to reflect the individual "needs" of authorities, and to distribute revenue to non-billing authorities. For some years the Government has been planning a move to a 75% scheme to give local authorities more incentive to encourage local businesses on the basis that the local councils would get to retain a greater proportion of the tax revenue.
- 1.4.2 The other planned change to the Business Rate Retention system is for there to be a "Re-set" of the Baselines. Under the system, each authority has a Baseline, and gets to retain a proportion of the additional tax revenues above this. Authorities such as Warwick have benefitted from this since the scheme began and operate well above Baseline. If there is a re-set to the Baseline, this would reduce the business rates that the Council retains substantially. For the

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

- 1.4.3 While the details of any reform remain unknown, typically there would be some form of transitional funding available to Councils that are negatively affected. However, for prudence, the MTFS assumes for a 'worst-case' scenario, with this position subject to continual review as and when more information becomes available.
- 1.4.4 The Business Rate Retention scheme is very complex, with many components and parameters which drive the funding, and the timing of that funding, that Councils receive. The Council's Business Rate Retention projections are based on figures provided by Local Government Futures, a specialist consultancy that many local authorities subscribe to. This information is supplemented with local knowledge from being part of a Business Rates Pool with other Councils across Coventry and Warwickshire
- 1.4.5 The Council is part of the Coventry and Warwickshire business rates pool. This has meant that any tariff payable is made through the pool to central Government, along with the other Warwickshire Councils (including the County Council) and Coventry City Council. The operation of the Coventry and Warwickshire pool has meant that the tariff payments made by the council are reduced and more business rates income can be kept locally. The members of the pool have once again agreed to remain within the pool going forward into 2024/25.
- 1.4.6 Given the large fluctuations in the business rates, and the difficulty in projecting the revenue, it is important that the Council continues to retain a "Volatility Reserve". Any business rates income received in the year above the agreed baseline is allocated to the reserve. In future years, it may be necessary to fund any shortfall to the baseline from the reserve. As the council currently is operating above the baseline, it has been able to use the overperformance income from prior years to balance the current year budgets, with the 2024/25 being no exception.

1.5 **Council Tax**

- 1.5.1 As part of the Finance Settlement (section 1.6) the Government has confirmed that for District Councils, their element of council tax can increase by the higher of 2.99% or £5 for 2024/25. As 2.99% is higher than £5 for this Council, this is the maximum increase in council tax for 2024/25 that is allowed for. Any increase above this level would require a local referendum.
- 1.5.2 Increasing the council tax by the maximum would protect the Council's tax base and maximise council tax revenue. If the Council agrees a lesser increase than 2.99% (or no increase), this will erode the tax revenue of Warwick District Council from 2024/25 in perpetuity. A 2.99% increase would generate an additional £0.308m in 2024/25. If council tax is not increased, the Council's revenue income for all future years will be suppressed by at least this amount. With the Council having to find further revenue savings in future years, the savings to be found will be that much greater. If savings in service provision are not found, it will be necessary to make reductions in services to enable the Council to be able to agree a balanced Budget in future years.

- 1.5.3 The Tax Base for 2024/25 has now been agreed at 58,280 Band D dwellings, representing an increase of 611 from the prior years tax base, and above the forecast used by the Government in setting the Local Finance settlement. However, this figure represents a decrease of 520 from what had been allowed for within the Council's 2023/24 Medium Term Financial Strategy. The decrease reflects the number of new properties across the district now coming forward, following a slowdown in the construction of new properties from the second half of 2023/24 due to the current economic conditions, with inflation and interest rates being higher than what was forecast when the budget was set last year. The figures also reflect the actual impact on the changes to the Local Council Tax Reduction Scheme introduced in 2023/24.
- 1.5.4 The 2023/24 estimated council tax balance in respect of Council Tax income for the current year has recently been reviewed. This gives a total estimated deficit balance of £1.001m as at 31 March 2024. This balance has to be shared with the major preceptors in 2024/25, with this Council's element being £0.100m. Estimating the tax base is invariably very difficult, and frequently results in a deficit or surplus balance which would need to be financed subsequently. The current economic conditions, and the actual impact on the changes to the Local Council Tax Reduction Scheme introduced in 2023/24 have increased the challenge of estimating the tax base with increased levels of certainty. The model used to forecast the tax base is continually revised to take into consideration current economic and sector conditions, with the forecast on new properties being reduced for 2024/25 as a result of the continued challenging market conditions.
- 1.5.5 The Medium-Term Financial Strategy (discussed in section 1.7) assumes council tax increases for future years of 2.99% per annum from 2024/25. Any departure from this will increase the level of the future deficit, and the values required to be achieved within the change programme.
- 1.5.6 Therefore the Officer recommendation within this report is for District Council's element of council tax for 2024/25 to be increased by 2.99%. On this basis, the 2024/25 council tax for each band would be as follows:-

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

- 1.5.7 Members must bear in mind their fiduciary duty to the Council Taxpayers of Warwick District Council. 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. By increasing the Council Tax by the maximum amount permitted, members are ensuring the Council is limiting where possible the size of the financial deficit, and that it is maximising the amount of Council Tax it can receive in-year to support continued delivery of agreed services.

1.6 **New Homes Bonus and Funding Guarantee**

- 1.6.1 For some years the future of New Homes Bonus (NHB) has been subject to review, adding to uncertainty to its continuation.
- 1.6.2 It was expected that NHB payments would end in 2022/23. However, due to the 'holding' nature of the Finance Settlement, NHB allocations have once again been included, with £0.902m to be received in 2024/25. There are no legacy payments attached to these new allocations.
- 1.6.3 In addition, to bridge the gap and to ensure that all Councils see a minimum 4% increase in their core spending power (before taking into consideration any local decisions on Council Tax), a further one-off funding guarantee allocation of £2.465m will be received.
- 1.6.4 However, due to the reasons covered in sections 1.3.12-1.3.13, the previously communicated allocation of £2.289m has been included in the budget to date.
- 1.6.5 The Council will continue to use NHB and now the Funding Guarantee to fund one-off items, or to support reserves. This is in view of the uncertainty over future allocations, so it has been prudent not to use this funding to support core recurrent revenue expenditure, with this revenue only factored into the Medium-Term Financial Strategy once it has been agreed for each year. The proposal for their use is outlined in section 1.10 and Appendix 8.

1.7 **Medium Term Financial Strategy**

- 1.7.1 The MTFS was last formally reported to members in December as part of the Q2 Budget report, with the profile for future years being as follows: -

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

- 1.7.2 Once the changes outlined 2024/25 through the Budget Setting process (sections 1.2 – 1.6, with the major changes highlighted) have been incorporated into the Strategy, the position of the MTFS is now as follows:

	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m

Deficit-Savings Req(+)/Surplus (-) future years	0.759	4.475	2.434	-0.250	-0.903
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1.7.3 Section 1.10.3 proposes how the deficit will be covered through the use of reserves. The below table shows the MTFS once this has been actioned:

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

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

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

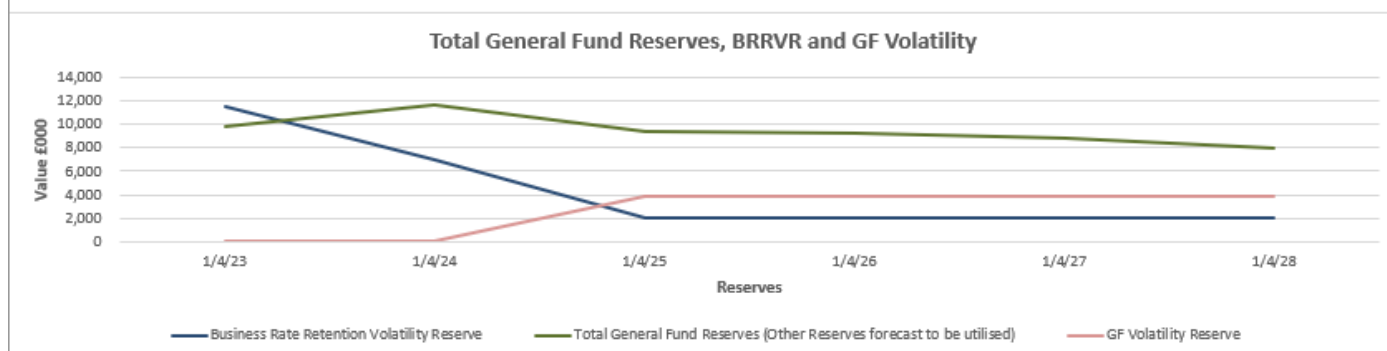
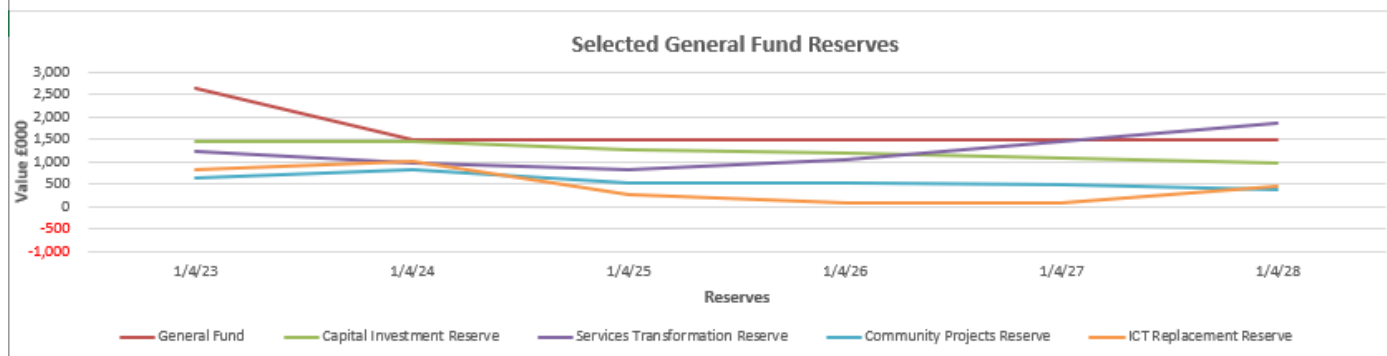
1.7.5 Regarding the change programme, The Council's Corporate Strategy made a clear commitment to ensure continued financial sustainability. To contribute this priority and the Council's medium-term financial strategy, there will be an organisational change programme, which will set out the approach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

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

1.8 Reserves and Balances

- 1.8.1 Members have previously agreed that £1.5m should be the minimum level for the core General Fund Balance. This balance supports the Council for future unforeseen demands upon its resources. In order to consider a reasonable level of general reserves, a risk assessment has been completed (Appendix 4). This shows the requirement for maintaining this minimum balance to mitigate against the risks that have been identified, where other funding is not available.
- 1.8.2 The unallocated General Fund Balance is currently forecast to be £1.5m, and therefore is in line with the agreed minimum level.
- 1.8.3 The Business Rate Retention Volatility Reserve (BRRVR) was used over prior years to deliver a balanced budget. However, to ensure this reserve remains available for its primary purpose of smoothing business rate receipts, any overperformance above a £2m balance has been reallocated to the General Fund Volatility Reserve. Business rates are discussed in section 1.4, including the expected changes to Business Rate Retention which have been delayed over the last few years. With the result of the expected changes in mind, it is essential that the Council moves away from its reliance on overperformance receipts to balance the budget in future years, with the Change Programme in March due to outline how the Council plans to address the ongoing deficit position.
- 1.8.4 A change programme delivery reserve has been established from 2024/25, funded with £0.500m from the Services Transformation Reserve. This will be used on an 'invest to save' basis to enable delivery of schemes within the change programme that may require an initial investment in order to deliver recurrent savings.
- 1.8.5 The Head of Finance has delegated authority enable drawdown from the Equipment Renewal Reserve within the agreed schedule. Any further requests or requests above the agreed schedule will require member approval.
- 1.8.6 Below is a summary of the key reserve balances available for use by the Council before additional commitments:

General Fund Reserve	Notes	1/4/23	1/4/24	1/4/25	1/4/26	1/4/27	1/4/28
		Balance at	Balance at (Estimated)	Balance at (Estimated)	Balance at (Estimated)	Balance at (Estimated)	Balance at (Estimated)
		£000	£000	£000	£000	£000	£000
General Fund	Minimum agreed balance £1.5m	2,631	1,500	1,500	1,500	1,500	1,500
Capital Investment Reserve	minimum agreed balance £1.0m	1,456	1,456	1,283	1,183	1,083	983
Services Transformation Reserve		1,229	982	824	1,050	1,450	1,850
Community Projects Reserve		616	809	534	509	484	379
ICT Replacement Reserve		829	990	262	96	80	448
GF Volatility Reserve	Transfer from BRRVR to leave £2m	0	0	3,853	3,853	3,853	3,853
Business Rate Retention Volatility Reserve	£2m agreed balance ahead of anticipated Business Rate Reset in 2025/26 is achieved.	11,485	6,913	2,000	2,000	2,000	2,000
Total General Fund Reserves (Other Reserves forecast to be utilised)		9,758	11,711	9,457	9,294	8,830	8,016
Changes in Year			1,953	(2,254)	(163)	(464)	(814)



1.8.7 The full reserve projections are included within Appendix 5, alongside an explanation for each reserve. Some of the reserves will have additional commitments not reflected in the schedule, which will reduce the projected balances. It should also be noted that some reserves are potentially over-committed, which would either require further funds being allocated in a future year, or a reduction in funded activity. Section 1.10 covers in more detail some of these reserves.

1.9 Capital Programme

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

- 1.9.2 The Capital Programme has been updated throughout the year as new and amended projects have been approved. Appendix 7, consisting of 5 parts, details both the General Fund and Housing Investment Programme (HIP) Capital programmes, along with their associated funding. Appendix 6 details the variations to the capital programme as new schemes have been approved and projects have been updated.
- 1.9.3 Slippage and savings on existing schemes are also detailed within Appendix 6.
- 1.9.4 The HIP and associated funding are included within Appendices 7 parts 2 and 4. Additional borrowing is the primary source of funding for new construction and acquisition projects. The HIP will be presented again as part of the HRA Business Plan report due in March.
- 1.9.5 Appendix 7 Part 5 shows the General Fund unallocated capital resources. These total £3.320m in 2023/24. The Capital Investment Reserve represents the largest share of this at just under £1.5m, for which the Council has agreed the minimum balance should be £1m. Whilst the Council does hold other reserves to fund capital projects, it will be noted that these are limited and have been reserved for specific purposes. In addition to the resources shown here, "Any Purposes Capital Receipts" currently total £9.728m (see section 1.10.8).

1.10 Appropriation of Funding and Balances

- 1.10.1 The Council does have some balances and funding which it is able to use to fund specific projects and service demands. The sums available can be used to fund 'one-off' items only. Any initiatives that will result in a recurring cost to the Council need to be accommodated within the revenue budget. The proposed usage of these funds and balances are detailed below.

1.10.2 General Fund Deficit 2024/25

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

1.10.3 General Fund and Business Rate Retention Volatility Reserves

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

This was done by repurposing funds from the Business Rate Retention Volatility Reserve (BRRVR) above a balance of £2m. Based on latest projections, £2m is now deemed an appropriate amount for the BRRVR, to now only be used to 'smooth' receipt of business rate income. Overperformance to date has enabled this reserve to be topped up annually, but given the forecast business rate reset from 2025/26, it may be required to bridge any gaps from underperformance against a potentially higher baseline.

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

1.10.4 General Fund Balance

The Council's policy is for the General Fund Reserve Balance to be maintained at a minimum level of £1.5m, as discussed in paragraph 1.8.1. Following the release of £1m last year from the reserve, the balance is currently £1.5m.

1.10.5 Service Transformation Reserve

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

1.10.6 Change Programme Delivery Reserve

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

1.10.7 New Homes Bonus and Funding Guarantee

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

1.10.8 Appendix 8 outlines how this funding is to be used, primarily to support non-recurrent funding requirements or reserve top-ups.

1.10.9 Right to Buy (Any Purpose) Capital Receipts.

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

1.11 **Planned Preventative Maintenance Budget (PPM)**

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

1.11.2 The proposed budget allocation for 2024/25 is based on a review of the current PPM data by officers within the Assets Team, in consultation with building managers from other services which hold or operate specific assets. The Proposed Corporate Property & Planned Preventative Maintenance (PPM) Programme works 2023/24 is set out at Appendix 11 to this report.

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

1.12 **Empty Properties and Second Homes**

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

1.12.2 Section 11b of the Local Government Act 1992 has been updated to allow a

local authority to amend how they charge the empty property premium. Currently at Warwick District Council, this is applied at an additional 100% for properties empty over 2 years, 200% for those empty over 5 years and 300% for those empty over 10 years. From 1 April 2024, bill allows a local authority to charge the additional 100% after a property has been empty for 1 year instead of 2, with the other bands remaining unchanged.

- 1.12.3 The second change is that LAs will be able to charge up to an additional 100% premium on all furnished second homes in the district. These are essentially homes not occupied but kept furnished as 'second homes' by their owners, not rented out, just used by the owners as holiday homes etc.
- 1.12.4 The recommendation is that Warwick District Council adopt these new measures, with the empty property premium to be introduced from 1 April 2024.
- 1.12.5 For the second homes premium, a billing authority's first determination under this section must be made at least one year before the beginning of the financial year to which it relates. Therefore the recommendation is for Warwick District Council to adopt the new measures, giving notification as part of the 2024/25 Council Tax notice to be published following resolution at Council, expected to take place on 21 February 2024. The policy would then come into force from 1 April 2025.
- 1.12.6 It should be noted that approval for their introduced was agreed as part of the 2023/24 Budget Setting Report in February 2023, on the expectation that Royal Assent would have taken place in time for their implementation from 1 April 2023 and 1 April 2024 respectively. As this did not take place until October 2023, the timelines have been updated accordingly.
- 1.12.7 The MTFs has been updated to reflect the delay to their introduction (section 1.7) and is expected to increase the council tax received by Warwick District Council as the collecting authority by a forecast £1.3m, which would be distributed amongst the preceptors in the normal way. If implemented, this would equate to a forecast £0.150m per annum from the 2024/25 financial year.

1.13 The 2025/26 Budget Setting Timetable

- 1.13.1 One of the key impacts of the COVID-19 pandemic was how the workflow of the finance service changed to meet the needs of service delivery and additional reporting requirements to central Government, particularly to gain access to available grant funding such as the Income Compensation Scheme.
- 1.13.2 Consequently, the budget setting process was streamlined into one report that went to Cabinet in February, and this is the process that remains in place currently.
- 1.13.3 Previously, a draft base budget report was approved by Cabinet in December, before the final report (which included growth, core settlement funding with allocations and some final proposals) went to Cabinet in February.
- 1.13.4 It is proposed that the process reverts to its original format from the 2025/26 budget cycle. The benefit of this approach is that it will give Senior Officers and Cabinet more time to review additional budget requirements, in particular growth requests, before they are put forward for approval.
- 1.13.5 The revised timetable will be shared with Cabinet in April, which will also include the scheduling for the Statement of Accounts, Quarterly budget monitoring and fees and charges processes.

2 Alternative Options

- 2.1 Council does not have an alternative to setting a Budget for the forthcoming year. Members could, however, decide to amend the way in which the budget is broken down or not to amend the current year's Budget. However, the proposed 2024/25 budget seeks to reflect the decisions made by Members and make appropriate recommendations. Any changes to the proposed budgets will need to be fully considered to ensure all implications (financial or otherwise) are addressed. If any Member is considering suggesting changes to the proposed Budget, these proposals should be discussed (in confidence) with the Head of Finance beforehand to ensure all implications are considered, including funding. If appropriate, alternate Budget papers can be prepared for consideration by Council.

3 Legal Implications

- 3.1 Members have the opportunity to generate extra income by raising the council tax by up to 2.99%. Given that the Council has a recurring forecast deficit and is drawing heavily on reserves, it must satisfy itself that it is acting rationally and reasonably when discharging its fiduciary responsibilities if it decides to raise by an amount different to this, be that lower, or through a referendum, by more than 2.99%.

4 Financial Services

- 4.1 This is a finance report which proposes the draft Revenue Budget for 2024/25 and the position for the MTFS up to 2027/28. The report also identifies the proposed Capital Programme for the same period.

5 Corporate Strategy

- 5.1 Warwick District Council has adopted a Corporate Strategy which sets three strategic aims for the organisation.
- 5.2 Delivering valued, sustainable services.
- 5.3 Low cost, low carbon energy across the District.
- 5.4 Creating vibrant, safe and healthy communities of the future.

6 Environmental/Climate Change Implications

- 6.1 There are no direct environmental or climate change implications arising as part of this report other than the proposed budget allocations to support the delivery of the Climate Action Programme.

7 Analysis of the effects on Equality

- 7.1 There are no direct equality implications arising as part of this report.

8 Data Protection

- 8.1 There are no data protection implications arising as part of this report.

9 Health and Wellbeing

- 9.1 There are no direct health and wellbeing implications arising as part of this report.

10 Risk Assessment

10.1 There are significant financial risks facing all local authorities. Key areas of risk include:

10.2 As detailed in section 1.5, there are still substantial risks around Business Rates Retention, with the below changes still on the immediate horizon:-

- The impact of the Fair Funding Review.
- The re-set of the Baselines.
- The Investment Zone, and its impact upon retained receipts.

Whilst the Council's business rates retention forecasts are believed to be prudent for the future, there is the possibility future receipts being lower than anticipated, which could result in the Council operating below any future baseline were it to change.

10.3 The Strategy assumes a 2.99% per annum increase in Council Tax for future years from 2025/26 on the basis that the current referendum limits will not be changed. This will be subject to future Government determination, and local decision making. There is therefore a degree of risk as to whether this level of Council Tax increase will be able to be continued.

10.4 Many of the Risks in the Significant Business Risk Register (SBRR) have links to Finance, and the Finance Service Area has its own Risk Register. Both are reviewed regularly. The SBRR is currently being reviewed in conjunction with the Councils Risk Strategy and Risk Management Policies, with a timeline agreed to implement the updated approach by Summer 2024.

10.5 As a result of current economic conditions, there is still significant levels of uncertainty. Some of the specific risks faced include:

- Interest rates are currently high and are only forecast to fall during the second half of 2024. These rates are significantly higher than the historic lows present over the last decade. While the Council is benefitting from this through increased investment returns, it will have implications on the Council when taking on additional debt to fund capital projects, due to the increased cost of borrowing.
- Inflation continues to remain high. This is a challenge for the Council when trying to contain the cost of its supplies and services. It is forecast that inflation will continue to reduce throughout 2024/25, and across the remaining duration of the current MTFS.
- Unemployment has increased because of current economic conditions. Increased unemployment does put increased pressure onto Council's services, notably in relation to housing and council tax support.
- Council Tax income continues to be suppressed through reduced growth in the Council Tax base, with more claimants of Council Tax support and delays to new property completions. The Council's share of Business Rates is limited by Government. This would be further hit if more local businesses cease trading because of the current economic trading conditions.

10.6 The MTFS has an amount of savings built in. Failure to deliver these projects, all or in part, will increase the deficit and savings yet to be identified. Delays to capital schemes may drive up the costs of the enabling works and mean savings do not materialise as early as expected. There may also be revenue implications should the projects not have been fully assessed. Several budget

proposals originally approved in December 2020 have been subject to delays or reductions in scope over the last year, with the expectation that further schemes will need to be delivered to achieve a sustainable balanced revenue position in the medium term.

- 10.7 Unforeseen events, such as planning appeals, uninsured damage, legal challenges, can expose the Council to incur expenditure not previously budgeted for. Whilst the Council endeavours to cover these from its Contingency Budgets and Reserves, they may not prove adequate.
- 10.8 Changes in legislation may influence assumptions built into Budgets and the 5-year strategy as well as increasing the costs of implementing these changes.
- 10.9 As previously reported to Members and included within Section 1.8 (Reserves and Balances), the financial projections do not allow for adequate funding to enable the Council to maintain its assets. The Corporate Assets Reserve, ICT Reserve and the Equipment Renewals Reserve are all forecast to have more demands over them in forthcoming years than they can accommodate. Consequently, in addition to the savings referred to in Section 1.7 (MTFS), the Council needs to secure funding to enable these reserves to be replenished, and so maintain current service provision.
- 10.10 Many controls and mitigations are in place to help manage these risks. These include:-
- The comprehensive Budget Review process. This entails all budget managers reviewing their budgets on at least a monthly basis, considering previous, current and future years, along with any possible issues that may impact upon their budgets. As part of this process, regular Budget Review reports are issued to Cabinet and the Joint Management Team.
 - Financial Planning with the MTFS/financial projections, bringing together all issues that will impact on the Council's finances in the medium term.
 - Financial controls, including the Codes of Financial and Procurement Practice, system controls, reconciliations, audit (internal and external).
 - Project Management and associated controls.
 - Trained staff and access to appropriate professional advice (e.g. Legal services).
 - Risk Management process across the Council, including the on-going review and maintenance of risk registers.
 - Scrutiny by Members of the Council's finances, including Budget Reports, and the financial implications of all proposals.
 - Within the proposed 2024/25 Budget there is a Contingency Budget of £0.200m for any unplanned unavoidable expenditure. In addition there is a further £1.8m Budget allocation to mitigate against any inflationary increases, including changes to major contracts or commitments.
 - Reserves – The Council holds reserves as discussed within section 1.9. Whilst much of these reserves have already been earmarked for specific projects, it is important that reserves are held for any unforeseen demands.
 - A General Fund Balance is held and available to accommodate any unforeseen variations in income and expenditure.

11 Consultation

- 11.1 In approving the 2024/25 Budget and Medium-Term Financial Strategy as laid out in this report, the assumptions on which it is based need to be fully achieved, together with the delivery of the change programme to enable a balanced MTFS to be achieved in the years ahead. This will ensure the Council becomes financially sustainable on income received in-year rather than continuing to be reliant on finite reserve balances.

Background papers:

Q2 Budget Review – December 2023

Revenue and Capital Budget 2023/24 – February 2023

Supporting documents:

Appendix 1 – Statement of CFO

Appendix 2 – General Fund Budget Summary 2024/25

Appendix 2b – Budget Book 2024/25

Appendix 3a – Financial Strategy 2024/25 (i)

Appendix 3b – Financial Strategy 2024/25 (ii)

Appendix 4 – Risks influencing General Fund Balance

Appendix 5a – Purposes of Reserves

Appendix 5b - Reserves

Appendix 6 - Capital Variations

Appendix 7.1 – General Fund Capital Programme

Appendix 7.2 – Housing investment Plan

Appendix 7.3 – General Fund Financing

Appendix 7.4 – Housing Investment Plan Financing

Appendix 7.5 – General Fund Programme and Resources

Appendix 8 – Project Funding Summary

Appendix 9 - PPM