WARWICK DISTRICT COUNCIL	Executive & Council, 3rd February and 24th February 2010 respectively	**Agenda Item No.**

Title	**BUDGET 2010/11 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	Corporate
Wards of the District directly affected	All
Is the report private and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No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 2nd December, 2009: Approval of General Fund Base Estimates Revised 2009/10 and Original 2010/11 Report to Executive 21st October, 2009: Proposed Fees and Charges for 2010/11
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 Ref 234

Officer/Councillor Approval

With regard to officer approval all reports *must* be approved by the report author's relevant Deputy Chief Executive, Finance, Legal Services and the relevant Portfolio Holder(s).

Officer Approval	**Date**	**Name**
Relevant Director	16/01/10	Andrew Jones
Chief Executive	15/01/10	Chris Elliott
CMT		
Section 151 Officer		Mike Snow
Legal	15/01/10	Peter Oliver
Finance		Mike Snow
Portfolio Holder(s)	19/01/10	Cllr Mobbs, and all other Portfolio holders

Consultation Undertaken

Please insert details of any consultation undertaken with regard to this report.
Citizens Panel – as set out in Para 14.1 of report
Chamber of Trades & key partners – as set out in Para 14.2

Final Decision?	Yes

Suggested next steps (if not final decision please set out below)

SUMMARY

This report reviews the overall financial position of the Council for 2010/11 onwards, including the General Fund Revenue budget and the Capital budget. The recommendations relate to the setting of the level of council tax for 2010/11 and agreeing the revenue and capital budgets.

1. RECOMMENDATIONS (TO COUNCIL) –

1.1 The 2009/10 Revised General Fund Revenue Estimated net expenditure of £17,993,421, as summarised in Appendix 1, this is after taking into account the proposed allocations in paragraphs 6.4-6.7. The treatment of any balance upon closure of the accounts to be considered by the Executive in June 2010.

1.2 The changes to the 2010/11 General Fund revenue base budget in paragraphs 7 and 8 with net expenditure of £18,214,214, as summarised in Appendix 1, are agreed and the formal resolution to this effect be contained in the further budget report that will be prepared for the 24th February Council meeting. (This report is to include the parish/town, county and police precepts.).

1.3 The Council Tax of a Band D property for Warwick District Council for 2010/11 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police Authority precepts is agreed at £146.86, giving a total increase of 2.5% (£3.58) on 2009/10.

1.4 The Council Tax charges for Warwick District Council for 2010/11 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police Authority precepts, for each band is agreed as follows:-

Band	**2010/11**
A	£97.91
B	£114.22
C	£130.54
D	£146.86
E	£179.50
F	£212.13
G	£244.77
H	£293.72

1.5 The Executive notes that around £170,000 new ongoing savings have been realised in preparing the 2010/11 General Fund revenue base budget.

1.6 The General Fund Capital Programme and the Housing Investment Programme as set out in Paragraph 12 and Appendix 10 together with their financing as shown in paragraphs 12.4 and 12.5, are agreed and should the Executive agree viable future self–funded business cases, amendments be made to the Budget as appropriate.

1.7 That if there is any mismatch between the proposed General Fund budgets and subsidiary strategies and action plans officers bring forward proposals for managing within the agreed budgets. (Para 5.1 refers)

1.8 That approval of the release of monies from the Equipment Renewal Reserve be delegated to the Chief Executive, subject to the following procedure:-

- 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.

1.9 That a further report is brought to the Executive to consider which items should be financed from the Equipment Renewal Reserve and which should find alternative sources of funding. The report to also establish the level of balance to be sustained in this Reserve to enable the Council to fully resource these items. (Para 10.1.1.viii)

1.10 That £200,000 be allocated to the contingency budget in 2010/11 in addition to the £207,000 in the contingency maintained solely in respect of concessionary fares until all costs are certain. (Paras 7.2.4 and 11.3.1)

1.11 That the Car Parking Budget is closely scrutinised during the year and should there be a surplus, this is returned to the General Fund Balance to alleviate future years' budgetary pressures. (Para 7.2.2)

1.12 That Finance and Audit Scrutiny Committee be asked to pay particular attention to the reserves and balances set out in Appendix 5 (Para 10).

1.13 That the Prudential indicators as set out in Appendix 9 and highlighted in Paragraph 13.1 are agreed.

1.14 That the revised financial strategy as set out in Appendix 13 is agreed, and updated on an ongoing basis in the light of a review of all resource strategies (Para 15) with quarterly reports on the financial projections brought to Executive, and the Corporate Strategy is reviewed in the light of this.

1.15 The members take note of the significant future forecast deficit, currently estimated to rise to over £2.8m over the following three years from 2011/12, for which further on-going savings of this amount must be secured in addition to those already incorporated into the 2010/11 Budget in order for the authority to be able to set future balanced budgets (Para 9.2 refers).

1.16 The Executive note the arrangements for Budget Management as outlined in paragraph 11.4 and continue to receive quarterly reports.

2. REASONS FOR RECOMMENDATIONS

2.1 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 9 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. ALTERNATIVE OPTIONS CONSIDERED

3.1 No specific alternatives to the recommendations are made, however, the information given will enable members to propose variations to the proposals.

3.2 Members do have a duty to consider all possible options. The proposals in the report reflect the Portfolio holder priorities reported to the last Executive, which have been the subject of consultation with the Scrutiny Committees and others.

4. POLICY AND BUDGET FRAMEWORK

4.1 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 the Corporate Strategy.

4.2 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.

5. BACKGROUND, REPORT STRUCTURE AND PROCESS OF BUDGET SETTING

5.1 The budget is a major milestone in the life of the Council. It is a financial expression of the Council's policies and priorities reflecting the Corporate Strategy, and having regard to resource availability and taxation consequences. The Service Area Plans have been reviewed in the light of achievement of the Corporate Strategy to date, the need to achieve savings in excess of £3 million over the next 5 years, and externally imposed changes, primarily from Government initiatives. The Council has many subsidiary plans and strategies underpinning the Corporate Strategy 2008– 2011 which are reflected in this budget. However, it is proposed that if there is any mismatch between these subsidiary strategies and action plans, officers bring forward proposals for managing these within the agreed budgets.

5.2 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 structure of the report is as follows:-

Paragraph 5.3 The total Council Tax Calculation
Paragraph 6: Review of 2009/10 Revenue Budget and implications for 2010/11
Paragraph 7: The 2010/11 Base Revenue Budget
7.1 Base Budget
7.2 Further Changes
7.3 Fees and Charges

7.4 Collection Fund
7.5 Government Finance Grant Settlement
7.6 Key Assumptions
Paragraph 8: Proposals for the 2010/11 Revenue Budget
8.1 2010/11 proposals
8.2 Linking proposals to Corporate Strategy
8.3 Council Tax Capping
8.4 Making the Council Tax Decision And Legal Implications
Paragraph 9: Implications for the medium term and efficiency
Paragraph 10: Reserves and Balances
10.1 General Fund Reserves
10.2 Housing Revenue Account Reserves
Paragraph 11: Risk and Budget Management
11.1 Sensitivity
11.2 Risk
11.3 Contingency
11.4 Budget Management
Paragraph 12: Review of, and proposals for the Capital Programme – Housing and General Fund
12.1 Current General Fund capital programme
12.2 Proposed additions to the current capital programme
12.3 Housing Investment Programme
12.4 Funding the General Fund Capital programme
12.5 Funding the Housing Investment Programme
Paragraph 13: Authorised Borrowing limit and prudential indicators
Paragraph 14: Consultation
Paragraph 15: Updated Financial Strategy

Appendix 1: Proposed summary budget
Appendix 2: Statement by Chief Financial Officer
Appendix 3: Savings agreed by December 2009 Executive
Appendix 4: Summary of budget proposals on 2010/11 – 2014/15
Appendix 5: Summary of Reserves and Balances
Appendix 6: Equipment Renewal Schedule
Appendix 7: General Fund Balance
Appendix 8: Risk Assessment against General Fund balances
Appendix 9: Prudential indicators
Appendix 10: Proposed Capital Programme
Appendix 11: Changes within Capital Programme
Appendix 12: Citizens Panel Consultation Results
Appendix 13: Updated Financial Strategy

5.3 **The Total Council Tax Calculation**

5.3.1 Calculating the district element

The Council's element of the Council Tax is calculated by taking its total budget requirement, subtracting the grants from Central government in respect of Revenue Support Grant (RSG) and Redistributed Non Domestic Rates and any collection fund balance. This figure is divided by the 2010/11 tax base to derive the District Council Band D Council Tax. The Tax Base for 2010/11 has been calculated at

52,631.57 Band D equivalent dwellings. These figures are shown in Appendix 1. The District element represents 10% of the total Council Tax in 2009/10.

A 1% increase in council tax will generate an additional £75,000. £100,000 of spending is the equivalent of 1.3% council tax.

The recommendations within this report produce a Band D Council Tax for Warwick District (excluding parish/town council precepts) for 2010/11 of £146.86, this being an increase of £3.58 over the current council tax of £143.28, giving a total increase of 2.5% on 2009/10. Based on this 2.5% increase the Council Tax levels for each of the respective bands will be:-

Band	**2010/11**
A	£97.91
B	£114.22
C	£130.54
D	£146.86
E	£179.50
F	£212.13
G	£244.77
H	£293.72

5.3.2 Parishes

Parish and town councils throughout the district have been asked to submit their precepts for 2010/11. At the time of writing, not all precepts have been confirmed. It is estimated that the precepts will total around £1,070,000. An updated position will be given to the meeting.

5.3.3 Major Precepting Authorities

As at the time of writing neither the County Council nor the Police Authority have set their 2010/11 budgets and element of the Council Tax. The meeting of the County Council is scheduled for the 16th February 2010 and the Police Authority is due to meet on the morning of 22nd February 2010.

5.3.4 Formal Setting of the Tax

This is the arithmetical process of aggregating the council tax levels calculated by the County Council and the Police Authority for their purposes with those required by this Council. A report to the Council Meeting on the 24th February, 2010 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.

6. REVIEW OF 2009/10 REVENUE BUDGET AND IMPLICATIONS FOR 2010/11

6.1 The budget has been reviewed on a regular basis throughout 2009/10.

6.2 The Revised 2009/10 Estimates considered in December 2009 showed net expenditure of £18.02m, presenting a deficit of £102,900 for the year over the original estimates. Many items account for this variance, the most notable being reduced recycling income (£+100,000), reduced income from Car Parks (+£101,000) and other Fees and Charges income reductions (+£107,900), offset by a lower pay award settlement (-£264,000).

6.3 The Council has received a backdated VAT refund of £1,272,000 (including accrued interest thereon) following the Fleming case decision. Full details of this were reported to the October 2009 Executive. The refund has initially been used to increase the General Fund Balance, and has so been excluded from the figures referred to in paragraph 6.2 above.

6.4 The following adjustments are now proposed to the 2009/10 Revised Estimates:-

- Duplicated Budget Entry, Accountancy oversight (+£64,100)
- Post Audit Adjustment to Benefit Claim (+£14,000)
- Part Year Effect of Legal Services transfer to Shared Services (+£6,500)

6.5 Additional Local Authority Business Growth Incentive Grant (LABGI) of £71,700 has been received for 2009/10. This is one-off funding as part of the reformed and greatly reduced LABGI scheme. The current scheme runs for 2009/10 and 2010/11, with greatly reduced amounts being distributed compared to the previous scheme. It is hoped that the Council will receive LABGI funding for 2010/11, but this is by no means certain. This additional income serves to reduce the 2009/10 deficit.

6.6 In November 2008 the Government announced £22,500 of area based grant for each of the three years 2008/09 to 2010/11. Whilst this money is not ring fenced the reason for the additional sum is in relation to climate change. A report has been considered by the Executive over the initial use of this funding, and a further report will be presented in due course.

6.7 The above changes before the LABGI grant (para 6.5) give a deficit of £166,000 in the Revised Estimates. This is proposed to be financed by way of the LABGI grant (£71,700) and £94,000 from the General Fund Balance.

7. THE 2010/11 BASE REVENUE BUDGET

7.1 Base Budget

The base budget was reported to the 2nd December 2009 Executive. Paragraph 6.2 sets out the main changes in the base budget that arise from scrutiny of the 2009/10 original estimates. In addition to these sums the Council had committed itself to additional expenditure/savings in 2010/11 as part of the 2009/10 and earlier years' budget setting of the following on an ongoing basis:

	£'000
Pension Fund Costs	86k
Staffing Changes (ex-Building on Excellence)	-78k
Lettings (ex-BoE)	-42k
Relocation of Hamilton Terrace Tenants (ex-BoE)	-21k
One-Stop-Shop (ex BoE)	-16k
Street Cleaning – new roads	10k
Reduced Benefits Administration Grant	21k
Magistrate Fee income	-90k
St. Mary's Land Rent Income	-5k

7.2 Further changes

7.2.1 New duties – there were no additional sums allocated through the RSG settlement in respect of new duties. The Government has previously advised the principle whereby it funds (on a national basis) the estimated cost of new duties specific to local government no adjustments have been made to the budget for new duties.

7.2.2 Car Parking Income forecasts have been reviewed to reflect the latest position for the current year and the possible impact on future years. It is now forecast that income will be £105,000 below that calculated in the Base Estimates for 2010/11 approved by the Executive in December. The 2010/11 proposed Budget has been reduced accordingly. In light of the fact that the Council needs to make further significant savings in the forthcoming years and is relying on a £148,500 contribution from the General Fund Balance to create a balanced budget (see para 10.1.7), it is recommended that the Car Parking Budget is closely scrutinised during the year. Should there be a surplus, it is recommended that this be returned to the General Fund Balance to alleviate future years' budgetary pressures.

7.2.3 Inflation on major contracts – both of the Council's main contracts (waste and grounds maintenance) provide for an inflation uplift in April based on the rate of the January Retail Prices Index (RPI). At the time of preparing the Base Estimates the RPI was running at below zero but projected to increase over the next few months. The Base Estimates therefore allowed for a 2% inflationary increase for contracts. However, more recent indications show that the annual increase in the RPI to January 2010 is likely to be in the order of 3%. Accordingly, an additional £60,000 has been included in the Estimates from 2010/11 to allow for this. A further update will be given in February to Executive on the latest position with regard to inflation.

7.2.4 Contingency - it is recommended that the Council continues to include a contingency sum within its budget (over and above the Contingency for Assisted Travel – Para 11.3.2 refers). In light of the scale of the savings within the budget a

contingency of £200,000 is prudent. Given the current economic climate it is recommended that all efforts are made to fund any urgent in-year initiatives by using the contingency as a last resort. This Contingency Budget is recommended to be funded out of the General Fund Balance (Para 10.1.5).

7.2.5 Following the decisions of the December 2009 Executive, the additional cost of Legal Services operating as a shared service with Warwickshire County Council, initially estimated at £78,000 has now been included within the figures. Also free swimming for the under 16s has been included until 31 March 2011 at the estimated cost of £55,000 for 2010/11.

7.3 Fees and Charges

7.3.1 In accordance with the Council's Financial Strategy, the Executive in July 2009 agreed that in setting fees and charges the higher of the following should be used – 2.5% or a higher increase where our charges are below appropriate comparators. As reported to the October 2009 Executive, despite these increases in charges, the level of income is estimated to increase by around 2.2%. This is largely due to the economic climate whereby there are large shortfalls in income predicted for Planning (£188,000) and Car Parks (£113,000). In addition, Car Parks are forecasting a further shortfall for 2010/11 of £105,000 as discussed in paragraph 7.2.2.

7.3.2 V.A.T. has been allowed for at the standard rate of 17.5% for all those fees and charges for which V.A.T. is applicable. If the Government changes the rate of V.A.T., the implication of this for charges and income levels will be reported to the Executive.

7.4 Collection Fund

7.4.1 In accordance with the relevant regulations, the collection fund balance has been projected. This shows a Council Tax balance as at 31st March, 2010 of zero. As in 2009/10, there will not be a deficit balance to share with Warwickshire County Council, and Warwickshire Police Authority, and no impact on the Council Tax for 2010/11. In estimating the balance, a prudent approach has again been taken.

7.5 Government Finance Grant Settlement

7.5.1 Two years ago the Government announced a three year Revenue Support Grant settlement, with 2010/11 being the final year of that settlement. The Government has formally consulted on this settlement, and has subsequently confirmed the figure of £10.462m, as this Council's grant for 2010/11, an increase of £53,000, or 0.5% over the previous year.

7.5.2 The 0.5% increase reflects the Council receiving the minimum level of increase for district councils, referred to as the "floor". The Council has had its grant scaled back as it has had to contribute towards ensuring other authorities received the minimum "floor" increase. Without the "floor guarantee increases", Warwick District Council would be receiving an additional £5,000. 62 district councils are receiving only the minimal floor increase.

7.5.3 District councils continue to have the lowest floor increases as shown below:-

	2008/09	2009/10	2010/11
Social Services Authorities	2.0%	1.8%	1.5%
Police Authorities	2.5%	2.5%	2.5%
Fire & Rescue Authorities	1.0%	0.5%	0.5%
Shire District Authorities	1.0%	0.5%	0.5%

7.5.4 The Government is expecting that authorities will make 3% year on year cashable efficiency savings so as to make up any shortage in funding.

7.5.5 From 2011/12 there is general uncertainty and concern about the level of RSG for the future. District councils are expected to be hit particularly hard. Within the Council's medium term financial strategy and financial projections, future reductions of 2% per annum have been allowed for. Details of the grant settlement from 2011/12 will not be known until the end of 2010.

7.6 **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:-

7.6.1 Staff turnover - The practice introduced in 2002/03 of holding a vacancy factor of 2.5% is continued. 1.5% has been taken as an assumed reduction in salary cost, and the remaining 1% forms a budget of £124,000 in the Human Resources service for a central reserve to cover the costs of maternity, long-term sickness and recruitment costs. From 2009/10 the revised estimates for salaries have been reduced by a further 0.25% to reflect the procurement savings on the use of agency staff. With the increased usage of internet advertising Human Resources has given up £35,000 of the central budget. This enables these agency cost savings to be spread across all units so they are smoothed over time and are manageable.

7.6.2 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 2010/11, which have formed the basis of the Estimates, are as follows:

i.) Number of council land charge searches – 1,500(Full) and 3,000 (Personal) based on current demand (compared to 2,700 within the original budget assumption last year). As Full Searches generate a significantly higher fee, from 2010/11 onwards these will be monitored separately.

ii.) Number of planning applications – 1,600 estimated (1,700 originally estimated in 2009/10).

iii.) Number of building control applications – 1,400 estimated (1,500 initially estimated in 2009/10).

iv.) Car Parking - The target for off street car parking for 2010/11 income from all ticket sales, season tickets and excess charge notices from all WDC car parks excluding Royal Priors is £2,460,000.

v.) Number of gym admissions to Leisure Centres - 100,000. Total number of swimming admissions 350,000. This is a total of 450,000 against the target of 358,000 forecast for 2009/10. However, of the 350,000 for swimming,

137,000 (under 16's) and 38,000 (over 60's) will not generate income. Thus only 175,000 swimming admissions plus the 100,000 for gym, totalling 275,000 will be fee paying admissions. These targets will be monitored separately during 2010/11.

Members will note that Golf Course Rounds will cease to be monitored as part of budget monitoring from 2010/11 onwards. This is due to the new contract for the development and operation of Newbold Comyn which is a separate report on this agenda.

7.6.3 An increase in the budget has been made for additional road cleaning costs, required for new streets.

7.6.4 Inflation assumptions – The inflation indices used were reported in Base Estimates report in December. As discussed in paragraph 7.2.3, the inflation rate being used for major contracts for 2010/11 is now 3%. The key figures for the increases between 2009/10 and 2010/11 are:-

	Percentage
Salaries	0.5
Refuse / Recycling contract	3.0
Grounds maintenance contract	3.0
Cleansing services	3.0
General inflation	0.5

In relation to these figures economic forecasters are currently predicting that inflation as measured by the Consumer Prices Index which has replaced the Retail Prices Index will average 1.43% in 2010/11. RPI itself is expected to be 1.75% over the same period. This is below the peak in inflation expected in January 2010 (3% as referred to in paragraph 7.2.3 for major contracts), following which inflation is projected to reduce during 2010/11.

In addition to the above inflation assumptions, a further £100,000 inflation provision has been included for 2010/11.

7.6.5 Our Treasury Consultants currently forecast the Bank Rate on which short term investment rates are based to be 0.50% at the start of 2010/11 and then to rise progressively throughout the year to end at 1.50% as the economy begins to recover. The target return for the Council's cash flow derived investments in 2010/11 reflects this rise and has been set at 0.94%. When the expected returns from the Council's core investments are added in, the overall investment rate for 2010/11 is expected to be 1.42%.

7.6.6 The Council is reliant on income collection. Recovery targets 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 monitoring.

- Council Tax - percentage received in the year - 98.7%
- Business Rates - percentage received in the year – 98.2%
- Housing Rents – percentage of rent collected – 98.5%

8. PROPOSALS FOR THE 2010/11 REVENUE BUDGET

8.1 2010/11 Proposals

The proposals for the budget are focused around savings given the financial position of the Council. A schedule of savings, plus two areas of unavoidable growth items were presented to the Executive for approval in December 2009 when the Base Budgets were approved. These are included as Appendix 3, the main items being:-

8.1.1 Savings of around £170,000 have been realized with major savings on the following-

- £35,000 on Recruitment Advertising
- £31,000 Engineering Management Restructure

8.1.2 The non recurring saving of £100,000 on Car Park Maintenance has been transferred into a Repairs and Maintenance Reserve.

8.1.3 These savings, including two of the proposals to be referred to the Citizen's Panel (paragraph 14.1), have now been incorporated into the Base Budget. The items included are:-

- Restricting free parking at selected locations where charges are not currently levied (saving £10,000 in a full year). Due to the time needed to implement this, a part-year saving of £5,000 has been included for 2010/11.
- Moving to sustainable bedding plants in areas across the district (saving £15,000 per annum by 2012/13). This is being phased in over three years, achieving additional savings of £5,000 p.a. year on year from 2010/11.

8.2 Linking the savings proposals to the Corporate Strategy targets

The savings proposals are targeted at doing the same things that we do now more efficiently, as well as removing some 'redundant' budgets. This fits in with the key priority of effective management of resources whilst delivering responsive public services in an open and transparent manner.

8.3 Council Tax Capping

8.3.1 Members need to be aware that Ministers have made clear their intention to consider capping Councils which increase their council taxes excessively. Local Government Minister, Barbara Follett, wrote to all Leaders on 9th December 2009 saying the Government anticipates the average band D council tax increase to fall further below the average 3% increase for 2009/10 whilst authorities protect and improve front line services. In addition, they expect the average Band D council tax increase in England to achieve a 16 year low in 2010/11. The Government remains prepared to take capping action to prevent excessive increases by authorities and to require them to re-bill households with an amended, lower, council tax if necessary. Capping action was invoked against the police authorities of Cheshire, Leicestershire and Warwickshire in advance of the 2010/11 settlement as a result of

the previous increases they set which were considered excessive by government. No other decisions on capping in 2010/11 have as yet been taken and these will, as in previous years, only be taken after authorities have set their 2010/11 budgets. Capping principles have always been determined on a year by year basis to take into account current economic and social circumstances and this will again be the case in relation to 2010/11.

8.3.2 These statements make it obvious that any proposals for an increase in tax of over 5%, the previous limit, is unlikely to avoid capping. It could also be interpreted that the same could apply to increases above or marginally below 3%. It is possible that rather than instructing authorities to re-bill for the current year, capping may take the form of limiting the council tax increases that could otherwise be levied for subsequent years'.

8.3.3 If the Council were to be capped the process would be as follows –

- Once local authorities have set their budgets, the Secretary of State will consider whether the authority's budget is excessive or whether there has been an excessive increase.
- Designated authorities shall be duly notified, with the notification stating the decision, the principles, and the amount proposed to be the maximum budget.
- The Council then has 21 days to respond either accepting or challenging the designation.
- Having considered the response, the Secretary of State will then respond stating the amount of the maximum budget requirement.
- Within 21 days of being notified of the new amount, the authority has to approve a new budget and tax calculations.

8.3.4 The biggest risk to the Council would be in the additional costs of re-billing. This is estimated to be a cost of at least £50,000, plus all the administrative costs in relation to account adjustments and dealing with queries from the public. On top of this there will be the cost of increased borrowing/loss of interest due to missed instalments and delayed recovery action against some taxpayers.

8.4 **Making the Council Tax Decision and Legal Implications**

8.4.1 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.

8.4.2 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. The report sets out relevant considerations for Members to consider during their deliberations, including the statement at Appendix 2 from the Chief Financial Officer.

8.4.3 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.

8.4.4 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.

8.4.5 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 installment 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.

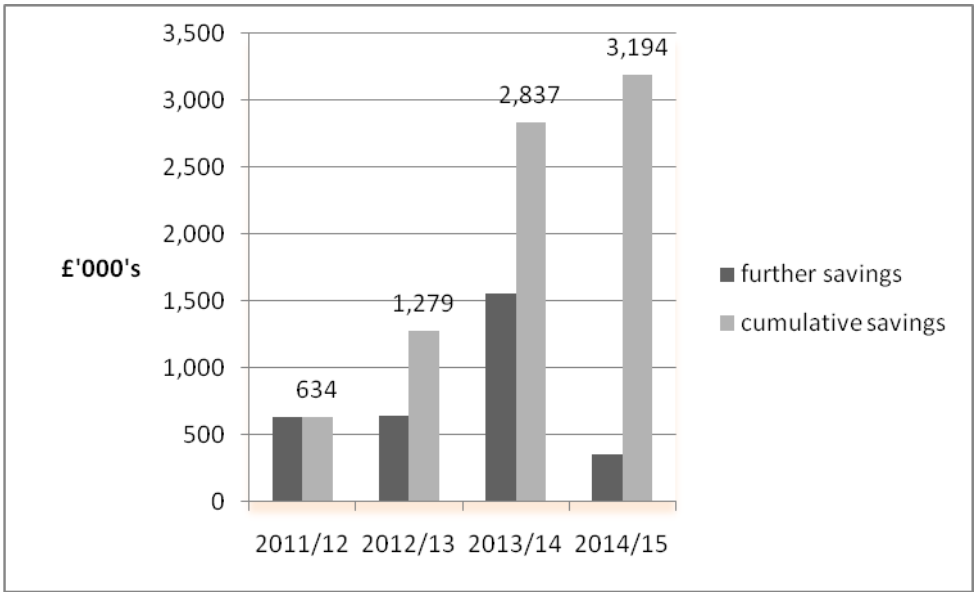
9. IMPLICATIONS FOR THE MEDIUM TERM AND EFFICIENCY

9.1 Appendices 4a-d set out the current planning totals for the Council's budget for the years 2011/12 to 2013/14, based on current decisions, and changed assumptions as set out in the paragraphs below.

9.2 Within the Budget report to the Executive in February 2009, the projected required savings were presented. These have been reviewed throughout the year since and periodically reported to members. The latest projected level of required savings needed to be found in order to set an acceptable Council Tax increase are also shown below. These are shown as cumulative savings. The additional savings required in each year are shown in the Recurring Developments of the Financial Strategy (Appendix 4b)

Year	Forecast Cumulative Deficit as at February 2009	Forecast Cumulative Deficit as at February 2010
2011/12	£213,000	£634,000
2012/13	£970,000	£1,279,000
2013/14	£1,093,000	£2,837,000

The chart below show the latest forecast deficit and level of savings required.



9.3 The detailed changes to the savings requirement have been reported to members throughout the last year. The main changes made over the last 12 months in the figures above may be summarised in the table below:-

	Additional Deficit
Description	**£k**
Revenue Support Grant	682
Council Tax	681
Inflation	207
Major Contracts	550
Pensions	145
Car Parking	135
Shared Legal Services	78
Fuel	-370
Service Plan Savings	-139

9.4 Within the projections annual inflation of 2% per annum has been included from 2011/12. In addition future reductions in RSG of 2% per annum have been factored in as discussed in paragraph 7.5.5. These two factors are major drivers in the projected budget deficit facing the Council.

Other key assumptions are set out below:-

9.4.1 The financial projections agreed in February 2009 included future council tax increases of 4.5%. The current projections reduce this to 2.5%. This 2% reduction amounts to £150,000 per annum, but with the increases compounded annually, this equates to reduced council tax income of £681,000 over the four year period to 2013/14.

9.4.2 The last actuarial review of the pensions fund has identified a deficit on the fund. In order to make good this funding gap it is necessary for the Council's contributions to increase in future years. The next full actuarial revaluation is due this year, details of which will feed into the 2011/12 budget. Due to the uncertainty around the potential deficit arising as a result of the revaluation, figures for 2011/12 and 2012/13 have now been amended to show a total increase of £128,000 with subsequent increases of £78,000 based on guidance from the actuaries. This amounts to an additional cost of £145,000 over the projections of a year ago.

9.4.3 The previous allowance of £80,000 per year for above average inflation growth has been increased by a further £50,000 per annum inflation provision from 2011/12 to allow for the volatile state of the economy.

9.44 There is inclusion of an additional £23,000 from 2011/12 every year for the costs of additional properties which fall primarily to the refuse collection and street cleansing budgets. It has not been necessary to allow for the cost of new properties waste collection (£13,000) in the 2010/11 Budget.

9.45 The outstanding Building on Excellence projects have been incorporated into the Budget and Improvement Programme (BIP). Their progress will be formally monitored and reported to members as part of this programme. Savings of £157,000 are anticipated in 2010/11 and have been reflected in the budgets. These are primarily driven by staffing restructures and better use of accommodation to free up letting space.

9.46 The provision for the increased costs when the current Waste Contract is renewed in 2013/14 has been increased by £550,000 since last reported to members. This brings the total provision for the new contract, including Grounds Maintenance, to £1 million.

The main risks to the medium term financial strategy are detailed in paragraph 11.2.

9.5 In coming to the Council Tax projections of 2.5% it has been necessary to utilise the £307,000 of the General Fund Balance that was originally allocated to 2010/11. £148,500 is still being used to support the 2010/11 budget and a further £158,500 of support is planned for future years. Further details are given in paragraph 10.1.7.

9.6 In October 2007, the Government announced its plans for the Comprehensive Spending Review Period 2008/09 to 2010/11 (CSR07). This laid out its spending plans for local government for the next 3 years. At the same time, the Department published "delivering value for Money in Local Government: Meeting the challenge of CSR07". This details its efficiency targets for Local Authorities for the 3 year period (2008/09 to 2010/11). The target is 3% **cashable** efficiencies, calculated as 3% of the 2007/08 baseline and is multiplicative. Although this target will not be mandatory, Councils are still required to report bi-annually on the total net value of ongoing cash releasing gains made since the start of 2008/09.

This Council's Target has been calculated as follows-

Baseline total		**£27,249,213**
Target 2008/09	3.0%	£817,000
Target 2009/2010	6.1%	£1,662,000
Target 2010/2011	9.3%	£2,534,000

9.7 In December 2008, the Government announced that details on progress towards meeting the Efficiency Agenda was to be included on Council Tax Bills and the accompanying leaflet for 2009/10 onwards. For this year's billing, councils are required to report their actual performance for 2008/09, the amount of their cumulative forecast for 2008 to 2010, how this impacts on a Band D, the aggregate for a Band D (ie. includes the other precepting authorities), and how they compare with the average for similar types of authority. A further detailed report will be brought to the Executive in March when the bills are being sent to our Tax Payers.

9.8 However, in May 2009, the Government announced its expectation that authorities would deliver increased efficiency gains in 2010/11 as part of their contribution to the increased efficiency target for the public sector as a whole. The target will be increased by one percentage point, which will be added to the total savings target in 2010/11, taking it to at least four per cent. This will generate an additional £600 million in real savings across the sector. For this authority, it has been calculated that the target will increase by a further £273,000 in 2010/11. This figure has yet to be confirmed by the Department of Communities and Local Government.

9.9 In compiling the 2010/11Budget, some savings already identified have been included. These include those savings within Appendix 3, with recurring savings of £174,000 coming out of 2010/11 service plan considerations. Many other initiatives have already been identified and others are being considered with the intention to generate financial savings which will reduce the forecast deficits in future years. These initiatives include:-

- Shared services, including Warwick District Council providing services to other authorities
- Procurement projects
- Review of operations to reduce costs in line with best practice examples
- Increasing numbers of paying customers, especially where there is spare capacity
- New sources of income

9.10 The Budget Improvement Programme (BIP) Board comprising of officers and led by the Chief Executive, has been set up to manage a programme of future savings and efficiency initiatives, whilst not losing sight of the need to improve any poor performing areas. Progress is regularly reported to members and the Board. Within the report to the December 2009 Executive it was reported that within the BIP projects being looked at there are anticipated to be £555,000 of savings and efficiencies that have not been included within the proposed Budget.

9.11 The Executive, Corporate Management Team and the Senior Management Team have recently participated in a Leadership Development Programme. This has

focused on the One Council approach. Following on from this, initiatives are taking place which should provide more streamlined services for the public, especially where they would otherwise need to engage with different functions of the Council. These initiatives, by enabling more joined up working between service areas, should enable greater savings to be made.

9.12 Business Cases are being encouraged for initiatives to generate savings or additional income. If necessary, funding will be sought from the Spend to Save Reserve where the investment should result in savings, taking into account any associated risks.

9.13 When determining future years' capital programmes the Council will need to be mindful of the implications for staff who work on capital projects, and how the reducing capital programme may result in spare staff capacity which will need to be managed. It is assumed that there are no additional costs arising to revenue in later years where the capital programme is still to be determined.

9.14 The report to this Executive meeting on the Comprehensive Area Assessment provides further details on the work being undertaken and how this needs to fit in with a new Corporate Strategy.

10. RESERVES AND BALANCES

The reasons for the reserves and their use were last reported to the Executive in the budget report last year. This is now included in Appendix 5.Finance and Audit Scrutiny Committee are 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 2009 to 31st March 2014 are detailed in 10.1.1. below and shown in Appendix 5b.

10.1 General Fund Reserves

10.1.1 General fund Earmarked Reserves

i.) Other Commuted Sums - reduction of £277,000 due to annual funding of mainly Open Spaces maintenance costs.

ii.) Corporate Property Programme Reserve – reduction of £85,000 due to funding required for the capital programme.

iii.) Capital Investment Reserve – decrease in balance of £1,073,000 mainly due to the use of the reserve in financing additional General Fund capital expenditure.

iv.) Gym Equipment Reserve – increase in balance of £4,000 due to annual contributions of £30,000 from the General Fund offset by £65,000 being utilised in 2009/10 and £88,000 in 2011/12 to fund replacement gym equipment.

v.) Best Value Reserve – The balance of £61,000 will be extinguished during 2009/10 as it is no longer required.

vi.) Planning Appeal Reserve – a net increase of £275,000 due to a contribution in 2009/10 from the General Fund in order to provide for future Core Strategy etc. costs as reported to the December 2009 Executive.

vii.) Early Retirements Reserve – reduction of £298,000 due to funding redundancy/early retirement costs arising from Building on Excellence etc. This is netted down by a £100,000 contribution to the reserve from the General Fund in 2009/10 to top it up.

viii.) Equipment Renewal Reserve – In February 2008, the Council agreed to set up a reserve to allow for the replacement of items of equipment and periodic surveys. In the current economic situation and external grant regime the previous ad-hoc basis of funding could leave the Council without sufficient funds for vital replacements. A schedule is attached at Appendix 6 of the replacements and renewals expected over the next 12 years for items that are in excess of £5,000. Appendix 6a summarises by financial year which sources will be used to fund the total £5.049 million cost of these assets. It then breaks down the £4.503 million required from the Equipment Renewal Reserve across the Service Areas. A more detailed analysis is at Appendix 6b.

At this point in time, it is not possible to determine exactly when an asset will wear out or how much its replacement is likely to cost. With this in mind, it has been assumed that only 75% of the estimated annual costs will actually be utilized; this has been reflected in Appendix 5b (Reserves), which indicates the reserve will be fully utilized by 2014/15. The Council will have to identify some further capital resources from 2014/15 onwards. As pointed out above, there is never total certainty over when a replacement or renewal is required and there needs to be careful scrutiny of the need to spend. In February 2008, it was resolved that the release of any monies be supported by a report to the CMT, and made subject to CMT agreeing the need for the allocation in consultation with the relevant service portfolio holder and the Corporate and Strategic Leadership Portfolio holder. This has continued since, albeit that the reports are now presented to the Senior Management Team (SMT) rather than CMT. For clarification, it is recommended that the approval process for the release of monies from the Equipment Renewal Reserve be delegated to the Chief Executive, subject to the following procedure:-

- 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

In view of the future demands on the Equipment Renewal Reserve being well in excess of the available funding, it is recommended that a future report is brought to the Executive to consider which items should be financed from the Equipment Renewal Reserve and which should be met from alternative sources of funding. As part of this, it may be appropriate to consider whether CCTV and play equipment should be included within the Equipment Renewal Reserve schedule. It is proposed that this report will also establish the level of balance that will need to be sustained in this Reserve to enable the Council to fully resource equipment renewal.

10.1.2 **General Fund Balance**

This balance stood at £3.807m as at 31 March 2009, having been increased from its normal level of £1.1m during 2007/08 and 2008/09. Of this balance, £1.033m was set aside for "Spend to Save" schemes, and £308k is being used to support General Fund expenditure in 2009/10. £80,000 has been transferred in 2009/10 to the Equipment Renewal Reserve to fund future play equipment expenditure. A further £307k has been agreed to be used to help smooth the level of council tax increase in future years.

10.1.3 As discussed in paragraph 6.3, the Council has received a VAT refund of £1.272m during 2009/10 which has initially been added to the General Fund Balance.

10.1.4 Taking into account all these changes to the General Fund Balance, there is an unallocated balance of £2.3m as shown below:-

	£m
General Fund Balance as at 31 March 2009	3,807
Contribution to General Fund Services 2009/10 Estimates	-308
Spend to Save Budget	-1,033
Transfer to Equipment Renewal Reserve	-80
	2,386
Contribution to General Fund Services 2010/11 onwards	-307
VAT Refund	1,272
Less Core Balance	-1,100
Unallocated Balance	**2,251**

10.1.5 The unallocated General Fund Balance is being recommended to be utilised as follows:-

- £94,000 to make up for the projected deficit (after LAGBI grant) against the budget for 2009/10 (para 6.7)
- £200,000 to fund a general Contingency Budget in 2010/11 (see para 7.2.4)
- £100,000 to form a contribution to the Early Retirement Reserve (see para 10.1.1.vii)
- £400,000 to form a Contribution to the Planning Reserve (see para 10.1.1.vi)
- £300,000 to form a contribution to the Equipment Renewals Reserve (see para10.1.1.viii)
- £100,000 for extension of Rural Initiatives scheme to 2012/13 (see paragraph 12.2.1)

Any changes here have been reflected in Appendices 5 and 7.

10.1.6 These allocations will leave a balance of £1.057m (excluding Core Balance) which it is suggested should be held in reserve to assist the Council to set a balanced budget in future years. As discussed in paragraph 11.2 there are many risks facing the Council in the medium term. In addition, of course, the Council still has challenging levels of savings to be found to be able to set a balanced budget. The overall movements in the General Fund balance are shown in Appendix 7.

10.1.7 In order to set a balanced Budget for 2010/11 including all the changes detailed primarily in Sections 7 and 8 of this report whilst increasing council tax by 2.5%, in this report it is necessary to utilise £148,500 of the £307,000 of the General Fund Balance that is shown to fund services from 2010/11 onwards.

10.2 Housing Revenue Account Reserves

Total Housing Revenue Account (HRA) Reserves of £14.1m as at 1st April, 2009 are expected to reduce to around £12.7m at 31st March, 2014 (Appendix 5b). This reduction reflects funding being used on achieving Decent Homes Standard and increased spending on Aids and Adaptations.

The use of these reserves will be reviewed following when the outcomes of the consultation into proposed changes to the national HRA Subsidy System, including the potential to operate a self-financing HRA, are known.

11. RISK AND BUDGET MANAGEMENT

11.1 Sensitivity analysis

The key assumptions made in setting the budget are set out in paragraph 7.6. A sensitivity analysis of these assumptions on the budget is as follows:-

- 0.5% change in pay award = £77k
- 0.25% fall in interest rates from levels assumed in budget = £46k cost to the General Fund for a full year.
- 0.5% change in inflation = £92k

11.2 Risks

11.2.1 The risks in the 2010/11 budget together with notes on how they are controlled are considered to be:

<u>Revenue</u>

- Economic cycle issues that can affect some of the key assumptions in paragraph 7.6 – regular budget monitoring will be undertaken to highlight these areas.
- The cost of the national concessionary bus fares scheme – the operators are able to appeal if usage is higher than anticipated. A contingency is held for this and it should be noted that an appeal for 2008/09 is still outstanding.
- 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.

- Loss of South Warwickshire Tourism and impact upon the services SWT provide for the Council– use influence of Councillors, and keep situation under review.
- Reduction in parking income – keep under review, influence the County Council on their off street parking charges to create a better alignment/differential.
- Reduction in local land charges income – keep under review, review costs.
- Increase in the rate of V.A.T – would impact on income levels. Report to Executive on potential to increase charges.
- The magistrates do not agree to increase court fees in line with estimates – receive in principle agreement before commencement of financial year.
- Free Swimming significantly reduces income or increases costs – Report to be brought to September Executive.
- Revenue implications of capital schemes not fully identified – Close scrutiny of capital proposals.

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

- Local Government is expecting a very poor Revenue Support Settlement for 2011/12 onwards. Details of this are expected to be known at the end of 2010. Annual reductions of 2% have been included within the Council's Medium Term Financial Strategy.
- The National Concessionary Travel Scheme is expected to become the responsibility of the County Council from 2011/12. Whilst the Council will no longer incur expenditure on the concessionary fares, it will also lose a significant level of funding. There is a risk that the funding the Council loses will exceed the amount it currently spends on the scheme. Again, details of this are not likely to be known until December 2010.
- Superannuation Fund contributions. The Council's contribution rates to the pension fund are due to be reviewed from April 2011 based on the valuation of the fund as at 31 March 2010. As the economy has declined since the last triennial valuation in 2007, the expectation is for contribution rates to have to increase to ensure the fund moves towards being fully funded. The Medium Term Financial Strategy includes assumed additional funding contributions.
- The savings from projects in the Budget Improvement Programme are not realised. Only those that have clear costed savings have been included within the medium term financial strategy. Those with uncertainties have been excluded. Members are regularly informed of which plans are included within the Financial Strategy.

- Major contracts – Even greater costs than budgeted for. Would require review of the future service level.
- HB Administration Grant – Further reduction in annual grant. Last three years have seen real terms reductions and grant is significant at £650-700k

11.2.2 Having considered these risks and controls the Head of Finance and CMT considers that together with the Council's core General Fund Balance of over £1.1million, the forecast balance on the capital investment reserve 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 for future years and must continue to address this on an ongoing basis.

11.2.3 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 8 and shows the requirement for the General Fund balance of over £1 million against the risks identified above. Also it should be noted that the Council is needing 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.

11.2.4 A key issue for this Council a few years ago was the risk of overspending. Whilst the Council now has a more robust 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.

11.2.5 <u>Opportunities/Positive risks</u>

There are also some opportunities for the Council that are set out in Para 9.9.. These are all actively being investigated so as to generate savings and efficiencies that will help to reduce the projected financial deficit.

11.3 **Contingency**

11.3.1 ***General contingency***

As referred to in paragraph 7.2.4, it is recommended that a general contingency budget is included in the 2010/11 budget of £200,000 towards any unforeseen expenditure that cannot be accommodated within existing budgets.

11.3.2 ***Assisted Travel contingency***

£207,000 has been included within the 2010/11 Base Estimates as a contingency in relation to the uncertain costs of the national concessionary fares scheme. This contingency should not be used for any other purpose than concessionary fares until all costs are certain, and the outstanding appeals are settled.

11.4 **Budget Management**

In 2004/05 CMT introduced a new set of procedures which require monthly monitoring reports, signed off by the relevant manager, to be produced for subsequent reporting to the now SMT meetings. Also introduced was another new procedure requiring managers to sign off their budgets at the start of the financial

year. These procedures will continue and it is recommended that the quarterly reporting to the Executive is also continued.

12. REVIEW OF, AND PROPOSALS FOR THE CAPITAL PROGRAMME – HOUSING AND GENERAL FUND

12.1 Current General Fund capital programme

Appendix 10 contains the current capital programmes for the General Fund and Housing (including HRA) , together with their funding. Appendix 11 contains a reconciliation and details of all the changes, including funding, to the current capital programme compared to that shown in the 2009/2010 Budget Book.

12.2 Proposed additions to the current capital programme

12.2.1 Other than the proposal to allocate £100,000 from the unallocated General Fund Balance to provide funding for Rural Initiatives grants in 2012/13 (see 10.1.5 above) and the commencement of the Gym Equipment replacement programme (see report elsewhere on this agenda) there are no new schemes recommended for funding this year. The proposed total programme for both the General Fund and Housing capital programmes is set out in Appendix 10 and includes all the items referred to within this section.

12.2.2 As part of the service planning process a number of tentative self financing projects were proposed. It is recommended that should the Executive receive viable self – funded business cases, amendments be made to the budget.

12.2.4 An outline business case is to be presented to a future Executive on the development of a public service centre in Kenilworth, with a view to requesting funds to develop a full business case. This will then identify capital and anticipated ongoing revenue costs and sources of associated funding.

12.3 Housing Investment Programme

12.3.1 The proposed Housing Investment Programme (HIP)is shown in Appendix 10 part 2. For 2009/10 the figures reflect the slippage from 2008/09 as agreed last June.

12.3.2 Expenditure on the Housing Revenue Account (HRA) element of the HIP, has been increased by £796,400 for 2010/11. This comprises:-

- An additional £400,000 for window replacements to ensure the Decent Homes Standard is met on time£442,000 for boiler replacements. This is due to a re-phasing of the programme, with funding brought forward from future years.
- Following the continued success of the incentives offered under the “Tenants Resettlement Service”, a decision has been made to increase the budget by £55,000 per year to enable the scheme to continue into future years. The ‘Resettlement Service’ will be offered to applicants who successfully bid for a property advertised for the first time under the HomeChoice Scheme and the property is regarded as low demand, because other similar properties have previously been defined as low demand.

- An extra £22,000 has been included to cover the cost of installing and implementing Housing Process Management System software to monitor and record day to day activity relating to arrears as part of the Rent System (MIS).
- A reduction of £120,600 following the decision to reduce the general rate of inflation applied from 3% down to 0.5%.

12.3.3 Expenditure on the General Fund (GF) element of the HIP, has been increased by £994,900 for 2010/11. This comprises:-

- An additional £160,000 of expenditure included for Mandatory Disabled Facilities Grants (DFGs), in the private sector, following a successful bid to Government for additional funds. In 2010/11, DFG funding from government will increase from £180,000 to £300,000 and total expenditure from £300,000 to £460,000. The additional funding being found from within existing budgets.
- The S106 Contribution of £220,000 has been 'slipped' from 2009/10, as no appropriate scheme is currently available.
- Additional Government grant of £159,000 for Decent Homes in the private sector has been included.
- The remainder, £455,900, is mainly 'slippage' in the Housing Association programme from 2009/10, due to a lack of appropriate schemes being available.

12.3.4 Both the housing association and private sector housing programme are funded from housing capital receipts, with the former being supplemented by commuted sums from developers and the latter with government grant assistance. To date, in 2009/10, only 2 council homes have been sold, resulting in £50,000 of useable capital receipts. This is a slight improvement on 2008/09 when there were no Right to Buy sales and consequently no additional receipts. Given the current economic climate, it is unlikely that capital receipts from this source will significantly improve for some time to come. So, to be prudent, no additional receipts from this source have been included in the HIP for future years. There are some outstanding S106 contributions due to the Authority, currently total £931,200, with an additional £328,000, to be invoiced, to fund the affordable housing programme. However, receipt of these funds is again currently very uncertain, due to the current economic situation. Consequently, none have been included in the programme until year 2012/13 to reflect the possibility that developers may not be able to pay before then in the current economic climate.

12.4 **Funding the General Fund capital programme**

12.4.1 The General Fund capital programme outlined in Appendix 10 is to be funded as follows:-

Method	**2009/10**	**2010/11**	**2011/12**	**20012/13**	**2013/14**
	£	**£**	**£**	**£**	**£**
Borrowing	1,130,000	575,000	0	0	0
Capital Receipts	1,248,200	0	0	0	0
External Contributions	2,317,050	2,524,600	0	0	0
Revenue Contributions	15,000	0	0	0	0
Corporate Prop. Res.	0	96,000	0	0	0
Equipment Renewal Reserve.	0	0	0	130,000	130,000
Spend to Save Reserve	69,200	0	0	0	0
Capital Investment. Reserve	369,500	1,652,950	388,000	100,000	100,000
Gym Equipment Reserve	65,000	0	88,000	0	0
General Fund balance	0	0	0	100,000	0
TOTAL	5,213,950	4,848,550	476,000	330,000	230,000

12.4.2 Over the period 2009/10 – 2013/14 it is assumed that no significant General Fund capital receipts will be generated. Capital receipts utilised in the table above are those in hand at 1/4/2009. Provision has been made in 2009/10 for £700,000 temporary borrowing which may be incurred in part funding the Spencers Yard project until a capital receipt from the sale of the old Dole Office and Loft Theatre sites materialises in 2014/15. This receipt will then be utilised to repay the temporary borrowing. There is also provision for borrowing £430,000 in 2009/10 and £575,000 in 2010/11 to fund the purchase of 18A and 18B Southbank Road respectively in order to facilitate the sale of the Wilton House site as part of the preparations for the Kenilworth Public Service Centre (KPSC). Again this borrowing will be of a temporary nature as it will be repaid out of the sale proceeds. The revenue costs of the borrowing have been factored into the Estimates, and will be charged to the KPSC should the scheme go ahead.

12.4.3 Also shown in Appendix 10 is a summary of the total General Fund capital resources available to the Council over the period 2009/10 to 2013/14 matched against the projected spend. This shows that over the period the Council has £3.357m surplus resources once the current programme is financed. The major elements are represented by balances of £1,758,000 and £1,277,000 on the Capital Investment Reserve and Equipment Renewals Reserve respectively with 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 10. As outlined in paragraph 10.1.1.viii. this reserve will be totally consumed by 2014/15 and therefore should be discounted from the calculation of estimated surplus capital resources thus reducing the available resources to £2.08m. The Capital Investment Reserve is in effect a capital contingency for overspending, receipts not materialising when anticipated or some major event that requires expenditure in excess of insurance or

Government reimbursement schemes. The policy if for the balance on the Capital Investment Reserve to be maintained at £2m, although it is projected to fall below that level in the medium term before being built up again.

12.5 **Funding the Housing Investment Programme**

12.5.1 The Housing Investment Programme outlined in Appendix 10 is to be funded as follows**:-**

Housing Investment Programme

Method	**2009/10**	**2010/11**	**2011/12**	**20012/13**	**2013/14**
	£	**£**	**£**	**£**	**£**
Capital Receipts	915,800	984,900	558,000	0	34,800
External Contributions	193,000	220,000	0	483,000	448,200
Major Repairs Allowance.	4,125,500	4,236,600	3,874,900	3,623,400	3,959,100
Capital Grant	363,000	588,000	400,000	400,000	400,000
Housing Repairs Account?	1,976,100	1,660,300	1,655,800	1,659,900	1,118,700
General Fund - revenue contribution	4,000	4,000	4,000	4,000	4,000
TOTAL	**7,577,400**	**7,693,800**	**6,492,700**	**6,170,300**	**5,964,800**

13. AUTHORISED BORROWING LIMIT AND PRUDENTIAL INDICATORS

13.1 The authorised borrowing limit and Prudential Indicators that this Council is required to adopt are detailed in Appendix 9. It is recommended that the limit and indicators as shown 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 (para 9.1) of Appendix 9 are approved and endorsed by the full Council.

14. CONSULTATION

14.1 A Budget consultation was carried out with members of the citizen's panel by questionnaire. There were 471 responses. The detail is attached as Appendix 12. Due to the lack of funding to finance new initiatives, the consultation primarily centred on how the Council could make savings and efficiencies, and the impact of these on services. The panel were consulted on 3 of the proposals offered by way of the Service Planning process which were reported to members in December-

- 46% agreed (39% disagreed) that the Council should introduce limited free parking at locations where charges are not currently levied, for example, Victoria Park and Station Approach in Leamington Spa, and Abbeyfields in Kenilworth (additional income £10,000 per annum). This proposal has been included within the Budget proposals.
- 75% agreed (10% disagreed) that the Council should move to sustainable bedding plants in areas across the district (saving £15,000). This proposal has been included within the Budget proposals.

- 45% agreed (35% disagreed) that the Council should cease to supply grey refuse sacks to those properties unable to accommodate grey wheelie bins. This proposal is not being included within the Budget proposals for 2010/11 as a comprehensive approach to reduce waste and increase recycling is being formulated.
- 43% agreed (38% disagreed) that the Council should increase discretionary fees and charges by up to 10% for a range of services including car parking and leisure centres. As the fees and charges have been agreed from 1 April 2010, and some, notably those for car parking, require a long lead time to change, it is not proposed to increase the discretionary fees and charges further at this stage. However, when the parameters for increasing charges are reviewed in the Summer, the results of this consultation will be part of that review.

For the questions concerning expenditure on the totality of the Council's budget, respondents were asked to what extent they would increase or reduce the level of council tax spent on various services:-

- Overall the responses generally agreed that the spending on services was broadly correct.

- Although not significant, it was suggested that more resources should be allocated to:-

    - Refuse Collection and Recycling
    - Parks and Open Spaces
    - Street Cleaning
    - Housing
    - CCTV
    - Sports Development
    - Tourism Promotion
    - Public conveniences
- Conversely, it was suggested that expenditure should be reduced to the following services:-

    - Leisure facilities
    - Environmental Health
    - Development Control and Planning policy
    - Assisted travel
    - Cultural facilities
    - Other statutory services

This information will be considered alongside other relevant information in future service planning and prioritising investment, efficiencies and savings.

14.2 Representatives of the business community and the Council's key partners have been sent copies of this report. Comments on the proposals have been requested to be received a week before the Council is due to set its budget on February 24, and any received will be forwarded to all members.

15. UPDATED FINANCIAL STRATEGY

15.1 The new Financial Strategy which includes the Capital Strategy is at Appendix 13. The Executive is requested to agree the Financial Strategy and review it in future in the light of other resource strategies.