

 Executive 31 August 2017		Agenda Item No. 5
Title	Budget Review to 30 June 2017	
For further information about this report please contact	Mike Snow	Tel 01926 456800
	Jenny Clayton	Tel 01926 456013
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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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	February 2017 Executive – Budget Setting	
Background Papers		

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

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	10/8/17	Chris Elliott
Head of Service	10/8/17	Mike Snow
CMT	10/8/17	Chris Elliott
Section 151 Officer	10/8/17	Jenny Clayton
Monitoring Officer	10/8/17	Andrew Jones
Finance	Finance Report	Jenny Clayton/Andy Crump
Portfolio Holder(s)	10/8/17	Cllr Peter Whiting
Consultation & Community Engagement		
Not applicable		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		
A further report will be presented in the Autumn on options regarding business rates pool		

1. **Summary**

- 1.1 Since the Budgets were set in February of this year, various changes have been identified and are now presented to Members for their approval and to inform them of the latest financial position for both 2017/18 and in the medium term. The Medium Term Financial Strategy has subsequently been reported to the Executive in June 2017, as part of the Fit for Future Report.
- 1.2 There are various other sections within the Report, covering Exemptions to the Code of Procurement Practice, revised arrangements for the Enterprise Reserve, and proposals for other funding adjustments.

2. **Recommendations**

- 2.1 That the Executive note the latest variances for the General Fund budget, the projected outturn on budget and approve the budget changes detailed in paragraph 3.1.
- 2.2 That the Executive note the latest variances for the Housing Revenue Account, the projected outturn and approve the budget changes detailed in paragraph 3.5.
- 2.3 That the Executive agree to fund a Data Protection Officer (DPO) post, to be shared with Stratford District Council (SDC), for two years from the Contingency Budget, noting that the post will sit on SDC's staffing establishment operating as a shared service.
- 2.4 That the Executive notes the spend to date on Earmarked Reserves brought forward from 2016/17.
- 2.5 That the Executive agree to changes to the Capital Programme, the use of Right to Buy Receipts and other funding adjustments as detailed in this report.
- 2.6 That the Executive note the savings required as shown within the Medium Term Financial Strategy and note that a further Fit For the Future report will be forthcoming recommending how these savings can be made.
- 2.7 That the Executive approve that 26 Hamilton Terrace be accounted for in the same way as the other enterprise schemes, with the allocation to the Enterprise Reserve being the net surplus (excluding support services and capital charges) on the scheme.
- 2.8 That the Executive delegate authority to the Head of Development Services to draw down up to £20,000 from the Enterprise Reserve, and for amounts above this to do so in conjunction with the Development Portfolio Holder, beyond this threshold.
- 2.9 That the members agree to the appointment of Grant Thornton (UK) LLP as the Council's external auditors for the five year period commencing from 2018/19.
- 2.10 That the Executive agree an exemption to the Code of Procurement Practice to enable the Head of Finance, in conjunction with the Finance Portfolio Holder, to agree the appointment of the Council's auditors for the Housing Benefits Subsidy from 2018/19.

- 2.11 That the Executive approve the use of the Council's local discretionary powers to introduce the Business Rate Relief scheme for Pubs from 01 April 2017.
- 2.12 That the Executive approve the use of the Council's local discretionary powers to introduce the supporting Small Businesses Relief scheme from 01 April 2017.
- 2.13 That the Executive note that the Government has announced a package of Funding which local authorities are to use to implement a local discretionary business rates relief scheme. This scheme is currently under design and will require software updates to implement. The scheme will be subject to consultation and will require member approval. A further report will follow in due course.
- 2.14 That the Executive agree the funding of the Home Choice system support as detailed in paragraph 3.12.
- 2.15 That the Executive note the changes to the Gypsy and Travellers Site Works discussed in Section 3.13.

3. Reasons for the Recommendations

3.1 General Fund 2017/18

- 3.1.1 The latest variances to Budgets are shown in Appendix A, totalling £31,200 favourable.
- 3.1.2 Europa Way There are several stages to this project which will be subject to a future Executive Report. Members have already approved that the project costs of taking this forward would be funded from the Community Projects Reserve. This will not impact on the Council's overall finances for 2017/18. However, the purchase of the land and any further Capital Expenditure and subsequent purchase of the Football site will be funded in the short term from internal borrowing. For 2017/18 the "cost" in lost Investment interest was originally estimated at £13,600, although this will be reviewed to reflect the actual date of completion.

This has been factored into the Medium Term Financial Strategy along with assumed external borrowing costs should the project proceed to the next stages.

- 3.1.3 Business Rates – In the current year, this Council received a refund on the rates for Newbold Comyn Leisure centre of £24,000. Other sites have had one off increases of £23,000 adverse which net this off to £1,000 favourable. The 2017 Revaluation has increased costs of business rates on the Council's property on a recurrent basis by £45,100 for the General Fund, there have been some small HRA reductions amounting to £300. There will be further costs in future years as the transitional relief is phased out. This has been factored into the Financial Strategy (Section 3.8.6)
- 3.1.4 Officers within Neighbourhood Services forecasted the impact of property growth on the Council's Major Contracts. An additional £65,900 has been factored into 2017/18 Budgets.

3.2 Contingency Budgets

3.2.1 Appendix B gives details of the allocations from this budget with a balance of £77,900 (at 30th June) left for the rest of the year. The other contingency budgets have the following balances:-

Contract Cleaning	£22,300
Price Inflation	£64,500

3.2.2 With effect from 25th May 2018, the General Data Protection Regulations will apply to all businesses and public bodies in the UK. There will be a legal requirement for a specific officer to be responsible for adherence to the regulations. It will not be possible for the preparation, implementation and compliance work to be delivered from within current resources. It is therefore proposed that a new Data Protection Officer (DPO) post is shared with Stratford DC. The post can be funded from the Contingency Budget, with the likely cost to be £40,000. Members are asked to approve this, leaving a balance of £37,900 for the rest of the year. This is before any other requests, agreed by the August Executive.

3.3 Revenue Slippage- Earmarked Reserves

3.3.1 Revenue slippage from 2016/17 has been added into the 2017/18 budget, totalling £288,600 for the General Fund, Appendix C, as reported to Executive in July as part of the Final Accounts Report. This will be monitored separately and reported to Executive on a quarterly basis. As at the end of June £57,700 (20%) has been spent to date. In addition £163,900 of revenue slippage was approved for the HRA and these can also be seen in Appendix C.

3.4 Income Budgets

3.4.1 Appendix D details income against budget for the last three years for major income budgets. This includes details of the income to date, and projected outturn. These figures are being closely monitored. Changes are factored into the Budget and Medium Term Financial Strategy.

3.5 HRA

3.5.1 The latest variances that have been identified by managers are detailed below:-

3.5.2 Communal Safety Checks contracts require additional, ongoing, funding of £15,000. The budget was reduced in September 2015, but it is no longer sufficient for the works needed.

3.5.3 Minor variations - Business Rate (see para 3.1.3 above) £2,400 (A),
Warwickshire Safeguarding Children Board - HRA contribution £1,500 (A).

HRA Salary Variations	£
Head of Housing vacancy	20,000 (F)
H & PS Service Improvement - vacancies to date	5,600 (F)
Warwick Response - service under review.	7,000 (F)
H&PS Business support - recruitment ongoing	9,600 (F)
	42,200 (F)

3.5.4 The total of all these variances come to a net saving of £23,300. It is proposed these budgets are amended, resulting in an additional contribution to the HRA Capital Investment Reserve.

3.6 Capital

Variances reported so far in 2017/18 include:-

- 3.6.1 It is proposed that the budget of £318,200 for the Leamington Spa One Stop Shop be deleted from the Capital Programme. It is no longer required due to the forthcoming office move to the new premises. This will result in additional funding being available within the Capital Investment Reserve.
- 3.6.2 It is proposed to increase the Play Area Improvements Budget by £1,100 for the Castle Farm access point this will be funded from Section 106 monies.
- 3.6.3 The Public Address System in Council Chamber, £45,000, was agreed as part of the February 2017 Budget report. Whilst it is funded from revenue, the scheme is classed as capital, and so has now been included within the Capital Programme.
- 3.6.4 It was agreed to fund the St Nicholas Park Tennis Courts refurbishment, £30,000, from the Equipment Renewal Reserve. The latest estimated cost is £25,100. Any underspending would be returned to the Reserve.
- 3.6.5 Work on the refurbishment of Newbold Comyn and St Nicholas Park Leisure Centres is currently on-going following Members agreement to the project in November 2015. The total budget agreed within the Capital Programme for these works is £15,259,800. Both sites have experienced significant disruption to the construction programme as a result of delays and errors of utility companies and their contractors. Officers have instructed Warwickshire Legal Services to examine the history and documents relating to these matters and consequently Counsel's advice has been sought on the next steps the Council should take. The Portfolio Holder for Culture and more broadly the Executive are being kept up to date on an ongoing basis.

The delayed programme means that currently the estimated cost of the works stands at £16,537,864, being £1,278,065 over budget. The vast majority of this amount (£1,237,158) has been caused by the aforementioned delays and disruption. At this point it must be emphasised that this revised budget is not agreed between the Council and its contractor, Speller Metcalfe. On the Council's behalf, Mace, the project manager, is challenging the claims made by Speller Metcalfe. This is normal process for a construction contract. However, it is clear that there will be a substantial amount that Speller Metcalfe will be able to claim under the terms of its contract with the Council.

As a result of the above, it is necessary to recommend that Members increase the Capital Budget for the refurbishments by £1.3m. This is proposed to be funded from the usable Right to Buy Capital Receipts. Currently the Council holds £5.1m for which there are no specific plans for their use (but see another item on this Agenda). As previously advised, other than the One for One element of these receipts, which is excluded from the figures quoted, the Council has total freedom as to how these receipts are used to fund the capital programme. Currently these receipts are invested to receive an investment

return of approximately 0.5%. Alternatively, the Council could increase the borrowing already agreed for the leisure centres. With rates here likely to be in excess of 2.5%, it is recommended that the use of the Right to Buy Receipts is agreed.

3.7 Medium Term Financial Strategy

- 3.7.1. The Financial Strategy was last presented to Members as part of the June Fit for the Future Report. This forecast a £536,000 Deficit by the end of 2022/23.
- 3.7.2. It has now been updated to incorporate the rest of the variations discussed above, with the exception of the ICT Salary Top slice, Salary variations in Development Services and Finance. These have not been reflected in the Strategy as managers are not certain that these may change. The positions will be monitored as part of the Budget Review process.
- 3.7.3. The most significant changes since June are the incorporation of the increase in Member Allowances (£26,000) which was approved by Members in June 2017. This is being funded from the Contingency Budget for 2017/18, but will impact on future years.
- 3.7.4 The impact on the Council's Major Contracts from new property growth has been fully assessed and a trajectory produced until 2022/23. The full impact on the forecast is an additional £288,000 including the £40,000 additional growth from 2016/17.
- 3.7.5 The additional savings required are partly mitigated by a greater increase in the Council Tax Base than forecasted in February of the year reflecting the increased housing developments across the district. In 2022/23, there is an increase in income approaching some £550,000.
- 3.7.6 The impact on the General Fund's Business Rates budget for the rates due on the Council's municipal properties from the 2017 Revaluation is included in the Table at 3.1.1. However this year's increase is tapered by transitional relief. When this is phased out, there will be a further ongoing impact of £162,000.
- 3.7.7 It has been established that a lot of the land within the General Fund's Grounds Maintenance Budgets actually belongs to the HRA. Approximately £82,600 was built into General Fund Budgets for this work. At the time of writing this report, Officers are in confirming the full amount within the General Fund to enable these costs to be transferred to the HRA. General Fund Budgets will be reduced. The HRA expenditure will be funded from Capital Investment Reserve. The Strategy includes this estimate for now and both the Strategy and Members will be updated in due course. It has not been included in the variations reported in section 3.1.
- 3.7.8 The MTFS currently includes 1% per annum for pay awards in line with Government expectations. With the National Living Wage due to increase in forthcoming years, there is a national review of spinal column points on-going. The impact of this has not been reflected in the MTFS but it is expected to present an additional pressure as pay differentials are sought to be maintained.
- 3.7.9 From January 2018, organisations are no longer able to pass on the Credit Card Surcharges onto their customers. The amount recovered currently is £16,500 per annum. A proportion of this relates to Council Tax (circa 8%). By January

the majority of this will have been paid, so the first quarter's impact will not be so great. Also, the £16,500 includes the Leisure Centres. However, once the surcharge is abolished some customers currently paying by Debit Card, may then use their Credit Cards instead. Until the system is introduced the full impact cannot be accurately assessed. This will be closely monitored and a prudent approach taken when the 2018/19 Budgets are set.

3.7.10 Having factored in all these changes, the Strategy now forecasts an ongoing deficit of some £385,000 unless further savings can be identified and delivered. The Profile of these savings is shown below-

	2017/18 £'000	2017/18 Latest £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Deficit-Savings Required(+)/Surplus(-) future years	0	-15	203	203	-546	212	385
Change on previous year Current Year Surplus(-) Deficit (+)	0	-15	218	0	-749	758	173

3.7.11 Members will note that the 2017/18 forecast differs from that in Section 3.1 and Appendix A. The transfer of the Grounds Maintenance Costs to the HRA is discussed in 3.7.7 above. Some of the Salary Variations reported are estimated and at this point in the year, it is considered prudent to report them but not as yet factor them into budgets until they are more definitive. A reconciliation of the 2 Surpluses is shown below-

	£'000's
Surplus 2017/18 in Strategy	-15
Remove Grounds Maintenance Transfers to the HRA	82.6
Development Salaries	-9.1
Finance Salaries	-39.7
ICT Top slice	15.6
Housing Advice Salaries	-18
Building Surveying Salaries	-34.8
Property/Estates Salaries	-13
Rounding	0.2
Quarter One Report	-31.2

3.7.12 With substantial savings still to be agreed for 2018/19 and future years, it is proposed that a further Fit For the Future report will be presented to Executive ahead of the Budget setting process for 2018/19.

3.8 Enterprise Schemes

3.8.1 Spencer Yard, Althorpe Enterprise Centre and Court Street Arches
Spencer Yard (West Wing and North Hall), Althorpe Enterprise Centre and Court Street Arches are all schemes partly funded by grants from Advantage West

Midlands. The grant conditions included the condition that any surplus on the operating costs be re-invested in employment initiatives. The surpluses on these projects (excluding support services and capital charges) are allocated to the Enterprise Reserve.

- 3.8.2 26 Hamilton Terrace was funded by the Local Enterprise Partnership. In July 2014 Executive agreed that 12% of the gross rental income for this scheme is used for sector specific business support initiatives. This allocation method is at variance to the AWM funded schemes. It is proposed that in future, 26 Hamilton Terrace is brought under the same regime as the other schemes, with the net surplus being allocated to the Enterprise Reserve. The net impact of this on budgets will be minimal (£100 based on 2017/18 Budget).
- 3.8.3 The Enterprise Reserve was originally created to “smooth” any surpluses and deficits on the Enterprise projects. The balance on the Reserve is currently £81,000, having built up over several years. It is proposed that in future the reserve is used to also fund specific business support initiatives. To enable this to happen, it is proposed that the Head of Development Services is granted authority to agree initiatives up to £20,000. Above this, funding requests would need to be determined by the Executive.

As part of the Final Accounts Process, annual contributions have been made to this Reserve from the surpluses from the Enterprise schemes; this has never been built into the Budgets. This will be redressed within the base budgets presented to Members in November.

87.5% of the gross rental income from 26 Hamilton Terrace was being contributed to the Capital Investment Reserve. Due to the revised arrangements (subject to member Approval) this will no longer be appropriate.

3.9 Housing Benefits (HB) Subsidy – Appointment of Auditors.

- 3.9.1 Following consideration of a report in November 2016, members agreed that the Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors from 2018/19 for a 5 year period. PSAA have now awarded the contracts under this tender process, with Grant Thornton, the Council’s current auditors, headline figures suggest that there will be a reduction of approximately 18% in the scale fees. The PSAA have recently proposed that Grant Thornton will continue as Warwick District Council’s external auditors from 2018/19. It is recommended that members accept this appointment.
- 3.9.2 Following the abolition of the Audit Commission, the Department for Communities and Local Government (DCLG) delegated statutory functions for the certification of Housing Benefit subsidy claims to PSAA for a temporary period. This included responsibility for the appointment of auditors to the local authorities (LAs). This temporary period ends in March 2018.
- 3.9.3 From the 2018/19 Housing Benefits Subsidy Audit, local authorities are to appoint their own external accountants. The Department for Work and Pensions (DWP) will be responsible for the HB assurance framework instructions, and the control of grant payments based on the assurance reports supplied under the new arrangements.

- 3.9.4 Consequently, the arrangements for the appointment of auditors, by PSAA (section 3.9.1), do not include the HB Subsidy Audit, for which local authorities will need to make their own appointment. DWP need to be notified of the selected auditors by 28 February 2018.
- 3.9.5 The annual value of the Benefits audit is approximately £10,000.
- 3.9.6 The audit needs to be carried out by a provider registered with the Institute of Chartered Accountants of England and Wales (ICAEW). However, given the detailed and technical nature of the work, only the auditors that have carried out recent local authority audits are likely to have the required expertise that is limited to 7 firms across the country. Based on how the contracts have been awarded geographically, different firms have greater representation in certain areas.
- 3.9.7 Discussions have been held with the other Warwickshire district councils to consider a collaborative approach to the appointment of the auditors. Assuming this was to be for a 5 year period, the value would require a full EU procurement which did not find favour with all parties.
- 3.9.8 Given the value of the contract, it is believed the most pragmatic way to it is proposed that when the Council has been notified of the 2018/19 auditor, discussions are held with them with a view to agreeing their appointment for the HB audit. Given the synergies that should exist with the auditors carrying out the main audit also carrying out the HB audit, this approach is likely to present best value. The appointment is proposed to be initially for one year, with the arrangements reviewed annually.
- 3.9.9 It is therefore recommended that an exemption to the Code of Procurement is agreed to enable the Head of Finance, in consultation with the Finance Portfolio Holder, to agree the appointment of the Council's auditors for the Housing Benefits Subsidy from 2018/19.

3.10 Exemptions to the Code of Procurement Practice

- 3.10.1 In accordance with the Code of Procurement Practice exemptions granted to the Code of Procurement Practice. These are recorded within Appendix E. The first part of the table primarily relates to exemptions granted under paragraph 6.5.1 of the Code. These relate to the renewal of software licenses. The other exemptions listed are those below £20,000 which may be agreed by the Head of Finance under paragraph 6.2.

3.11 Business Rate Relief

- 3.11.1 The 2017 revaluation of all non-domestic rate properties came into force on 1 April 2017. Following the revaluation the rateable value of businesses in the borough has gone up by 3.9% although nationally this figure is 9.6%. As with previous revaluations, the Government has introduced a five year transitional scheme to phase in increases and decreases in rates payable.

- 3.11.2 In the Spring Budget the Chancellor announced three measures to help reduce the impact of business rate increases from April 2017:

1. Supporting Small Business Relief (SSBR) - SSBR will help those ratepayers who, as a result of the revaluation, are losing some or all of their small business or rural rate and, as a result, are facing large increases in their

bills. SSBR will ensure that the increase per year in the bills of these ratepayers is limited to the greater of:

- A percentage increase per annum of 5%, 7.5%, 10%, 15% and 15% from 2017/18 to 2021/22, or
- A cash value of £600 per year (£50 per month)

Initial investigations have shown that this will only affect 16 Businesses. Due to the complex nature of this relief specific software enhancements are required to both identity cases and apply the relief. The DCLG have recognised this and new burdens will be given to software providers to meet the cost of these changes. Any relief awarded will be recompensed via a Section 31 grant from the Government.

2. Public House Relief Scheme - This is a new relief scheme that provides a discount of £1,000 for pubs with a rateable value of less than £100,000 subject to state aid limits. The scheme is for 2017/18 only. Government guidance as to what constitutes an eligible pub has been made available and it is estimated there will be approximately 100 properties eligible. This will require software changes that are currently being tested. Any relief awarded will be recompensed via a Section 31 grant from the Government.
3. Discretionary Rate Relief Scheme – The Government has made available a 4 year funding package to Each Billing Authority in order to set up its own local Discretionary Rate Relief Scheme (DRRS). The purpose of the fund is to provide support to some ratepayers facing an increase in their bills because of the revaluation. The DRRS will require software changes to implement the scheme and will be subject to consultation with Warwickshire County Council. The 5 Warwickshire billing authorities have been in close contact regarding each other’s schemes and whilst it is recognised that there are differences between authorities it is anticipated that there will be a consistent approach across the county. Various schemes are being modelled at present however any scheme will require member approval and consequently a further report will follow shortly

3.11.3 With all of the above the Government has announced its intention that it would not be altering legislation in order to effect these changes. Instead local authorities are to use their discretionary powers (under section 47 of the Local Government Finance Act 1988) to implement these changes.

3.12 Home Choice

3.12.1 The Housing Services and Assets teams currently use the MIS ActiveH system for their day to day activities. While the ActiveH system is modular, MIS Limited does not provide a Choice Based Lettings module. This is because, apart from Warwick District Council, all their other ActiveH customers are housing associations who are not required to provide a Choice Based Lettings solution.

3.12.2 In the absence of an ActiveH Choice Based Lettings module, Warwick District Council developed a fully integrated in-house solution, to administer our HomeChoice policy.

3.12.3 Currently there is only one developer within ICT Services who has a complete understanding of the coding in HomeChoice and the business processes in

Housing Services. Consequently there is a business resilience issue and a risk to the allocations and lettings service because of the over-reliance upon a single officer. Furthermore, ICT Services now require the officer concerned to work on other aspects of the council's digital inclusion strategy and as a result support on HomeChoice will no longer be possible.

3.12.4 This means that it may not be possible to make changes required as a result of members' recommendations, changes to legislation, or corrections to policy/process errors discovered during day-to-day operations. Hence, a new support provider is required and a tender process is currently underway.

3.12.5 While Housing Services initially considered purchasing an 'off the shelf' Choice Based Lettings solution, they discovered that this functionality was only available if they procured a replacement for the entire ActiveH system, which was neither practical nor required.

3.12.6 Housing Services also briefly considered the standalone Abritas system, which initially looked promising. However, Abritas has now been acquired by Civica plc to integrate directly with their own housing software.

3.12.7 It is proposed to secure a company to provide ongoing support and future development of our HomeChoice software solution. One major advantage of providing the successful company with our existing in-house solution is that this software is fully integrated with our MIS ActiveH system.

3.12.8 The upfront development costs are anticipated to be in the range £35,000-£50,000, with ongoing revenue implications of £28,000. Most of the one off costs can be funded from the 'RSL contributions towards advertisements' reserve where there is currently an unallocated balance of £35,000, with further funding available from the HRA. It is proposed that the on-going running costs from 2018/19 be included in the Medium Term Financial Strategy.

3.13 **Gypsy and Travellers**

3.13.1 Alongside the Grounds Maintenance works on HRA Land discussed in 3.7.7 above, a further £17,500 of works relating to Gypsy and Traveller to Encampments was approved to be funded from the Community Projects Reserve (June 2017 Executive).

3.13.2 In total £182,700 (£174,000 plus a 5% contingency) of work was approved to come from this Reserve. However, the HRA element will need to be funded from the HRA Capital investment Reserve in order to abide by the ring-fencing regulations relating to GF/HRA charges. £17,500 can therefore be returned to the Community Projects Reserve.

3.13.3 It has been established that the General Fund element is now forecast to be £152,500, so a further £12,700 can also be returned to the Community Projects Reserve, a total reduction of £30,200.

4. **Policy Framework**

4.1 **Policy Framework**

This report is in accordance with the Council's Financial Strategy as last approved by the Executive in February. This provides the Council with the resources to deliver its other policies and strategies.

4.2 **Fit for the Future**

One of the 3 Strands of Fit For the Future is ensuring that the Council achieves the required savings to enable it to set a balanced budget whilst also maintaining or improving service provision. This report updates Members on the financial projections for future years, savings required to be found and some of the key issues affecting the Council's Medium Term Financial Strategy up to 2022/23.

5. **Budgetary Framework**

- 5.1 Officers review current year budgets on a monthly basis at the same time as considering implications for the medium term. Members are updated on a quarterly basis.
- 5.2 The Budget Review Process provides a planning tool to ensure resources are directed to the Council's priorities. Alongside the Council's own activities, external factors influencing its finances are also taken into consideration, for example Central Government Financing, the Business Rates Retention scheme, changes in legislation and the economy.
- 5.3 The Council maintains its Reserves to deliver Capital and other projects, and to ensure that there are sufficient resources available to manage unforeseen demands and continue to deliver its services. Close monitoring of these Reserve balances, together with plans to replenish them will preserve the financial stability of the organisation for future years.

6. **Risks**

- 6.1 The Council's Significant Business Risk Register contains several risks which are finance related. Shortage of finance will impact upon the Council's plans for the provision of services. Reduced income or increased expenditure will reduce the funding available.
- 6.2 The main sources of income which may be subject to reductions include:-
- Government grant (e.g. Revenue Support Grant, Benefits Administration Grant)
 - Business Rates Retention
 - Fees and charges from the provision of services
 - Rent income
 - Investment Income
- 6.3 Increased expenditure in service provision may be due to:-
- Inflation and price increases for supplies and services.
 - Increased demand for services increasing costs
 - Changes to taxation regime
 - Unplanned expenditure
 - Assumed savings in budgets not materialising
- 6.4 Triggers for increased costs or reduced income include:-
- Economic cycle – impacting upon inflation, interest rates, unemployment, demand for services, Government funding available

- Unplanned expenditure, e.g. Costs from uninsured events, Costs of planning appeals or other legal process
- Project costs – whereby there are unforeseen costs, or the project is not properly costed, or the risks related to them are not properly managed.
- Changes to assumptions underpinning the Medium Term Financial Strategy – these assumptions are closely monitored.

6.5 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, Budget Review reports are issued to the Executive and Senior Management Team.
- Financial Planning with the Medium Term Financial Strategy/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, Local Government Futures for advice on local government funding).
- 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 and Treasury Management Reports, and the financial implications of all proposals brought to them for consideration.
- Within the 2017/18 Accounts, there is a Contingency Budget with an uncommitted balance of £77,900 (prior to this meeting) for any unplanned or unavoidable expenditure.
- Reserves – Whilst much of these Reserves have already been earmarked for specific projects, it is important that Reserves are held for any unforeseen demands.
- In addition to the reserves, the Council holds the General Fund Balance of £1.5m. 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. Individual Service

Area Risk Registers are brought to Finance & Audit Scrutiny Committee on a rolling programme every 2 years.

7. Alternative Option(s) considered

- 7.1 Monitoring expenditure and income and maintaining financial projections is good financial management and part of good governance. Accordingly, to propose otherwise is not considered.