

Title: Revenue and Capital Budget 2022/23
Lead Officer: Mike Snow (01926 456800)
Portfolio Holder: Councillor Hales
Wards of the District directly affected: N/A

Summary

The report informs Members on the Council's financial position, bringing together the latest and original Budgets for 2021/22 and 2022/23, plus the Medium Term Forecasts until 2026/27. It will be presented to Full Council alongside a separate report recommending the overall 2022/23 Council Tax Charges for Warwick District Council.

The report presents a balanced budget for 2022/23, which the Council has been able to achieve without having to reduce the services it provides but with a heavy reliance on reserves and an ambitious savings / income generation programme. Once again the Council has not had to rely on New Homes Bonus to support core revenue spending and has been able to allocate this funding to support specific project work, while also replenishing reserves.

No increase is proposed for Council Tax for 2022/23 which will erode the revenue base of the Council into the future. However, a charge for the collection of garden waste of £20 for 2022/23 is proposed from August 2022.

Recommendations

- (1) That Cabinet recommends to Council to approve the proposed changes to the 2021/22 budget as detailed in section 1.2 and notes the projected surplus for the year of £1.425m.
- (2) That Cabinet recommends to Council to approve the proposed 2022/23 revenue budget as detailed in section 1.3 and notes the shortfall on the year of £1.076m is supported by from surplus projected for 2021/22.
- (3) That Cabinet recommends to Council to approve the Council Tax charges for Warwick District Council for 2022/23 before the addition of Parish/Town Councils, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts, for each band with no increase from 2021/22 as follows:-

	£
Band A	117.91
Band B	137.56
Band C	157.21
Band D	176.86
Band E	216.16

Band F	255.46
Band G	294.77
Band H	353.72

- (4) That Cabinet notes the impact on the Medium Term Financial Strategy (MTFS) due to changes detailed within the report, and how these changes are expected to be accommodated and how further significant savings need to be agreed and implemented before the Council agrees its 2023/24 Budget.
- (5) That Cabinet recommends to Council to approve the reserve projections and allocations to and from the individual reserves as detailed in Section 1.9, including the ICT Replacement, Equipment Renewal and Pre-planned Maintenance Schedules.
- (6) That Cabinet recommends to Council to 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 section 1.10 and Appendix 8.
- (7) That Cabinet recommends to Council to approve the allocation of project funding discussed in Section 1.12 and summarised in Appendix 10.
- (8) That Cabinet notes the updated Financial Strategy (Appendix 11).
- (9) That Cabinet recommends to Council to approve that drawdown from the Service Alignment Reserve and the ICT Service Systems Alignment Reserve is delegated to the Chief Executive, in consultation with the Head of Finance, Leader of the Council, Resources Portfolio Holder and Chief Executive for Stratford DC.
- (10) That Cabinet recommends to Council the proposed allocation of £803,600 for the 2022/23 Corporate Property Repair and Planned & Preventative Maintenance (PPM) Programmes to fund the list of proposed works set out in Appendix 11 and approves the drawdown of funding from the Corporate Asset Reserve of up to £390,400 to support the programme.
- (11) That Cabinet recommends to Council to agree that article 14 of the Constitution be amended to read as follows:
Any Contract entered into on behalf of the local authority in course of the discharge of an executive function shall be made in writing. Any contract with value exceeding sums specified in the Public Contracts Directive must be made under the common seal of the Council.
- (12) That Cabinet recommends to Council to introduce garden waste charges from 1st August 2022, at a charge of £20 for the remainder of the financial year 2022/23.
- (13) That Cabinet recommends to Council the addendum to the Community Protection Fees and Charges proposals set out in Appendix 12, to operate from 1st April 2022.
- (14) That Cabinet notes the exercise of the Chief Executive's Emergency powers (CE(4)) in consultation with Group Leaders as set out in Section 1.17 of this report.

1 Background/Information

1.1 Mandatory Obligations

- 1.1.1 By law, the Council must set a balanced budget before the start of the financial year. As part of this process it must levy a council tax from its local tax payers to contribute to financing General Fund expenditure.
- 1.1.2 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 2022/23. Hence, Members receive a 5-year Medium Term Financial Strategy (MTFS) detailing the Council's financial plans, Capital Programme and Reserves Schedule.
- 1.1.3 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. These will be included in the Annual Treasury Management Strategy report to Cabinet and Council in March 2022.
- 1.1.4 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).
- 1.1.5 This report is structured so as to build up and present a holistic view of the Council's finances for Members to assist them in considering the Budget and Council Tax proposals and associated matters. The report is structured as follows:-
 - 1.2 2021/22 Revenue Budget – update to the current year's budget
 - 1.3 2022/23 Revenue Budget – details of main items included within the proposed 2022/23 Budget
 - 1.4 2022/23 Local Government Finance Settlement
 - 1.5 Business Rates – details of main drivers impacting upon the Council's share of Business Rates.
 - 1.6 Council Tax – proposals for Warwick District Council level of council tax for 2022/23.
 - 1.7 New Homes Bonus – details on the Council's allocation for 2022/23
 - 1.8 Medium Term Financial Strategy – revenue projections for the Council for the next 5 years, taking into account latest information and decisions by Members.
 - 1.9 Reserves and Balances – details on the funds held by the Council and the proposed usage thereof.
 - 1.10 Capital Programme – details of Council's capital projects and funding thereof.
 - 1.11 WDC / SDC Joint Working.
 - 1.12 Appropriation of funding and balances – proposals for the allocation of one-off funding allocations.
 - 1.13 Pre-planned Maintenance Programme – agreement to the plan for 2022/23.

1.2 2021/22 Latest Revenue Budget

- 1.2.1 The current year revenue budget was last considered by Cabinet in December 2021 at part of the Q2 Budget Review report. At that time a £511,000 favourable position was forecast for the year, which was to be partly driven by non-ring fenced Government grants.
- 1.2.2 Throughout 2021/22 expenditure/income has been reviewed against budgets, with this helping to inform the Budget Process. Part of this process is to review the current year's budgets to ensure that they are up to date and relevant to the needs and requirements of the service areas. Budgets have been reviewed throughout the year on a regular basis, and more formally through the Quarterly Budget Review reports presented to members in September and December. Therefore the primary focus of this report will be on the 2022/23 budgets.
- 1.2.3 However, there have been some further notable changes that have impacted on the financial position for the current year:

Expenditure Growth / Income Reductions

- Local lottery scheme currently not proposed to be taken forward at this stage (+£31k)
- Increased requirement on contingency budget during year as a result of it being over-committed (+£23k)

Expenditure Savings / Increased Income

- Additional grants above those budgeted received in year across services, many of which are to support services impacted by COVID-19, including:
 - Rough Sleeping Initiative and Flexible Homeless Support Grant (-£130k),
 - Housing Benefit New Burdens, Administration and Local Council Tax Support admin subsidy grant (-£45k)
 - Land registry grant (-£90k)
 - Test and trace support Admin grants (-£54k)

Grant will be used in the first instance to offset the additional costs associated with interventions implemented throughout the year.

- Vistry Loan income to fund one-off legal costs (-£135k)
- Sale of Equity funds in year (-£400k)
- Delay to Kenilworth Leisure development (-£500k)
- New planning performance fee charges introduced in 2021/22 (-£33k)
- Utility savings due to closure of premises (-£43k)
- Staffing recruitment delays for fixed term reserve funded posts (-£35k)

- 1.2.4 As a result of the changes summarised above, a surplus of £1.425m is forecast to be achieved for 2021/22. The allocation of the surplus is discussed in section 1.12.2.

1.3 2022/23 Revenue Budget

1.3.1 In preparing the 2022/23 Base Budget the over-riding principle is to budget for the continuation of services at the existing level. The following adjustments need to be made to the 2021/22 Original Budget.

- Removal of any one-off and temporary items
- Addition of inflation
- Addition of previously agreed Growth items
- Addition of unavoidable Growth items
- Inclusion of any identified savings

1.3.2 Core inflation of 2% has been included in the proposed 2022/23 Budget. The exceptions to this are:-

- Waste Contract (set at 4%, but subject to review in July before new contract commences)
- Cleaning contract (2.6%)
- Business Rates (3.2%)

1.3.3 The following unavoidable growth has been included in the Budget:-

- A 2% staffing pay increase has been factored in for 2022/23, subject to pay negotiations.
- An increase in the National Insurance contributions, as agreed in the Autumn Budget statement.
- The interest paid on PWLB borrowing to support approved schemes including our contribution to the establishment of the Materials Recycling Facility in Coventry, and the purchase of vehicles as part of the new waste collection service(+£500k)
- Increased cost of utilities due to the rise in wholesale prices (+£17,200)

1.3.4 As part of agreeing the 2021/22 Budget last year, a series of Budget savings were included. These have continued to be monitored throughout the year, and reported to members as necessary.

1.3.5 The 2022/23 budget shows a deficit of £1.076m. The key drivers of the 2022/23 forecast deficit, compared to when the MTFs was presented to members in December 2021 Q2 Budget report include:

- £936k reduction in anticipated garden waste income (see section 1.15)
- Increase in contingency provision for inflation, major contracts and ad-hoc developments in-year £800k

Offset by:

- Increase in fees and charges above expected level (-£429k)
- Increase in forecast parking income (-£250k)

1.3.6 To present a balanced budget, it is proposed to use the 21/22 surplus (see section 1.12.2).

1.3.7 Appendix 2b includes details of the breakdown of the Budget over the Council's individual services.

1.4 Local Government Finance Settlement

1.4.1 The Provisional Local Government Finance Settlement was announced on 16 December. The settlement is for one year only and is based on the Spending Review 2021 (SR21) funding levels announced in the Chancellor's Autumn Budget. This is the first time since 2015 that, in the context of a multi-year Spending Review, the government has only provided local authorities with a single-year settlement. The hoped-for multi-year settlement has again not been forthcoming, which continues to make financial planning very difficult for local authorities. The settlement is due to be confirmed by the Government in January/February 2022, ahead of local authorities confirming their budgets for 2022/23.

1.4.2 The Settlement included some specific grant funding for local authorities. Those relevant to this Council are:-

Grant	2021/22	2022/23
	£000	£000
Lower Tier Services	147	155
Services Grant	0	238

1.4.3 The Services Grant is deemed to include funding towards the increase in National Insurance contributions due to come in from April 2022. There is no indication as to whether these grants will continue for future years.

1.5 Business Rates

1.5.1 Under the current business Rate Retentions scheme, 50% of rates collected are retained within local government, with a series of tariffs and top-ups to redistribute the revenue between local authorities to reflect the individual "needs" of authorities, and to distribute revenue to non-billing authorities. For some years the Government has been planning a move to a 75% scheme to give local authorities more incentive to encourage local businesses on the basis that the local councils would get to retain a greater proportion of the tax revenue. Michael Gove, the Secretary of State, recently announced that the scheme will not alter from the current 50% scheme to 75% on the basis that this may not be in line with the Levelling Up agenda.

1.5.2 The other planned change to the Business Rate Retention system is for there to be a "Re-set" of the Baselines. Under the system, each authority has a Baseline, and gets to retain a proportion of the additional tax revenues above this. Authorities such as Stratford and Warwick have benefitted from this since the scheme began and operate well above Baseline. If there is a re-set to the Baseline, this would reduce the business rates that the Council retains substantially. For the third consecutive year the re-set has been delayed, with it now expected to be from 2023/24. This delay is good news for the Council's finances, but it does present a stepped decrease in the Council's forecast Business Rate income from 2023/24.

1.5.3 The Business Rate Retention scheme is very complex, with many components and parameters which drive the funding, and the timing of that funding, that Councils receive. The Council's Business Rate Retention projections are based on figures provided by Local Government Futures, a specialist consultancy that many local authorities subscribe to.

1.5.4 Given the large fluctuations in the business rates, and the difficulty in projecting the revenue, it is important that the Council continues to retain a "Volatility Reserve". Any increased business rate revenue received in the year are allocated to the reserve, whilst any shortfall should be funded from the reserve. The balance on the reserve will be kept under review. The balance of the reserve is currently forecast to be £7.6m as at 31 March 2027. It should be noted that an annual swing in revenue of £1m (which is quite possible with a "re-set"), would soon have this balance fully utilised.

1.6 Council Tax

1.6.1 As part of the Finance Settlement the Government has again confirmed that for district councils, their element of council tax can increase by the higher of £2% or £5 for 2022/23. As £5 is higher than 2% for this Council, this is the maximum increase in council tax for 2022/23. Any increase above this level would be required to be ratified by a local referendum.

1.6.2 Both Stratford and Warwick are relatively low taxing authorities, with Stratford ranked 19/181 district councils for 2021/22 and Warwick 62/181, excluding parish precepts (38/181 and 33/181 respectively if parish precepts are included).

1.6.3 Increasing the council tax by the maximum will protect the Council's tax base and maximise council tax revenue. If the Council agrees a lesser increase than £5, this will erode the tax revenue of Warwick District Council from 2022/23 and for the proposed South Warwickshire District Council. A £5 increase would generate an additional £282,000 in 2022/23. If council tax is not increased, the Council's revenue income for all future years will be suppressed by at least this amount. With the Council having to find further revenue savings in future years, the savings to be found will be that much greater. If savings in service provision are not found, it will be necessary to make reductions in services to enable the Council to be able to agree a balanced Budget in future years.

1.6.4 Assuming Stratford and Warwick Councils form the new local authority from 2024/25, it will be at that stage that council tax harmonisation should be considered. This was discussed in the December Cabinet report on the proposed merger. At this stage it is not possible for Stratford to seek an increase above the £5 towards harmonisation.

1.6.5 The Tax Base for 2022/23 has now been agreed at 56,400 Band D dwellings. This represents a reduction of 100 from what had been allowed for within the Council's Medium Term Financial Strategy. This reduction reflects the number of new properties across the district not coming forward as quickly as previously allowed for in the projections.

1.6.6 The 2021/22 estimated council tax balance in respect of Council Tax income for the current year has recently been reviewed. This gives a total estimated surplus balance of £295k as at 31 March 2022. This balance has to be shared with the major preceptors in 2022/23, with this Council's element being £31k. This surplus balance again reflects the additional growth in properties across the district during the current year, and how the current year estimated tax base of 12 months ago has been exceeded. Estimating the tax base is invariably very difficult, and frequently results in a deficit or surplus balance which would need to be financed subsequently.

1.6.7 The Medium Term Financial Strategy (discussed in section 1.8) includes council tax increases for future years of £5 per annum from 2023/24. Any departure from this will need to increase the savings which need to be agreed.

1.6.8 The recommendation within this report is for District Council's element of council tax for 2022/23 to remain at the 2021/22 levels. On this basis, the 2022/23 council tax for each band would be as follows:-

	£
Band A	117.91
Band B	137.56
Band C	157.21
Band D	176.86
Band E	216.16
Band F	255.46
Band G	294.77
Band H	353.72

1.6.9 Members 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.

1.7 New Homes Bonus

1.7.1 For some years the future of New Homes Bonus (NHB) has been subject to review, adding to uncertainty to its continuation. Following on from the 2021 Finance Settlement, local authorities could only expect to receive the "legacy payment" from 2019/20 in 2022/23, that is £1.278m for Warwick District Council.

1.7.2 The recent provisional settlement has included new additional allocations for 2022/23 of £1.409m, bringing the total payments for 2022/23 to £2.681m. There are no legacy payments attached to these new allocations.

1.7.3 The Council continues to use NHB to fund one-off items, or to support reserves. This is in view of the uncertainty over future allocations, so it has been prudent not to use this funding to support core revenue expenditure, with this revenue only factored into the Medium Term Financial Strategy once it has been agreed for each year.

1.8 Medium Term Financial Strategy

1.8.1 The MTFS was last formally reported to members in December as part of the Q2 Budget report, with the profile for future years being as follows: -

	2021/22 (Latest)	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus(-) future years	-557	-1,258	-1,230	-1,900	-1,571	-1,107
Change on previous year	0	-1,258	28	-670	329	464

1.8.2 Once the changes outlined for 2021/22 and 2022/23 through the Budget Setting process (sections 1.2 – 1.7, with the major changes highlighted) have been incorporated into the Strategy, the position of the MTFS is now as follows:

	2021/22 (Latest)	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
MTFS Q2 Dec 21 Deficit-Savings Req(+)/Surplus(-) future years	-557	-1,258	-1,230	-1,900	-1,571	-1,107
Surplus transferred to Service Transformation Reserve (Approved Q2)	557					
Tax base reduced forecast		18	19	19	20	21
Council Tax 1 year Freeze		282	285	288	291	294
Green waste charges		936				
PWLB Borrowing		500	510	520	531	541
Equity Fund Income	-400					
Fees and Charges	-112	-63	-72	-80	-92	-105
Grants Received	-843	-393				
Inflation Contingency		100	102	104	106	108

Contingency for in-year developments		200	204	208	212	216
Contracts Contingency		500	510	520	531	541
Leisure Concession above forecast activity	-288					
Budget setting	-474	-56	266	122	-38	-77
IAS19 Pension Adj	692	310	310	310	310	310
Budget Setting MTFS Deficit-Savings Req(+)/Surplus(-) future years	-1425	1,076	904	112	300	743
Change on previous year	0	1,076	-172	-792	188	443

1.8.3 Section 1.12.3 proposes how the surplus is to be allocated, including its use to balance the 2022/23 budget. The below table shows the MTFS once this has been actioned.

	2021/22 (Latest)	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus(-) future years	0	0	904	112	300	743
Change on previous year	0	0	904	-792	188	443

1.8.4 New initiatives will need to be agreed over the next year to enable savings or additional income to be generated so as to remove the forecast £904k deficit in 2023/24. By using the Business Rate Retention Volatility Reserve (BRRVR – see section 1.9.3) over the last few years, the Council has given itself some time to get new initiatives in place. However, it now needs to develop strategies above those already agreed for balancing its budget over the medium to long term to create a sustainable platform to deliver services. The Council has already started realising ways to improve returns from its investments, in particular through the Local Housing Company, which will also have social benefits as well as economic to both the District and the Council. This will be discussed in greater detail as part of the updated Treasury Management Strategy, which will be presented to Cabinet in March.

1.9 Reserves and Balances

- 1.9.1 Members have previously 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 completed (Appendix 4). This shows the requirement for maintaining this minimum balance to mitigate against the risks that have been identified, where other funding is not available.
- 1.9.2 The General Fund Balance is currently £3.34m, this being above the minimum level of £1.5m. The use of this excess balance is considered in section 1.12.
- 1.9.3 The Business Rate Retention Volatility Reserve (BRRVR) has been used over the duration of the MTFS to help smooth the savings needed to be secured, with much of the shortfall being across the period 2020/21 to 2022/23 as a result of COVID-19. The BRRVR is currently forecast to have an unallocated balance of £7.6m as at 31 March 2027. Business rates are discussed in section 1.5, including the expected changes to Business Rate Retention which have been delayed over the last few years. With the result of the expected changes in mind, the balance of this reserve should not be allowed to go below a level of £2.5m.
- 1.9.4 Within this report two new reserves are proposed to allow for funding to be set aside for the planned merger with Stratford District Council. These are the Services Alignment Reserve, and the ICT Service System Alignment Reserve. These are discussed in more detail in section 1.11.
- 1.9.5 The full reserve projections is included within Appendix 5, alongside the explanation for each reserve. Some of the reserves will have additional commitments not reflected in the schedule, which will reduce the projected balances. It will also be noted that some reserves are potentially over-committed, which would require further funds allocating in a future year.

1.10 Capital Programme

- 1.10.1 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. A report supported by the necessary Business Case should be prepared for review and approval by Cabinet, identifying the means of funding and, where appropriate, demonstrating an options appraisal exercise has been carried out. Should there be any additional revenue costs arising from schemes, the proposed means of financing such must also be included in the Report and Business Plan.
- 1.10.2 The Capital Programme has been updated throughout the year as new and amended projects have been approved. Appendix 9, consisting of 5 parts, details both the General Fund and Housing Investment Programme (HIP) Capital programmes, along with their associated funding. Appendix 8 details the variations to the capital programme as new schemes have been approved and projects have been updated. The most notable schemes are detailed below:

Scheme	Year	Amount	Financed From
Princes Drive Rail Bridge Refurbishment and Public Art Project	2021/22	£121k	Service Transformation Reserve

Scheme	Year	Amount	Financed From
Warwick Gates Community Centre Extension	2021/22	£151k	External Contributions
Kenilworth Leisure Centres Refurb	2021/22 2022/23 2023/24	£957k £17.549m £467k	Capital Receipts / Borrowing
Decarbonisation Grant re Temperate House, Jubilee House and Sports Pavilion	2021/22	£902k	Borrowing
Frontline Vehicle Fleet	2022/23	£8.609m	Borrowing
Kenilworth Leisure Centres Fit-Out costs	2022/23	£697k	Leisure Options Reserve
ICT software Strategy	2022/23 2023/24 2024/25	£200k £100k £50l	ICT Replacement Reserve
Desktop Infrastructure, inc servers, network	2024/25 2025/26	£170k £221k	ICT Replacement Reserve
Recycling and Refuse Containers	2025/26	£80k	Revenue Contributions

1.10.3 Within the changes now proposed in the Capital Programme is £697k for the fit-out cost of Kenilworth Leisure Centres, which would need to be added to the overall scheme costs.

1.10.4 £765k is currently held in the Leisure Options Reserve. Of this, £740k was specifically allocated to cover revenue costs whilst the Kenilworth Leisure Centres were being developed in respect of:-

- Costs of the operator – this cost has now been allowed for in the changes to the concession from the leisure centre operator as a result of the impact of the pandemic.
- Revenue implications of capital funding – this cost has been included within the Budget and Medium Term Strategy.

1.10.5 As a consequence, it has not been necessary to use the additional funding set aside in the Leisure Options Reserve as intended, with it now proposed to use it to fund these Fit-Out costs.

1.10.6 The vehicles associated with the new waste collection contract £8.609m will be purchased by Warwick District Council, with half of the cost then recharged to Stratford District Council.

1.10.7 Within the MTFs, no funding has been allowed for Rural and Urban Initiatives from 2023/24 as part of the savings agreed in December 2020. If the scheme is to continue from 2023/24, additional funding will need to be found as part of future budget setting proposals.

1.10.8 Slippage and savings on existing schemes are also detailed within Appendix 8.

1.10.9 The Housing Investment Programme and associated funding are included within Appendices 9 parts 2 and 4. Additional borrowing is the primary source of funding for new construction and acquisition projects.

1.10.7 Appendix 9 Part 5 shows the General Fund unallocated capital resources. These total £2.161m in 2021/22. The Capital Investment Reserve represents the largest share of this at just over £1m, 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, "Any Purposes Capital Receipts" are projected to total £8.3m as at 31 March 2022 (see section 1.12.6).

1.11 SDC/WDC Joint working

1.11.1 As a consequence of the Council agreeing in December 2021 to progress with Stratford DC to form a new South Warwickshire District Council, funds are required to be set aside to support the alignment of the staff in both authorities. The sums proposed to be set aside are repeated below:-

	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000
Cost of Service Integration Support – 1 off costs	500	500	500	1,500
Redundancy/Pension Strain	500	500	500	1,500
Terms and Conditions – Harmonisation – Salary protection	500	500	500	1,500
Total	1,500	1,500	1,500	4,500
SDC Share	600	600	600	1,800
WDC Share	900	900	900	2,700

1.11.2 These costs are proposed to be shared between SDC/WDC based on the number of General Fund Full Time Equivalent staff (that is excluding the WDC Housing Revenue Account). On this basis, £900k has been included in the 2022/23 Budget funded from New Homes Bonus (see section 1.13) as included within paragraph 1.11.1, with similar sums to be funded as part of the 2023/24 and 2024/25 Budgets. The proposed Budget for Stratford District Council allows for £600k per annum for 3 years.

1.11.3 This funding is proposed to be set aside into a new Service Alignment Reserve, with SDC holding a similar reserve. Drawings against this funding should be shared proportionately between the two councils.

1.11.4 At this stage, it is expected that there will be initial demand upon the "Service Integration Support – one off costs" in respect of primarily additional HR/ICT and Finance staff. As service alignments progress, alongside the intended

savings, there will be demand upon the Redundancy Costs/Pension Strain. Terms and Conditions – Harmonisation – Salary protection costs will not be incurred until the Councils have agreed the approach to harmonising terms and conditions.

1.11.5 It is proposed that drawdown from the Service Alignment Reserve is delegated to the Chief Executive, in consultation with the Head of Finance, Leader of the Council, Resources Portfolio Holder and Chief Executive for Stratford DC. Similar arrangements are proposed for SDC. In drawing down funding, each element of the overall Reserve should be ring-fenced to the three constituent parts.

1.11.6 In addition to the service alignment costs considered here, there will be further ICT system replacement costs as the two authorities seek to align systems. These costs have not been allowed for elsewhere. It is proposed that £0.5m from the General Fund Balance (discussed in paragraph 1.12.2 below) is allocated to a new ICT Service Systems Alignment Reserve. Where funding is required, this will need to be subject to a Business Cases being agreed by the Chief Executive, in consultation with the Head of Finance, Leader of the Council, Resources Portfolio Holder and Chief Executive for Stratford DC. Similar arrangements are proposed for SDC.

1.11.7 It is proposed to bring a report to both SDC and WDC Cabinets considering the finances of both authorities. This is likely to include:-

- A merged MTFS
- Review of the savings plans of both Councils
- Review and potential alignment of the reserves of both Councils
- Any principles that should be applied both Councils in respect to the management and commitment of finances in the period before the proposed new authority comes into being.

1.12 Appropriation of Funding and Balances

1.12.1 The Council does have some balances and funding which it is able to use to fund specific projects and service demands. The sums available can be used to fund 'one-off' items only. Any initiatives that will result in a recurring cost to the Council need to be accommodated within the revenue budget. The proposed usage of these funds and balances are detailed below.

1.12.2 General Fund Surplus 2021/22

As discussed in section 1.2, for the current year, the Council is forecasting a surplus of £1.425m for the various reasons outlined. Conversely, 2022/23 is presenting a significant deficit of £1.076m. It is proposed that the current year surplus is used to cover the 2022/23 deficit, with £300k being allocated to the Community Projects Reserve.

1.12.3 General Fund Balance

The Council's policy is for the General Fund Balance to be maintained at a minimum level of £1.5m, as discussed in paragraph 1.9.1. As at 31 March 2021, the unallocated balance was £3.34m. Within paragraph 1.1.6 it is proposed £0.5m of this balance is allocated to a new ICT Service Systems Alignment Reserve.

1.12.4 Given the significant uncertainty the Council is facing over future funding, and potential increased costs relating to the proposed merger with Warwick District

Council, this additional General Fund Balance does present additional financial security for the Council.

1.12.5 New Homes Bonus

As outlined in section 1.7, the Council will receive £2.681m in 2022/23. As part of the Budget setting report agreed by members in February 2021, £1.278m of this allocation had already been allocated as the Council expected to receive 'legacy payments'. Therefore the table below outlines previously agreed and new proposals.

New Homes Bonus 2022/23	Approved Feb 2021 £'000	New proposals £'000	
Commonwealth Games Reserve – agreed 5 annual allocations per Executive March 2018	150		
Climate Change year 2 of 3, agreed within February 2020 Budget report (substitute Calculations). Cost of post shared with Stratford DC.	52		
Platform (previously Waterloo) Housing Group - Joint Venture Commitment	45	150	
Voluntary/Community Sector Commissioning – funded from NHB not core budget, as per December 2020 Executive. Funding from 2023/24 to be considered for 2023/24 Budget.	282		*
Rural and Capital Initiatives Grants – funded from NHB not core budget as per December 2020 Executive. Allocation reduced from £150k in view of many towns/parishes now in receipt of CIL. Funding from 2023/24 to be considered for 2023/24 Budget.	100		*
Public Amenity Reserve – to fund work on Council play areas and open spaces	270		
Joint Local Plan – required to match SDC funding, further contributions required in future years.	200	100	*
Future High Street Fund	119		
Lord Leyster Hospital – underwriting of HLF award match funding	60		
SDC/WDC Joint Working – as discussed in paragraph 1.11.2. Further similar allocations required for 2023/24 and 2024/25.		900	*
Shakespeare's England – it is proposed to increase the contribution from both SDC and WDC to £100k for 2022/23 and 2023/24. The use of this funding will be subject to a further report being agreed by Cabinet. Additional funding for 2023/24 would need to be considered for inclusion in the 2023/24 Budget.		25	*
Tree planting		140	*
Disabled Facilities Grants – HEART scheme additional funding		5	
Service Transformation Reserve		89	
Total	1,278	1,409	
Total Allocated		2,681	

- * Indicates further funding will need to be allocated for future years as part of 2023/24 Budget process.

1.12.6 Right to Buy (Any Purpose) Capital Receipts.

As at 31 March 2021, the Council held £7.365m in useable Right to Buy Capital Receipts. This balance is projected to increase by £1m in 2022/23 to give an anticipated balance as at 31 March 2022 of £8.256m. Most of the balance is proposed to be used towards the Kenilworth Leisure Centre, as agreed by Cabinet in February 2021.

1.13 Planned Preventative Maintenance Budget (PPM)

- 1.13.1 The proposed PPM budget will enable the Council to proactively maintain all existing corporate assets (i.e. all assets owned by the Council other than its Housing Revenue Account homes, shops, garages and land) in a suitable condition unless or until any future decisions are made in respect of individual assets through a Corporate Asset Management Strategy.
- 1.13.2 The proposed budget allocation for 2022/23 is based on a review of the current PPM data by officers within the Assets Team, in consultation with building managers from other services which hold or operate specific assets. The Proposed Corporate Property & Planned Preventative Maintenance (PPM) Programme works 2021/22 is set out at Appendix 11 to this report.
- 1.13.3 For 2022/23, the total PPM budget is £803,600. This will be funded using £413,200 from the Annual Revenue PPM budget and a £390,400 drawdown from the Corporate Assets Reserve. This is expected to leave a £272,900 balance as at 31 March 2022. Further detail of the PPM funding is also set out with Appendix 11.

1.14 Constitution

- 1.14.1 Article 14 of the Constitution specifies when contracts need to be signed under seal, this being contracts over £50,000. The Code of Procurement Practice was updated earlier this year so any contract with a value exceeding sums specified in the Public Contracts Directive must be made under the common seal of the Council. Accordingly, it recommended that Article 14 of the Constitution is updated to read:-

Any Contract entered into on behalf of the local authority in course of the discharge of an executive function shall be made in writing. Any contract with value exceeding ~~fifty thousand pounds (£50,000)~~ sums specified in the Public Contracts Directive must be made under the common seal of the Council"

1.15 Green Waste Charges

- 1.15.1 The introduction of charging for garden waste services was discussed with Members in 2020 when the decision was taken to work in partnership with Stratford District Council (SDC) to introduce a new '123' waste collection service from August 2022. SDC had decided in 2019 to introduce garden waste charges but delayed implementation for a year because of the pandemic. As WDC does not have a green waste charge in place, this is the only area not fully aligned between the two Councils for the 2022 contract. SDC went live with charging in April 2021 with a charge of £40. Take-up has significantly surpassed expectations with approx.48,000 subscribers (76%) resulting in new income of £1.77m against a target of £0.75m.

- 1.15.2 The collection of garden waste is not a statutory service – i.e. one that the Council is obliged to provide, and therefore the Council may charge for this discretionary service should they wish to. Charging for garden waste collections has become more common over recent years, providing a legitimate way to raise new income to contribute to the provision of expensive and front facing waste collection and cleansing services.
- 1.15.3 Over 75% of Local Authorities in England currently charge for garden waste collections with prices ranging from £25 to over £90 per year. The average is around £46 per year. Average take up rates are around 40 - 60% of all households. WDC is the only district in Warwickshire that doesn't currently charge for the collection of green waste.
- 1.15.4 A charge of £20 per bin is proposed for the first year, from 1st August 2022, due to the service being provided for only two thirds of the year. For the first full financial year of the service, a charge of £44 per bin is proposed. Garden waste collection will be provided as an opt-in service.
- 1.15.5 The introduction of garden waste charges was initially approved in principle as part of the budget proposals agreed in the December 2020 report 'General Fund Financial Update'. It was originally forecast that £600k of income would be generate by the service in 2022/23, rising to £900k by 2022/23.
- 1.15.6 The estimated income were revised in the Q1 Budget Report presented to members in September 2021 to £1m p.a. from 2022/23, based on an implementation date of 1st April 2022.
- 1.15.7 However, with the charges not proposed to be charged until 1st August, in line with the introduction of the new waste collection service, the forecast has now been revised down to £64k in 2022/23, based upon the part year charge of £20 and a 5% take up to the service.
- 1.15.8 It is then forecast that the service will generate £1m from 2023/24, based upon a charge of £44 and a 50% take up of the service.
- 1.15.9 There is a cost of £1.05 for the issue and postage of each permit. Marketing and promotional costs will also be incurred. A £50k budget is already in place for 2022/23 to cover the start-up costs of the service.
- 1.15.10 It should be noted that the new waste collection contract, due to commence 1 August, was agreed based upon a 50% take up of the service. Were the changes not to be introduced alongside the new contract, the cost of collection would increase (alongside any loss of income) due to the need to still provide a 100% collection service to all 51,700 households in Warwick District with a garden.

1.16 Addendum to Community Protection Fees and Charges

- 1.16.1 Appendix 12 outlines an addendum to the Community Protection Fees, based upon a review of the Pest Control Service. This was outlined in the Fees and Charges report presented to Cabinet in November 21, but without the revised charges being included. These are now reflected in the appendix.
- 1.16.2 The review determined that the fees and charges need to be increased in order to ensure the service is able to viable for the future. These fees have after careful consideration been brought into line with those that are charged by Stratford On Avon District Council as part of a staged programme of team alignment.
- 1.16.3 The proposed fees introduce a fee for the treatment of rats and for the provision of advice or cancelled/no show visits. It is also proposed that reduced

fees are also removed for those currently eligible. This is necessary in order to generate the required savings/income required by the Medium Term Financial plan. Careful consideration has been given to implications of these changes to ensure the ability of the service to continue and to manage the impact of these changes on residents.

- 1.16.4 Investigation has highlighted that those persons engaging the pest control service for rats do so as the service is free of charge, no matter their financial situation rather than paying a commercial contractor (current national average cost £150). This is reflected in the large number of rat treatments the council undertakes in relation to the other pests treated.
- 1.16.5 It should be noted that the council is not legally obliged to provide a full pest control service; it does however have a legal responsibility (statutory duty) to deal with pests on its own land and it also has an enforcement role to ensure that people take appropriate action to control pests on their own land or in their property. This duty is set out in the Prevention of Damage by Pests Act 1949, which deals with rodent infestations, and the Public Health Act 1936 which covers 'verminous premises. This enforcement is normally through the service of enforcement notices. WDC will continue to honour its land ownership responsibilities in relation to pest management.

1.17 Use of Chief Executive's Emergency powers

1.17.1 There have been two occasions for the exercise of the Chief Executive's powers in consultation with Group Leaders.

1.17.2 Firstly, support was sought for the exercise of the Chief Executive's emergency powers to conclude the lease negotiations for the occupation of the refurbished Spencer Street Church. The outstanding issue was to offer 16 parking passes free for the company which is to occupy the premises to use in the Old Town area. However, to be consistent this should mean that we make the same offer to other tenants (29 passes) for a 5-year period. The cost going forward would then be incorporated into the rent review. The free passes would mean if used to the full extent an impact of £128,250 lost income over 5 years but would secure the location of a company and the employment it would bring with it to underpin the Creative Quarter work as well as secure an occupier for an empty building. 4 out of the 5 Group Leaders agreed. A disagreement by one was noted.

1.17.2 Secondly, the new ARG scheme to assist companies on a discretionary basis needed to be introduced as from 28th January. All group leaders agreed.

2 Alternative Options available to Council

2.1 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 amend the current year's Budget. However, the proposed latest 2021/22 and 2022/23 budgets seek to reflect the decisions made by Members and make appropriate recommendations. Any changes to the proposed budgets will need to be fully considered to ensure all implications (financial or otherwise) are addressed. If any Member is considering suggesting changes to the proposed Budget, these proposals should be discussed (in confidence) with the Head of Finance beforehand to ensure all implications are considered, including funding. If appropriate, alternate Budget papers can be prepared for consideration by Council.

- 2.2 As discussed in section 1.6, the Council does have the ability to increase its share of council tax by up to £5 at Band D for 2022/23. This level of increase has been included in the Medium Term Financial Strategy for from 2023/24. If the Council was to increase council tax by £5 in 2022/23, this would generate an additional £282k, which would help to protect the Council's future revenue base. Given the significant level of new savings to be found in future years (in addition to the previously agreed savings, many of which have yet to materialise), this potential additional income from a council tax increase would significantly contribute to making the Council's finances more resilient on a recurring basis into the future.

3 Consultation and Member's comments

- 3.1 Include any comments received in response to the consultation on the report.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

- 4.1.1 There are no direct legal/human rights implications to this report.

4.2 Financial

- 4.2.1 This is a finance report which proposes the draft Revenue Budget for 2022/23 and the position for the MTFs up to 2026/27. The report also identifies the proposed Capital Programme for same period.

4.3 Council Plan

- 4.3.1 This process has been developed to assist the Council in prioritising resources in order to achieve the objectives of the Council Plan.

4.4 Environmental/Climate Change Implications

- 4.5 There are no direct environmental or climate change implications arising as part of this report other than the proposed allocations to the Climate Change Reserve as detailed in the report.

4.6 Analysis of the effects on Equality

- 4.6.1 There are no direct equality implications arising as part of this report.

4.7 Data Protection

- 4.7.1 There are no data protection implications arising as part of this report.

4.8 Health and Wellbeing

- 4.8.1 There are no direct health and wellbeing implications arising as part of this report.

5 Risk Assessment

- 5.1 There are significant financial risks facing all local authorities. Key areas of risk include:

5.2 Business Rate Retention

As detailed in section 1.5, there are still substantial risks around Business Rates Retention, especially from 2023/24 with the following changes expected:-

- The impact of the Fair Funding Review
- The re-set of the Baselines.

Whilst the Council's business rates retention forecasts are believed to be prudent for the future, there is the possibility future receipts being those

anticipated.

- 5.3 The Strategy assumes £5 per annum increases in Council Tax for future years from 2023/24 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.
- 5.4 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.
- 5.5 As a result of COVID-19 and Brexit, there is still economic uncertainty. Some of the specific risks faced include:
- Interest rates are currently low, but are forecast to rise in the near future, following a first change in over 18 months in December 2021. While the Council has benefitted from this when taking on additional debt to fund capital projects, it has also resulted in investment returns continuing to be low, reducing the Council's revenue income.
 - Inflation continues to remain high. This is a challenge for the Council when trying to contain the cost of its supplies and services.
 - Unemployment has increased as a result of the pandemic. Increased unemployment does put increased pressure onto Council's services, notably in relation to housing and council tax support.
 - Council Tax income continues to be suppressed through reduced growth in the Council Tax base, with more claimants of Council Tax support and delays to new property completions. The Council's share of Business Rates is limited by Government. This would be further hit if more local businesses cease trading as a result of the current economic trading conditions.
- 5.6 The MTFS has a significant amount of ambitious savings built in from the Fit for the Future Change Programme. Failure to deliver these projects, all or in part, will increase the deficit and savings yet to be identified. Delays to capital scheme 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. A number of budget proposals originally approved in December 2020 have been subject to delays or reductions in scope over the last year.
- 5.7 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.
- 5.8 Changes in legislation may influence assumptions built into Budgets and the 5-year Strategy as well as increasing the costs of implementing these changes.
- 5.9 As previously reported to Members and included within Section 1.9 (Reserves and Balances), the financial projections do not allow for adequate funding to enable the Council to maintain its assets. 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 1.8 (MTFS), the Council needs to secure funding to enable these reserves to be replenished, and so maintain current service provision.

5.10 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 Cabinet and the Joint 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. Legal services).
- 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 2022/23 Budget there is a Contingency Budget of £200k for any unplanned unavoidable expenditure. In addition there is a £100k Budget to mitigate against any inflationary increases.
- Reserves – The Council holds reserves as discussed within section 1.9. Whilst much of these reserves have already been earmarked for specific projects, it is important that reserves are held for any unforeseen demands.
- A General Fund Balance is held and available to accommodate any unforeseen variations in income and expenditure.

6 Conclusion/Reasons for the Recommendation

6.1 In approving the 2022/23 Budget and Medium Term Financial Strategy as laid out in this report, the savings previously agreed need to be fully achieved, together with further savings approaching £1m to enable a balanced Budget to be agreed in 12 months' time for 2023/24. Provide a summary of the proposals and reasons for it by way of a conclusion.

Report Information Sheet

Please complete and submit to Democratic Services with draft report

Committee/Date		
Title of report		
Consultations undertaken		
Consultee *required	Date	Details of consultation /comments received
Ward Member(s)		
Portfolio Holder WDC & SDC *		
Financial Services *		
Legal Services *		
Other Services		
Chief Executive(s)		
Head of Service(s)		
Section 151 Officer		
Monitoring Officer		
CMT (WDC)		
Leadership Co-ordination Group (WDC)		
Other organisations		
Final decision by this Committee or rec to another Ctte/Council?		Recommendation to :Cabinet / CouncilCommittee
Contrary to Policy/Budget framework		No/Yes
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No/Yes, Paragraphs :
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No/Yes, Forward Plan item – scheduled for (date)

Accessibility Checked?		File/Info/Inspect Document/Check Accessibility
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