WARWICK DISTRICT COUNCIL	**Executive 6th February 2019** **Council 20th February 2019**	**Agenda Item No.** **4**

Title	2019/20 General Fund Budget and Council Tax
For further information about this report please contact	Mike Snow 01926 456800 mike.snow@warwickdc.gov.uk
Wards of the District directly affected	N/A
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	9th January 2019 (Executive) General Fund Base Budgets 2019/20
Background Papers	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes - 969
Equality Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	21/1/2019	Chris Elliott
Head of Service	21/1/2019	Mike Snow
CMT	21/1/2019	
Section 151 Officer	21/1/2019	Mike Snow
Monitoring Officer	21/1/2019	Andy Jones
Finance	21/1/2019	Report from Finance
Portfolio Holder(s)	21/1/2019	Peter Whiting
Consultation & Community Engagement		
Final Decision?		Yes

1. **Summary**

1.1 This Report informs Members on the Council's financial position, bringing together the latest and original Budgets for 2018/19 and 2019/20, plus the Medium Term Forecasts until 2023/24. In doing so it advises upon the net deficit from 2023/24 and the savings required to balance future years' Budgets.

1.2 This report will be presented to Full Council alongside a separate Report recommending the overall Council Tax Charges 2019/20 for Warwick District Council.

1.3 Despite significant cuts in Government Funding, this Council has been able to set a balanced Budget for 2019/20 without having to reduce the services it provides. This has been the case for many years as a result of the Fit for the Future Programme it has adopted. It has not had to rely on New Homes Bonus to support core revenue spending and has been able to allocate this funding to project work and replenish reserves. Alongside this the Council has achieved a surplus on its 2018/19 Budget. However, the Council's financial projections show that further savings need to be secured from 2020/21 onwards.

2. Recommendation

The Executive recommend to Council to approve or to note:

2.1 The proposed changes to 2018/19 Budgets detailed in Section 3.2.

2.2 The Revised 2018/19 Budget of Net Expenditure of £19,432,400 (Appendix 2) after allocating a surplus of £138,000 (paragraphs 3.2.2).

2.3 The proposed changes to 2019/20 Base Budgets detailed in Section 3.3.

2.4 The proposed Budget for 2019/20 with Net Expenditure of £18,058,600 taking into account the changes detailed in section 3.3, with a surplus of £88,000, and which is summarised in Appendix 2.

2.5 Subject to approval of the above Budget 2019/20, the Council Tax charges for Warwick District Council for 2019/20 before the addition of Parish/Town Councils, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts, for each band is agreed by Council as follows (3.6.7):

	£
Band A	111.24
Band B	129.78
Band C	148.32
Band D	166.86
Band E	203.94
Band F	241.02
Band G	278.10
Band H	333.72

2.6 Note the Medium Term Financial Strategy and the future savings still to be made, which will be considered within the Fit For the Future July Executive report (para 3.8).

2.7 Approve the ICT Replacement and Equipment Renewal Schedules (Section 3.9.3).

2.8 Approve the use of the Corporate Asset Reserve to complete the works required to stop unauthorised access to Council sites (3.9.3) and the transfers between General Fund reserves and changes in delegations as detailed in 3.9.4 and 3.9.5.

2.9 Approve the General Fund Capital and Housing Investment Programmes as detailed in Appendices 9 parts 1 and 2, together with the funding of both programmes as detailed in Appendices 9 parts 3 and 4 and the changes described in the tables in paragraph 3.10 and Appendix 8.

2.10 Approve the Prudential indicators (para 3.11 and Appendix 12).

2.11 Approve the Capital Strategy (para 3.12 and Appendix 11).

2.12 Approve the Financial Strategy (para 4.2 and Appendix 10).

2.13 Approve the 2018/19 and 2019/20 budgeted surpluses are allocated to form a Contingency Budget of £237,000 for 2019/20 (para 3.13.1).

2.14 Approve the 2019/20 proposed New Homes Bonus of £3,359,000 is allocated as follows, as detailed in paragraph 3.13.3:

New Homes Bonus – 2019/20 Allocation	**£**
Waterloo Housing Association	146,200
St. Mary's Lands	260,000
Commonwealth Games Reserve	100,000
Service Transformation Reserve	499,800
Community Projects Reserve	362,000
Sea Scout’s Headquarters	150,000
CCTV	1,000,000
Green Space / Play Areas	101,000
Norton Lindsey Village Hall	190,000
Leisure Developments Phase 2 - Kenilworth	550,000
Total Allocated	**3,359,000**

2.14 It is recommended that the Executive agrees to use its discretionary powers and adopt the Business Rate Relief as specified in paragraph 3.14.1 and in the guidance issued by the Ministry of Housing, Communities & Local Government following the Budget announcement on 29th October 2018.

2.15 It is recommended that the Executive agrees to adopt the new Council premiums for long term empty and unfurnished dwellings on the levels as prescribed above and as per the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 (paragraph 3.14.2).

3. **Reasons for the Recommendations**

3.1 **Mandatory Obligations**

3.1.1 By law, the Council must set a balanced budget before the beginning of the financial year. It must levy a council tax from its local tax payers to meet the gap between expenditure and resources available.

3.1.2 It is prudent to consider the medium term rather than just the next financial year, taking into account the longer term implications of decisions in respect of 2019/20. Hence, Members receive a 5 year Financial Strategy, Capital Programme and Reserves Schedule.

3.1.3 The Local Government Act 2004, Section 3, states that the Council must set an authorised borrowing limit. The CIPFA Code for Capital Finance in Local Authorities states the Council should annually approve Prudential Indicators.

3.1.4 The Chief Financial Officer is required to report on the robustness of the estimates made and the adequacy of the proposed financial reserves. (This statement is made at Appendix 1).

3.2 2018/19 Revenue Budget

3.2.1 Within the Base Budget report considered by the Executive in January, the 2018/19 Budget was showing a surplus of £3,800. These figures have now been updated, with the most notable changes being:-

- Reduction in interest on borrowing reduced to reflect use of internal borrowing to fund leisure centre project rather than use external borrowing. As a consequence of this, the Council is receiving reduced investment receipts. Net benefit to General Fund £125,000.

- The legal fees in respect of the Compulsory Purchase Order agreed by Executive in November of £30,000 have been included within the Budget financed from the Contingency Budget.

- Planning income is estimated to exceed the current estimate of £1.5m by £200,000. This will be offset by the allocation required to the Planning Investment Reserve in respect of the 20% fee increase (£31,700) and an additional £33,300 expenditure required on consultants as a consequence of the increase in applications (£33,300).

- Street naming and numbering – income projected to be £22,000 below budget.

- Homelessness disbursements – projected to be £30,000 over budget.

- Valuation advice – extra £10,800.

3.2.2 The projected 2018/19 budget now shows a projected surplus of £138,000, the treatment of which is considered in Section 3.13.

3.3 2019/20 Revenue Budget

3.3.1 The Base Budget report showed that the 2019/20 Budget had an estimated surplus of £19,100. The following notable changes have subsequently been made to this base budget:-

- Additional Planning fees income, net of the 20% increase due to go to the Planning Investment Reserve £116,600.

- Community Infrastructure Levy administration "top slice", £60,000 income, to be included within 2019/20 S123 list.

- Advertising income – an additional £100,000 was previously included in the budget. More detailed scrutiny of the potential sites suggest this should more realistically be reduced to £15,000 for 2019/20 and £27,000 in subsequent years, so impacting upon the Medium Term Financial Strategy.

- The savings from the proposed local lottery of £30,000 have been removed from the 2019/20 Budget and are forecast to start from 2020/21. This will be subject to a future Executive report.

- Performance Management – following from the recent Peer Challenge, £30,000 has been provided as support to CMT.

- Pay Award and auto enrolment – The 2019/20 pay award has been agreed. This provides for an overall increase of 2% and extra enhancements for lower grades due to the impact of the National Living Wage. This is coming in below the sum previously allowed for, so enabling £98,000 to be released back to the General Fund. In addition, the impact of the Auto Enrolment is costing less, £31,900.

- The borrowing for the recent leisure centre improvements is now assumed to take place mid 2019/20. The net impact on the debt cost and investment interest is estimated to be £134,000.

- Increased postage costs £10,500.

3.3.2 The projected Collection Fund Balance as at 31 March 2019 has been calculated to be a surplus of £1,320,500. This reflects the increased growth in new domestic properties in the District and the resultant increased tax base. Warwickshire County Council and the Warwickshire Police and Crime Commissioner were duly notified of their shares on the 15th January 2019. This Council's share is £143,000. This has been factored into the 2019/20 Budget as a one-off item.

3.3.3 Taking into account all known changes, the 2019/20 budget shows a surplus of £99,000. Again, the treatment of this is considered in section 3.13.

3.4 Government Grant

3.4.1 The Government announced the provisional 2019/20 Finance Settlement in December. The Final settlement is expected to be confirmed shortly, ahead of the Council being due to agree its 2019/20 Budget and Council Tax In February. No changes are expected to the Final settlement, but members will be duly informed if necessary.

3.4.2 As previously announced as part of the 4 year Spending Settlement (2016/17 to 2019/20), this Council will not be receiving any Revenue Support Grant for 2019/20.

3.4.3 Members will recall that earlier Government figures for 2019/20 included "Tariff Adjustments" which would reduce the Council's element of retained Business Rates. These adjustments are widely seen as being "Negative Revenue Support Grant". For Warwick DC the adjustment was to amount to a further reduction in funding for 2019/20 of £237k. Nationally the Tariff Adjustments came to £153m. As expected, as part of the provisional settlement, the Government has announced additional funding to remove the Negative RSG. The Council's financial projections had already allowed for this change. With Revnue Support Grant no longer existing from 2020/21, this adjustment Is expected to be subsumed within the 2020/21 Settlement figures for Business Rate Retention (see section 3.5).

3.4.4 In addition, the Provisional Settlement included an additional £180 million for local authorities which was funded from the surplus on the Business Rate Retention levy/safety net account. This authority's share is £52,000, which represents a one-off increase to the Council's resources for 2019/20. In line with other changes in business rate income, this will be allocated initially to the Business Rate Retention Volatility Reserve.

3.5 **Business Rates**

3.5.1 Projecting the Council's element of Business Rate Retention continues to present difficulties. The problems involved in forecasting this are detailed below.

3.5.2 Appeals – There are still many appeals awaiting determination by the Valuation Office. An assessment of the success of these needs to be made and suitable provision has been allowed for within the estimated figures. Whilst it is hoped that this figure is suitably prudent, given the size and nature of some of the appeals, there remains a risk. April 2017 saw the introduction of the new "Check, Challenge, Appeal" regime seeking to expedite appeals and deter speculative appeals. Following previous revaluations, backdated appeals continued to be lodged for several years. The number of new appeals coming forward since April 2017 is minimal. However, it is still expected that a significant number of appeals will come forward in subsequent years that will be backdated to 2017. It is necessary for an estimate of these future appeals to be allowed for in the 2018/19 and 2019/20 Estimates.

3.5.3 From 2020/21, the existing Baselines within the Business Rate Retention will be re-set. This will reflect the spending needs of individual local authorities (as to be determined by the Fair Funding Review currently on-going, for which consultation responses are sought by February 2019). The review will also reflect the updated business rate bases of local authorities. It remains to be seen what growth in the local business rate base since 2013/14 will be allowed to be retained by local authorities.

3.5.4 75% Business Rates Retention – The original intention was to move to a 100% scheme from 2019/20. Due to limited Government time to consider this matter, it is now proposed that a scheme based around 75% retention will be brought in in 2020/21, using existing Regulations, without the need to introduce new legislation. A Government consultation document has been issued for which responses are requested by February 2019.

3.5.5 As with all local authorities, 2020/21 represents a significant risk to the Council's finances with the intended changes to Business Rate Retention. If the Council's share of Business Rates returns to the Baseline, this would represent a potential reduction of over £1m in funding. The Medium Term Financial Strategy (MTFS) does allow for a reduction in funding back to the Baseline. However, this is being mitigated by the use of approximately £600k from the Business Rate Retention Volatility Reserve from 2020/21; the use of the reserve at this level would not be sustainable indefinitely based on current assumptions.

3.5.6 Whilst the estimates from 2020/21 are very uncertain, many local authorities will be severely impacted, potentially many far greater than Warwick due to the significant growth in their Business Rates base since 2013/14. With potentially substantial swings in local government funding, it is likely that some sort of safety net will need to be allowed for so as to give authorities time to manage large swings in their funding. The future information and figures from the Government will continue to be monitored, with the impact included in the Council's MTFS.

3.5.7 Volatility - Largely due to the regulations governing the accounting arrangements for business rates retention, there can be substantial volatility between years in the amount of retained business rates credited to the General Fund. Consequently it is necessary to maintain a Volatility Reserve to "smooth" the year on year sums received.

3.5.8 Business Rates Estimates. For 2019/20, the net Business Rates Retention to the General Fund (The Council's share of Business Rates, +/- contribution from/to the Business rates Retention Volatility Reserve), has been increased to £4.532m. This is believed to still be a prudent estimate. The NNDR1 form which estimates the business rates for 2019/20 is still being finalised as this report is being written ahead of its deadline of 31 January 2018. This will produce some of the final figures that feed into the Business Rates Retention income for the Council for the year. It is not expected that there will be any great variation in the NNDR1 and what has been allowed in the proposed Budget. However, should there be any variation; this will be accommodated within the Business Rate Volatility Reserve.

3.5.9 Executive agreed in the Autumn that the Council applies to be part of the proposed Warwickshire 75% Business Rates Retention Pooling Pilot for 2019/20. It is understood that there were many applications to be Pilot Pools, of which 15 were accepted. The Warwickshire application was not successful. Therefore the Council should continue to be a member of the Coventry and Warwickshire Pool for 2019/20 under the current 50% Business Rate Retention scheme.

3.5.10 The Business Rates Retention figures within the MTFS are believed to be reasonably prudent taking into account all the above factors. These figures will continue to be reviewed and members will be informed of changes as the MTFS is presented in future reports.

3.6 **Council Tax**

3.6.1 As announced within the Provisional Local Government Finance Settlement, District Councils may increase their share of the Council Tax by the greater of up to 3% and £5 without triggering a referendum. This is in line with the 2018/19 limits.

3.6.2 The national average council tax for district councils is £180.67, and £223.48 including parish/town council precepts. This Council's council Tax charge for 2018/19 is £161.86 (excluding parish and town council precepts). This Council's charge is in the 2nd lowest quartile and when Town and Parish Precepts are included it falls within the lowest quartile.

3.6.3 The Council Tax Base was calculated in November of last year, with the Council's preceptors being notified accordingly. As reported to members in November 2018 within the Q2 Budget Review Report, the Tax Base for 2019/20 is 55,577.17 Band D Equivalents. This is an increase of over 1,000 properties to the figures previously factored into the Financial Strategy for 2019/20. The increased forecast growth in the tax base has been factored into the MTFS. This clearly impacts upon the Council's estimated council tax income.

3.6.6 The Council's element of the Council Tax is calculated by taking its total budget requirement, subtracting the total funding from Central Government in respect of Revenue Support Grant (RSG), now zero, and Retained Business Rates (Section 3.4 and 3.5 above). This figure is divided by the 2019/20 tax base to derive the District Council Band D Council Tax Charge.

3.6.7 The recommendations within this report produce a Band D Council Tax for Warwick District (excluding parish/town council precepts) for 2019/20 of £166.86, this being a £5 increase on that of 2018/19. Based on this increase the District's element of the Council Tax for each of the respective bands will be:

	£
Band A	111.24
Band B	129.78
Band C	148.32
Band D	166.86
Band E	203.94
Band F	241.02
Band G	278.10
Band H	333.72

3.6.8 £5 increase in council tax will generate an additional £278,000 in 2019/20. Maintaining increases of this magnitude up to 2023/24 will generate an additional £1.5m. This has been included within the projections in the Medium Term Financial Strategy (Section 3.8). It is important that the Council continues to maintain this income base into future years. Costs will continue to face inflationary increases. In addition, there remain threats to the Council's other income streams, most notably its share of Business Rate Retention.

3.6.9 Parish and town councils throughout the district were asked to submit their precepts for 2019/20 when informed of their Tax Bases. At the time of writing this report, not all precepts have been confirmed. It is estimated that the precepts will total just over £1,500,000 based on prior years.

In the Provisional Finance Settlement, the Government has announced it will continue to defer the setting of referendum principles for town and parish councils, on the conditions that:-

- the sector continues to take all available steps to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for other uses or for "invest to save" projects which will lower ongoing costs; and

- the Government seeing clear evidence of restraint in the increases set by the sector.

The Government says it will keep this area under active review.

3.6.10The Council Tax is set by 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 for this Council. The report to the Council Meeting on the 20th February, 2019 will provide all the required details. This will be e-mailed to all Members as soon as possible following the Police and Crime Commissioner and Warwickshire County Council meetings, which are both on the 6th February. At the time of writing this report, it is assumed that all the Town/Parish Precepts will have been returned. The Council will then be in a position to:-

(a) 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 Local Government Finance Act.

3.6.11Members must bear in mind their fiduciary duty to the Council Taxpayers of Warwick District Council. Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget and must not knowingly budget for a deficit. Members must not come to a decision that no reasonable authority could come to, balancing the nature, quality and level of services that they consider should be provided, against the costs of providing such services.

3.6.12Should Members wish to propose additions or reductions to the budget, on which no information is given in this report, they must 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. This report sets out relevant considerations for Members to consider during their deliberations, including the statement at Appendix 1 from the Chief Financial Officer

3.6.13 Section 106 of the Local Government Finance Act 1992, states that any member who has not paid their Council Tax or any instalment for at least two months after it becomes due and which remains unpaid at the time of the meeting, must declare that at the meeting and not vote on any matter relating to setting the budget or making of the Council Tax and related calculations.

3.7 **New Homes Bonus**

3.7.1 This Council's New Homes Bonus (NHB) for 2019/20 is £3,359k. This is an increase from the £2,482k awarded for 2018/19.

3.7.2 The NHB calculations are still based on the following parameters:-

- Since 2018/19 funding is based on 4 years (this previously being 6 years).

- The baseline of 0.4% has continued for 2019/20. New Homes Bonus is only awarded on growth above this level. There was the possibility that the baseline was to be increased, this remains a risk for the future. For Warwick District Council, for 2019/20 the 0.4% baseline represents 253 dwellings. With the total growth of 1,157 Band D properties, the 2019/20 allocation is based on 904 properties. The baseline is reducing the New Homes Bonus 2019/20 allocation by £423,000.

3.7.3 To date this Council has used the money to fund various schemes and initiatives and replenish some of its Reserves, and unlike many local authorities, has not used NHB to support core services. It continues to be the Council's policy to exclude new Homes Bonus in projecting future funding.

3.7.4 As in previous years, Waterloo Housing will receive part of this allocation from their agreement with the Council to deliver affordable Housing in the District. £146,166 is due to be paid to Waterloo in 2019/20. Section 3.13 details how it is proposed to allocate the Residual Balance for 2019/20.

3.8 Medium Term Financial Strategy (MTFS)

3.8.1 When Members approved the 2018/19 Budget in February 2018, the Medium Term Financial Strategy showed that that the Council would be in deficit by some £699,000 by 2022/23, as dspicted below.

	2019/20 £'000	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
Deficit-Savings Required(+)/Surplus(-) future years	607	81	929	699
Change on previous year	607	-526	848	-230

Since then, Members have received later projections in the quarterly Budget Review Reports in August and November of this year. These Reports highlighted any major changes.

3.8.2 One of the most significant changes between the forecasts presented to Members in February of each year is always the impact of rolling the forecasts forward a further year. Whilst there is additional income from an increased Taxbase and the Band D charge, alongside the growth in the Leisure Concessions Contract, this is more than offset by inflation and other unavoidable commitments such as pensions. By adding 2023/24 to the prediction in the table above, the savings required increase by some £0.5 million before adding any new developments.

3.8.3 There have been many changes to staffing budgets during the year which have already been reported to Members. The most significant of these being restructure of the Assets Team, £81,000, Finance changes, £88,000, making the Car parks Project Manager permanent, £49,000 and changes within the Bereavement Service, £40,000.

3.8.4 Income to the Council will increase more than that forecast in February 2018. The most notable sources of this is £224,000 from the growth in the Tax Base in 2019/20 and £145,000 Fees and Charges Income above the 2% factored in. In addition, the increase in planning fees discussed in paragraph 3.3.1 of £116,600 has also been included as a recurring item into future years.

3.8.5 As part of the 2019/20 Budget Setting Process, it was established that two budgets were inadequate to fund unavoidable Costs. The Repairs and Maintenance Programme has been increased by £96,000 and the net cost of Housing Benefit Subsidy by £97,000.

3.8.6 The following savings have been re-profiled to reflect more likely timeframes:-

- Office Relocation £300,000 saving forecast to start January 2022 (9 months delay)
- Town Hall saving £85,000 saving forecast to start April 2022 (9 months delay)
- Local Lottery £30,000 saving forecast to start April 2020 (see paragraph 3.3.1)

3.8.7 Taking into account the above changes, the savings to be found within the Medium Term Financial Strategy are as follows:-

	2020/21	**2021/22**	**2022/23**	**2023/24**
	£'000	**£'000**	**£'000**	**£'000**
Deficit-Savings Required(+)/Surplus(-) future years	330	1,025	456	574
Change on previous year	330	695	-569	118

Appendix 5 shows the summary pages from the MTFS. The further detailed pages are intended to be available ahead of this report being considered by members, and will be included in the Budget Book which will be available before the 20 February Council meeting.

3.8.8 The profile of the increased savings include the anticipated increased costs when some of the contracts are re-let to commence April 2021. From 2022/23 the savngs to be found reduce as the savings relating to the office re-location, Town Hall and Senior Management review are due to commence.

3.8.9 A Fit For the Future report is due to be brought to the Executive in July 2019. This will detail progress on savings and other projects currently being worked upon. In addition, it will include proposals for further savings or income generation.

3.8.10 As discussed in section 3.5, the level of savings to be made is very much dependant on the income that the Council receives from Business Rate Retention. From 2020/21, prudent assumptions have been made as to what the level of this income will be. The financial projections will be updated as more information is available about likely level of future business rate income.

3.9 Reserves and Balances

3.9.1 Members agreed that £1.5m should be the minimum level for the core General Fund Balance. This balance supports the Council for future unforeseen demands upon its resources. In order to consider a reasonable level of general reserves, a risk assessment has been done and is contained at Appendix 4. This shows the requirement for the General Fund balance of over £1.5 million against the risks identified above.

3.9.2 The General Fund has many specific Earmarked Reserves. These are attached at Appendix 5 showing the actual and projected balances from April 2018, along with the purposes for which each reserve is held. Finance and Audit Scrutiny Committee is especially asked to scrutinise this element and pass comment to Executive.

3.9.3 Those reserves which show a significant change in the overall balance in the period 1st April 2018 to 31st March 2023 are detailed below and also shown in Appendix 5:-

i. Business Rates Volatility Reserve – This reserve smooths out the receipt of business rates income and contributions to the reserve are estimated to be a net £2.54m over the period 2018/19 to 2022/23.

ii. Car Parking Repairs and Maintenance Reserve – the balance on the reserve is expected to decrease by £688k over the period due to funding of multi-storey car park surveys, replacement pay & display ticket machines, essential maintenance and business support and ranger officers fixed term contracts.

iii. Community Projects Reserve – this reserve is funding various community projects including St Marys Lands Improvements, the WDC contribution to Whitnash Community Hub, Kenilworth Wardens Relocation, Europa Way etc. It is recommended to receive an appropriation from the 2019/20 New Homes Bonus of to £362k. Since the reserve was created in 2017/18, £2.8m will have been allocated to community projects across the district.

iv. Corporate Asset Reserve - Projections have shown that this reserve should have sufficient funding for the next 4 years. However further sources of funding need to be sought if the Council is to continue to properly maintain its assets into the future. The use of this reserve will be subject to the March Executive report on the Planned Maintenance Programme. It is now proposed £54,000 is allocated from this reserve for further work now required to complete unauthorised access works required to some of the Council's open spaces.

v. ICT Replacement Reserve – this reserve will receive annual contributions of £250,000, amounting to £1m over the period 2018/19 to 2022/23. The latest forecast for the replacement of the Councils' ICT Equipment is attached at Appendix 6 for Members approval. There have been some significant changes to the 2019/20 projection presented to Members in February 2018, notably:

- An increase in Microsoft licensing costs to enable the entire organisation to move to Office365. This had been agreed by the ICT Steering Group. This Council's Microsoft costs remain comparable to neighbouring authorities. The cost of Microsoft licences to the public sector is being discussed and negotiated nationally.

- Infrastructure (General) has been increased in 2019 to allow for the purchase of additional storage capacity.
- Desktop Infrastructure has been increased in 2019 to allow for the refresh of Members' ICT devices after the elections in May.

Taking all of these changes into account and assuming that all of the actual replacement costs are in line with these projections, the Reserve will have inadequate resources to fund all of the items scheduled to be replaced in 2022/23.

vi. Equipment Renewal Reserve – this reserve will receive top ups of £100k per annum from 2019/20 Members are asked to note the significant potential demands on this Reserve in 2019/20, if all of these items are drawn down to this value, the Reserve will be exhausted during 2022/23 despite £100,000 being transferred to this Reserve each year.

vii. Homelessness Prevention Reserve – Government grants amounting to £529k will be received in 2018/19 and 2019/20 and allocations of £278k are expected to be made from the reserve in the same years resulting in a net increase of £274k over the period 2018/19 to 2022/23.

viii. Leisure Options Reserve – the reserve is funding £0.5m for the 2018/19 management fee payable to Everyone Active and is also contributing £0.6m to the General Fund in lieu of the 18/19 contractor concession payment resulting in an estimated balance on the reserve of £291k at the end of 18/19. This is further reduced by £200k as a result of funding recently agreed towards Phase 2 of the Leisure Improvements programme.

ix. Planning Investment Reserve – income amounting to £1.4m arising from increased planning fees will be credited to the reserve over period 2018/19 to 2022/23 and this will be offset by the reserve funding various posts e.g. temporary Senior EHO, Development Monitoring Officer and Community Infrastructure Levy (CIL) officer resulting in an estimated balance of £784k at the end of 2022/23.

x. Public Amenity Reserve – Schemes are planned which will utilise all the funding within this reserve by the end of 2019/20. To fund the next green spaces and play areas projects identified from the parks and play area audits in line with Green Space Strategy, further significant funding will be required.

xi. Public Open Spaces Planning Gain Reserve – this reserve is built up of S106 contributions received in previous years and is dedicated to one-off improvements of public open spaces including play areas. It is providing £370k towards the 2019/20 play area capital programme after which it will be exhausted.

xii. Service Transformation Reserve – this reserve was created to enable services to continue to be provided pending delivery of required savings and to finance "Fit for the Future". The reserve will receive a top up of £500k from the 2019/20 New Homes Bonus. Current projects being financed from this reserve include the new offices project, various temporary posts, the Transforming our Workplace project and improvements to the catering and events offerings at the Royal Pump Rooms. In addition it is funding capital expenditure to the tune of

£308k in 2018/19. On this basis the balance of the reserve is expected to reduce by £608k over the period 2018/19 to 2022/23.

3.9.4 There are various small reserves which for one reason or another it is appropriate to close at the end of 2018/19 and transfer the balances on those reserves to other reserves. The proposed closures together with reasons and which reserve the balances are being transferred to are detailed below;

i. Art Fund Reserve – transfer balance of £75k to the Art Gallery Gift Reserve in order to rationalise the number of Art Gallery Reserves.

ii. Energy Management Reserve – transfer balance of £112k to the Corporate Assets Reserve as the Energy Management Reserve is effectively redundant and to reduce duplication.

iii. Rent Bond Reserve – transfer balance of £22k balance to Homelessness Reserve in order to reduce duplication as both reserves deal with the homeless.

iv. Right to Bid and Right to Challenge Reserves – transfer balances of £20k and £26k respectively to the Community Projects Reserve as both reserves have never been used and any subsequent expenditure can be met from the Contingency budget.

3.9.5 Drawing down funding from some of the reserves can result in excessive administration and delay, especially where formal Executive approval is required. To assist in this, it is proposed to amend the delegations to the relevant Head of Service, in consultation with the portfolio holder and Head of Finance. Any such allocations will be subsequently reported within a future report. The reserves where it is proposed to amend the delegations are set out below:-

Reserve	**Delegated to**
Planning Reserve	Head of Development
Building Control Reserve	Head of Development
Service Transformation Reserve	Chief Executive

3.10 **General Fund and Housing Capital Programmes**

3.10.1 In accordance with the Council's Code of Financial Practice, all new and future capital schemes, must be in line with the Council's corporate priorities including its capital strategy (see Appendix 11) and a full business case will be required as part of reports to the Executive for approval. This case will identify the means of funding and, where appropriate, an options appraisal exercise will be carried out. Should there be any additional revenue costs arising from the project, the proposed means of financing such must also be included in the Report and Business Plan.

3.10.2 The Capital Programme has been updated throughout the year as new and changes to projects have been approved. In addition to the changes throughout the year, it is proposed to add several new schemes to the Capital Programme as detailed in Appendix 8. These are detailed below:-

Scheme	Year	Amount	Financed From
2nd Warwick Sea Scouts HQ	2019/20	£150,000	2019/20 New Homes Bonus

Scheme	Year	Amount	Financed From
Replacement CCTV System	2019/20	£1,000,000	2019/20 New Homes Bonus
Play Area Improvements	2019/20	£470,000	Public Planning Open Space Reserve (£369k)and 2019/20 New Homes Bonus (£101k)
Norton Lindsey Village Hall	2019/20	£190,000	2019/20 New Homes Bonus
Leisure Refurbishments – Phase 2 Kenilworth	2018/19 – 2019/20	£750,000	Leisure Options Reserve (£200k) and 2019/20 New Homes Bonus (£550k)
Desktop Infrastructure, Network Devices LAN & WAN, Infrastructure General, Network General	2022/23	£277,000	ICT Replacement Reserve
Rural & Urban Initiatives Grants – extension of current programme	2022/23	£150,000	Capital Investment Reserve
Recycling & Refuse Containers – extension of current programme	2022/23	£80,000	Capital Investment Reserve

3.10.3 A report elsewhere on this Executive agenda concerning the St Marys Lands Masterplan includes schemes which impact on the Capital Programme. These have been incorporated in the Capital Programme as follows:-

Scheme	Year	Amount	Financed From
Management & Maintenance Plan	2019/20	£30,000	2019/20 New Homes Bonus and Eco Credits
Cycleway Connection	2019/20	£135,000	2019/20 New Homes Bonus
Extension to Bread and Meat Close Car Park	2019/20	£50,000	2019/20 New Homes Bonus
Reservoir Enhancement	2020/21	£5,000	Eco Credits
Jubilee Woods Improvements	2020/21	£5,000	Eco Credits
Playing Fields Drainage Imp	2020/21	£15,000	Eco Credits

3.10.4In addition to the new projects incorporated in 3.10.2 and 3.10.3 above the following capital projects are expected to come forward over the next few years:-

* Investment in replacement multi storey car parks
* Office relocation
* Europa Way Community Stadium

3.10.5 Slippage to 2019/20 in the General Fund Programme has been incorporated as reported during the year.

3.10.6 In addition the following table shows the additional changes to current schemes that are required to be reported to Members. The full details are within Appendix 8:-

Scheme	Year	Amount	Comments
Desktop Infrastructure	2021/22	£50,000	Increase met from ICT Reserve
Infrastructure Replacement	2018/19	£17,100	Increase met from ICT Reserve
Infrastructure General	2019/20	£16,500	Increase met from ICT Reserve
Network	2019/20	£11,500	Increase met from ICT Reserve
Leamington Parking Displacement	2019/20	£50,000	Increase re Edmondscote Track Parking Proposals funded from Car Parking Displacement Reserve
Community Stadium Project	2019/20 to 2022/23	£179,200	Transfer of Community Stadium Project Officers salary costs etc. to capital – funded from internal borrowing
St Marys Lands – Main Entrance Improvements	2019/20	£50,000	Slippage from 2018/19
Desktop Infrastructure	2018/19	£6,000	Resources brought forward from 2019/20
Infrastructure Replacement	2018/19	£40,000	Resources brought forward from 2019/20
Leamington Parking Displacement	2019/20	£130,000	Slippage from 2018/19
Desktop Infrastructure	2019/20	-£22,000	Savings
Council Chamber PA System	2018/19	-£45,000	Scheme transferred to revenue
Recycling and Refuse Containers	2018/19	-£14,500	Savings

3.10.7 Appendix 9 Part 5 shows the General Fund unallocated capital resources. These total £1.789.4m. The Capital Investment Reserve represents the largest share of this at £1.13m, for which the Council has agreed the minimum balance should be £1m. Whilst the Council does hold other reserves to fund capital projects, it will be noted that these are limited and have been reserved for specific purposes. In addition to the resources shown here, within the Housing Investment Resources, the Right to Buy "Any Purposes Capital Receipts" projected at £7.63m (Appendix 9, part 4) are available to fund non Housing schemes.

3.10.8 The latest Housing Investment Programme (HIP) is shown at Appendix 9 part 2.

3.10.9 Appendix 8 details variations to the HIP from the programme approved as part of the February 2018 budget report. This includes new schemes approved during 2018/19, changes to current schemes, and slippage from 2017/18.

3.10.10 Appendix 9 part 4 shows the funding of the HIP and the forecast balances at year end until 31st March 2023 after the HIP has been financed.

The Capital receipts primarily relate to Right to Buy (RTB) sales. The council has freedom on how the any purpose receipts are utilised, being able to fund General Fund and Housing Capital schemes.

1-4-1 RTB receipts have to be utilised in replacing housing stock that has been purchased from the council by existing tenants through the RTB scheme. This can be through new build properties (such as Sayer Court), the purchase of existing properties (such as Cloister Way) or buy back of existing council properties previously sold through RTB. However they can only be used to fund up to 30% of the replacement cost as per RTB regulations. If the funding is not used within a three year period from the date of receipt, the funding will be repayable to the Government, along with interest. It is envisaged that there will be no requirement to repay any 1-4-1 receipts to the Government as they will be utilised to finance current or potential schemes within the Housing Investment Programme. Within the current Housing Investment Programme there are schemes for the acquisition of properties during 2019/20, as agreed by members. This will fully utilise the 1-4-1 funding that the Council currently holds and will receive in 2019/20, with it projected to have a zero 1-4-1 balance as at 31 March 2020. The projections show a further £1.4m per annum will be available thereafter for further schemes, with this funding having to be used within the 3 year timescale.

3.10.11 HRA Capital Investment Reserve. This reserve is funded by the surpluses generated on the Housing Revenue Account. The HRA Business Plan assumes that this funding will be used for the provision of new HRA stock, and to allow debt repayments on the £136.2m loan taken out to purchase the HRA housing stock to commence from 2052/53.

3.10.12 The Major Repairs Reserve is used to fund capital repairs of the HRA stock. The contributions to this reserve are based on depreciation calculations.

3.10.13 Section 106 are payments received from developers in lieu of them providing new on site affordable homes, enabling the Council to increase the HRA stock or assisting housing associations to provide new dwellings. These S106 payments usually have a time limit attached to them by which time they need to be utilised or they may need to be repaid to the developers.

3.10.14 The Right to Buy Capital Receipts are shown within the sources of Housing Investment Programme funding. As considered previously by members, these capital receipts are not ring-fenced and can be used for any capital projects.

3.11 Prudential Indicators

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

3.11.2 The Indicators are shown at Appendix 12. Further indicators are included within the Treasury Management Strategy Report.

3.12 **Capital Strategy**

3.12.1 From 2019/20, the CIPFA revised Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

3.12.2 The aim of this capital strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The requirement for a Capital Strategy from CIPFA is as a result of many local authorities investing large sums in non-treasury assets, often to secure a financial return, or for other purposes.

3.12.3 This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments such as acquisition of Investment Properties or Loans to Third parties will be reported through the Capital Strategy. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy endeavours to show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (Minimum Revenue Policy policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

3.12.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

3.12.5 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required.

3.12.6 The proposed Capital Strategy is included as Appendix 11. This will be subject to further review during 2019/20, notably in respect of the implications coming out of the Asset Management Strategy that is being produced in forthcoming months. The intention is that the Capital Strategy is a corporate document that supports the whole of the Council's capital expenditure and funding.

3.13 Appropriation of funding and balances

3.13.1 2018/19 revenue Budget shows a surplus of £138,000, with 2019/20 showing £99,000. It is proposed that these balances are used to create a Contingency Budget for 2019/20 of £237,000.

3.13.2 New Homes Bonus remains the major source of additional funding over which the Council has discretion as to how it is used, as discussed in section 3.7.

3.13.3 It is proposed to use the New Homes Bonus as follows:-

Waterloo Housing Association	£146,200
Leisure Options Phase 2, as discussed in January Executive report	£550,000
CCTV – as discussed in July 2018 Executive report, subject to further report post tenders	£1,000,000
Commonwealth Games Reserve – as discussed in March 2019 Executive report. Allocation to include funding of Commonwealth Officer. Future years contributions form NHB planned.	£100,000
Public Amenity Reserve – to fund green space and play area works, to be supplemented with use of Public Open Spaces Planning Gain Reserve	£101,000
St Marys Land – subject to separate Executive report *	£260,000
Sea Scouts HQ – as discussed in July 2018 Executive report *	£150,000
Norton Lindsay Village Hall – as discussed in October 2018 Executive report *	£190,000
Community Projects Reserve	£499,800
Service Transformation Reserve	£362,000
* These allocations will be carried forward in the Community Projects Reserve on 31 March 2020 if not fully utilised by that date.	

3.14 Business Rates and Council Tax

3.14.1 Retail Discount (Non Domestic Rates)

The Government announced in the Budget on 29 October 2018 that it will provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019-20 and 2020-21. The value of discount should be one third of the bill, and must be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied. The Government is not changing the legislation around the reliefs available to properties. Instead the Government will reimburse local authorities that use their discretionary relief powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended) to grant relief. It will be for individual local billing authorities to adopt a local scheme and determine in each individual case when, having regard to this guidance, to grant relief under section 47. Central government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003).

3.14.2 Council Tax Empty Dwellings

Since 2013, local authorities in England have had the discretion to charge a premium of up to 50% on 'long-term empty dwellings' – that is, homes that have been unoccupied and substantially unfurnished for at least two years. This Council adopted this discretion on the basis that it would be an incentive for owners to bring empty properties into use. The premium is in addition to the usual council tax charge that applies to the property. A Bill was laid in order to allow Councils to increase these empty property premiums and this received Royal Assent on 1st November 2018 and is now law.

This new law gives Councils the option to charge the following premiums for long term empty dwellings and thus strengthens the incentive for owners to bring empty properties back into use;

Financial Year 2019/20
– Maximum of 100% premium (previously 50%)
Financial Year 2020/21
– Maximum of 100% premium – empty less than 5 years
– Maximum of 200% premium – empty at least 5 years
Financial Year 2021 onwards
– Maximum of 100% premium – empty less than 5 years
– Maximum of 200% premium – empty at least 5 years but less than 10 years
– Maximum of 300% premium – empty at least 10 years

4. **Policy Framework**

4.1 **Fit for the Future (FFF)**

These are the words to use:

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report seeks to continue to ensure that the Council has adequate financial resources to support its various strategies and the provision of services.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	**Services**	**Money**
External		
Health, Homes, Communities	**Green, Clean, Safe**	**Infrastructure, Enterprise, Employment**
Intended outcomes: Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	Intended outcomes: Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	Intended outcomes: Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels
Impacts of Proposal		
The recommendations within the report seek to help provide future funding for the above outcomes.		
Internal		
Effective Staff	**Maintain or Improve**	**Firm Financial Footing**

	Services	over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
Impacts of Proposal		
The recommendations within this report seek to ensure the Council has adequate funding to enable it to support staff in the provision of services.	The recommendations within the report seek to help provide future funding so as to enable the Council to maintain and improve service provision.	The recommendations within this report seek to ensure the best use of made of the Council's financial resources whilst ensuring the Council's financial position is sound going into the future.

4.2 Supporting Strategies

4.2.1 Each strand of the FFF Strategy has several supporting strategies and the relevant ones for this proposal are explained here. The Council has a Financial Strategy, as updated within Appendix 10. This Strategy sets out details of the Council's overall financial position, and some of the key policies for the use of the Council's resources and how these are managed. Members are recommended to approve the updated Financial Strategy.

4.2.2 The Council is now required to produce a Capital Strategy. This is discussed in more detail within section 3.12 and the Capital Strategy set out in Appendix 11.

4.3 Changes to Existing Policies

This report does not propose any recommendations to any of the Council's existing policies.

4.3 Impact Assessments – Not Applicable

5. **Budgetary Framework**

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

5.2 Officers monitor the current year's budgets by way of the monthly Budget Review process which is duly reported to the Council's Senior Management Team. The same process is applied when reporting quarterly to Members.

Members are also kept informed on progress with Earmarked Reserves and the Contingency Budget, alongside the latest predictions in the MTFS.

5.3 Despite facing substantial reductions in funding in recent years, the Council has managed to maintain and improve main services. Alongside this, the Council has a level of reserves well in excess of most local authorities. Whilst the Council may on the face of it be currently in a strong financial position, there is no scope for complacency. Members will be aware of the substantial sums needed to be spent on the Council's municipal assets in future years, multi storey car parks being of specific note. In addition, moving forward, there remains uncertainty as to the Council's future funding levels. This is notably with regard to Business Rates (as discussed in paragraph 3.5) and New Homes Bonus (para 3.7). Consequently, the additional funds required by the Council in forthcoming years are likely to be in excess of the shortfall forecast in the MTFS (section 3.9).

6. Risks

6.1 Business Rates Retention

As detailed in section 3.5, there are still substantial risks around Business Rates Retention, especially from 2020/21 with the following changes:-

- The impact of the Fair Funding Review
- The introduction of the 75% Business Rate Retention scheme
- The re-set of the Baselines.

The funding of the potential "Tariff Adjustment" of £237k for 2019/20 by the Government has removed that risk for the year.

6.2 The Strategy now assumes that £5 per annum increases in Council Tax for future years on the basis that the current referendum limits will not be changed. This will be subject to future Government determination. There is therefore a degree of risk as to whether this level of Council Tax increase will be able to be continued.

6.3 Many of the Risks in the Significant Business Risk Register are Finance related and the Finance Service Area has its own Risk Register. Both are reviewed regularly.

6.4 Whilst the country is now seeing an upturn in the economy with interest rates expected to increase, it is still susceptible to changes in the world economic and political environment which could reverse the trend. A return to recession would see the projected rise in interest rates delay further and increased unemployment would in turn impact on the Council's finances by increasing the level of Council Tax Reduction claimants and reduce customers' discretionary spending in the Council's income generating areas, to give but one example. Inflation rates are influenced by the economy. High inflation rates restrict the Council's own purchasing powers and also impact on its contractors whose annual contract uplifts may have been based on a lower RPI period.

6.5 The MTFS has a significant amount of savings built in from the Fit for the Future Programme. Failure to deliver these projects, all or in part, will increase the deficit and savings yet to be identified. Delays may drive up the costs of the enabling works and mean savings do not materialise as early as expected.

There may also be revenue implications should the projects not have been fully assessed.

6.6 Unforeseen events, such as planning appeals, uninsured damage, legal challenges, can expose the Council to incur expenditure not previously budgeted for. Whilst the Council endeavours to cover these from its Contingency Budgets and Reserves, they may not prove adequate.

6.7 As discussed within the Financial Strategy (Appendix 10), Brexit remains a major risk. The potential impacts upon the Council are not possible to fully assess. The Council does hold reserves which should be able to help cushion the Council from any potential impact in the short/medium term.

6.8 Changes in legislation may influence assumptions built into Budgets and the 5 year Strategy as well as increasing the costs of implementing these changes.

6.9 As previously reported to members, and included within Section 3.9, Reserves and Balances, the financial projections do not allow for adequate funding to enable the Council to maintains its assets in the meantime. The Corporate Assets Reserve, ICT Reserve and the Equipment Renewals Reserve are all forecast to have more demands over them in forthcoming years than they can accommodate. Consequently, in addition to the savings referred to in Section 3.8 (Medium Term Financial Strategy), the Council needs to secure funding to enable these reserves to be replenished, and so maintain current service provision.

6.10 Many controls and mitigations are in place to help manage these risks. These include:-

- The comprehensive Budget Review process. This entails all budget managers reviewing their budgets on at least a monthly basis, considering previous, current and future years, along with any possible issues that may impact upon their budgets. As part of this process, regular Budget Review reports are issued to the Executive and Senior Management Team.

- Financial Planning with the MTFS/financial projections, bringing together all issues that will impact on the Council's finances in the medium term.

- Financial controls, including the Codes of Financial and Procurement Practice, system controls, reconciliations, audit (internal and external).

- Project Management and associated controls.

- Trained staff and access to appropriate professional advice (e.g. WCC Legal).

- Risk Management process across the Council, including the on-going review and maintenance of risk registers.

- Scrutiny by members of the Council's finances, including Budget Reports, and the financial implications of all proposals.

- Within the proposed 2019/20 Budget there is a Contingency Budget of £237,000 for any unplanned unavoidable expenditure.

- Reserves – The Council holds reserves as discussed within section 3.9. Whilst much of these reserves have already been earmarked for specific projects, it is important that reserves are held for any unforeseen demands.

- The General Fund Balance is £1.5m as discussed in paragraph 3.10.1. This is available to accommodate any unplanned expenditure, or to make up any shortfall in income. However, the Council should seek to maintain the balance at this level.

- The specific causes of reductions to income or increased expenditure should continue to be managed by the relevant Service Area as part of managing the risks within each Service Risk Register. Each Service Area's Risk Register is presented to Finance and Audit Scrutiny Committee annually on a rolling basis for scrutiny.

7. Alternative Option(s) considered

7.1 The Council does not have an alternative to setting a Budget for the forthcoming year. Members could however decide to amend the way in which the budget is broken down or not to revise the current year's Budget. However, the proposed latest 2018/19 and 2019/20 budgets are based upon the most up to date information. Any changes to the proposed budgets will need to be fully considered to ensure all implications (financial or otherwise) are addressed.