

 Executive – 14th November 2012		Agenda Item No. 4
Title	Budget Review to 30 th September 2012	
For further information about this report please contact	Jenny Clayton Tel 01926 456013 Andy Crump Tel 01926 456810	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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	N/A	
Background Papers	No	

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 & Sustainability Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	29/10/12	Chris Elliott
Head of Service	22/10/12	Mike Snow
CMT	23/10/12	
Section 151 Officer	22/10/12	Mike Snow
Monitoring Officer		
Finance	22/10/12	Mike Snow
Portfolio Holder(s)	24/10/12	Andrew Mobbs
Consultation & Community Engagement		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

This report discusses both the 2012-13 Budgetary position and also the financial forecasts for the Medium Term. It also seeks Member approval for various changes to budgets.

2. RECOMMENDATION

- 2.1 Executive notes the budget position for the current year for the General Fund, currently £465,000 surplus.
- 2.2 Members are asked note the Contingency allocations already approved under the Head of Finance's delegated authority. They are also asked to approve the purchase of replacement chairs for the Town Hall from this budget and note the balance remaining in this account.
- 2.3 Members are asked to agree to Budget Changes in Appendix A, the most significant of which are discussed in this report.
- 2.4 Executive notes the latest position on the Capital Programme and approves the Budget Changes (Capital) in Appendix C. Executive agree to the change in the HRA budget, shown in paragraph 7.6.
- 2.5 Members note the latest progress towards meeting the Fit for the Future Targets.
- 2.6 Members are asked to approve the amendments to the Fees and Charges for 2013-14 as shown in this report.
- 2.7 Members are asked to agree the charging proposals for Street Name and Numbering, which could generate additional income for the Council from 2013-14.

3. REASONS FOR THE RECOMMENDATION

- 3.1 To bring to Members attention the latest budget position for the current financial year. Members receive quarterly budget reports and this is the second of these reports in the current financial year. The current General Fund service expenditure position is a projected underspend of £465,000 compared to the latest 2012-13 budgets. Section 7 below discusses the main reasons for the surplus in more depth.
- 3.2 Details of the changes to the Contingency Budget, including a new request from the Town Hall, are outlined in Section 7.8 below and included in Appendix B.
- 3.3 Appendix A shows the £377,400 favourable changes, which Members are asked to approve, with Section 7 expanding upon the most salient ones. This enables Members to understand why these amendments are necessary.
- 3.4 An adverse variance (HRA Long Term Debt Interest for Self Financing - £170,600) has been reported so far in 2012-13 for the Housing Revenue Account and changes to this budget needs Member approval. The reasons for the change are shown in paragraph 7.6.

- 3.5 Appendix C updates Members on the Capital Programme Budgets and changes to the programme since it was approved in February of this year. Members have already approved the slippage from 2012-13 as part of the Final Accounts process in June, as well as other amendments which have already been approved by Members since the original Budgets were set.
- 3.6 Managers have identified further changes to the Capital Budgets, totalling a reduction in the 2012-13 budgets of some £1,908,200, primarily due to the request for slippage of works for Oakley Wood, Crematorium, Jubilee House and Chase Meadow to 2013-14. Members are asked to approve the £1,908,200 amendments and note the latest Capital Programme for 2012-13 of £3,374,500.
- 3.7 In April, Members received a report on Fit For the Future. The projects within the programme, which are expected to deliver financial savings to the Council, have been updated as part of the 2013-14 Budget Setting Process. These will also be factored into Medium Term financial projections which will be presented to Members alongside the Base Budget report in December.
- 3.8 There is an opportunity to generate additional income for 2013-14 from Street Name and Numbering, by introducing charges, which other local authorities are already doing. Members are also asked to approve some additional charges for 2013-14, that were not included in the Fees and Charges report that went to October's Executive. Details are shown in section 10.

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 key elements of Fit For the Future is ensuring that the Council achieves the required savings to enable it to set a balanced budget whilst maintaining service provision. This report updates Members on the financial projections for future years, savings required to be found and some of the key issues needed to be considered in preparing the 2013-14 budget and beyond.

5. BUDGETARY FRAMEWORK

- 5.1 Officers review current year Budgets on a monthly basis at the same time considering implications for the medium term. Members are updated on a quarterly basis. The Budget Review Process provides a planning tool to ensure resources are directed to the Council's priorities, with known future changes being included Medium Term Financial Forecasts as soon as these can be evaluated.

6. ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 Not reporting to Executive on a regular basis, however, in the current financial climate, it is imperative that budgets are reviewed, monitored and reported upon on a continuous basis.
- 6.2 From April of this year, this Council adopted the new Budget Review Process, whereby Budget amendments are brought to members throughout the year and duly updated. The Council could revert to its previous practice of deferring making such changes until December when the new-year budgets are considered. However, this would mean that the budgets were not up-to-date and these were irrelevant for managers to monitor.
- 6.3 Not slipping capital to the correct year, in which it is intended to be spent, makes monitoring of projects difficult. Members would not have relevant, up to date information from which they can make decisions about capital projects and funding.

7. BACKGROUND

- 7.1 Under the new Budget Review process, amendments to budgets are presented to Members for their approval on a regular basis, rather than waiting until December when the following year's Base Budgets are approved. Some of the changes leading to the £465,000 surplus have already been approved by Members. Further changes are listed in Appendix A for Member approval. The projected surplus assumes that all of the £442,000 Fit for the Future Target Savings (April Executive) are achieved. Section 7.12 below updates Members on the latest progress towards achieving this target.
- 7.2 Salaries
Salary changes for 2012-13 are shown as part of Appendix A. Redundancies are also shown and these have been funded from Reserves following approval of the Executive.
- 7.3 Development Control Planning Fees income is likely to be significantly in excess of its original budget for 2012-13, by £469,800, due to major applications for Stoneleigh Park and the Coventry and Warwickshire Gateway. This is £269,800 more than reported in August. Members should note that this additional income is non-recurrent. Furthermore, other statutory planning fees (i.e. those not set by this Council as part of the Fees & Charges process) are, shortly, due to rise by 15%, it is estimated that will generate an extra £35,000 for 2012-13.
- 7.4 Other significant variations include a £68,100 adverse variance on Revenues Court Fees (due to a high collection rate and fewer summonses), LPG for the Crematorium is likely to be £35,100 higher than forecast. Significant favourable variations include a £29,900 reduction in the inflation provision for 2012-13 and additional Environment Agency income of £26,000. Small variances, although small in size, add up, in total, to a favourable variance for this period of £42,400. These, too, are highlighted in Appendix A.
- 7.5 In total, this month, Members are asked to approve the (£377,400 favourable) changes listed at Appendix A. Having already approved amendments, including slippage of Ear Marked Reserves, within the Final Accounts Report in June and changes within August's Executive report, this generates a £465,000 surplus for 2012-13.

7.6 Housing Revenue Account Interest on HRA Long Term Debt (for Self Financing) is increasing by £170,600 as in the business plan debt was expected to be taken out over 10-30 years, whereas it was taken out over 40-50 years, and this debt is more expensive.

7.7 Housing General Fund – two small adverse variances, both for Housing Strategy, have been reported, relating to Training £700 and Supporting People Grant reduction (net) £2,300

7.8 Contingency Budget

The Contingency Budget is intended to be used for any unplanned expenditure which could not be foreseen when the Estimates were agreed and cannot be met out of the agreed budgets. The items financed from the Contingency Budget are one-off items.

Urgent requests of up to £10,000 have been delegated to the Head of Finance and the relevant Head of Service to approve, in consultation with the Finance Portfolio Holder and relevant Service Portfolio Holder. Appropriate details would subsequently be reported to the Executive by the Head of Finance. These are detailed below.

- unspent Jubilee funds -£700
- South West Warwick modelling works-alleviation of flooding £500

A new request, for funding from this budget, from the Town Hall has been received. This is due earlier in the year, following an incident where a chair collapsed in the Council Chamber, an audit was commissioned of all the free standing chairs in Council buildings. This resulted in the black chairs previously being used in the Chamber being removed from service as they were deemed to be unfit for purpose and posed a potential risk for further collapse if they remained in use. Following discussions with the Procurement Officer, 3 quotes have been received for replacement of the chairs plus an additional 30 to use in the Town Hall for functions. The lowest price for the preferred chair is £11,684. These chairs comply with contract furniture and FIRA/BS specifications.

Appendix B details allocations made to date including those for retrospective Member approval and those recommended in this report. The balance on the Contingency Budget is now £213,500, subject to members approving these allocations and includes approvals from October's Executive.

7.9 Training

A Central Training Budget of £10,000, administered by Human Resources, exists to provide additional resource when service budgets prove to be insufficient. None of this budget has yet been allocated in 2012-13, it is anticipated this will not be utilised until the latter part of the year, when Service Area Budgets have been exhausted.

7.10 Capital

Approval for slippage to 2013/14 of £2,003,000 for Oakley Wood, Crematorium (£888,000), Jubilee House (£260,000) and Chase Meadow (£855,000). There is

a saving on the replacement sports pitch carpet of £11,000 and minor savings of £1,200. (Extra resources Jubilee House £13,700 and Chase £259,500 have been added into the programme whilst the Broadband UK project has had £166,200 of resources reprofiled to future years). The total General Fund Capital Programme will be £3,374,500 if these changes are approved. (See Appendix C) There are no changes to the Housing Capital Programme.

7.11 Progress on Budget Review Protocol

The Financial Code of Practice is to be updated to facilitate the new Budget Review Process and is intended to be presented to the Executive in 2013 for approval.

7.12 Fit For the Future

As part of the 2013-14 Budget Setting and Service Planning Process, Service Area Managers have reviewed their progress towards achieving these targets and updated their projections for both 2012-13 and 2013-14. It is now anticipated that this Council will make total savings of some £1,333,000 savings from these projects, of which £1,318,000 is recurrent. The table below shows these savings broken down by Financial Years and whether such savings have already been achieved.

	£'000's November projections	£'000's Already Achieved	£'000's Outstanding Target
<u>2012-13</u>			
Original as per April 2012 Executive Report	442		
Revised September/October 2012	523	472	51
<u>2013-14</u>			
Original as per April 2012 Executive Report	834		
Revised by Head of Service, Service Plans 2013-14	810	440	370
<u>Total 2012-13 and 2013-14</u>			
Original Total April 2012	1,276		
Revised Total September/October 2012	1,333	912	421

The revised figures will be incorporated into the financial projections which will be included in the December Executive Report alongside the Base Budgets presented to Members in December. There is a separate report also on this agenda on the Fit for the Future Change Programme which highlights progress to date and any major changes since the last report in April 2012.

8. **MEDIUM TERM FINANCIAL STRATEGY**

- 8.1 The Quarter One Budget Review Report (August 2012) projected a deficit of some £275,000 over the next five years. Since then, changes to the 2012-13 budgets, savings and unavoidable pressures identified during the 2013-14 Budget Setting process, are being built into the Medium Term Financial Strategy, alongside other future developments impacting on the Council.
- 8.2 Despite the savings from the Re-letting of the Major Contracts as reported to Members in September of this year, there will be several additional pressures impacting upon the medium term. Previous projections were based upon a 7.5% annual reduction in Revenue Support Grant for four years, with the 2015-

16 being the same as the previous year. Latest intelligence suggests that reductions will be more severe and extended beyond the four year period. For example a 10% cut in grant for 2013-14 would reduce this Council's grant by £175,000.

- 8.3 In October, the Government announced further support for authorities that froze or reduced their Council Tax for 2013/14. However, this support would be based on a 1% increase and would only be for 2 years. At the same time, it was also announced that it will lower the local authority tax referendum threshold to two per cent. This would mean if a local authority seeks to raise its relevant basic amount of council tax by more than two per cent, local people would have the right to keep council tax bills down through a binding referendum veto. The previous projections assumed Council Tax increases of 3.45% over the next four years.
- 8.4 The Strategy is currently being updated in the light of these and other changes. Members will receive further details during the Budget Setting Process and when the Government Grant Settlement for 2013-14 is announced in December 2012 or January 2013.

9 RESERVES

9.1 General Fund

The Council is fortunate in that it has a history of maintaining a good level of reserves. However, that the level of reserves is forecast to reduce substantially over the next few years. Given the uncertain financial and economic future of all of the public sector, it is important that the Council continues to maintain an adequate level of reserves. This position has helped cushion the Council from the reductions in funding whilst savings are being sought without having to make reductions in service provision. The level of Reserves has also enabled the Council to generate £17,400 additional investment interest. It is projected that the General Fund Balance will remain at £1.5 million over the next few years.

9.2 Capital Investment Reserve

Members will be updated as part of the Base Budget Report in December, once more details of the 2013/14 New Homes Bonus allocation are known. Currently, there is just over £3 million in this reserve of which almost half is reserved for Leamington Asset Study consequences and Spencers Yard.

9.3 Equipment Renewal Reserve

Members are asked to note that potential replacement costs now total £3.3 million. The balance on this Reserve at 1st April 2012 is £1,365,000. The Reserve will be fully exhausted by April 2017, unless it is further replenished or items can be replaced at lower cost, funded from other sources or removed from the Schedule.

9.4 Details of Council Reserves

Appendix D details all Council General Fund Reserves.

10 FEES AND CHARGES

- 10.1 The effect of any income changes arising out of the Fees and Charges report to the October Executive have been incorporated into the current year's Budget Review Process as well as the Medium Term Financial Strategy. The Strategy

currently assumes a 2% increase per annum, although Service Areas generally sought to increase income above this level, especially for any services which were not subject to increases in January 2012.

- 10.2 Members are asked to approve changes that were too late to be included in the October Executive report. These relate to some Car Parking Fees and season tickets and a Taxi Drivers CRB check. The Car Parking Fees changes are mainly for areas (such as Kenilworth Abbey Fields) that previously did not have charges. There are some changes to the fee structures for Covent Garden and St Peter's car parks in Leamington Spa following customer feedback and a review of income levels and usage.
- 10.3 Details of these charges are shown in Appendices E1 and E2. The income estimates for the current year will not change significantly as they come into operation from January 2013. Therefore nothing is shown for them in Appendix A.
- 10.4 Warwick District Council has a statutory responsibility for the Street Naming and Numbering (SNN) service within its administrative area. This report seeks to implement an amendment to the current fee structure for the SNN Service, which includes the introduction of a scheme of charges for the discretionary services currently being offered free of charge. Details of the proposals are shown in Appendix E3 and may generate an additional £20,000 from 2013-14 if they were to be adopted.