Executive

Minutes of the meeting held on Wednesday 11 February 2015 at the Town Hall, Royal Leamington Spa at 6.00 pm.

Present: Councillor Mobbs (Chairman); Councillors Caborn, Coker, Cross, Mrs Gallagher, Hammon, and Vincett.

Also present: Councillor Barrott (Chair of Finance & Audit Scrutiny Committee), Councillor Boad (Liberal Democrat Observer), Councillor Mrs Bromley (Independent Group Observer and on behalf of the Overview & Scrutiny Committee), and Councillor Wilkinson (Labour Group Observer).

114. Declarations of interest

There were no declarations of interest.

Part 1

(Items on which a decision by Council is required)

117. Treasury Management Strategy Plan for 2015/2016

The Executive considered a report from Finance that detailed the strategy for 2015/16 that the Council would follow in carrying out its Treasury Management activities including the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy Statement.

The Council was required to have an approved Treasury Management Strategy, including an Annual Investment Strategy and Minimum Revenue Provision Policy within which its Treasury Management operations could be carried out. The Council would be investing approximately £19.939 million in new capital in 2015/16 and would hold average investments of £50 million (2013/14 actual £53m). This level of investments came from the Council's reserves and provisions, the General Fund and Housing Revenue Account balances, and accumulated capital receipts as well as cashflow.

The Council's treasury management operations were also governed by various Treasury Management Practices (TMP's), the production of which was a requirement of the CIPFA code and which must be explicitly followed by officers engaged in treasury management. These had previously been reported to the Executive and approved. There had been the following changes to various Treasury Management Practices (TMP's) and these changes were outlined in the report.

This Council had regard to the Government's Guidance on Local Government Investments and CIPFA's updated Treasury Management in Public Services Code of Practice. The guidance stated that an Annual Investment Strategy must be produced in advance of the year to which it related and must be approved by Council. The Strategy could be amended at any time and it must be made available to the public. The Annual Investment Strategy for 2015/16 was contained within Appendix B and its Annex.

The current low interest rate environment was expected to continue for the foreseeable future as whilst interest rates were expected to start rising from the December quarter of 2015 it would be from a very low base and consequently investment returns would continue to be depressed for some time to come. Counterparty credit rating constraints and continuing high investment balances mean that it had become necessary once again to look at alternative investment vehicles in order to ensure that the Council could continue to invest its funds with the highest possible security whilst obtaining a reasonable rate of return. This meant that the Council could diversify its risk rather than just increasing the limits for existing counterparties. The change being recommended was described in more detail in Appendix B, to the report, but essentially involved the addition of Covered Bonds.

The Council had to make provision for the repayment of its outstanding long term debt and other forms of long term borrowing such as Finance Leases. Statutory guidance from the DCLG required that a statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which it related and this was contained in Appendix C to the report.

The Prudential Code for Capital Finance in local authorities, which was revised in 2009, introduced new requirements for the manner in which capital spending plans were to be considered and approved, and in conjunction with this, the development of an integrated treasury management strategy. The Prudential Code required the Council to set a number of Prudential Indicators and these were set out within section 5 of Appendix A fo the report, the indicators to which regard should be given when determining the Council's treasury management strategy for the next 3 financial years.

The approval of an annual Treasury Management Strategy was a requirement of the CIPFA Treasury Management in the Public Services Code of Practice, the latest version of which was adopted by the Council in 2011/12.

An alternative to the strategy being proposed for 2015/16 would be to vary the counterparty limits and investment periods from those currently in force in order to increase investment returns but this would expose the Council to increased credit risk and was not recommended.

The Council could also choose to reduce the minimum credit rating criteria instead. However, whilst this would achieve the stated aim of enhancing investment returns it would significantly increase credit risk within the investment portfolio leading to potential loss of capital.

The Finance & Audit Scrutiny Committee supported the recommendations in the report.

Resolved that changes to the various Treasury Management Practices as detailed in the report, be noted.

Recommended to Council that

(1) the Treasury Management Strategy for 2015/16 as set out in the report and detailed in Appendix A to the report be approved,

(2) the 2015/16 Annual Investment Strategy as outlined in the report and detailed in Appendix B, to the report, together with Annex 1 including the following changes, be approved:-

  (i) as per paragraph 2.9 of Appendix B, to the report, covered Bonds are added to the list of Specified and Non Specified investment vehicles that the Council can use;

  (ii) as per Annex 1, to the report, the individual counterparty limit for Covered Bonds issued by a) private sector financial institutions be £5 million b) private sector financial institutions wholly or part owned by the UK Government £9 million and c) Corporates £3 million, be approved;

  (iii) the Municipal Bond Agency be included in the list of organisations that the Council is permitted to borrow from as per Appendix A paragraph 4.4, of the report, be approved;

(3) the Minimum Revenue Provision Policy Statement as outlined in the report and contained in paragraphs 4.1 to 4.4 of Appendix C, of the report, be approved; and

(4) Prudential Indicators as outlined in the report and contained in paragraphs 5.1 to 5.5 of Appendix A, to the report, be approved.

(The Portfolio Holder for this item was Councillor Cross)
(Forward Plan reference 666)

118. Budget 2015/16 and Council Tax – General Fund Revenue and Capital

The Executive considered a report from Finance that updated them on the overall financial position of the Council. It included the latest position in respect of the 2014/15 General Fund Revenue Budget and the future implications of the proposed changes. For 2015/16 onwards, the report considered both the General Fund Revenue Budget and the Capital Programme. The information contained within this report supported the recommendations to Council in respect of setting next year's budgets and this Council's level of Council Tax for 2015/16. It updated members on the latest projections and assumptions in the Medium Term Financial Strategy, identifying the on-going savings required by 2019/20. The report also updated members on the Council's Reserves and General Fund.

The Council was required to set a budget and council tax each year taking into account the many factors that are considered within this report. In particular:-

- The revenue and capital budget were being considered together.
- The Council was required to determine an authorised borrowing limit in accordance with The Local Government Act 2004, Section 3, and to agree prudential indicators (Appendix 12 refers) in accordance with the CIPFA Code for Capital Finance in Local Authorities.
- The Chief Financial Officer was required to report on the robustness of the estimates made and the adequacy of the proposed financial reserves. (This statement is made at Appendix 2).
- By considering the 5 Year Medium Term Financial Strategy at the same time as the latest and next year's Budget, the Council had a full understanding their effect on the long term implications.

Appendix 1, to the report, summarised the latest 2014/15 Estimates and the proposed Budget for 2015/16. The latest Estimates for 2014/15 were reported to the Executive in December 2014 with net expenditure of £17.9m and a surplus of £217,000. Further changes were now proposed, which were as followed:

- Town Hall liability for Town Council overcharges (Business rates and service charges);
- An additional £10,000 for the Back Up Generator at Oakley Wood Crematorium, bringing the total cost to £30,000 as agreed by the Executive in December 2014;
- £134,000 Non-Recurrent Business Rate Refunds in respect of Council properties;
- A Leisure Centre staffing non-recurrent overspend of £47,000 which was net of a £3,000 increase in Vending Machine Commission. – £12,000 of this was at St Nicholas Park Leisure centre (£10,000 due to long term sickness cover);
- The other £2,000 could be attributed to increased costs of swimming teachers as new lessons had been added to the programme in the last 18 months;
- The residual £38,000 was at Newbold Comyn Leisure Centre. The significant part was attributable to the failure to implement new

rotas, which had been agreed and budgeted for. This was caused by management actions of a former member of staff who unfortunately had found the role beyond their capabilities;

- Actions had now been taken to address the causes of the overspend at Newbold Comyn, and the new manager had taken far greater control of staffing since November 2014. New rotas would be introduced at all sites from 1 April 2015 to coincide with the start of the new activity programme;
- The figures quoted above were based on performance until the end of December. Quarter 4 performance would not be known until the end of the year. The gym at Newbold Comyn was to undergo a refit of new equipment in February 2015. Officers were hopeful that both swimming and gym income would exceed budgeted levels and cover the costs set out above.
- A saving of £15,000 was now forecast on the budget for the National Living Wage based on the spending to date. This projection took into consideration that the next months could be higher due to additional staffing at the Spa Centre during the Pantomime and increased Gym activity in the new year; and
- Minor changes totalling £19,000 debit.

Taking into account the above budget changes, the 2014/15 Estimates showed a projected surplus of £220,000. It was recommended that this surplus was carried forward to 2015/16 to form the Contingency Budget for unforeseen unavoidable costs arising during 2015/16 which could not be accommodated within agreed budgets.

The 2014/15 Budget allowed for the 2.2% pay award applicable from January 2015. As part of the 2014 -2016 settlement there was a non-consolidated payment for all staff on Spinal Column Point (SCP) 5 to 49. Advice had been received from West Midlands Employers that the 2.2% pay award was payable to all NJC staff above SCP 49 (grade A staff within Warwick District Council) but that the additional non-consolidated award was a matter for local determination. The Authority employed seven members of staff on grade A and the total cost of awarding the payment was in the region of £1,400 (approximately £200 each). As the payment was due to be paid in December 2014, the Chief Executive used his Emergency Powers to agree to the payments being made, having consulted with the leaders of the main political groups, as set out in the Council's Constitution.

The Head of Finance had approved the following allocations from the Contingency budget:

- Revenues staff settlement (£9,000)
- Media Room maternity cover (£7,700)
- Payroll sickness cover (£1,800)

The unallocated balance on the Contingency Budget 2014/15 stood at £27,600, excluding any other proposed uses from the Contingency Budget discussed elsewhere on the agenda for the Executive dated 11 February 2015.

Since Members agreed the 2015/16 Base Budgets in December, further changes had been identified. Inclusion in next year's Budgets at this point ensured the Budget and Financial Projections would contain the most realistic figures as at the beginning of April 2015. These changes were:-

- £11,000 Reduction in Housing Benefit and Council Tax Reduction Scheme Administration Subsidy;
- National Living Wage – Within the Council's financial projections, £60,000 was included for the full year anticipated costs relating to the National Living Wage. Consistent with the reference within paragraph 3.2.1, it was believed that this budget was overstated, so had been reduced by £15,000; and
- The Employment Committee had recently considered a report on Finance Staffing. Within this, there were recurring costs relating to an additional Revenues Officer (£22,800) and changes to the Accountancy Establishment (£2,100) which have been included within the proposed 2015/16 Budget.

Taking into account the above changes, together with the Government Grant and Council Tax discussed in section 3.4 and 3.5 respectively; there was a balance of £1,000 which had been added to the proposed 2015/16 Contingency Budget.

Collection Balance – Latest monitoring showed that at the end of 2014/15 there would be a negligible balance on the Collection Fund in respect of council tax. On the 15 January each year, this Council as the Billing Authority, notified its major preceptors that there would be a zero balance for 2014/15. If this had not been the case, the balance would have been incorporated into the 2015/16 Budget.

Details of the provisional Grant Settlement for 2015/16 were announced on 18 December 2014. The final settlement was expected at the start of February 2015. Should there be a non-material difference in the grant figures in the final settlement to the provisional settlement, it was proposed that this was accommodated within the 2015/16 Contingency Budget.

No details had been provided over likely levels of grant beyond 2015/16. From the Government's financial projections, the most recent being within the Autumn Statement in December 2014, it was apparent that local authorities would continue to see substantial reductions in core funding for the foreseeable future, although no details were available as to how this would impact upon individual authorities. As district councils were not directly responsible for any of the "protected" public services (eg health and education), it had been necessary to take a prudent stance in projecting this Council's future levels of Revenue Support Grant for the Medium Term Financial Strategy.

As part of the Grant Settlement, the Council was due to receive a Revenue Support Grant of £2,499,484. This figure was in line with the provisional grant announced a year ago.

The Grant Settlement included details of the 2015/16 Business Rates Retention scheme. The Council's Business Rates Baseline for 2015/16 was £3,128,447. Should this Council collect Business Rates in excess of this, it would retain 40% of the additional income. The Business Multiplier would again be held to a 2% increase, (this being below the September 2014 Retail Prices Index of 2.3%). Local authorities would receive additional grant funding to compensate. As previously discussed within Budget Review reports to the Executive, the Business Rates Retention Scheme did present an opportunity for local authorities in terms of the potential to gain from increases in the local business rates base, however, there were also risks associated. Hence it had been necessary to be cautious when estimating the business rates due to be retained by the Council.

Whilst the Government Settlement figures were based upon the Business Rate Baseline, the Authority's actual retained income for the 2015/16 Financial Year was determined by the projection submitted at the end of January 2015 (known as the NNDR1). Between finalising this Executive report and the NNDR1, if the figures changed within the NNDR1, and it was a non-material change, it was proposed that this would be accommodated by compensating adjustments in the sums transferred from the Business Rate Retention Volatility Reserve. Members agreed in December 2012 that authority to approve the NNDR1 was delegated to the Head of Finance in consultation with the Finance Portfolio Holder.

As part of the Budget Setting for 2014/15, the Council agreed funding to ensure all of it employees should receive at least the National Living Wage, which for last year was £7.65. This was confirmed by the Employment Committee in April 2014 and subsequently introduced in October 2014. The Employment Committee also agreed that the Council reviews its commitment to paying any further increase in the National Living Wage from the subsequent April of each year as part of the Budget Process. It was therefore proposed that the Council confirmed its commitment to pay the National Living Wage for 2015/16 and agreed the new hourly rate of £7.85, an increase of 2.6%, was introduced from April 2015. This increase had been allowed for within the proposed 2015/16 Budget.

In setting these Budgets, Members needed to be aware of the impact on their local Council Tax Payers. 2015/16 was the fifth year that this Council had been able to "freeze" its share of the Council Tax, and received council tax freeze grant. For 2015/16 the Government was providing a Grant equivalent to the value a 1% per cent increase would have yielded. This equated to £79,000.

The 1% tax freeze grant was helping the Council to maintain its funding and services for the period that the grant was paid. The Government had previously announced that the freeze grant amounts would be added to the Spending Review baseline and would therefore be on-going. This was intended to remove a cliff edge in 2016/17 (if council tax freeze grant funding were to be removed). However, this future funding would be part of the future Revenue Support Grant which was still projected to see further significant reductions in future years.

If the Council was to propose an increase of above 2% this would require a referendum. Whilst this would have one-off costs relating to its administration, if the electorate agreed to an increase above 2%, this would help to protect the Council's funding and services into the future.

The Council's element of the Council Tax was calculated by taking its total budget requirement, subtracting the total External Grant from Central Government in respect of Revenue Support Grant (RSG) and Retained Business Rates and any collection fund balance. This figure was divided by the 2015/16 tax base to derive the District Council Band D Council Tax. The Tax Base for 2015/16 had been calculated at 50,836.73 Band D equivalent dwellings. These figures were shown in Appendix 1. The District element represented 9.6% of the total Council Tax in 2014/15.

The recommendations within this report produced a Band D Council Tax for Warwick District (excluding parish/town council precepts) for 2015/16 of £146.86, this being the same as for 2014/15. Based on this zero increase the Council Tax levels for each of the respective bands would be:-

Band	**2015/16**
A	£97.91
B	£114.22
C	£130.54
D	£146.86
E	£179.50
F	£212.13
G	£244.77
H	£293.72

Parish and town councils throughout the district had been asked to submit their precepts for 2015/16. At the time of writing, not all precepts had been confirmed. It was estimated that the precepts would total around £1,300,000. This figure excluded the Grants that this Council would be awarding to the Parishes in respect of the Council Tax Support adjustments to the Tax Base (as detailed within the December 2013 Base Budget report).

At the time of writing neither the County Council nor the Police & Crime Commissioner had set their 2015/16 budgets and element of the Council Tax. The meeting of the County Council was scheduled for the 5 February 2015 and the Police & Crime Commissioner was due to seek approval from its Panel on the morning of 3 February 2015.

This was the arithmetical process of aggregating the council tax levels calculated by the major precepting authorities (the County Council and the Police and Crime Commissioner) and the parish/town councils for their purposes with those required by this Council. A report to the Council Meeting on the 25 February, 2015 would provide the required details. The Council would 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.

The setting of the budget and the Council Tax by Members involved 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.

Should Members wish to propose additions or reductions to the budget, on which no information was 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 set out relevant considerations for Members to consider during their deliberations, including the statement at Appendix 2, to the report, from the Chief Financial Officer.

Members were reminded of the need to ignore irrelevant considerations. Members had a duty to ensure that the Council acted lawfully. They were under an obligation to produce a balanced budget and must not knowingly budget for a deficit. Members must not come to a decision that no reasonable authority could come to, balancing the nature, quality and level of services that they considered should be provided, against the costs of providing such services.

It was a duty on all Members of the Authority to set the budget. What this meant in practice was that collectively all Members had this duty not just the Executive. Case Law had shown that abstention was not a defence in failing to comply with this duty.

Members were also reminded of section 106 of the Local Government Finance Act 1992, which required any member who had not paid their Council Tax or any instalment for at least two months after it was due and which remained 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.

The New Homes Bonus to be awarded to this Council in 2015/16 was £1,622,888 (Provisional), of which £118,543 had already been committed to the W2 (Waterloo/Warwick District Council) Joint Venture. In addition, £300,000 had been committed to Bishop’s Tachbrook Community Centre and to underwrite a further £150,000 in the event that other bids for funding were unsuccessful, leaving an unallocated balance of £1,054,345.

New Homes Bonus Funding was “non-recurrent” for a six year rolling period and there was no certainty that the Government would continue with the scheme in future years. Due to the uncertainty in future years, this Council did not rely on these monies for future years of core services.

It was recommended that the balance of £1,054,345 was appropriated as follows-

- Hill Close Gardens £100,000. The Trust had approached the Council for further support when the existing Grant was discontinued. £20,000 per annum for 5 years 2015/16 to 2019/20 would help to reduce the deficit demonstrated in their Business Plan. It was recommended that a Service Level Agreement was agreed with Hill Close Gardens, with the precise details of this delegated to the Chief Executive in consultation with the Head of Finance and Head of Development Services;
- Corporate Asset Reserve £570,000. Last year sufficient monies were allocated to this Reserve to support the unfunded element of the Corporate Asset Repairs 30 year programme. Savings arising in the current financial year would contribute towards the year 2 plan, however a further allocation £570,000 was required to complete all the items for the second year. In February of last year, Officers were tasked to consider how the Council could manage its Corporate Asset Base more efficiently and report back to Members;
- Riverside House backlog maintenance £60,000. The planned office move had been delayed by 24 months overall. Based on the earlier target of April 2016, general repairs on the current offices were put on hold. However, it had now reached the point when these works could not be deferred further.
- General Fund Early Retirement Reserve £100,000. Due to staffing restructures, this had been depleted over the last few years. Further demands were anticipated from the Housing and Property Services restructure;
- Planning Reserve £50,000. Similarly this had been depleted and future demands were forecast from Appeals and the Local Plan; and
- Equipment Renewals Reserve £174,345. Members would already be aware this had always been undersubscribed to cover all of the demands for a full 5 year period.

As in previous years, with the uncertainty over the future levels of New Home Bonus, and how long the scheme would continue, the above allocations were on the basis that the NHB was not used to support the provision of key Council Services. The use of the New Homes Bonus was reflected in the Statement of New Homes Bonus within Appendix 3.

In the December Autumn Statement the Government announced a package of business rates measures including extending in effect the existing transitional relief scheme for two years for properties with a rateable value up to and including £50,000. As a result of this measure, small properties that would otherwise face bill increases above 15% and medium sized properties (with a rateable value of £50,000 or less) that would otherwise face bill increases above 25% would benefit.

As this was a temporary measure the Government announced its intention that it would not be altering legislation in order to effect these changes. Instead it was requesting local authorities to use their discretionary powers (under section 47 of the Local Government Finance Act 1988) to implement the above change for 2015/16 and 2016/17.

It was for individual local authorities to decide to award relief under section 47 but if the local authority decided to support the Autumn Statement initiative then Central Government would fully reimburse the cost of the local share of reimbursing the relief. Consequently the Council would be no worse off under the business rates retention scheme if it adopted the scheme. This change was not expected to affect many businesses, with small sums involved.

Under current arrangements, any money paid out in respect of Housing Benefit, relating to War Widows Pensions, was reclaimed from the Government in the form of subsidy and the scheme by which the Council determined entitlement to the Benefit was prescribed by the Government.

Section 134(8) of The Social Security Administration Act 1992, provided Local Authorities with the discretion to disregard the whole or part of any War Widows(ers) pension, War Disablement Pension and the Armed Forces Compensation Scheme Guaranteed Income Payment in the calculation of Housing Benefit, over and above any statutory disregard provided for in legislation. Any additional Housing Benefit paid to the claimant as a result of disregarding this income did not attract subsidy and therefore the costs were borne by the Authority.

The discretion must be by full resolution of the Council, it had been some time since this was last considered and therefore it would be appropriate for a new resolution to be agreed. Within the Council's Council Tax Reduction Scheme, this income was already included as a disregard.

The table below showed the cost to the Authority for the last 3 years. These were allowed for within the proposed Budget.

	2011/12	**2012/13**	**2013/14**
	£	**£**	**£**
Cost to WDC per annum	38,247	34,087	26,274

At its meeting of 16th April 2014, Executive agreed to make a financial contribution of up to £400,000 (including £50,000 contingency) from the Capital Investment Reserve to help provide a new building for the Cadets and that authority was delegated to Deputy Chief Executive (AJ), in consultation with Councillor Coker, to agree the precise terms of use and release of the funding.

Since that decision, detailed feasibility work had taken place to prepare for the construction of a new building for the Cadets on the Warwick Corps of Drums site including gaining a planning approval. Whilst the feasibility study had provided a positive conclusion in terms of the building's siting, the construction was now estimated to be c£85,000 more than anticipated.

Consequently the Cadets had been exploring alternative options for the siting of their new building and there was a potential solution at the Aylesford School site. Whilst there was still much work to do, the initial appraisal was positive and therefore it was recommended that should this solution be viable and within budget then the funding was re-allocated to support the construction of a new building at this site. Should this not prove viable then negotiations would continue with the Warwick Corps of Drums.

It should be noted that the Aylesford School site was in Warwick West and would provide for the same catchment area as the Warwick Corps of Drums site. It would also be situated next to a children's facility thereby being highly visible with hopefully a positive impact in terms of participation.

£10,000 had previously been approved for St Mary's Land Business Strategy. Of this, £4,000 remained unspent which was proposed should be reallocated to St Mary's Lands Working Group studies to enable the Group's work to continue, with the budget now delegated to the Chief Executive.

Earmarked Reserves were agreed by Executive as part of the Final Accounts process in June of each year. These related to slippage of specific budgets from one year to the next where it had not been possible to carry out a specific project in the timescale originally intended. Within the earmarked reserves carried forward from 2013/14 was £16,900 for Climate Control. This budget was expected to be needed for projects relating for the Local Plan. However, this work had been funded from the Planning Reserve. It was now proposed that members agreed that the £16,900 was used towards projects as part of the Council's Strategic Approach to Sustainability and Climate Change in line with the report considered by the January 2015 Executive meeting.

Members were regularly updated on the projections within the Medium Term Financial Strategy and levels of savings still to be identified. There were many uncertainties and it was prudent to regularly review and report the latest position. When setting the next year's Budget and Council Tax in February of each year, members needed to be aware of how this affected the next 5 years. At the time of writing this report the Government had not yet given any indication of levels of funding beyond 2015/16. The projections remained based upon previous assumptions and advice from our advisors, LGFutures.

Members were last updated in December when the2015/16 Base Budgets were presented. At that point £0.912 million in savings by 2019/20 still needed to be identified and delivered to enable the Council to set a balanced budget. Since then there had been further changes to the projections as detailed below:-

- Additional income due to an increase in the agreed Council Tax Base for 2015/16 above that originally assumed in the Strategy, £96,000 favourable;

- Full impact of Pay Award in addition to amounts previously estimated, £28,000 adverse;
- In January of this year, Capita, the Council's Treasury Management Consultants alerted officers that future increases in interest rates were likely to be delayed. This reduced the forecast investment interest income by some £111,000;
- The impact of the Finance Staffing changes approved by January 2015 Employment Committee, £24,900 adverse;
- The cost implications from the introduction of the National Living Wage had not proved as much as originally forecast, £15,000 saving;
- Recurrent changes (adverse -minor) in the 2014/15 and 2015/16 Budgets, total adverse £16,000.

Taking all of these changes into consideration, the on-going un-met savings needed by 2019/20 were now projected at £980,000. Members were asked to note with serious concern that the level of savings could increase significantly above this if Central Government future funding reduced above the levels assumed. It should be noted, that this savings requirement was after various agreed savings to be actioned in future years had been taken into account. These included:-

- Proposed Office move £300,000;
- Different Ways of Working £100,000; and
- 2.5% per annum savings on "non-contractual" budgets up to 2017/18 £416,000.

The profile of the savings required and future forecast deficit that would ensue should these savings not be identified and achieved were depicted graphically in the report. The complete 5 year Financial Strategy was shown at Appendix 4, to the report.

The table below compared the forecast position in February 2014 with that reported above.

On-going Savings (-) required	**2015/16** **£000**	**2016/17** **£000**	**2017/18** **£000**	**2018/19** **£000**	**2019/18** **£000**
Feb-14	-514	197	1,212	1,043	0
Feb-15	0	689	991	972	980

The delay in the Riverside House Office Relocation, originally forecast for April 2016, had a significant impact on the savings profile, with the £400,000 savings now not accruing until 2018/19.

Due to the uncertainties in respect of the timing of the Chandos Street development and potential lost non-recurrent income, this had now been removed from 2017/18. Whilst this had reduced that year's forecast deficit, none the less the overall on-going savings had not changed significantly.

The profile of savings required from year to year would also vary as interest rate projections and balances available to invest changed.

During the year, Members had been updated on the latest Financial projections. The changes reported were summarised below:-

	£,000
February 2014 projected shortfall	**1,043**
Minor	17
Additional year (19/20)	-39
Salaries/Restructures	-101
Government Grant	418
Business Rates Retention	-63
Property income	60
Investment Interest	-299
Inflation provision not provided for in 2018/19	51
Individual Elector Registration (additional Costs unfunded)	55
Income Contingency for seasonal over-recovery	-200
Loss of Decriminalisation of Parking Contract	87
Legal Services Increases (2014/15 recurrent)	42
Cleaning contract to be re-tendered	61
Increased number of license applications	-55
Change in Council Tax Base	-96
February 2015 projected shortfall	**980**

The General Fund Balance stood at £1.502m as at 31 March 2014. Financially, the forthcoming years would be very difficult for the Council. There were many known specific demands upon the Council's finances, in addition to any not immediately apparent. Many of the risks facing the Council were discussed in paragraph 6 in the report. In order to consider a reasonable level of general reserves a risk assessment had been done and was contained at Appendix 5, to the report. This showed the requirement for the General Fund balance of over £1.5 million against the risks identified above. It had been agreed that £1.5m should be the minimum level for the core General Fund Balance.

The reasons for the General Fund Earmarked reserves and their use were included in Appendix 6, to the report, and Finance and Audit Scrutiny Committee was especially asked to scrutinise this element and pass comment to the Executive. Those General Fund reserves which showed a significant change in the overall balance in the period 1 April 2014 to 31 March 2019 were detailed below and also shown in Appendix 6, to the report:

(i) Other Commuted Sums - reduction of £144k due to annual funding of mainly Open Spaces maintenance costs;

(ii) Capital Investment Reserve – a decrease in the balance of £2,857k mainly due to the use of the reserve in financing projected General Fund capital expenditure, offset by contributions from the General

Fund in respect of previous capital expenditure financed by this reserve;

(iii) ICT Replacement Reserve - in November 2014, it was approved that a separate ICT Replacement Reserve was created, using £179,000 funding from the Capital Improvement Reserve (CIR) and £925,000 being transferred from the Equipment Renewals Reserve. The latest ICT Replacement Schedule was attached at Appendix 7, to the report. This showed that the Reserve would need £2.9 million to sustain the forecast commitments until 2025/26. At this point there was only £1,104,000 in the Reserve which would be supplemented by any underspendings within the ICT revenue budget each year but currently it was predicted that this reserve would be exhausted by the end of 2018/19;

(iv) Planning Reserve – increased by £300k from the 2014/15 budget surplus agreed in February 2014 and £50k from the 2015/16 New Homes Bonus but overall a decrease in balance of £132k due to:-

(a) Funding the Local Plan and Town Centre Plans costs in 2014/15,
(b) Financing the Council’s contribution towards HS2 costs in 2014/15,
(c) Funding the salary etc costs for the Major Sites Monitoring Officer over the years 2014/15 to 2016/17 and the HS2 Officer over the years 2014/15 and 2015/16 (pending receipt of S106 funding).

(v) Service Transformation Reserve – a decrease of £1,679k as a result of:-

(a) Various approvals under the Council’s Fit for the Future programme;
(b) £100k towards the New Offices project;
(c) £50k contribution towards a new hut for Warwick Sea Scouts;
(d) £50k funding for consultants’ fees in relation to the feasibility of creating a Council Housing Company;
(e) £50k funding for a research source concerning the Prosperity Agenda;
(f) £350k funding for the Sports & Leisure options appraisal; and
(g) £200k was also transferred in 2014/15 to the Capital Investment Reserve to fund the purchase of land at Radford Road, Leamington Spa.

The following uses of this reserve were proposed:-

- Finance Staffing – a report to the Employment Committee on 27 January recommended temporary posts in respect of Procurement, Revenues and Accountancy, totalling £126,200; and
- Priority Families – it was proposed that £15,000 per annum for three years was contributed towards this project as detailed in Appendix 8. It was proposed that this should be reviewed after a year.

(vi) Public Amenity Reserve - this reserve would receive a £300k contribution from the 2014/15 budget surplus agreed in February 2014 but overall there would be a decrease of £320k due to providing the finance for the Play Equipment as part of the capital programme;

(vii) Community Forums Reserve – This reserve was established using £160,000 from the 2013/14 New Homes Bonus and would be amortised to revenue each year to fund grants to community forums. It would be exhausted by the end of 2017/18;

(viii) Business Rates Retention Volatility Reserve – this reserve would receive a top up of £1,686k in 2014/15 as previously reported to members. In addition, within 2014/15 the balance on the former National Non-Domestic Rate Pool Account of £416,000 would be transferred to this reserve. The balance on this reserve would be used to smooth out future retained business rate revenues which were likely to remain relatively volatile. In 2015/16 and subsequent years it was intended that contributions would continue to be made to and from this reserve as agreed originally for 2013/14,the first year of Business Rates Retention, so that the net Retained Business Rates within the General Fund equated to the original Business Rates Baseline figure, duly uplifted for the business rate multiplier. This principle would be reviewed in future reports having regard to the on-going profile of retained business rates and the balance on the reserve. In view of the projected increasing balance on this reserve, it was proposed that £467,000 was appropriated to the Equipment Renewals Reserve to ensure it was fully funded up to 2018/19;

(ix) Public Planning Open Space Reserve – increased by a further £87,000 arising from S106 developers contributions;

(x) Car Parking Repairs & Maintenance Reserve – decrease of £82,000 due to funding Linen Street multi storey car park works in 2014/15 and multi storey car park structural surveys in 2014/15 and 2015/16;

(xi) Corporate Assets Reserve – Members would receive a full report in March of this year on the latest Corporate Asset Repairs and Maintenance Programme. During 2014/15 savings on the forecast programme for £214,700 had been returned to this Reserve with £204,000 of Works now rescheduled for 2015/16 and the corresponding Budgeted Amount deferred to 2015/16. The Table below details the additional Budget Requirement for 2015/16 (£570,000) to complete Year 2 of the 30 year Work Programme after taking into account the General Fund Revenue Budget and the £204,000 being slipped by way of the Corporate Asset Reserve.

Planned Works Category	**Budget Required £'000's**
Operational Stock Condition Plan	229
Optimism Bias	49
Non-Operational Stock Condition Plan	165
Open Spaces Stock Condition Plan	402
Statutory Maintenance Allocation	120
Responsive/Routine R+M Allocation	634
Warwick Plant Maintenance	112
Slippage from 2014/15	204
Total Forecast Expenditure	**1,915**
2015/16 Base Budgets available:	**£'000's**
Responsive Repairs Allocation	634
Warwick Plant Maintenance	112
Unallocated 'Projects' budget	421
Unidentified Discretionary Budget saving	-27
TOTAL 2015/16 General Fund Base Budget	**1,140**
2014/15 Deferred Budget (Slippage)	204
Sub Total Resources Available	**1,344**
Shortfall	**-571**

It was recommended that £570,000 of the 2015/16 New Homes Bonus be allocated to the Corporate Asset Reserve to cover this shortfall. Members' attention was drawn to the fact that if existing Budgets and the amount now being appropriated to the Reserve were fully utilised during 2015/16, this Reserve would have a zero balance at 31 March 2016 and unable to fund any further works identified for the Asset Management Plan. Members would be aware that a review of the Non-Operational Properties was being undertaken by the Warwick Limited Liability Partnership (LLP) as agreed in November 2014.

(xii) The latest Equipment Renewal Reserve (net of ICT) was attached at Appendix 9, to the report. The commitments on the schedule totalled £1.061million. The estimated balance at 1 April 2015 was £676,000 and a £174,300 contribution from the 2015/16 New Homes Bonus would be made in 2015/16.In addition, as discussed in paragraph 3.10.2.viii), a further £467,000 would be allocated to this reserve from the Business Rate Retention Volatility Reserve to ensure that it was fully funded up to 2018/19;

Where appropriate, options appraisals would continue to be carried out to determine the best method of financing items approved from the schedule. This could lead to alternative methods of financing other than directly from the Equipment Renewal Reserve being employed. Such alternative methods of financing may, for instance, include prudential borrowing or leasing but this would require additional revenue savings in order to service the debt repayment costs or lease rentals.

Service Managers and Portfolio Holders had already been tasked with reviewing their items on this schedule on a quarterly basis. There needed to be careful scrutiny of the need to spend from this Reserve. Consideration should be given as to whether the asset still needed replacing, could the same service be delivered using most cost effective methods and other alternatives which would ultimately reduce the net cost to the Council.

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

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

It was recommended that the same approval process remained in place for 2015/16. This would enable both SMT and the Council Leader to scrutinise and challenge the need for the replacement and the costs.

In view of the allocations from New Homes Bonus for future funding of Hill Close Gardens and Riverside House Maintenance, it was proposed that new reserves entitled “Hill Close Gardens” and “Riverside House Maintenance” be established with the use of the reserve, management & control and review mechanism as outlined in Appendix 6a, to the report.

Appendix 10, to the report contained the current capital programmes for both the General Fund and Housing (HRA), together with their funding. Appendix 11, to the report, contained reconciliation and details of all the changes, including funding, to the current capital programme compared to that shown in the 2014/15 Budget Book.

The current General Fund Capital Programme included the additional projects, listed below and detailed within the Capital Variations in Appendix 11, of the report:-

Project	**Amount**	**Comments**
Contribution towards a new building for West Midlands Reserve & Cadet Force	£400,000	Approved by Executive April 2014 and funded from Capital Investment Reserve
Contribution towards 2nd Warwick Sea Scouts Headquarters.	£50,000	Approved by Executive February 2014 and funded from Service Transformation Reserve
Land off Radford Road	£190,000	Approved by Executive July 2014

Project	**Amount**	**Comments**
Leamington Spa		and funded from Capital Investment Reserve
PSN – Councillors' Ipads	£6,200	Approved by Executive February 2014 and funded from Service Transformation Reserve
26 Hamilton Terrace Gaming Incubation Hub	£115,000	Approved by Executive July 2014 and funded by a revenue contribution from the Corporate Repairs & Maintenance budget and external contributions
Bishop's Tachbrook Community Centre	£450,000	Approved by Executive November 2014 and funded from Capital Investment Reserve in 2015/16 (using New Homes Bonus)
Refurbishment of 4 Jury Street Warwick	£70,000	Approved by Executive July 2014 and funded from either capital receipts or Capital Investment Reserve
Warwick Corps of Drums building refurbishment	£50,000	Approved by Executive October 2014 and funded from either capital receipts or Capital Investment Reserve in 2015/16
Pump Rooms Assembly Rooms Public Address System	£8,900	Approved by December 2014 Executive and funded by a revenue contribution from the Contingency Budget
TOTAL	£1,340,100	

At this time, there were no proposed additions to the Capital Programme.

Any future capital schemes, both self funded and otherwise would need to be in line with the Council's corporate priorities and full business cases would be required. The business case would need to identify the means of funding following, where appropriate, the carrying out of an options appraisal exercise. It would also need to make sure there were no additional revenue costs which the Council was unable to accommodate and would put further pressure on the Council's reducing revenue resources.

Also shown in Appendix 10 (part 5), of the report, was a summary of the total General Fund capital resources available to the Council over the period 2014/15 to 2018/19 matched against the projected spend. This showed that over the period the Council has £3.2m surplus resources once the current programme was financed. This was detailed in the table below.

Reserve	**£'000's**
Capital Investment Reserve	1,440
Equipment Renewals Reserve	1,087
Public Amenity Reserve	358
External Contributions and Minor Balances	315
Total Capital Resources	**3,200**

However it should be borne in mind that the current projected called upon the Equipment Renewals Reserve figure were, in the main, not reflected in the capital programme outlined in Appendix 10, to the report, when these were taken into account, the balance on this reserve was circa £10k by the end of 2018/19. The Capital Investment Reserve was in effect a capital contingency for overspending, unbudgeted risks materialising, receipts not materialising when anticipated or some major event that required expenditure in excess of insurance or Government reimbursement schemes. The Council's policy was for the unreserved balance on the Capital Investment Reserve to be maintained at around £2m, although it would be noted from Appendix 6, to the report, it was currently forecast to fall below this level.

In October 2014, members agreed for consultants to be appointed for a tender exercise to determine the actual cost of repairs to the multi-storey car parks. This information was expected to be available later in the year which would help to inform a business case for members to consider and determine how the works could be financed.

The latest Housing Investment Programme was presented in Appendix 10 part 2, to the report.

The changes from the Programme approved in February 2014 were summarised in Appendix 11, to the report. The majority of changes had been previously reported and approved, new changes presented for approval were:

- Re-profiling the budget for redeveloping the Fetherston Court site across financial years based on the latest indicative programme, and separately identifying the re-purchase of an ex-Council house to rehouse affected tenants;
- Slippage of part (£20,000) of the 2014/15 Environmental Works budget to 2015/16, in line with the latest planned programme;
- A £19,200 reduction in the annual Environmental Works budget from 2015/16, due to updated projections of work required;
- An increase in Kitchen & Bathroom programme of £150,000 per year from 2015/16, reversing part of the estimated savings built into the base budgets last year;
- Transfer of the WRCC Rural Enabling Service to revenue.

During the first two years of the revised 'Right to Buy' scheme the Council retained £907,060 from the proceeds of selling Council housing on the condition it would be spent on providing additional affordable or social rented housing. This funding was being used towards the financing of the Fetherston Court scheme. Current projections were that the Council would retain an additional £57,300 in 2015/16; with similarly low receipts, if any, in future years. Receipts would be fully applied to fund the provision of new housing within the specified 3 year time limit.

Members would be aware that the Council was working with Waterloo Housing Association to bring forward proposals for the development of the Station Approach Site for housing. This site was likely to include a car park which would service the station and the Old Town. There was a separate report to the agenda for the Executive 11 February on Station Approach with a proposal that the business case for this scheme and proposals for funding would be presented to members in March 2015.

The Council was required to determine an authorised borrowing limit in accordance with The Local Government Act 2004, Section 3, and to agree prudential indicators (Appendix 12 refers) in accordance with the CIPFA Code for Capital Finance in Local Authorities.

The Council did not have an alternative to setting a Budget for the forthcoming year. Members could however decide to amend the way in which the budget was broken down or not to revise the current year's Budget. However, the proposed latest 2014/15 and 2015/16 were based upon the most up to date information.

With the limited financial resources available, there was limited capacity to invest in any new initiatives. Any new proposals would need to be accommodated with compensating reductions to other budgets with the consequential impact upon services.

An addendum to the report was circulated that sought approval for £20,000 to be spent from the Contingency budget to provide financial support for the Coventry and Warwickshire Local Enterprise Partnership (CWLEP). This was in response to a letter received by the Chief Executive from Martin Yardley, Chief Executive of CWLEP requesting financial support for 2015/16, the letter was circulated at the meeting. Match funding was provided from the district/borough councils in 2014/15. If members agreed to the request, it was suggested that this would be recommendation 2.25 to the report and be financed from the 2015/16 Contingency Budget, subject to the prior agreement of recommendation 2.2.

The Finance & Audit Scrutiny Committee commented that:

(1) Recommendation 2.9 should read 'confirmed' New Homes Bonus allocation, not provisional;

(2) Paragraph 3.2.1, bullet point 4 – Members requested that the wording be amended to provide clarity around the swimming teachers for new lessons. The paragraph gives the impression of negativity when in fact that although there is a cost to provide extra resources based on demand, there will be an increase in income that will offset; and

(3) In addition, bullet point 5 should read National **Living** wage, not Minimum.

The Finance & Audit Scrutiny Committee noted the additional recommendation **2.25** and the supporting letter from the LEP. The Committee were of the view that members should not support the request for £20k at the moment because the request had been provided at the last minute. It felt that it was unable to make a decision due to the late receipt of this recommendation and there was not enough information provided. It felt that the Leader could have updated the Committee on the work of the LEP and perhaps clarify this recommendation because he had given the Overview & Scrutiny Committee an update earlier in the evening.

The Finance & Audit Scrutiny Committee therefore recommended that the Executive did not recommend recommendation 2.25 to Council until members received further information in order to make an informed decision.

The Executive accepted the comments from Finance and Audit Scrutiny Committee regarding recommendation 2.9 and 3.2.1. as set out in its comments.

The Executive did not accept the recommendation from Finance & Audit Scrutiny Committee regarding the funding to the LEP because the Council had to match fund the cash grant from Government of £500,000. This £20,000 also supported the operation of the Economic Prosperity Board, of which the Council was an integral part, and the funds would also assist in the administering of the ESIF programme. Executive noted that a number of senior officers were involved in influencing this work and that all local authorities were working well together in partnership to achieve major improvements to the residents' and business community in our sub region and felt there should be no delay to the provision of the funding which could cause any doubt regarding our commitment to these operations.

It was therefore

Resolved that

(1) that the financial contribution be committed of up to £400,000 to the West Midlands Reserve Force & Cadets Association (hereafter referred to as the Cadets) to enable it to relocate from Hampton Road Football Ground can be applied in respect of a new building at the Aylesford School site (Warwick West ward) should relocation to the Warwick Corps of Drums site prove not to be the favoured option and that authority is delegated to Deputy Chief Executive (AJ), in consultation with Councillor

Coker, to agree the precise terms of use and release of the funding, and any necessary consents and agreements as set out paragraph 3.8.3 of the report, be agreed;

(2) they did not accept the recommendation from Finance & Audit Scrutiny Committee regarding the funding to the LEP because we have to match fund the cash grant from Government of £500,000. This £20,000 also supports the operation of the Economic Prosperity Board, of which we are an integral part, and the funds will also assist in the administering of the ESIF programme. Executive noted that a number of our senior officers are involved in influencing this work and that all local authorities are working well together in partnership to achieve major improvements to the residents' and business community in our sub region and felt there should be no delay to the provision of the funding which could cause any doubt regarding our commitment to these operations;

(3) with the inclusion of the above amendments and with the addition of recommendation 2.25 the Executive approved the budget for consideration to Council.

Recommended to Council that:

(1) they approve the 2014/15 latest General Fund Revenue Budget of net expenditure, including the proposed adjustments, at £17.3m, after the projected £220,000 surplus had been allocated, as summarised in Appendix 1, to the report;

(2) they approve the 2014/15 projected surplus of £220,000 be allocated to form the Contingency Budget for 2015/16, as discussed in paragraph 3.2.2 of the report;

(3) notes the use of Emergency powers by the Chief Executive to agree payment of the non-consolidated element of the 2014/16 NJC Pay Award to Grade A officers, paragraph 3.2.3 of the report;

(4) the changes to the latest 2015/16 General Fund Revenue Budgets (as previously agreed by the Executive on 3 December 2014) below and as discussed in paragraph 3.3.1, of the report,

with net expenditure of £13.6m, as shown in Appendix 1, of the report be approved;

(5) to note the Grant Settlement for 2015/16 in section 3.4, of the report, and agree that should there be a non-material change to the final Revenue Support for 2015/16 when the announcement is made, this would be accommodated within the Contingency Budget in 2015/16, paragraph 3.4.1 of the report, and any change in the projected Retained Business Rates will be accommodated within the transfer from the Business Rate Retention Volatility Reserve, paragraph 3.4.5 of the report;

(6) they approve to pay the National Living Wage to its employees, with the rate increased to £7.85 from April 2015, paragraph 3.5 of the report;

(7) they approve the Council Tax of a Band D property for Warwick District Council for 2015/16 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts is agreed by Council at £146.86, representing a zero increase on 2014/15, as set out paragraph 3.6.5 of the report;

(8) subject to approval of the above recommendations, the Council approves the Council Tax charges for Warwick District Council for 2015/16 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts, for each band is agreed by Council as follows, as set out in paragraph 3.6.5 of the report,:-

Band	**2015/16**
A	£97.91
B	£114.22
C	£130.54
D	£146.86
E	£179.50
F	£212.13
G	£244.77
H	£293.72

(9) they approve the Statement of New Homes Bonus Use, within Appendix 3 to the report, and note the New Homes Bonus allocation due

for 2015/16 of £1,622,888 (allocation), of which £118,543 will be allocated to the W2 (Waterloo/Warwick District Council) Joint Venture and £450,000 towards Bishop's Tachbrook Community Centre, and agrees that the balance of £1,054,345 is appropriated as discussed in paragraph 3.7.3 and in Appendix 3 of the report;

(10) the Service Level Agreement is agreed with Hill Close Gardens, with the precise details of this delegated to the Chief Executive in consultation with the Head of Finance and Head of Development Services, as set out in paragraph 3.7.3;

(11) agrees to extend the discretionary business rates transitional relief scheme for two years following the announcement in the December Autumn Statement as discussed in paragraph 3.8.1, of the report;

(12) agrees to continue disregard income Housing Benefit claimants receive in respect of War Widows(ers) pension, War Disablement Pension and the Armed Forces Compensation Scheme Guaranteed Income Payment in full in the calculation of Housing Benefit, as set out in paragraph 3.8.2 of the report;

(13) they approve the reallocation of £4,000 from St Mary's Lands Business Strategy match-funding to St Mary's Lands Working Group studies to enable the Group's work to continue with the budget now delegated to the Chief Executive, as set out in paragraph 3.8.4 of the report;

(14) the £16,900 Climate Control Earmarked Reserve budget is used for projects as part of the Council's Strategic Approach to Sustainability, with its use delegated to the Head of Health and Community Protection, as set out in paragraph 3.8.5 of the report;

(15) approves the changes to the financial projections (section 3.9 of the report) and notes the significant future forecast deficit, currently estimated to rise to £0.98m by 2019/20 on net expenditure of £15m and that further on-going savings/ increased income of this amount must be secured in order for the authority to be able to set balanced budgets in

the future without impacting on the range and quality of services provided; and

(16) the balances on the Council's reserves are noted, as shown within Appendix 6 to the report, with the relevant allocations to and from the reserves as detailed in section 3.10 of the report, being approved;

(17) the latest schedule in respect of the Equipment Renewal Reserve (£1.6 million required by 2024/25) be approved and it be noted that this /Reserve is fully funded up to 2018/19, as set out paragraph 3.10.2.xii of the report;

(18) new reserves entitled "Hill Close Gardens" and "Riverside House Maintenance" be established with the use of the reserve, management & control and review mechanism as outlined in Appendix 6a and paragraph 3.10.3 of the report;

(19) the General Fund Capital Programme and the Housing Investment Programme, together with their financing, as set out in Section 3.11 and Appendix 10, are agreed by Council;

(20) the Prudential indicators (paragraph 3.12 refers) as shown within Appendix 12 in paragraphs 2.2, 3.1, 4.1, 5.2, 6.2, 7.2, 8.2, of the report and the annual adoption of the Code of Practice, as shown at paragraph 9.1 of Appendix 12, of the report are approved and endorsed by the full Council;

(21) if there is any future mismatch between the proposed General Fund budgets and subsidiary strategies and action plans, officers would bring forward proposals for managing service provision within the agreed budgets;

(22) they approve the updated Financial Strategy, as discussed in paragraph 4.2, of the report, as set out in Appendix 13, of the report;

(23) they note the risks that may impact upon the Council's financial position and the mitigations and controls in place to manage these risks; and

(24) they approve £20,000 from the 2015/16 Contingency budget to provide financial support for the Coventry and Warwickshire Local Enterprise Partnership (CWLEP).

(The Portfolio Holder for this item was Councillor Cross)
(Forward Plan reference 663)

119. Housing Revenue Account (HRA) Budget 2015/16 and Housing Rents

The Executive considered a report from Housing & Property Services that presented the latest Housing Revenue Account (HRA) budgets in respect of 2014/15 and 2015/16.

The information contained within this report supported the recommendations to Council in respect of setting next year's budgets and the proposed increases to council tenant housing rents, garage rents and other charges for 2015/16.

Appendix 1 compared current rents, proposed rents, and rent restructuring rents; Appendix 2 compared current rents and proposed rents to market rents and affordable rents; and Appendix 3 showed the latest 2014/15 and 2015/16 budgets, including forecast reserves.

The Council was required to set a budget for the Housing Revenue Account (HRA) each year, requiring agreement on the level of rents and other charges that were levied. The Executive was therefore required to make recommendations to Council that take into account the base budgets for the HRA, strategic aspirations for the Housing Service and current Government guidance on rent restructuring.

In May 2014 the Department for Communities and Local Government issued updated guidance on Rents for Social Housing. In summary, Central Government social rent policy remained focused on 'target (formula) social rents' calculated according to a standard national formula. Increases in this target social rent were now linked to Consumer Price Index (CPI) inflation plus 1% rather than Retail Price Index (RPI) inflation plus 0.5%; which would typically mean lower increases (0.6% lower in 2015/16).

However Central Government no longer supported 'Rent Restructuring', the former rent policy where tenants' rents gradually moved towards target social rents through a series of annual rent increases. Instead Government expected an annual rent increase equal to Consumer Price Index (CPI) inflation plus 1%.

CPI in September 2014 was 1.2%, therefore a Rent Increase of 2.2% was expected under Central Government guidance. The report recommended following the national guidance.

This increased projected income for 2015/16 by £552,000.

For reference, the March 2012 HRA Business Plan (when Self Financing was introduced) assumed rent restructuring would be followed and largely completed by 2015/16. To reach target social rents would mean an average increase in rents of 9.56%, increasing HRA rental income by approximately £2.4m per year (compared to 2014/15 rents).

It should be noted that national rent policy was guidance, so social landlords were free to set rents on any other reasonable basis. Central Government had indicated they expected landlords to follow national policy.

The recommendation for rent increases would be reviewed each year to ensure they remained affordable for tenants and did not compromise the viability of the HRA Business Plan. An updated HRA Business Plan would be presented to Executive in March 2015.

Garage rent increases were not governed by any national guidance. Any increase could be considered. The HRA Business Plan base assumption was that garage rents would increase in line with inflation, however there had been no consistent policy followed in recent years.

There were waiting lists for a number of garage sites, whilst other sites had far lower demand; where appropriate these sites were being considered for future redevelopment. To date 88 garages had been demolished or disposed of during 2014/15 to provide land for new affordable housing for rent.

With regard to these factors an increase of 2.2% had been recommended as the most appropriate increase, the same as that proposed for housing rents. This increased projected income for 2015/16 by £10,700.

For tenants, most garage rents would increase by 13p per week, from £5.69 to £5.82. Non-tenants also paid VAT on the charge, so it would increase by 15p per week, from £6.83 to £6.98.

Warwickshire County Council paid a 'block' grant towards the cost of tenants eligible for access to this support without charge. The County Council was currently reviewing its approach to funding of Supporting Peoples services across the county, with proposed changes scheduled for publication in July 2015. A report would be presented to Executive when the details of these proposals were known and the impact on the HRA Business Plan had been modelled.

Those requiring housing related support services were elderly or vulnerable. Any tenant who was not eligible for free support was also not in receipt of housing benefit, so would have to pay the increase in housing rent from their own income in addition to any increase in Supporting People charge.

To freeze charges would mean more of the cost of the service would have to be funded from 'rent pooling' - that was from the rents paid by all tenants, irrespective of whether they received the benefit of this service.

Therefore an increase of 1% was proposed; this made a contribution towards inflationary costs in the services received, without the increase being unaffordable.

Compared to 2014/15 charges, this increased budgeted income by £1,400; if charges were instead increased by RPI (Retail Prices Index) inflation (2.3%) income would instead increase by £3,300.

The current and proposed charges for each category of support were:

Supporting People Charges:	Weekly Charge 2014/15	Proposed Weekly Charge 2015/16
Very Sheltered Housing properties	£28.83	£29.12
Sheltered Housing properties	£11.39	£11.50
Older Person Designated Dwellings	£6.46	£6.52

The Council was required to set a budget for the HRA each year, requiring agreement on the level of rents and other charges that were levied. The Executive was therefore required to make recommendations to Council that took into account the base budgets for the HRA and current Government guidance on rent restructuring.

The Latest Budgets presented in Appendix 3 were based on the Budgets approved in December 2014 updated for any changes since that report and the recommendations in the report to Executive 11 February 2015.

The projected costs of the Asset Management service redesign were built into base 2015/16 budgets in December. Including temporary posts, the HRA cost of the final proposal presented to Employment Committee in January 2015 had slightly increased, from £14,300 to £17,500. It was expected that this additional £3,200 could be absorbed within the 2015/16 staffing budgets already agreed.

The Asset Management service redesign had taken into account the need to increase the capacity and capability of the Council to better control and manage the cost and quality of the repair and maintenance of the Council's housing stock. This would result in a small increase in long term HRA costs, approximately £19,000 per year from 2017/18. However, this additional capability would allow for longer term efficiencies to be made, for example by more accurate specifying of works at an early stage and closer monitoring of contractor outcomes. The impact of this change would be incorporated in the updated HRA Business Plan to be presented to Executive in March 2015.

The Housing Investment Programme was presented as part of the separate February 2015 report 'Budget 2015/16 and Council Tax – Revenue and Capital'; a summary was included within Appendix 3.

The recommendations would enable the proposed latest Housing Investment Programme to be carried out and contribute available resources to the HRA Capital Investment reserve for future development whilst maintaining a minimum working balance on the HRA of at least £1.4m in line with Council policy.

The National social rent policy was guidance, and therefore alternatively, any level of average rent could be considered. As long as rents remained below the Rent Rebate Subsidy Limit Rent (which was currently broadly equal to target social rent) each 1% increase or decrease in rent would change projected 2015/16 rental income by £251,000. The longer term effect upon the Business Plan would depend upon the rents set in future years.

It would be possible to implement a lower rent increase; this would reduce the resources available to fund HRA housing priorities, such as increasing the availability of Council housing in the district.

It would be possible to continue with a form of rent restructuring, rather than applying a consistent percentage increase for all tenants. This would mean that, as in previous years, the lower current rents were compared to the target (formula) social rent, the higher the rent increase would be.

The Council could choose to continue to link rents to RPI + 0.5% as in the previous rent guidance, even if not implementing the former 'rent restructuring' element. September 2014 RPI was 2.3%, so under the former guidance the base rent increase (before any rent restructuring) would be 2.8%, rather than 2.2%.

The Council could choose to 'catch-up' for reduced rent increases in prior years by increasing tenant rents further in 2015/16 on whatever basis was felt to be most fair and reasonable.

If rents were increased by more than CPI + 1%, this would reduce the gap between rents for current tenants and the target social rents that would be charged to new tenants.

It would be possible to set rents higher than target social rent; however Central Government discouraged this through Rent Rebate Subsidy Limitation. Each year Central Government specified a 'Limit Rent' for each Council; with the new rent policy, this had been set at target social rent. If average rents were set above the limit rents then Central Government limited funding for Council tenant Housing Benefits proportionally, so in effect the Council had to fund the additional cost of Housing Benefits from the HRA. Therefore if rents were set above the limit rent, each 1% increase in rents would only increase income by approximately £100,000.

It would be possible to entirely ignore Central Government rent guidance and set rents on any other basis the Council believed more appropriate, as long as rents were set consistently and fairly. There would need to be compelling justification for a significant divergence from national policy.

As an alternative the Council had total discretion over the setting of garage rents. Each 1% change in garage rents resulted in an increase or decrease of potential income of around £4,800 per year. Keeping garage rents artificially low would mean they were effectively subsidised from tenants' rents. Since most tenants did not also rent a garage, and most garages were rented to people who were not Council tenants, this was hard to justify.

It would be possible to set Garage rents higher than those proposed to maximise income; however significantly higher rents might make garages harder to let and so reduce income.

The review of the HRA Business Plan during 2015/16 would consider options for increasing the financial viability of providing garages.

Alternatively the Supporting People (SP) charges could be set at any level. Significant increases might mean the service became unaffordable for vulnerable tenants not eligible for free support. Reductions or long term freezes in charges would mean that the costs of providing the service were not fully recovered, and so additional costs must be met from the rents of all tenants, including those not receiving the service.

Increasing or decreasing Supporting People charges by 1% would change the projected income in 2015/16 by £1,400.

The Finance & Audit Scrutiny Committee supported the recommendations in the report.

It was therefore

Recommended to Council that

(1) housing dwelling rents for 2015/16 be increased by 2.2%;

(2) garage rents for 2015/16 be increased by 2.2%;

(3) 2015/16 Supporting People charges for housing tenants receiving housing related support be increased by 1%; and

(4) the latest 2014/15 and 2015/16 Housing Revenue Account (HRA) budgets, as set out in Appendix 3, be agreed.

(The Portfolio Holder for this item was Councillor Vincett)

(Forward Plan reference 664)

120. Heating, Lighting and Water Charges 2015/16 – Council Tenants

The Executive considered a report from Housing & Property Services that proposed recharges to Council housing tenants for the provision of communal heating, lighting and water supply during 2015/16.

Recharges were levied to recover costs of electricity, gas and water supply usage to individual properties within one of the sheltered and the five very sheltered housing schemes, which were provided as part of communal heating and water supplies. The costs of maintaining communal laundry facilities were also recharged at those sites benefitting from these facilities under the heading of miscellaneous charges.

The charges necessary to fully recover costs were calculated annually from average consumption over the past three years, updated for current costs and adjusted for one third of any over-recover or under-recovery in previous years.

In February 2013 the increase required to meet projected Heating & Lighting costs was felt unaffordable for tenants, so it was agreed to implement a lower increase and aim to fully recover costs within 5 years. Due to environmental measures taken, credits received and significant reduction in inflation on electricity and gas costs it was possible to set the majority of 2015/16 charges at the level that would fully meet costs with a modest increase in charges.

Where the increase to fully recover costs was above 95p per week the recommended 2015/16 increase had instead been set as 95p to ensure the increase was affordable for affected tenants and continued to move towards full recovery over future years.

Alternatively if the proposed charges were thought to be unaffordable for tenants, charges could be set at any level between no increase and the proposed charges, with the understanding that this meant that the shortfall would either be funded from the rents of all tenants, the majority of whom would also be paying their own electricity and gas costs directly, or recovered from charges in future years when some flats may be occupied by new tenants who have not benefited from the reduced charges.

For those Heating/Lighting charges which had been set below the level necessary to recover the full cost, a higher charge could be set to better reflect the costs. This could make the increase unaffordable for some tenants, although the difference was not enormous – at most an additional £0.60 per week, £31.20 per year.

Charges could be set above the real costs of recovery. This would mean tenants of these schemes would have no choice but to pay above the real cost of these utilities, as the communal nature of these services meant they could not choose their own energy suppliers. This would not be fair.

The Finance & Audit Scrutiny Committee supported the recommendations in the report.

Recommended to Council that it agrees the revised recharges for Council tenants relating to heating, lighting, water and miscellaneous charges for the rent year commencing 6 April 2015, as set out in Appendix 1 & Appendix 2, of the report.

(The meeting ended at 6.47 pm)