Executive

Wednesday 11 February 2015

A meeting of the Executive will be held at the Town Hall, Royal Leamington Spa on Wednesday 11 February 2015 at 6.00pm.

Membership:

Councillor A Mobbs (Chair)

Councillor L Caborn	Councillor J Hammon
Councillor M Coker	Councillor D Shilton
Councillor S Cross	Councillor N Vincett
Councillor Mrs S Gallagher	

Also attending (but not members of the Executive):

Independent Group Observer	Councillor MacKay
Labour Group Observer	Councillor Edwards
Liberal Democrat Group Observer	Councillor Boad
Chair of the Overview & Scrutiny Committee	Councillor Mrs Falp
Chair of the Finance & Audit Scrutiny Committee	Councillor Barrott

Emergency Procedure

At the commencement of the meeting, the Chairman will announce the emergency procedure for the Town Hall.

Agenda

1. **Declarations of Interest**

Members to declare the existence and nature of interests in items on the agenda in accordance with the adopted Code of Conduct.

Declarations should be entered on the form to be circulated with the attendance sheet and declared during this item. However, the existence and nature of any interest that subsequently becomes apparent during the course of the meeting must be disclosed immediately. If the interest is not registered, Members must notify the Monitoring Officer of the interest within 28 days.

Members are also reminded of the need to declare predetermination on any matter.

If Members are unsure about whether or not they have an interest, or about its nature, they are strongly advised to seek advice from officers prior to the meeting.

2. **Minutes**

To confirm the minutes of the meetings held on 14 and 28 January 2015
(To follow)

Part 1
(Items upon which a decision by Council is required)

3. **Election of Chairman and Vice-Chairman of the Council 2015/16**

In accordance with Procedure Rule 23, to recommend to Council the persons to be elected as the Chairman and the Vice-Chairman of the Council for 2015/16

4. **Treasury Management Strategy Plan for 2015/2016**

To consider a report from Finance **(Item 4/Page 1)**

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

To consider a report from Finance **(Item 5/Page 1)**

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

To consider a report from Finance **(Item 6/Page 1)**

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

To consider a report from Finance **(Item 7/Page 1)**

Part 2
(Items upon which the approval of the Council is not required)

8. **Allocation of Budget to deliver Voluntary Sector Services in Warwick District 2015-2018**

To consider a report from the Community Partnership Team **(Item 8/Page 1)**

9. **Public and Press**

To consider resolving that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following items by reason of the likely disclosure of exempt information within the paragraphs of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006, as set out below.

Item Nos.	Para Nos.	Reason
10 & 11	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

10. **Exemption to the Code of Procurement Practice – Extension of Aids & Adaptations Building Works Contract**

To consider a report from Housing and Property Services **(Item 10/Page 1)**
(Not for Publication)

11. **Disposal of WDC owned land at Station Approach in Royal Leamington Spa**

To consider a report from Development Services **(Item 11/Page 1)**
(Not for Publication)

12. **Minutes**

To consider the confidential minutes of 3 December 2014 **(Item 12/Page 1)**
(Not for Publication)

Agenda published Friday 30 January 2015

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For enquiries about specific reports, please contact the officers named in the reports You can e-mail the members of the Executive at executive@warwickdc.gov.uk

Details of all the Council's committees, Councillors and agenda papers are available via our website www.warwickdc.gov.uk/committees

Please note that the majority of the meetings are held on the first floor at the Town Hall. If you feel that this may restrict you attending this meeting, please call (01926) 353362 prior to this meeting, so that we can assist you and make any necessary arrangements to help you attend the meeting.

The agenda is also available in large print, on request, prior to the meeting by calling 01926 353362.

WARWICK DISTRICT COUNCIL	**Executive – 11th February 2015**	**Agenda Item No. 4**

Title:	Treasury Management Strategy Plan for 2015/2016
For further information about this report please contact	Roger Wyton 01926 456801 roger.wyton@warwickdc.gov.uk Karen Allison 01926 456334 karen.allison@warwickdc.gov.uk
Wards of the District directly affected	All
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	Treasury Management in the Public Services – A Code of Practice and associated guidance notes– CIPFA The Prudential Code for Capital Finance in Local Authorities - CIPFA Treasury Management file L1/9 Treasury Management information via External Advisors, Brokers etc.

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes - 666
Equality & Sustainability Impact Assessment Undertaken	No – not relevant

Officer/Councillor Approval

Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	09/01/2015	Andy Jones
Head of Service	14/01/2015	Mike Snow
CMT	19/01/2015	N/A
Section 151 Officer	14/01/2015	Mike Snow
Monitoring Officer	N/A	N/A
Finance	13/01/2015	Roger Wyton

Portfolio Holder(s)	20/01/2015	Cllr. Stephen Cross
Consultation & Community Engagement		
None		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below) N/A		

1. SUMMARY

1.1 This report details the strategy for 2015/16 that the Council will follow in carrying out its Treasury Management activities including the Annual Investment Strategy and Minimum Revenue Provision (MRP)Policy Statement.

1.2 The report consists of a number of Appendices:-

Appendix A - Annual Treasury Management Strategy Plan 2015/16
Appendix B – 2015/16 Annual Investment Strategy Including Annex 1
Appendix C – Minimum Revenue Provision Policy Statement
Appendix D – An Explanation of Credit Rating Terms
Appendix E – Economic Background
Appendix F – Glossary of Terms

2. RECOMMENDATIONS

2.1 That the Executive notes:-

The changes to the various Treasury Management Practices as detailed in paragraph 3.2 below.

2.2 That the Executive recommends to Council:-

a) The Treasury Management Strategy for 2015/16 as outlined in paragraph 3.1 below and detailed in Appendix A,

b) The 2015/16 Annual Investment Strategy as outlined in paragraphs 3.3 and 3.4 below and detailed in Appendix B together with Annex 1 including the following changes:-

1. That as per paragraph 2.9 of Appendix B. Covered Bonds are added to the list of Specified and Non Specified investment vehicles that the Council can use.

2. That as per Annex 1 the individual counterparty limit for Covered Bonds issued by a) private sector financial institutions be £5 million b) private sector financial institutions wholly or part owned by the UK Government £9 million and c) Corporates £3 million.

3. That the Municipal Bond Agency be included in the list of organisations that the Council is permitted to borrow from as per Appendix A paragraph 4.4.

c) The Minimum Revenue Provision Policy Statement as outlined in paragraph 3.5 below and contained in paragraphs 4.1 to 4.4 of Appendix C.

d) The Prudential Indicators as outlined paragraph 3.6 below and contained in paragraphs 5.1 to 5.5 of Appendix A.

3. REASONS FOR RECOMMENDATIONS

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

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

TMP 1 Risk Management.

Paragraph 2.1(s) – inclusion of Covered Bonds issued by Financial Institutions and Corporates with a minimum Fitch Long Term credit rating of A+ or A where the Financial Institution is wholly or partly owned by the UK Government.

Paragraph 2.2 – setting of counterparty limits for new investment vehicle:-

i) Covered Bonds issued by Corporates £3 million
ii) Covered Bonds issued by Financial Institutions £5 million or £9 million if wholly or part owned by UK Government

TMP4 Approved Instruments, Methods and Techniques.

Paragraph 2.1 (s) – introduction of Covered Bonds up to a maximum of 2 years issued by Financial Institutions or Corporates with a minimum Fitch Long Term credit rating of A+ or A where the Financial Institution is wholly or partly owned by the UK Government.

Paragraph 3.1 (n) – inclusion of Municipal Bond Agency in list of permitted organisations that the council may borrow from.

Paragraph 3.3 - recognition that the Council may only borrow in sterling from the Municipal Bond Agency.

TMP5 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements.

Paragraph 1.1 – Amended to reflect the fact that the Annual Treasury Management Strategy has to be approved by full Council rather than the Executive.

TMP 9 Money Laundering.

Paragraph 9.1.2 (a) – amended to show the current web address for the Financial Conduct Authority.

TMP 11 Use of External Service Providers

Paragraph 1.4 - amended to reflect that the ODPM is now DCLG.

Paragraph 1.4 (o) – addition of Covered Bonds up to a maximum of 364 days issued by Financial Institutions or Corporates with a minimum Long Term Fitch rating of A+ or A where the Financial Institution is wholly or partly owned by the UK Government.

Paragraph 2.1 – Updated to reflect the fact that Capita Asset Services – Treasury Solutions Ltd has been re-appointed as the Council's Treasury Management Advisors for another three years.

Paragraph 3.2 - Updated to reflect the fact that HSBC has been re-appointed as the Council's bankers for five years with effect from March 2015 with an option to extend for a further five years.

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

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

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

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

4. POLICY FRAMEWORK

4.1 **Policy Framework** - This report is in accordance with the Council's established Treasury Management Policies, Code of Financial Practice and provides a framework within which it will conduct its Treasury Management Operations in 2015/16.

4.2 **Fit for the Future** – The Treasury Management function enables the Council to meet its vision of a great place to live, work and visit as set out in the Sustainable Community.

4.3 **Impact Assessments** – No impacts of new or significant policy changes proposed in respect of Equalities.

5. BUDGETARY FRAMEWORK

5.1 The Treasury Management Strategy has a potentially significant impact on the Council's budget through its ability to maximise its investment interest income whilst minimising the risk of the loss of the Council's funds and minimise its borrowing interest payable which is of particular importance to the HRA under the Self Financing regime. This also helps to underpin the Council's Corporate Objectives and delivery of its Fit For the Future projects. The performance of the Treasury Management function is reported half-yearly to the Finance & Audit Scrutiny Committee which is the body charged by the Council with overseeing the treasury management activities of the council. Also an annual report for the Finance & Audit Scrutiny Committee is prepared at the end of the financial year on Treasury Management and compliance with the strategy and the Treasury Management Practices are reviewed as part of the annual Treasury Management audit.

5.2 Treasury Management is an evolving process and whilst it is not possible to compare investment returns from year to year due to differing economic climates, the previous year's performance together with feedback on our current performance from the Council's involvement in Capita Asset Services' Treasury Management Benchmarking Club is reviewed to see what lessons can be learnt that would help improve the current and future years investment returns and/or the security of the investments. For instance, this may take the form of new investment vehicles as is being recommended in this report.

6. **RISKS**

6.1 Treasury Management is essentially about the management of risk, e.g. the risk to the security of our investments should a counterparty fail, liquidity risk in that we need to ensure that we have sufficient cash available to meet our debts as and when they become due and interest rate risk in that we may be "locked" into low interest yielding investments at the time that interest rates are rising and therefore missing out on opportunities to maximise our interest receipts. These risks are mitigated by the use of credit rating criteria and market intelligence in order to ensure we invest with only the best quality counterparties, good cash flow forecasting both short and long term and the use of interest rate forecasts published by our treasury consultants.

6.2 The use of different investment vehicles also has its risks, for instance the introduction of Variable Net Asset Money Market Funds into the portfolio in 2014/15 has potentially increased capital risk. This is through potential capital loss due to market price fluctuations, for instance if investments have to be withdrawn early. This is mitigated by good cash flow management ensuring that investments are available for the necessary length of time to ensure that there is no negative impact on the capital value of the fund. In addition, mitigation is achieved by having a lower investment limit than for Constant Net Asset Value Money Market Funds in which there is no risk of capital loss.

6.3 The risks involved in not adopting the recommendations are outlined in paragraphs 7.2 and 7.3 below.

6.4 By engaging Treasury Management Consultants, the Council is able to mitigate the risks described in paragraphs 6.1 and 6.2. These Consultants provide regular briefings, alerts and advice in respect of the Council's portfolio. The contract also includes training both in-house and by way of seminars so officers responsible for the Council's Treasury Management Function are fully competent. Adequate cover (fully trained) is provided within the Finance Department should there be a risk of staff shortages and procedure notes are under review.

7. ALTERNATIVE OPTIONS CONSIDERED

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

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

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

APPENDIX A ANNUAL TREASURY MANAGEMENT STRATEGY PLAN 2015/16

1. **GENERAL**

1.1 This part of the report outlines the strategy that the Council will follow during 2015/16. Its production and submission to the Council is a requirement of the CIPFA Code of Practice on Treasury Management in the Public Services.

1.2 The suggested strategy for 2015/16 in respect of the treasury management function is based upon the officers view on interest rates supplemented with forecasts provided by Capita Asset Services – Treasury Solutions (formerly known as Sector Treasury Services) who are the Council's treasury advisers.

1.3 It is also a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from a) increases in interest charges caused by increased borrowing to finance additional capital expenditure b) any increases in running costs from new capital projects and c) the loss of interest on balances or reserves arising from their use in financing the capital expenditure are limited to a level which is affordable within the projected income of the council for the foreseeable future. This is covered by the Prudential Indicator calculating the Incremental Impact on the Council Tax or Housing Rent in paragraph 5.3 below.

1.4 A Glossary of Terms is included as Appendix F in order to aid Member's understanding of technical terms used in the field of Treasury Management.

2 **INTEREST RATE FORECASTS FOR 2015/16**

2.1 The ability to forecast the movement of interest rates is fundamental to successful investment and borrowing strategies. The Council employs Capita Asset Services – Treasury Solutions to provide interest rate forecasts and their latest view on both short and long term rates is shown in 2.2 overleaf. Their view on Bank Rate has been used to formulate the investment interest estimates for 2015/16 and future years and the PWLB rates are of particular interest in respect of the £136.157m PWLB debt taken out in late 2011/12 to finance the HRA Self Financing debt settlement as they will form the basis for any debt restructuring decisions that may be taken during 2015/16 although none are currently planned. The PWLB rates are also germane to any take up of the £13.843m borrowing headroom that the HRA has under the Self Financing regime.

2.2 The PWLB forecasts below, provided by Capita Asset Services, are based on the PWLB Certainty Rate.

Quarter	Bank Rate	5 yr PWLB Rate	10 yr PWLB Rate	25 yr PWLB Rate	50 yr PWLB Rate
Dec 2014	0.50%	2.00%	2.60%	3.30%	3.30%
Mar 2015	0.50%	2.20%	2.80%	3.40%	3.40%
Jun 2015	0.50%	2.20%	2.80%	3.50%	3.50%
Sep 2015	0.50%	2.30%	3.00%	3.70%	3.70%
Dec 2015	0.75%	2.50%	3.20%	3.80%	3.80%
Mar 2016	0.75%	2.60%	3.30%	4.00%	4.00%
Jun 2016	1.00%	2.80%	3.50%	4.20%	4.20%
Sep 2016	1.00%	2.90%	3.60%	4.30%	4.30%
Dec 2016	1.25%	3.00%	3.70%	4.40%	4.40%
Mar 2017	1.25%	3.20%	3.80%	4.50%	4.50%
Jun 2017	1.50%	3.30%	3.90%	4.60%	4.60%
Sep 2017	1.75%	3.40%	4.00%	4.70%	4.70%
Dec 2017	1.75%	3.50%	4.10%	4.70%	4.70%
Mar 2018	2.00%	3.60%	4.20%	4.80%	4.80%

2.3 The Monetary Policy Committee (MPC) utilises Bank Rate as one of its tools to control inflation in the economy and meet its target rate of 2% Consumer Prices Inflation (CPI).

2.4 Recent changes in market sentiment and outlook has led to Capita Asset Services revising their view of when Bank Rate might start to rise with the first rise being postponed from the June quarter of 2015 to the December quarter.These changes are:-

- The plunge in the price of oil has been the major surprise of the last three months.

This will reduce inflation and stimulate the economies of oil importing countries.

- There is a downside to the plunge in oil prices in terms of a sharp increase in the risk of emerging country debt default and emerging country oil producing corporate defaults. This could have a knock on effect on western banks who have lent to these areas and to hedge, pension and investment funds which have been wrong footed by holding debt or equities in these areas.
- There is still uncertainty around a potential Greek exit from the Euro should the anti EU and austerity party win the forthcoming general election. If they were to win it be likely to strengthen support for anti EU and austerity political parties in many EU countries. Italy is the greatest risk as it has the third biggest debt mountain in the world and has shown little progress so far in undertaking fundamental reforms to improve the competitiveness of the economy.
- UK GDP growth forecasts have recently been more subdued. The surge in UK growth during 2014 appears to have diminished and the year on year rate has subsided from 3.2% in Q2 to 2.6% in Q3. Forward indicators are also revealing some cooling of prospects going forward although growth will still remain strong, but not as strong as previously expected.
- The political risks around the UK general election in May 2015 have increased with the likely result now being very hard to predict.Whichever political party or coalition comes to power after the general election in May 2015 will still have to decide what balance of government spending cuts and/or tax increases will be needed to bring the public sector net borrowing deficit down

2.5 Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. During July to October 2014, a building accumulation of negative news has led to an overall trend of falling rates. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt. There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

2.6 A more detailed economic analysis by Capita Asset Services – Treasury Solutions is included at Appendix E.

3 CAPITAL BORROWING AND CAPITAL PROGRAMME FINANCING STRATEGY

3.1 The Council is able to finance its capital programmes in the following ways:-

a) By the use of Prudential Borrowing. Currently it is anticipated that there will be no need to borrow in order to finance the Council’s 2015/16 capital programmes. However, should there be a need to borrow during the year it is likely, given that investment interest rates are forecast to be below long term borrowing rates for the year, that any borrowing will be of an internal nature i.e. from the Council’s cash balances.

b) From Usable capital receipts. With regard to the General Fund capital programme it is anticipated that it will be part funded by the balance of unused capital receipts carried forward to 2015/16 primarily arising from the sale of Wilton House in 2011/12.These will be supplemented by receipts arising from the expected sale of 10-14 Chapel Street, Warwick (£400,000) in 2015/16. The Housing Investment Programme anticipates 22 council house sales during 2015/16 resulting in £700,000 being available to part finance current and future expenditure alongside receipts in hand from previous years.

c) From revenue or reserves.

d) From external contributions and grants. With regard to the General Fund capital programme, it is anticipated that external contributions will be used to part finance the 2015/16 expenditure on Green Farm Play Equipment and Jubilee House. With regard to the Housing Investment Programme it is expected that grants and contributions amounting to £365,400 will be utilised to finance General Fund Housing RSL projects and Improvement Grants.

e) From Leasing or other similar means of capital finance.

3.2 With the exception of dedicated external grants and contributions, before deciding which of the above means of capital financing will be utilised to finance capital expenditure, the Council will conduct an options appraisal exercise where appropriate.

3.3 The financing of the Council’s proposed 2015/16 capital programmes (at January 2015) is shown in the table below:-

Financing Method	**General Fund £**	**Housing Investment Programme £**
Prudential Borrowing	0	0
Leasing	0	0
Capital Receipts	682,100	772,700
External Contributions	613,700	365,400
Revenue Contributions	0	256,700
Reserve Contributions	2,207,100	15,040,900
TOTAL	**3,502,900**	**16,435,700**

4. LONG TERM AND TEMPORARY BORROWING

4.1 The Council’s current long term borrowing portfolio consists of £136.157m PWLB debt. These loans were taken out to finance the HRA Self Financing settlement and the interest paid on this debt is entirely borne by the Housing Revenue Account and is provided for as part of the HRA Business Plan.

The first of these loans is scheduled to be repaid on 28th March 2053 with the final loan being repaid on 28th March 2062.

4.2 As part of their ongoing services, Capita Asset Services will monitor the debt portfolio during 2015/16 identifying, where appropriate, any opportunities for debt restructuring although these are expected to be minimal, if at all.

4.3 Should the Council engage in any long term borrowing during 2015/16, if deemed to be advantageous due to the expected path of interest rates, the Council may borrow in advance of need subject to prior appraisal of the risk and the borrowing must not take place in excess of 18 months before the anticipated need.

4.4 The major source of long term borrowing for local authorities is the Public Works Loans Board (PWLB) which is part of HM Treasury. However, the Local Government Association is in the process of creating an alternative called the Municipal Bond Agency. It is likely that this agency will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). Should this Council consider long term borrowing in the future then it will make use of this new source of borrowing as and when appropriate.

4.5 The Council will continue to engage in short term borrowing (up to 364 days) when necessary in order to finance temporary cash deficits, however by managing our cash flow effectively these will be kept to a minimum. In each case, wherever possible, the loan will be taken out for periods of less than 7 days in order to minimise the interest payable. To date in 2014/15 the Council has not incurred any short term borrowing and is not expected to do so in 2015/16 either.

5. TREASURY LIMITS AND PRUDENTIAL INDICATORS FOR 2015/16 TO 2017/18

5.1 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Authorised Limit". The Council must have regard to the Prudential Code when setting its Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax / rent levels is acceptable. Whilst termed an Authorised Limit, the capital plans to be considered for inclusion incorporate those planned to be financed by both external borrowing and other forms of liability, such as credit arrangements e.g. finance leases. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years. The limits shown in the table in paragraph 5.2 include the impact of the HRA Self Financing debt settlement which took place on the 28th March 2012. It also includes the HRA "Headroom" which is the amount that the HRA can borrow between the debt settlement and the Debt Cap set under the Self Financing regime and also an allowance for potential land purchases within the HRA and the proposed new offices.

5.2 The Authorised Limits to be recommended to Council by the Executive were included in the Budget report presented to the Executive on 11th February and need to be ratified by the Council at its meeting on 25th February. They are also displayed in the table below :-

Authorised Limit	2014/15 (For Comparison) £,000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Debt	15,050,000	34,050,000	34,050,000	39,050,000
Add HRA Settlement	136,157,000	136,157,000	136,157,000	136,157,000
HRA Head Room	13,843,000	13,843,000	13,843,000	13,843,000
Other Long Term Liabilities	1,077,000	1,045,000	1,012,000	1,007,000
Total	166,127,000	185,095,000	185,062,000	190,057,000

5.3 The Prudential Indicators required by the code are explained in more detail in the report on the budget and those relevant to an integrated treasury management strategy are reproduced overleaf:-

That the Council has adopted the revised CIPFA Treasury Management Code of Practice which it did in February 2011.

Capital Financing Requirement

Year	General Fund (inc. GF HIP element)	HRA	Overall
2014/15 (for comparison)	-£1,326,896	£135,786,796	£134,459,900
2015/16	-£1,326,896	£135,786,796	£134,459,900
2016/17	-£1,326,896	£135,786,796	£134,459,900
2017/18	-£1,326,896	£135,786,796	£134,459,900

The Capital Financing Requirement (CFR) as shown in the table above is a measure of the Council's underlying need to borrow in order to meet past capital expenditure. Currently, as the capital programmes are expected to be fully funded from sources other than borrowing (including leases) no increase is forecast to the CFR's. The CFR would normally be reduced by any provision for the repayment of debt each year. As the GF CFR is negative this is not required and in the case of the HRA debt redemption is not scheduled to start until year 41 (2052/53) of the current Business Plan.

Incremental Impact on Council Tax / Housing Rents

Year	Council Tax	Housing Rent
2014/15 (for comparison)	£3.83	£0.00
2015/16	£3.93	£0.51
2016/17	£2.94	£0.77
2017/18	£4.81	£1.13

Operational Boundary for External Debt

Operational Boundary	2014/15 (For Comparison) £,000	2015/16 Estimate £,000	2016/17 Estimate £,000	2017/18 Estimate £,000
Debt	1,050,000	1,050,000	1,050,000	1,050,000
Add HRA Settlement	136,157,000	136,157,000	136,157,000	136,157,000
HRA Head Room	13,843,000	13,843,000	13,843,000	13,843,000
Other Long Term Liabilities	79,000	45,000	12,000	9,000
Total	151,129,000	151,095,000	151,062,000	151,059,000

As a result of HRA Self Financing, the Council is also limited to a maximum HRA CFR. This limit is currently:-

HRA Debt Limit	2014/15 (for comparison)	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Total	150.00	150.00	150.00	150.00

5.4 In addition certain indicators that used to be part of the Prudential Code are now part of the Treasury Management Code of Practice and are shown below :-

Upper limits to fixed interest rate and variable interest rate exposures on borrowing

Year	Upper Limit - Fixed Rate	Upper Limit - Variable Rate
2015/16	100%	30%
2016/17	100%	30%
2017/18	100%	30%

Upper and Lower Limits respectively for the Maturity Structure of Fixed Interest Rate Borrowing

Period	Upper	Lower
Under 12 months	6%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	20%	0%
10 years and above	94%	0%

Upper and Lower Limits respectively for the Maturity Structure of Variable Interest Rate Borrowing

Period	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%

5.5 **Principal sums invested for periods longer than 364 days**

The total maximum sum that can be invested for more than 364 days is 60% of the core investment portfolio subject to a maximum of £15 million at any one time. However, where investments which originally were for periods of more than 364 days have 364 days or less to maturity at the 1st April each year they shall be classed from that date as short term i.e. less than 364 day investments and will not count against the 60% or £15 million limit.

6. BEST VALUE

6.1 The Council participates in Capita Asset Services' investment risk management benchmarking service in order to provide benchmarks against which the in house function could monitor its performance. The Council is part of a local group comprising both District and County Councils and our investment rate of return is benchmarked on a weighted average basis against the Capita Asset Services Model Portfolio and the returns experienced by the other club members. In 2015/16, the Council will seek to achieve a weighted average rate of return in line with the Capita Asset Services Model Portfolio which is based upon the best possible return whilst providing the maximum security for the capital invested.

6.2 The internal treasury function will also seek to achieve an average rate of return on its Money Market investments of 0.0625% over the LIBID (London Inter Bank Bid Rate) average for comparable investment periods (e.g. up to 7 day, 1 to 3 months, 3 to 6 months and over 6 months).

6.3 Should the Council employ external investment agents during 2015/16 suitable performance indicators will be agreed with the agents similar to that which operated under the previous Invesco agreement e.g. the fund will be required to outperform the Financial Times 7 day LIBID rate compounded weekly with a target return of 110% of the benchmark over a 3 year rolling period.

6.4 The Council's performance is reported half-yearly to the Finance and Audit Scrutiny Committee.

7. EXTERNAL TREASURY MANAGEMENT ADVISERS

7.1 The Council employs Capita Asset Services – Treasury Solutions as its Treasury Management advisers. Their current contract expired on 5th January 2015 and following a procurement exercise they have been re-appointed for another three years with an option to extend the contract for a further two years.

8. BANKING SERVICES

8.1 The Council currently employs HSBC Bank to provide its banking services and. the current contract expires on 1st March 2015. Following a procurement exercise, HSBC has been re-appointed as the Council's bankers for a further term of 5 years with the option to extend the contract for a further 5 years.

9. TRAINING

9.1 The CIPFA Code requires that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Following the 2015 Council elections, our treasury consultants will deliver in house training to the members of the new Finance & Audit Scrutiny Committee to ensure that they fully appreciate their role in the Council's Treasury Management function.

9.2 Those officers currently involved in treasury management have received training from the Council's treasury consultants and this has been and will be kept up to date by regular attendance at seminars held by our consultants and also through other sources such as CIPFA pubilcations and market intelligence.

10. OTHER ISSUES

10.1 The Council has entered into a joint venture with Waterloo Housing Association in which Council land will be sold on a deferred basis to the Housing Association in order to provide resources for additional social housing. During 2012/13, Kingsway Community Centre was sold to Waterloo on this basis and similar disposals have taken place in 2014/15 in respect of Bourton Drive and Henley Road garage sites. Executive approval has also been given to dispose of part of West Rock car park and land at Market Street in Warwick under the same arrangement. Local Authority accounting requires that a certain portion of the deferred capital receipt has to be treated as investment income and the Treasury Management function will be advising on the accounting transactions involved.

10.2 Should the Council explore other initiatives with treasury management implications e.g. the creation of a wholly owned Council Housing company the Treasury Management function will advise as necessary.

APPENDIX B 2015/16 ANNUAL INVESTMENT STRATEGY

1. BACKGROUND

1.1 This Council has regard to the Governments Guidance on Local Government Investments and CIPFA's updated Treasury Management in Public Services Code of Practice. Section 15(1) of the 2003 Local Government Act requires councils to have regard to such guidance as the Secretary of State may issue. Guidance was issued in 2004 and has subsequently been updated with the last major change being that Local Authorities who invest in Corporate Bonds no longer need to account for these as capital transactions i.e. capital expenditure. The general policy objective is that local authorities should invest prudently the temporarily surplus funds held on behalf of their communities. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity. The guidance states that an Annual Investment Strategy must be produced in advance of the year to which it relates and must be approved by the full Council. The Strategy can be amended at any time and it must be made available to the public.

2. INVESTMENT VEHICLES AND CREDITWORTHINESS POLICY

2.1 In line with the guidance, this Annual Investment Strategy states which investments the Council may use for the prudent management of its treasury balances during the financial year under the headings of Specified and Non Specified Investments. These are listed in paragraph 2.11 and detailed in Annex 1.

2.2 Specified investments are defined as those with a high credit rating, as outlined in the table below for each type of investment institution or vehicle. For deposits with Banks this is a Fitch sovereign rating at least equal to that of the United Kingdom at the point at which the investment was taken out, at least F1 short term and A+ long term (except in the case of a part or fully nationalised UK bank where the debts are guaranteed by the UK Government in which case the minimum long term rating will be A) , In addition, in order to be on the Council's counterparty list, currently the institution must also have a Fitch Viability rating of at least BBB and a support rating of 1. An explanation of credit rating terms appears in Appendix D.

2.3 However, the main rating agencies (Fitch, Moody's and Standard & Poor's) have, been reviewing the use of the Viability and Support ratings (or their equivalent) which through much of the financial crisis, provided some institutions with a ratings "uplift" based on their ability to stand alone or implied levels of sovereign support. More recently, in response to the evolving regulatory regime e.g. the proposed requirement for investors to "bail in" and support an institution rather than for the Government to bail it out , the agencies have indicated they may remove these "uplifts". This process may commence during 2014/15 and / or 2015/16. The actual timing of the changes is still subject to discussion so at present no changes are being proposed to our minimum credit rating criteria but at some point we may need to amend our credit rating criteria to reflect the discontinuation of the Viability and Support ratings and approval for this will be sought from the Executive.

2.4 It is important to stress that the potential rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

2.5 Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings. As such, there is no point monitoring both Long Term and these "standalone" ratings.

2.6 Furthermore, Fitch has already begun assessing its Support ratings, with a clear expectation that these will be lowered to 5, which is defined as "A bank for which there is a possibility of external support, but it cannot be relied upon." With all institutions likely to drop to these levels, there is little to no differentiation to be had by assessing Support ratings.

2.7 In addition to the Fitch ratings, the Council will also have regard to the ratings published by the other 2 main agencies, Moody's and Standard & Poors together with any ratings watch notices issued by the 3 agencies as well as articles in the Financial press and market data. In addition to credit ratings the Council will also use Credit Default Swap data as supplied by Capita Asset Services – Treasury Solutions to determine the suitability of investing with counterparties. Credit Default Swaps (CDS) are a form of "insurance premium" against defaulting taken out by investors when making investments and if the Market perceives problems with the counterparty then the margin on the CDS will widen (i.e. the insurance premium will increase) thus providing warnings for future investors with that counterparty that it might have problems repaying their investment. The Council will monitor the CDS's on the counterparties within its lending list and if there are significant movements on a counterparty such as it moves out of a pre-determined range which will be determined with the aid of the Councils Treasury Consultants then that counterparty will be removed from the list until such time as it moves back within range.

2.8 For 2015/16, it is proposed to add a new investment vehicle, Covered Bonds, to the list of Specified and Non Specified Investments. Covered Bonds are issued by the same sorts of institutions as issue Corporate Bonds and are a type of secured bond that is usually backed by mortgages or public sector loans. In the UK, the assets backing the bond are transferred to a separate legal entity (a Special Purpose Vehicle or SPV) and form collateral for the bonds. The asset pool of a covered bond is dynamic in that mortgages that are refinanced or which fall into arrears can be replaced with new mortgages of similar credit quality and characteristics and this continues for as long as the issuer of the bond remains solvent. This ensures that in normal circumstances there are always sufficient funds in the SPV asset pool to cover the capital value of the bond and the interest payments. If the issuer of the bond defaults on either capital or interest payments for any reason i.e. becomes insolvent then the SPV takes responsibility for administering the bond and ensures that payments are made to bondholders on the agreed dates. In the event that there are insufficient assets in the SPV's asset pool to meet all the obligations then for the residual amount the Council would become an unsecured creditor of the failed issuer.

2.9 Covered Bonds are rated with the ratings being linked to the underlying position of the issuer as well as the dynamics of the bond itself. Typically these bonds are rated AAA by the rating agencies and thus are more secure than ordinary Corporate Bonds which usually reflect the credit quality of the issuer alone rather than the bond itself. The Council's minimum long term rating for investing in Corporate Bonds is A+ (A for financial institutions wholly or partly owned by the UK Government) and therefore it seems appropriate to specify that the minimum credit rating for investing in a Covered Bond will be the same as applies for Corporate Bonds. As already mentioned, the vast majority of sterling denominated bonds are rated AAA so their credit quality is well in excess of our minimum requirement and this also provides a buffer should a bond to be downgraded which can happen although rarely. This will avoid the necessity to sell the bond prematurely and potentially incur a capital loss merely because the bonds long term rating has fallen below our minimum requirement. The Council will buy covered bonds on a "buy to hold" basis, that is, the bond will be held until it matures therefore although a bond may be downgraded which will affect its marketability and trading price, it will not affect the capital value of the bond when it matures and the Council will receive the full value of its investment.

2.10 The sterling denominated bond market is not large and these bonds can be difficult to obtain so their use by the Council is likely to be limited but they do provide another investment vehicle that can be used to spread our counterparty risk and possibly pick up some long term yield whilst still being of the highest credit quality.

2.11 The types of investment that the council can use are listed below and described in more detail in Annex 1. These are split under the headings of specified and non-specified in accordance with statutory guidance.

Specified Instruments (maximum period 364 Days)

- Deposits with banks and building societies
- Deposits with UK Government, Nationalised Industries, Public Corporations, UK Housing Associations and UK Local Authorities
- UK Government Gilts with less than one year to maturity
- Debt Management Agency Deposit Facility (DMADF)
- Constant Net Asset Value Money Market Funds (AAA rated)
- Variable Net Asset Value Money Market Funds (AAAf rated)
- Certificates of deposits issued by banks and building societies
- Corporate Bonds issued by private sector financial institutions
- Corporate Bonds issued by financial institutions partly or wholly owned by the UK Government
- Corporate Bonds issued by corporates
- Covered Bonds issued by private sector financial institutions

- Covered Bonds issued by financial institutions partly or wholly owned by the UK Government
- Covered Bonds issued by corporates
- Supranational Bonds issued by Supranational Institutions or Multi Lateral Development Banks
- Floating Rate Notes issued by private sector financial institutions
- Floating Rate Notes issued by financial institutions partly or wholly owned by the UK Government
- Floating Rate Notes issued by corporates
- Eligible Bank Bills
- Sterling Securities guaranteed by HM Government

Non Specified Investments

- Deposits with unrated building societies
- Deposits with banks and building societies greater than 364 days
- Deposits with UK Housing Associations and UK Local Authorities greater than 364 days
- Certificates of deposits issued by banks and building societies greater than 364 days
- Corporate Bonds issued by private sector financial institutions greater than 364 days
- Corporate Bonds issued by financial institutions partly or wholly owned by the UK Government greater than 364 days
- Corporate Bonds issued by corporates greater than 364 days
- Covered Bonds issued by private sector financial institutions greater than 364 days
- Covered Bonds issued by financial institutions partly or wholly owned by the UK Government greater than 364 days
- Covered Bonds issued by corporates greater than 364 days
- Corporate Bond Funds
- Regulated Property Funds including Real Estate Investment Trusts
- CCLA Property Fund
- Day to Day balances where Council's bankers do not meet the minimum bank credit rating criteria
- UK Government Gilts with over 364 days to maturity
- Supranational Bonds issued by Supranational Institutions or Multi Lateral Development with over 364 days to maturity

2.12 It is necessary to outline the reasons why the Council would use non specified investments and also the risks involved. The use of unrated building societies alongside Business Reserve and Call Accounts and Money Market Funds forms a useful tool for investing relatively small amounts of money for short periods of time (up to 3 months) and obtaining a decent return on the investment. There is of course a risk that the Building Society may fail during the maximum 3 month duration of an investment but this is not considered likely. As an additional safeguard, the Council will only invest in Category C i.e. unrated Building Societies with an asset value of £500m and over. In addition, investments in category C building societies are restricted to a group limit of £8m. With regard to deposits for more than one year, the advantage from a treasury management point of view is that there is a known rate of return over the period that the monies are invested which aids forward planning. There is however the increased risk due to the longer time span that a) the institution fails or b) interest rates rise in the meantime which is unlikely in the timeframe of the 2015/16 strategy. The current limit for investments longer than 364 days is 60% of the core investment portfolio subject to a maximum of £15 million at any one time and the maximum duration is 10 years for Property and Corporate Bond Funds, 5 years for investments with other Local Authorities and 2 years for all other counterparties. There are no plans to change these limits for 2015/16.

2.13 No investments for more than 364 days excluding any forward deal periods will be made without the advice of our Treasury Consultants on the likely movement of interest rates over the period of the proposed investment and any investments over 364 days with building societies will be limited to £1m per counterparty**.**

2.14 Although the Council does not expect to use external investment agents in 2015/16, they are included in the circumstance of use column in the previous tables to allow for their possible use should it be appropriate to do so.

2.15 As a means of further diversifying risk whilst obtaining a reasonable return for cash flow derived investments, the Council uses the SunGard Money Market Funds Portal which will enable it to open further Money Market Funds as necessary and to be able to see on a daily basis before deciding with whom to invest, which funds are offering the best rates.

3. INVESTMENT OBJECTIVES

3.1 All investments will be in sterling. The Council's investment priorities are the security and liquidity of its investments. The Council's objective will be to maximise the return whilst safeguarding the capital sum and avoiding cash flow problems. The Council will not engage in borrowing for purely investment purposes.

4. SECURITY OF CAPITAL

4.1 The Council relies on credit ratings published by Fitch Ratings which are supplied to it by its Treasury Advisers, whilst not the principal credit rating service used by the Council, attention will also be paid to credit ratings published by Moody's Investor Services and Standard & Poor's which are also supplied by Capita Asset Services – Treasury Solutions in order to broaden the sources of intelligence from which the Council gathers opinions on the performance of its investment counterparties. These ratings are used to establish the credit quality of counterparties and investment schemes. These institutions also issue regular ratings watch bulletins and where these are negative and affect one of our counterparties this will be taken into account when deciding whether or not to place future investments with them. The Council has also determined the minimum long term (365 days or more), short term (364 days or less) and other credit ratings it deems to be high for each category of investment and these are as shown in paragraph 2.2 above.

4.2 Individual credit ratings will be revised as and when changes are notified to the Council by its Treasury Advisers. If a counterparty's or investment scheme's rating is downgraded with the result that it no longer meets the Council's minimum criteria then the counterparty / investment vehicle will no longer be used with immediate effect. This also applies to investments placed by fund managers. Similarly if a counterparty is upgraded so that it meets the Council's minimum credit rating requirements then it will be added to the Council's counterparty list.

4.3 The Council will also use the Credit Default Swap (CDS) information supplied by its Treasury Consultants to determine levels of investments with its counterparties once they have been selected using the criteria set out in 2.2 above. Counterparties with an in range CDS (as determined by our consultants) will be invested in as per the limits defined for that particular category of counterparty . Those counterparties with either a monitoring or an out of range status will not be invested in until their CDS returns to within range.

5. INVESTMENT BALANCES / LIQUIDITY OF INVESTMENTS

5.1 Based on its cash flow forecasts, the Council anticipates that its investments in 2015/16 on average will be in the region of £50m of which £24m will be "core" investments i.e. made up of reserves and balances which are not required in the short term**.**

5.2 The maximum percentage of its core investments that the Council will hold in long term investments (365 days or over) is 60%. It follows therefore that the minimum percentage of its overall investments that the Council will hold in short term investments (364 days or less) is 40%. Having regard to the Council's likely cash flows and levels of funds available for investment the amount available for long term investment will be a maximum of 60% of the core investment portfolio subject to a total of £15 million at any one time in line with the proposed Prudential Indicator covering this issue. These limits will apply jointly to the in house team and any fund manager so that the overall ceilings of 60% and £15 million are not breached.

6. INVESTMENT STRATEGY

6.1 The Council will continue to make use of MoneyMarket Funds (MMF's) and the Money Markets to invest cash flow driven money to known dates where large debts such as precepts, NNDR etc. have to be paid out. Based on the cash flow experienced to date in 2014/15 it is unlikely that this will result in the average length of a cash flow investment being more than 3 months in 2015/16 and probably considerably less. Core investments (i.e. investments not needed for payment of debts) will continue to be invested in the best part of the market based on the advice issued by our Treasury Advisers.

6.2 The 2015/16 interest rate outlook is for Bank Rate to rise to 0.75% by the end of 2015/16.Whilst this is welcome, in order to try and maximise the return on our investments whilst fully protecting the security of the capital, the Treasury Function has considered various ideas and it is proposed that Covered Bonds are added to the types of investment vehicles in which the Council is permitted to invest and any such investments will count against the overall limit for each type of counterparty as defined in the table in Annex 1.

6.3 Based on current investment policies and interest rate projections, it is currently estimated that the overall portfolio will achieve a 0.80% return for 2015/16.

7. EXTERNAL CASH FUND MANAGEMENT

7.1 The performance of fund managers will be kept under review using our Treasury Consultants and should it be felt appropriate to do so then the Council may engage a fund manager in order to enhance returns and spread risk. The appointment process will be subject to the Council's procurement rules and handled in conjunction with our Treasury Consultants in order to ensure that the Council secures best value.

8. END OF YEAR INVESTMENT REPORT

8.1 In accordance with the requirements of the Treasury Management Code of Practice, the Treasury Management function reports on its in year activities to the Finance & Audit Scrutiny Committee twice a year i.e. at mid year and at the end of the year.

APPENDIX C

MINIMUM REVENUE PROVISION POLICY STATEMENT

1. BACKGROUND

1.1 Capital expenditure can be financed in a number of ways, not least of which is through borrowing and credit arrangements such as finance leases. The use of these 2 methods involves the Council in setting aside resources each year in order to eventually pay off the liability for example a maturing PWLB loan. Until recently, this set aside was prescribed nationally through Statutory regulations and was set at 4% per annum of the General Fund Capital Financing requirement (CFR). There was no similar requirement within the Housing Revenue Account although Council's could make voluntary provision if they so wished. The statutory regulations were superseded by statutory guidance issued under Statutory Instrument 2008 no.414 which says that "A local authority shall determine for the current financial year an amount of minimum revenue provision (MRP) that it considers prudent" .Where a Council's CFR at the end of the preceding year is nil or negative there is no requirement to charge MRP.

1.2 It is a requirement of the statutory guidance that a statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which it relates. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.

2. THE FOUR MAIN OPTIONS

Option 1 – Regulatory Method

2.1 This option is the old statutory method of 4% of the CFR and which has to be used in order to calculate MRP on all debt still outstanding at 1/4/08 and it can also be used to calculate MRP on debt incurred under the new system but which is supported through the annual SCE (Supported Capital Expenditure) allocation from DCLG.

Option 2 – Capital Financing Requirement Method.

2.2 This is a variation of option 1 and is based upon 4% of the CFR with certain changes and is appropriate where the borrowing is not linked to a particular asset.

Option 3 – Asset Life Method.

2.3 Under this option, it is intended that MRP should be spread over the useful life of the asset financed by the borrowing or credit arrangement. In future, where borrowing is utilised to finance specific assets it is likely that the period of the loan will match the expected life of the asset and therefore, under this method the annual charge to the Council's accounts is directly related to building up the provision required to pay off the loan when it matures which under options 1 and 2 is not possible.

2.4 There are 2 methods of calculating the annual charge under this option a) equal annual instalments or b) by the annuity method where annual payments gradually increase during the life of the asset.

Option 4 – Depreciation Method.

2.5 This is a variation on option 4 using the method of depreciation attached to the asset e.g. straight line where depreciation is charged in equal instalments over the estimated life and the reducing balance method where depreciation is greater in the early years of an assets life and which is most appropriate for short lived assets e.g. vehicles. In this Council's case assets are depreciated using the straight line method and so option 4 is not materially different from option 3.

3. HRA MINIMUM REVENUE PROVISION.

3.1 Under the Self Financing regime, the HRA Business Plan has to provide resources for the repayment of the £136.157m borrowed from the PWLB on the 28th March 2012. Repayment of this debt is currently provided for commencing in year 41 (2052/53) and continuing through to year 50 year of the Business Plan. Provision will also have to be made for any use made of the £13.843m "headroom" between the Self Financing debt settlement i.e. the PWLB borrowing and the "Debt Cap" imposed by the Government.

4. RECOMMENDATION FOR 2015/2016.

4.1 It is recommended that for any long term borrowing on the General Fund which is incurred in 2015/2016, the following methods of Minimum Revenue Provision be adopted:-

For borrowing which cannot be linked to a particular asset – Option 2.
For borrowing linked to a particular asset – Option 3 based on the annuity method.

4.2 For any borrowing incurred through Finance Leases, the annual principal repayments in the lease are regarded as MRP.

4.3 Although not strictly part of Minimum Revenue Provision requirements, it is also recommended that for internal borrowing (i.e. capital expenditure financed from reserves) , where appropriate, Option 3 based on the annuity method be adopted as a means of replenishing those reserves which financed the capital expenditure.

4.4 With regard to the HRA, annual MRP to be equal to any amounts set aside for debt repayment within the Business Plan which currently is nil for 2015/16.

APPENDIX D

AN EXPLANATION OF CREDIT RATING TERMS

1. Sovereign Credit Rating

1.1 Fitch assigns a long term credit rating to the country in which the financial institution being rated is domiciled. This credit rating assesses the economic health of the country including its ability to service its debt and also its capacity to support the banking system in that country should financial support be required. The assessment follows the normal long term rating scale, the highest rating being AAA with anything below BBB being non investment grade i.e. "junk bond status". The UK has a AA+ Fitch rating and the Council's policy is to invest only in institutions where the state in which they are domiciled has at least the same sovereign rating as the UK at the point in time when the investment was placed.

2. International Long - Term Credit Ratings

2.1 Long - term credit ratings are an attempt to assess the ongoing stability of an institutions prospective financial condition given such factors as sensitivity to fluctuations in market conditions and the capacity for maintaining profitability or absorbing losses in a difficult operating environment. Traditionally they look beyond a 12 month horizon. Investment grade ratings range from BBB to AAA.

2.2 With the exception of those institutions referred to in paragraph 2.3, the minimum rating that WDC will use is A+ which is mid range in the ratings referred to above. A ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. + is used to indicate a better than average status within the category.

2.3 Where an institution is either partly or wholly owned by the UK Government e.g. Lloyds Banking Group, Royal Bank of Scotland the minimum long term rating will be A in recognition of the fact that the UK Government is behind the institution as "lender of last resort".

3. International Short - Term Credit Ratings

3.1 A short - term rating has a timescale of less than 12 months for most obligations and thus places greater emphasis on the liquidity necessary to meet financial commitments in a timely manner.

3.2 The minimum rating that WDC will use is F1. This indicates the strongest capacity for timely payment of financial commitments. It may have a + added to it to denote any exceptionally strong credit feature.

4. Viability Ratings

4.1 Currently the viability rating represents the capacity of a bank to maintain ongoing operations and to avoid failure in the absence of external e.g. Governmental support , Thus, viability ratings permit an evaluation separate from any consideration of outside support.

4.2 The Council's minimum individual rating is BBB which denotes good prospects for ongoing viability. The bank's fundamentals are adequate such that there is a low risk that it would have to rely on extraordinary support to avoid default. However, adverse business or economic conditions are more likely to impair this capacity rather than say an A rating.

4.3 As per paragraph 2.3 of Appendix B, these ratings are likely to be discontinued at some point either during 2014/15 or 2015/16.

5. Support Indicator

5.1 This indicator gives an indication as to how much external support , predominately from the state, a bank could expect to receive if it were to run into difficulties. The range is from 1 to 5 with 1 being the highest degree of support and 5 the lowest. 1 is assigned only to banks for which there is an extremely high probability of external support e.g. Barclays Bank in the UK. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question e.g. the UK Government which is rated AA+. WDC will only invest in institutions with a Support Indicator of 1.

5.2 As per paragraph 2.3 of Appendix B, these ratings are likely to be discontinued at some point either during 2014/15 or 2015/16.

APPENDIX E

Capita Asset Services' View of the Economic Background

1. The UK Economy.

1.1 After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The MPC is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

1.2 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November 2014, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.

2. The Eurozone (EZ).

2.1 The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In November 2014, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June and

September 2014 to loosen monetary policy in order to promote growth and the ECB embarked on full quantitative easing (purchase of EZ country sovereign debt) in January 2015.

2.2 Concern in financial markets for the Eurozone subsided considerably after the prolonged crisis during 2011-2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause of concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to continue to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US.

2.3 The Greek general election took place on 25 January 2015 and resulted in the election of a political party which is anti EU and anti austerity. It is too early to forecast the impact of this election result but already Germany has said that it expects Greece to fully honour its obligation to repay its debt whereas the new Greek Prime Minister has said that such expectations are unrealistic. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to quantify. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries which have high unemployment rates. There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. These countries already have political parties with major electoral support for anti EU and anti austerity policies. Any loss of market confidence in either of the two largest Eurozone economies after Germany would present a huge challenge to the resources of the ECB to defend their debt.

3. Other Economies.

3.1 The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently forecast that the first increase in the Fed. rate will occur by the middle of 2015.

3.2 The Chinese Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has indicated a marginally lower outturn for 2014, which would be the lowest rate of growth for many years. There are also concerns that the Chinese leadership has only started to address an unbalanced economy which is heavily over dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

3.3 Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth to the extent that it has slipped back into recession in Q2 and Q3. The Japanese government already has the highest debt to GDP ratio in the world.

4. Capita Asset Services Forward View

4.1 Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

4.2 The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

4.3 The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

4.4 The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has sufficient fire walls in place that a Greek exit would have little immediate direct impact on the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed, albeit painful and tortuous, resolution of any EZ debt crisis that may occur where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be weak at best for the next couple of years with some EZ countries experiencing low or negative growth, which will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the larger countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

4.5 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK strong economic growth is weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.

4.6 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government

- ECB either failing to carry through on recent statements that it will soon start quantitative easing (purchase of government debt) or severely disappointing financial markets with embarking on only a token programme of minimal purchases which are unlikely to have much impact, if any, on stimulating growth in the EZ.

- The commencement by the US Federal Reserve of increases in the central rate in 2015 causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities, leading to a sudden flight from bonds to equities.

- A surge in investor confidence that a return to robust world economic growth is imminent, causing a flow of funds out of bonds into equities.

- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

APPENDIX F

GLOSSARY OF TERMS

Basis Point (BP)	1/100th of 1%, i.e. 0.01%
Bank Rate	Minimum lending rate of a bank or financial institution in the UK.
Benchmark	A measure against which the investment policy or performance of a fund manager can be compared.
Bill of Exchange	A financial instrument financing trade.
Callable Deposit	A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower.
Cash Fund Management	Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio.
Certificate of Deposit (CD)	Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before the maturity of the CD.
Commercial Paper	Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing.
Corporate Bond	Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Counterparty	Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a

	swap/etc.)
CDS	Credit Default Swap – a swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.
CFR	Capital Financing Requirement.
CIPFA	Chartered Institute of Public Finance and Accountancy.
CLG	Department for Communities and Local Government.
Derivative	A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock.
DMADF	Deposit Account offered by the Debt Management Office, guaranteed by the UK government.
ECB	European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is the keep inflation within a band of 0 to 2%. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle.
Equity	A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital gain.
Forward Deal	The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate.
Forward Deposits	Same as forward dealing (above).
Fiscal Policy	The government policy on taxation and welfare payments.
GDP	Gross Domestic Product.

Gilt	Registered British government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.
Money Market Fund	A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments. It is very similar to a unit trust.
Monetary Policy Committee (MPC)	Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1% of a central target of 2.5% in two years time from the date of the monthly meeting of the committee. Their secondary target is to support the government in maintaining high and stable levels of growth and employment.
Other Bond Funds	Pooled funds investing in a wide range of bonds.
PWLB	Public Works Loan Board.
QE	Quantitative Easing.
Retail Price Index	Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.
Sovereign Issues (Ex UK Gilts)	Bonds issued or guaranteed by nation states, but excluding UK government bonds.
Supranational Bonds	Bonds issued by supranational bodies, e.g. European Investment Bank. The bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield ("spread") given their relative illiquidity when compared with gilts.
Treasury Bill	Treasury bills are short-term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.

Table 2: Counterparty limits **APPENDIX B ANNEX 1**

Investment / Counterparty type:	S/term	L/term	Viability / Support	Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Use	Notes ref:
Specified instrument: (repayable within 12 months)		**(FITCH or equivalent)**						
DMADF	n/a			UK Sovereign	£12m	364 days	In House & EFM*	
UK Govt., Local Authorities / Public Corporations /Nationalised Industries	n/a		High		£9m	364 days	In House & EFM*	11
Bank - part nationalised UK	F1	A	BBB/1	UK Sovereign	£9m	364 days	In House & EFM*	1 & 2
Bank UK(2)	F1	A+	BBB/1	UK Sovereign	£5m	364 days	In House & EFM*	1 & 2
Bank subsidaries of UK Banks		Unrated		Explicit Parent Guarantee	£5m	3 months	In House & EFM*	1 & 3
Money Market Fund(CNAV)	AAAm / Aaa-mf/AAAmmf				£9m	liquid	In House & EFM*	
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/ AAA/V1				£6m	liquid	In House & EFM*	4
Building Societies - category A	F1	A+		UK Sovereign	£4m	364 days	In House & EFM*	1
Building Societies - category B	F1			UK Sovereign	£2m	364 days	In House & EFM*	1
Corporate bonds - category 1		A+		UK Sovereign	£5m	364 days	In House & EFM*	5
Corporate bonds - category 2		A			£9m	364 days	In House & EFM*	5
Corporate bonds - category 3		A+			£3m	364 days	In House & EFM*	5
Covered bonds - category 1		A+		UK Sovereign	£5m	364 days	In House & EFM*	12
Covered bonds - category 2		A			£9m	364 days	In House & EFM*	12
Covered bonds - category 3		A+			£3m	364 days	In House & EFM*	12
Bonds - Supranational / Multi Lateral Development Banks	AAA / Govt Guarantee				£5m	364 days	In House & EFM*	
Floating Rate Notes - category 1		A+			£5m	364 days	In House & EFM*	6
Floating Rate Notes - category 2		A			£9m	364 days	In House & EFM*	6
Floating Rate Notes - category 3		A+			£3m	364 days	In House & EFM*	6
Eligible Bank Bills	n/a			Determined by EFM	£5m	364 days	EFM*	
Sterling Securities guaranteed by HM Government	n/a			UK Sovereign	9m	not defined	EFM*	

Investment / Counterparty type:	S/term	L/term	Viability / Support	Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Use	Notes ref:
Non-specified instruments	(FITCH or equivalent)							
Building societies - assets > £500m	unrated category C				£1m	3 months	In House	1 & 9
Bank deposits > 1 year	F1	A+	BBB/1	UK Sovereign	£5m	2 years	In House +Advice & EFM*	1,2, & 10
Bank - part nationalised UK > 1 year	F1	A	BBB/1	UK Sovereign	£9m	2 years	In House +Advice & EFM*	1,2, & 10
Building societies - > 1 year	F1	A+	BBB/1	UK Sovereign	£1m	2 years	In House +Advice & EFM*	1 & 10
Local Authorities > 1 year	n/a		High		£9m	5 years	In House +Advice	10
Corporate bonds - category 1 > 1 year		A+		UK Sovereign	£5m	2 years	In House & EFM*	5 & 10
Corporate bonds - category 2 > 1 year		A			£9m	2 years	In House & EFM*	5 & 10
Corporate bonds - category 3 > 1 year		A+			£3m	2 years	In House & EFM*	5 & 10
Covered bonds - category 1 > 1 year		A+		UK Sovereign	£5m	2 years	In House & EFM*	10 & 12
Covered bonds - category 2 > 1 year		A			£9m	2 years	In House & EFM*	10 & 12
Covered bonds - category 3 > 1 year		A+			£3m	2 years	In House & EFM*	10 & 12
Corporate Bond Funds			BBB		£5m	10 years	In House +Advice & EFM*	10
Pooled property fund eg: REITS				Authorised FS&MA	£5m	10 years	In House +Advice	10
CCLA property funds		n/a		see note 8	£5m	10 years	In House +Advice	7 & 10
Day to day balances		n/a			n/a	n/a	In House	8

Notes:

* EFM = External Fund Manager

All maximum maturity periods include any forward deal period

1. Includes Business Call Reserve Accounts and special tranches and any other form of investment with that institution e.g. Certificate of Deposits, Corporate Bonds.
2. Counterparty Limit is also the Group Limit where investments are with different but related institutions
3. Unrated but with explicit guarantee by parent + parent meets minimum ratings of : S/term F1 L/Term A+(A if owned or part-owned by UK Government) viability BBB, support indicator of 1. Subject to group limit relating to parent bank e.g. £5m if private of £9m if part or wholly nationalised.
4. Subject to overall group limit of £6m
5. Corporate Bonds must be Senior Unsecured and above. Category types:
   Category 1: Issued by private sector Financial Institutions
   Category 2: Issued by Financial institutions wholly owned pr part owned by the UK Govt
   Category 3: Issued by Corporates
6. Floating Rate Notes - categories as per note 5 above.
7. Security of Trustee of fund (LAMIT) controlled by LGA, COSLA who appoint the members and officers of LAMIT.

8. Minimum exposure to credit risk as overnight balances only.
9. Group limit of £8m
10. £10m overall limit for Corporate Bond/Property Funds & £15m limit for all counterparties.
11. UK Government includes Gilt Edged Securities and Treasury Bills
12. Covered Bonds Category types:

WARWICK DISTRICT COUNCIL	**Executive & Council, 11th February and 25th February 2015 respectively**	**Agenda Item No. 5**

Title	**Budget 2015/16 and Council Tax – General Fund Revenue & Capital**
For further information about this report please contact	Mike Snow (Tel: 01926 456800) Jenny Clayton (Tel: 01926 456013)
Wards of the District directly affected	All
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	
Background Papers	Report to Executive 3rd December , 2014: Approval of General Fund Base Budgets 2015/16 Report to Executive 1st October, 2014: Proposed Fees and Charges for 2015/16

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

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	26/01/2015	Chris Elliott
Head of Service	26/01/2015	Mike Snow
CMT	26/01/2015	
Section 151 Officer	26/01/2015	Mike Snow
Monitoring Officer	26/01/2015	Andrew Jones
Finance	26/01/2015	Jenny Clayton
Portfolio Holder(s)	26/01/2015	Cllr Stephen Cross
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. **Summary**

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

2. **Recommendations**

That the Council agree:-

2.1 The 2014/15 latest General Fund Revenue Budget of net expenditure, including the proposed adjustments in section 3.2, at £17.3m, after the projected £220,000 surplus has been allocated (recommendation 2.1), as summarised in Appendix 1.

2.2 The 2014/15 projected surplus of £220,000 is allocated to form the Contingency Budget for 2015/16, as discussed in paragraph 3.2.2).

2.3 Notes the use of Emergency powers by the Chief Executive to agree payment of the non-consolidated element of the 2014/16 NJC Pay Award to Grade A officers (paragraph 3.2.3).

2.4 The changes to the latest 2015/16 General Fund Revenue Budgets (as previously agreed by the Executive on 3rd December 2014) below and as discussed in paragraph 3.3.1 with net expenditure of £13.6m, as shown in Appendix 1.

2.5 To note the Grant Settlement for 2015/16 in section 3.4 and agree that should there be a non-material change to the final Revenue Support for 2015/16 when the announcement is made, this would be accommodated within the Contingency Budget in 2015/16 (paragraph3.4.1), and any change in the projected Retained Business Rates will be accommodated within the transfer from the Business Rate Retention Volatility Reserve (paragraph 3.4.5).

2.6 That the Council should continue to pay the National Living Wage to its employees, with the rate increased to £7.85 from April 2015 (paragraph 3.5).

2.7 The Council Tax of a Band D property for Warwick District Council for 2015/16 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts is agreed by Council at £146.86, representing a zero increase on 2014/15 (paragraph 3.6.5).

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

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

2.9 The Statement of New Homes Bonus Use within Appendix 3 and note the New Homes Bonus allocation due for 2015/16 of £1,622,888 (Provisional), of which £118,543 will be allocated to the W2 (Waterloo/Warwick District Council) Joint Venture and £450,000 towards Bishops Tachbrook Community Centre, and agrees that the balance of £1,054,345 is appropriated discussed in paragraph 3.7.3 and in Appendix 3.

2.10 That Service Level Agreement is agreed with Hill Close Gardens, with the precise details of this delegated to the Chief Executive in consultation with the Head of Finance and Head of Development Services (paragraph 3.7.3).

2.11 Agrees to extend the discretionary business rates transitional relief scheme for two years following the announcement in the December Autumn Statement as discussed in paragraph 3.8.1.

2.12 The Council agree to continue disregard income Housing Benefit claimants receive in respect of War Widows(ers) pension, War Disablement Pension and the Armed Forces Compensation Scheme Guaranteed Income Payment in full in the calculation of Housing Benefit (paragraph 3.8.2)

2.13 That the Executive agrees that the financial contribution it committed of up to £400,000 to the West Midlands Reserve Force & Cadets Association (hereafter referred to as the Cadets) to enable it to relocate from Hampton Road Football Ground can be applied in respect of a new building at the Aylesford School site (Warwick West ward) should relocation to the Warwick Corps of Drums site prove not to be the favoured option and that authority is delegated to Deputy Chief Executive (AJ), in consultation with Councillor Coker, to agree the precise terms of use and release of the funding, and any necessary consents and agreements. (paragraph 3.8.3).

2.14 Reallocation of £4,000 from St Mary's Lands Business Strategy match-funding to St Mary's Lands Working Group studies to enable the Group's work to continue with the budget now delegated to the Chief Executive. (paragraph 3.8.4).

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

2.16 The changes to the financial projections (section 3.9) and note the significant future forecast deficit, currently estimated to rise to £0.98m by 2019/20 on net expenditure of £15m and that further on-going savings/ increased income of this amount must be secured in order for the authority to be able to set balanced budgets in the future without impacting on the range and quality of services provided.

2.17 That the balances on the Council's reserves are noted, as shown within Appendix 6, with the relevant allocations to and from the reserves as detailed in section 3.10 being approved.

2.18 The latest schedule in respect of the Equipment Renewal Reserve (£1.6 million required by 2024/25) and it be noted that this /Reserve is fully funded up to 2018/19 (paragraph 3.10.2.xii).

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

2.20 That the General Fund Capital Programme and the Housing Investment Programme, together with their financing, as set out in Section 3.11 and Appendix 10, are agreed by Council.

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

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

2.23 The updated Financial Strategy (as discussed in paragraph 4.2) as set out in Appendix 13.

2.24 To note the risks that may impact upon the Council's financial position and the mitigations and controls in place to manage these risks (Section 6).

3. **Reasons for the Recommendation**

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

- The revenue and capital budget are being considered together.
- The Council is required to determine an authorised borrowing limit in accordance with The Local Government Act 2004, Section 3, and to agree prudential indicators (Appendix 12 refers) in accordance with the CIPFA Code for Capital Finance in Local Authorities.
- 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 2).
- By considering the 5 Year Medium Term Financial Strategy at the same time as the latest and next year's Budget, the Council has a full understanding their implications on the long term implications.

3.2 2014/15 Revenue Budget

3.2.1 Appendix 1 summarises the latest 2014/15 Estimates and the proposed Budget for 2015/16. The latest Estimates for 2014/15 were reported to the Executive in

December 2014 with net expenditure of £17.9m and a surplus of £217,000. Further changes are now proposed.

- Town Hall liability for Town Council overcharges (Business rates and service charges).

- An additional £10,000 for the Back Up Generator at Oakley Wood Crematorium, bringing the total cost to £30,000 as agreed by the Executive in December 2014.

- £134,000 Non-Recurrent Business Rate Refunds in respect of Council properties

- A Leisure Centre staffing non-recurrent overspend of £47,000 which is net of a £3,000 increase in Vending Machine Commission. – £12,000 of this is at St Nicholas Park Leisure centre (£10,000 due to long term sickness cover).
  The other £2,000 can be attributed to increased costs of swimming teachers as new lessons have been added to the programme in the last 18 months.

  The residual £38,000 is at Newbold Comyn Leisure Centre. The significant part is attributable to the failure to implement new rotas, which had been agreed and budgeted for. This was caused by management actions of a former member of staff who unfortunately was finding the role beyond their capabilities.

  Actions have now been taken to address the causes of the overspend at Newbold Comyn, and the new manager has taken far greater control of staffing since November 2014. New rotas will be introduced at all sites from 1st April 2015 to coincide with the start of the new activity programme.

  The figures quoted above are based on performance until the end of December. Quarter 4 performance will not be known until the end of the year. The gym at Newbold Comyn is to undergo a refit of new equipment in Feb 2015 and Officers are hopeful that gym income will exceed budgeted levels and negate the overspends reported above.

- A saving of £15,000 is now forecast on the budget for the National Minimum Wage based on the spending to date. This projection takes into consideration that the next months may be higher due to additional staffing at the Spa Centre during the Pantomime and increased Gym activity in the new year.

- Minor changes totalling £19,000 debit.

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

3.2.3 The 2014/15 Budget allows for the 2.2% pay award applicable from January 2015. As part of the 2014 -2016 settlement there is a non-consolidated payment for all staff on Spinal Column Point (SCP) 5 to 49. Advice was been received from West Midlands Employers that the 2.2% pay award is payable to all NJC staff above SCP 49 (grade A staff within Warwick District Council) but that the additional non-consolidated award is a matter for local determination. The authority employs 7 members of staff on grade A and the total cost of awarding the payment was in the region of £1,400 (approximately £200 each). As the payment was due to be paid in December 2014, the Chief

Executive used his Emergency Powers to agree to the payments being made, having consulted with the leaders of the main political groups under the Council's Constitution.

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

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

The unallocated balance on the Contingency Budget 2014/15 stands at £27,600, excluding any other proposed uses from the Contingency Budget discussed elsewhere on this agenda.

3.3 2015/16 Revenue Budget

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

- £11,000 Reduction in Housing Benefit and Council Tax Reduction Scheme Administration Subsidy

- National Living Wage – Within the Council's financial projections, £60,000 was included for the full year anticipated costs relating to the National Living Wage. Consistent with the reference within paragraph 3.2.1, it is believed that this budget is overstated, so has been reduced by £15,000.

- The Employment Committee has recently considered a report on Finance Staffing. Within this, there are recurring costs relating to an additional Revenues Officer (£22,800) and changes to the Accountancy Establishment (£2,100) which have been included within the proposed 2015/16 Budget.

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

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

3.4 Government Grant

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

3.4.2 No details have been provided over likely levels of grant beyond 2015/16. From the Government's financial projections, the most recent being within the Autumn Statement in December 2014, it is apparent that local authorities will continue to see substantial reductions in core funding for the foreseeable future, although no details are available as to how this will impact upon individual authorities. As district councils are not directly responsible for any of the "protected" public services (eg health and education), it has been necessary to take a prudent stance in projecting this Council's future levels of Revenue Support Grant for the Medium Term Financial Strategy (discussed in paragraph 3.9).

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

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

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

3.5 National Living Wage

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

3.6 Council Tax

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

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

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

3.6.4 Calculating the district element

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

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

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

3.6.6 Parishes

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

3.6.7 Major Precepting Authorities

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

3.6.8 Formal Setting of the Tax

This is the arithmetical process of aggregating the council tax levels calculated by the major precepting authorities (the County Council and the Police and Crime Commissioner) and the parish/town councils for their purposes with those required by this Council. A report to the Council Meeting on the 25th February, 2015 will provide the required details. This Executive report will be updated to take account of all the precepts and will be sent by e-mail to all members as soon as possible following Police & Crime Commissioner Tax setting. The Council will then be in a position:-

(a) to consider the recommendations from the Executive as to the council tax for district purposes; and

(b) formally to set the amount of the council tax for each parish/town, and within those areas for each tax band, under Section 30 of the 1992 Act.

3.6.9 Making the Council Tax Decision and Legal Implications

3.6.9.1 The setting of the budget and the Council Tax by Members involves their consideration of choices and alternatives. No genuine and reasonable options should be dismissed out of hand and Members must bear in mind their fiduciary duty to the Council Taxpayers of Warwick District Council.

3.6.9.2 Should Members wish to propose additions or reductions to the budget, on which no information is given in the report before Members, they should present sufficient information on the justification for and consequences of their proposals to enable the Executive (or the Council) to arrive at a reasonable decision on them. This report sets out relevant considerations for Members to consider during their deliberations, including the statement at Appendix 2 from the Chief Financial Officer.

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

3.6.9.4 It is a duty on all Members of the authority to set the budget. What this means in practice is that collectively all Members have this duty not just the Executive. Case Law has shown that abstention is not a defence in failing to comply with this duty.

3.6.9.5 Members are also reminded of section 106 of the Local Government Finance Act 1992, which requires any member who has not paid his/her Council Tax or any instalment for at least two months after it becomes due and which remains unpaid at the time of the meeting, to declare that at the meeting and not vote on any matter relating to setting the budget or making of the Council Tax and related calculations.

3.7 New Homes Bonus

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

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

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

- Hill Close Gardens £100,000. The Trust has approached the Council for further support when the existing Grant is discontinued. £20,000 per annum for 5 years 2015/16 to 2019/20 will help to reduce the deficit demonstrated in their Business Plan. It is recommended that a Service Level Agreement is agreed with Hill Close Gardens, with the precise details of this delegated to the Chief Executive in consultation with the Head of Finance and Head of Development Services.

- Corporate Asset Reserve £570,000. Last year sufficient monies were allocated to this Reserve to support the unfunded element of the Corporate Asset Repairs 30 year programme. Savings arising in the current financial year will contribute towards the year 2 plan, however a further allocation £570,000 is required to complete all the items for the second year. In February of last year, Officers were tasked to consider how the Council can manage its Corporate Asset Base more efficiently and report back to Members.

- Riverside House backlog maintenance £60,000. The planned office move has been delayed by 24 months overall. Based on the earlier target of April 2016, general repairs on the current offices were put on hold. However, it has now reached the point when these works cannot be deferred further.

- General Fund Early Retirement Reserve £100,000. Due to staffing restructures, this has been depleted over the last few years. Further demands are anticipated from the Housing and Property Services restructure.

- Planning Reserve £50,000. Similarly this has been depleted and future demands are forecast from Appeals and the Local Plan.

- Equipment Renewals Reserve£174,345. Members will already be aware this has always been undersubscribed to cover all of the demands for a full 5 year period.

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

3.8 Other 2015/16 Budget Matters

3.8.1 Business Rates – Transitional Relief

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

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

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

3.8.2 War Widows Pensions

Under current arrangements, any money paid out in respect of Housing Benefit, is reclaimed from the Government in the form of subsidy and the scheme by which the Council determines entitlement to the Benefit is prescribed by the Government.

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

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

The table below shows the cost to the authority for the last 3 years. These are allowed for within the proposed Budget.

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

3.8.3 Funding for West Midlands Reserve Force & Cadets Association

3.8.3.1 At its meeting of 16th April 2014, Executive agreed the following:

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

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

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

3.8.3.4It should be noted that the Aylesford School site is in Warwick West and will provide for the same catchment area as the Warwick Corps of Drums site. It will also be situated next to a children's facility thereby being highly visible with hopefully a positive impact in terms of participation.

3.8.4 St Mary's Lands Funding

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

3.8.5 Climate Control – Earmarked Reserve

Earmarked Reserves are agreed by Executive as part of the Final Accounts process in June of each year. These relate to slippage of specific budgets from one year to the next where it has not been possible to carry out a specific project in the timescale originally intended. Within the earmarked reserves carried forward from 2013/14 is £16,900 for Climate Control. This budget was expected to be needed for projects relating for the Local Plan. However, this work has been funded from the Planning Reserve. It is now proposed that members agree that the £16,900 is used towards projects as part of the

Council's Strategic Approach to Sustainability and Climate Change in line with the report considered by the January 2015 Executive meeting.

3.9 Medium Term Financial Strategy

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

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

- Additional income due to an increase in the agreed Council Tax Base for 2015/16 above that originally assumed in the Strategy, £96,000 favourable.
- Full impact of Pay Award in addition to amounts previously estimated, £28,000 adverse.
- In January of this year, Capita, the Council's Treasury Management Consultants alerted Officers that future increases in interest rates are now likely to be delayed. This reduces the forecast investment interest income by some £111,000.
- The impact of the Finance Staffing changes approved by January 2015 Employment Committee, £24,900 adverse.
- The cost implications from the introduction of the National Living Wage have not proved as much as originally forecast, £15,000 saving.
- Recurrent changes (adverse -minor) in the 2014/15 and 2015/16 Budgets, total adverse £16,000.

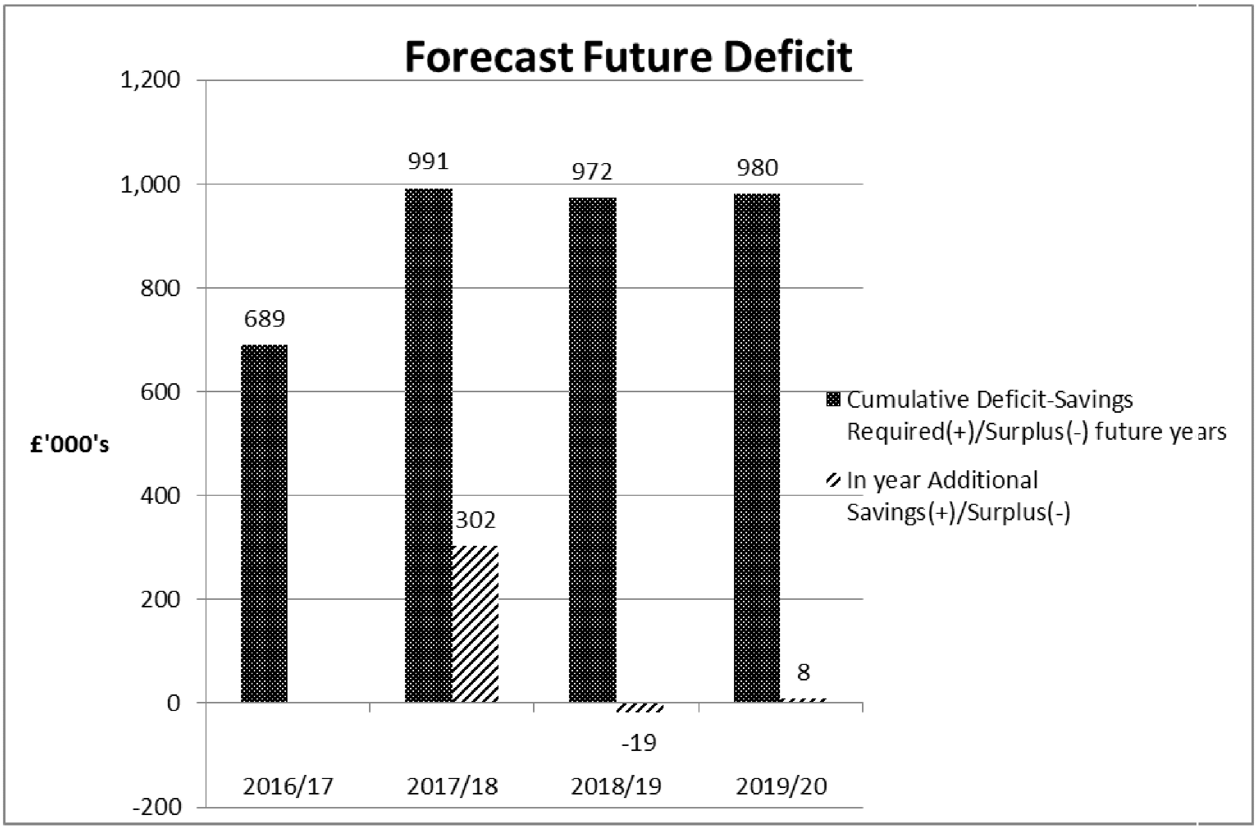
3.9.3 This is replicated in the table below-

Savings Requirement	**£'000's**
December Executive Deficit	**912**
Change in Tax Base	-96.3
Minor recurrent	15.7
Pay Award	28
Interest Rates increase delayed	111
Finance Salaries	25
National Living Wage	-15
February 2015	**980**

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

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

3.9.5 The profile of the savings required and future forecast deficit that would ensue should these savings not be identified and achieved are depicted graphically below-



The complete 5 year Financial Strategy is shown at Appendix 4.

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

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

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

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

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

3.9.7 During the year, Members have been updated on the latest Financial projections. The changes reported are summarised below:-

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

3.10 **Reserves and Balances**

3.10.1 General Fund Balance

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

3.10.2 General Fund Earmarked Reserves

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

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

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

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

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

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

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

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

The following uses of this reserve are now proposed:-

- Finance Staffing – a report to the Employment Committee on 27 January recommended temporary posts in respect of Procurement, Revenues and Accountancy, totalling £126,200.

- Priority Families – it is proposed that £15,000 per annum for three years is contributed towards this project as detailed in Appendix 8. It is proposed that this should be reviewed after a year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.11 General Fund and Housing Capital Programmes.

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

General Fund Capital Programme

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

Project	**Amount**	**Comments**
Contribution towards a new building for West Midlands Reserve & Cadet Force	£400,000	Approved by Executive April 2014 and funded from Capital Investment Reserve
Contribution towards 2nd Warwick Sea Scouts Headquarters.	£50,000	Approved by Executive February 2014 and funded from Service Transformation Reserve
Land off Radford Road Leamington Spa	£190,000	Approved by Executive July 2014 and funded from Capital Investment Reserve
PSN – Councillors Ipads	£6,200	Approved by Executive February 2014 and funded from Service Transformation Reserve
26 Hamilton Terrace Gaming Incubation Hub	£115,000	Approved by Executive July 2014 and funded by a revenue contribution from the Corporate Repairs & Maintenance budget and external contributions
Bishops Tachbrook Community Centre	£450,000	Approved by Executive November 2014 and funded from Capital Investment Reserve in 2015/16 (using New Homes Bonus)
Refurbishment of 4 Jury Street Warwick	£70,000	Approved by Executive July 2014 and funded from either capital receipts or Capital Investment Reserve
Warwick Corps of Drums building refurbishment	£50,000	Approved by Executive October 2014 and funded from either capital receipts or Capital Investment Reserve in 2015/16
Pump Rooms Assembly Rooms Public Address System	£8,900	Approved by December 2014 Executive and funded by a revenue contribution from the Contingency Budget
TOTAL	£1,340,100	

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

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

3.11.5 Also shown in Appendix 10 (part 5) is a summary of the total General Fund capital resources available to the Council over the period 2014/15 to 2018/19 matched against the projected spend. This shows that over the period the

Council has £3.2m surplus resources once the current programme is financed. This is detailed in the table below.

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

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

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

Housing Investment Programme

3.11.7 The latest Housing Investment Programme is presented in Appendix 10 part 2.

3.11.8 The changes from the Programme approved in February 2014 are summarised in Appendix 11. The majority of changes have been previously reported and approved, new changes presented for approval are:

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

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

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

3.12 Prudential Indicators.

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

4. Policy Framework

4.1 The Council's priorities have been reaffirmed within its Fit For the Future Programme. Savings from the Programme have been built into the Budgets now presented to members for Approval. The Budgets have also been set to support this Council's delivery of the projects within the Fit for the Future Programme.

4.2 The budget is a major milestone in the life of the Council. It is a financial expression of the Council's policies, having regard to resource availability and taxation consequences. The Council has formulated a number of strategies setting the framework to ensure that its overall aims and objectives are achieved. The Financial Strategy is one of its Resource Strategies; the 2015/16 Budget has been set in line with this Strategy. The updated Financial Strategy is included as Appendix 13. Should there be any mismatch between these subsidiary strategies and action plans, officers will bring forward proposals for managing these within the agreed budgets.

5. Budgetary Framework

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

6. Risks

6.1 Recent years have seen a slow recovery from the recession. With low interest rates, reduced Government Funding and this Council's customers having less disposable income to spend on the Council's discretionary services have placed further pressures on the Council Budgets and its Services. The rate of economic recovery still presents a risk to future financial stability.

6.2 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.

6.3 The main sources of income which may be subject to reductions include:-

- Government grant (eg. Revenue Support Grant, Benefits Administration Grant)
- Business Rates Retention
- Fees and charges from the provision of services
- Rent income
- Investment Interest

6.4 As discussed in paragraph 3.4.2, whilst the financial projections assume reductions in future Government Grant, there remains the risk that the reductions may be far greater than currently allowed for. It is expected that further details of this will follow in due course following the General Election in May. In due course it is possible that there may be major changes to the amounts or the basis of the main components of funding covered by the Government's Grant Settlement, namely Revenue support Grant, Business Rates Retention and New Homes Bonus. Accordingly, a cautious approach has been taken in projecting these forward and how they are utilized.

6.5 This is the second year of the Business Rate Retention Scheme. Changes affecting the valuations of non-domestic properties and levels of arrears will impact on the income that this Council retains under the scheme, major schemes, such as the works on the Toll Bar Island impact on the Financial Viability of Businesses which is then reflected in their rateable values, reducing this income stream to the Council. The Business Rates Volatility Reserve and membership of the Coventry and Warwickshire Pool are intended to mitigate these risks.

6.6 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
- Changes to Government policy, whereby the changes are not fully funded
- Assumed savings in budgets not materialising

6.7 Triggers for increased costs or reduced income include:-

- Economic cycle – impacting upon inflation, interest rates, unemployment, demand for services, Government funding available
- Unplanned expenditure, eg 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.

6.8 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 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 (eg WCC Legal).

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

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

- Within the proposed 2014/15 there is a Contingency Budget of £200,000 for any unplanned unavoidable expenditure.

- Reserves – The Council holds reserves as discussed within section 10.2.1. Whilst much of these reserves have already been earmarked for specific projects, it is important that reserves are held for any unforeseen demands. It should be noted that the balance on the Capital Investment Reserve is projected to decrease below the £2m balance referred to in paragraph 3.11.5.

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

- The specific causes of reductions to income or increased expenditure (para 6.3 and 6.6) should continue to be managed by the relevant Service Area as part of managing the risks within each Service Risk Register.

7. Alternative Option(s) considered

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

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

8. **Background**

8.1 This is a complex report which brings together the information which has been set out in a number of background reports over the last few months. The appendices to the report are:-

Appendix 1: Proposed summary budget
Appendix 2: Statement by Chief Financial Officer
Appendix 3: Statement of New Homes Bonus
Appendix 4: Medium Term Financial Strategy (Financial Projections)
Appendix 5: Risk Assessment against General Fund balances
Appendix 6: Summary of Reserves and Balances
Appendix 7: ICT Renewal Schedule
Appendix 8: Priority Families
Appendix 9: Equipment Renewal Schedule
Appendix 10: Proposed Capital Programme
Appendix 11: Changes within Capital Programme (Variations)
Appendix 12: Prudential indicators
Appendix 13: Financial Strategy February 2015

8.2 Key Assumptions

Our Treasury Consultants currently forecast the Bank Rate on which short term investment rates are based to be 0.5% at the start of 2015/16 and it is expected that Bank Rate will begin to rise from the December quarter of 2015 and end the year at 0.75%. The target return for the Council's cash flow derived investments in 2014/15 reflects this forecast and has been set at 0.60%. When the expected returns from the Council's core investments are added in, the overall investment rate for 2015/16 is expected to be 0.80%.

WARWICK DISTRICT COUNCIL

PROPOSED BUDGET SUMMARY

	NET EXPENDITURE			
	Actual 2013/14 £	Original Budget 2014/15 £	Latest Budget 2014/15 £	Original Budget 2015/16 £
Portfolio Service Expenditure:				
Culture	3,429,155	3,266,400	4,403,100	3,472,000
Development	1,772,950	1,947,300	3,023,400	1,999,400
Finance	2,558,061	2,927,100	2,366,300	2,308,300
Health and Community Protection	2,486,352	2,419,000	2,504,600	2,463,100
Housing and Property - General Fund	1,966,227	2,047,100	2,401,300	2,811,800
Neighbourhood	4,438,258	5,049,900	5,390,000	4,854,600
Strategic Leadership	1,350,793	1,326,700	1,878,800	1,706,800
NET COST OF GENERAL FUND SERVICES	**18,001,796**	**18,983,500**	**21,967,500**	**19,616,000**
Replacement of Notional with Actual Cost of Capital				
- Deduct Notional Capital Financing Charges in Estimates	(3,601,579)	(3,446,700)	(4,984,700)	(3,921,500)
- Add Cost of Loan Repayments, Revenue Contributions and Interest Paid	39,457	32,500	34,900	35,000
Net External Investment Interest Received	(249,114)	(180,500)	(239,300)	(291,900)
Revenue Contributions to Capital	1,291,177	313,300	330,700	312,300
Contributions to / (from) Reserves	2,026,256	949,644	770,044	(1,631,918)
IAS19 Adjustments	(585,317)	(608,000)	(555,600)	(554,800)
Accumulated Absences Account	(23,845)	0	0	0
Contributions to / (from) General Fund Balance	(33,036)	0	0	0
NET EXPENDITURE FOR DISTRICT PURPOSES	**16,865,795**	**16,043,744**	**17,323,544**	**13,563,182**
Less: Revenue Support Grant	(4,551,683)	(3,513,949)	(3,642,200)	(2,499,500)
Less Business Rates	(4,003,868)	(3,671,951)	(4,824,100)	(1,872,800)
Less: General Grants	(1,216,084)	(1,396,800)	(1,396,200)	(1,725,000)
Collection Fund (Surplus) / Deficit	33,000	(142,000)	(142,000)	0
EXPENDITURE BORNE BY COUNCIL TAX - WARWICK DISTRICT COUNCIL	**7,127,160**	**7,319,044**	**7,319,044**	**7,465,882**
Aggregate Parish Council Expenditure	1,122,295	1,207,647	1,207,647	To Follow
COMBINED DISTRICT AND PARISH EXPENDITURE BORNE BY COUNCIL TAX	**8,249,455**	**8,526,691**	**8,526,691**	**7,465,882**
Warwickshire County Council Expenditure	56,064,424	58,717,314	58,717,314	To Follow
Warwickshire Police and Crime Commissioner	8,782,021	9,197,952	9,197,952	To Follow
TOTAL EXPENDITURE BORNE BY COUNCIL TAX	**73,095,900**	**76,441,957**	**76,441,957**	**7,465,882**

BAND D EQUIVALENT COUNCIL TAX:				
Warwick District Council	146.86	146.86	146.86	146.86
Parish and Town Councils (Average)	23.13	24.23	24.23	To Follow
DISTRICT & PARISH BAND D EQUIVALENT COUNCIL TAX	**169.99**	**171.09**	**171.09**	**146.86**
Warwickshire County Council	1,155.25	1,178.19	1,178.19	To Follow
Warwickshire Police Authority	180.96	184.56	184.56	To Follow
TOTAL BAND D EQUIVALENT COUNCIL TAX	**1,506.20**	**1,533.84**	**1,533.84**	**146.86**
Council Tax Base (Band D Equivalents)	48,530.30	49,836.88	49,836.88	50,836.73

ANDREW MOBBS
Leader of the Executive

MIKE SNOW
Responsible Financial Officer

General Fund Capital Programme

	Responsible Officer	Cost Centre	Latest Budget 2014/15	Proposed Expend. 2015/16	Proposed Expend. 2016/17	Proposed Expend. 2017/18	Proposed Expend. 2018/19	TOTAL 2013/14 to 2018/19
			£	£	£	£	£	£
CAPITAL PROGRAMME SUMMARY								
Strategic Leadership & CWLEP			138,500	255,900	204,500	311,500	102,300	1,012,700
Health & Community Protection			518,500	0	0	0	0	518,500
Culture Portfolio			296,900	103,000	0	0	0	399,900
Finance Portfolio			76,400	410,000	150,000	150,000	0	786,400
Neighbourhood Portfolio			1,385,900	1,065,000	165,500	120,000	0	2,736,400
Development Portfolio			521,400	1,669,000	50,000	318,200	0	2,558,600
TOTAL GENERAL FUND CAPITAL PROGRAMME			**2,937,600**	**3,502,900**	**570,000**	**899,700**	**102,300**	**8,012,500**
STRATEGIC LEADERSHIP & CWLEP								
Replacement PCs and Printers	Lee Millest	C222	31,700	139,100	161,500	267,500	102,300	702,100
Public Services Network Changes	Lee Millest	C407	12,600	0	0	0	0	12,600
PSN - Councillors Ipads	Graham Leach	C409	6,200	0	0	0	0	6,200
Website CMS replacement	Michael Branson	C384	15,600	0	0	0	0	15,600
Broadband UK	Chris Elliott	C377	72,400	116,800	43,000	44,000	0	276,200
TOTAL STRATEGIC LEADERSHIP & CWLEP PORTFOLIO			**138,500**	**255,900**	**204,500**	**311,500**	**102,300**	**1,012,700**
HEALTH & COMMUNITY PROTECTION								
Cubbington Flood Alleviation Partnership	Siphiwe Mahachi	C347	518,500	0	0	0	0	518,500
TOTAL HEALTH & COMMUNITY PROTECTION PORTFOLIO			**518,500**	**0**	**0**	**0**	**0**	**518,500**
CULTURE PORTFOLIO								
Castle Farm Sports Pitch Drainage	Rose Winship	C210	0	73,000	0	0	0	73,000
New Gym Equipment	Rose Winship	C331	60,000	30,000	0	0	0	90,000
Victoria Park Bowling Green & Ancillaries Improvements	Rose Winship	C390	203,300	0	0	0	0	203,300
Assembly Rooms Public Address System	Jeff Watkins	C422	8,900	0	0	0	0	8,900
Town Hall Refurbishments	Rose Winship	C400	24,700	0	0	0	0	24,700
TOTAL CULTURE PORTFOLIO			**296,900**	**103,000**	**0**	**0**	**0**	**399,900**
FINANCE PORTFOLIO								
Rural Initiatives	Jon Dawson	C101	76,400	260,000	75,000	75,000	0	486,400
Urban Initiatives	Jon Dawson	C100	0	150,000	75,000	75,000	0	300,000
TOTAL FINANCE PORTFOLIO			**76,400**	**410,000**	**150,000**	**150,000**	**0**	**786,400**
NEIGHBOURHOOD PORTFOLIO								
Enhancement of Other Car Parks	Robert Hoof	C204	40,000	22,700	0	0	0	62,700
St Nicholas Park Warwick Improvements	Robert Hoof	C023	19,300		0	0	0	19,300
Recycling & Refuse Containers	Nick Gray	C367	190,000	50,000	120,000	120,000	0	480,000
Millbank Open Space Improvements Phase 1	David Anderson	C372	3,200	0	0	0	0	3,200
Green Farm Play Equipment	David Anderson	C338	0	26,800	0	0	0	26,800
Play Area Improvement Programme	David Anderson	C381	308,700	265,500	45,500	0	0	619,700
Abbey Fields Ruins- Gatehouse	Lisette Piper	C393	17,100	0	0	0	0	17,100
Partnership Funding for HLF Grant re Pump Rooms Gardens Restoration	David Anderson	C402	0	100,000	0	0	0	100,000
Leamington Cemetery Extension	Pam Chilvers	C366	28,500	0	0	0	0	28,500
Crematorium Improvements	Pam Chilvers	C375	583,900	600,000	0	0	0	1,183,900
Land off Radford Road, L/Spa	Andy Jones	C412	190,000	0	0	0	0	190,000
Replacement of concrete columns and luminaires	Monica Brown	C398	5,200	0	0	0	0	5,200
TOTAL NEIGHBOURHOOD PORTFOLIO			**1,385,900**	**1,065,000**	**165,500**	**120,000**	**0**	**2,736,400**
DEVELOPMENT PORTFOLIO								
Conservation Action Programme	Alan Mayes	Various	83,000	50,000	50,000	0	0	183,000
Chase Meadow Community Centre	Debbie Cole	C343	9,800	0	0	0	0	9,800
Jubilee House Phase 2	Tim Hepworth	C368	43,600	310,000	0	0	0	353,600
2nd Warwick Sea Scouts' Headquarters	Tim Hepworth	C410	0	50,000	0	0	0	50,000
26 Hamilton Terrace Gaming Incubation Hub	Joe Baconnet	C418	115,000	0	0	0	0	115,000
Refurbishment of 4 Jury Street	Joe Baconnet	C419	70,000		0	0	0	70,000
West Midlands Reserve & Cadet Force - New Building	Andrew Jones	C411	200,000	200,000	0	0	0	400,000
Leamington Spa One Stop Shop	Chris Elliott	C323	0	0	0	318,200	0	318,200
St Mary's Lands Business Strategy	Andrew Jones	C420	0	50,000	0	0	0	50,000
Fen End - City Deal	Bill Hunt	C408	0	559,000	0	0	0	559,000
Bishops Tachbrook Community Centre		not assigned	0	450,000	0	0	0	450,000
TOTAL DEVELOPMENT PORTFOLIO			**521,400**	**1,669,000**	**50,000**	**318,200**	**0**	**2,558,600**

Housing Investment Programme (HIP) 2014/15 to 2018/19

	Proposed Expend. 2014/15 £	Proposed Expend. 2015/16 £	Proposed Expend. 2016/17 £	Proposed Expend. 2017/18 £	Proposed Expend. 2018/19 £
Housing Revenue Account (HRA) Related HIP Expenditure:					
Construction / Acquisition of Housing	6,614,800	10,686,800	749,900	0	0
Improvement / Renewal Works	4,808,800	5,058,700	4,665,500	4,605,500	4,605,500
Lettings Incentive Scheme	100,000	100,000	100,000	100,000	100,000
Total Housing Revenue Account Related HIP	**11,523,600**	**15,845,500**	**5,515,400**	**4,705,500**	**4,705,500**
Housing General Fund Related HIP Expenditure:					
Housing Associations	450,000	0	0	0	0
Improvement Schemes (Private Sector Housing)	610,200	610,200	610,200	610,200	610,200
Total Housing General Fund Related HIP	**1,060,200**	**610,200**	**610,200**	**610,200**	**610,200**
Total Housing Investment Programme (HIP)	**12,583,800**	**16,455,700**	**6,125,600**	**5,315,700**	**5,315,700**

Housing Revenue Account Related HIP Expenditure:

Construction / Acquisition of Housing:					
Redevelopment of Fetherston Court site	4,868,800	9,333,700	749,900	0	0
Acquisition SW Warwick	1,574,100	1,353,100	0	0	0
Repurchase of Ex-Council Housing	171,900	0	0	0	0
Total Construction / Acquisition of Housing	**6,614,800**	**10,686,800**	**749,900**	**0**	**0**
Improvement / Renewal Works:					
Aids & Adaptations	998,200	920,700	647,100	647,100	647,100
Roof Coverings	30,000	147,700	147,700	147,700	147,700
Defective Flooring	56,600	56,600	56,600	56,600	56,600
Door Entry Systems	141,400	141,400	141,400	141,400	141,400
Window/Door Replacement	373,400	373,400	373,400	373,400	373,400
Kitchen Fittings / Sanitaryware Replacement	838,100	928,100	868,100	808,100	808,100
Electrical Fitments / Rewiring	537,400	612,400	612,400	612,400	612,400
Central Heating Replacement	1,276,400	1,239,800	1,239,800	1,239,800	1,239,800
Tannery Court Biomass	155,000	0	0	0	0
Water Services	4,700	4,700	9,100	9,100	9,100
Structural Improvements	19,700	19,700	19,700	19,700	19,700
Improved Ventilation	4,700	4,700	4,700	4,700	4,700
Fire Prevention Works	0	0	0	0	0
Thermal Improvement Works	20,000	141,300	141,300	141,300	141,300
Major Garage Works	0	24,600	24,600	24,600	24,600
Stamford Gardens Play Equipment	4,000	0	0	0	0
Environmental Works	74,200	95,000	75,000	75,000	75,000
Environmental Works: Tenant Participation Projects	8,100	81,700	37,700	37,700	37,700
Capital Salaries for Improvement / Renewal Works	266,900	266,900	266,900	266,900	266,900
Total Improvement / Renewal Works	**4,808,800**	**5,058,700**	**4,665,500**	**4,605,500**	**4,605,500**
Lettings Incentive Scheme:					
Lettings Incentive Scheme	100,000	100,000	100,000	100,000	100,000
Total Lettings Incentive Scheme	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**
Total Housing Revenue Account Related HIP	**11,523,600**	**15,845,500**	**5,515,400**	**4,705,500**	**4,705,500**

Housing Investment Programme (HIP) 2014/15 to 2018/19

	Proposed Expend. 2014/15 £	Proposed Expend. 2015/16 £	Proposed Expend. 2016/17 £	Proposed Expend. 2017/18 £	Proposed Expend. 2018/19 £
Housing General Fund Related HIP Expenditure:					
Registered Providers:					
Warwick Fire Station/Old Gas Works housing devel.	200,000	0	0	0	0
Bowling Green St/Theatre St Warwick housing devel.	250,000	0	0	0	0
Total Registered Providers	**450,000**	**0**	**0**	**0**	**0**
Private Sector Housing:					
Administered by Housing & Property Services:					
Private Sector Housing Grants & Loans:					
Discretionary Grants	50,000	50,000	50,000	50,000	50,000
Discretionary Loans	5,700	5,700	5,700	5,700	5,700
Minor Works:					
Care & Repair	10,000	10,000	10,000	10,000	10,000
Disabled Facilities Grants and Loans:					
Mandatory Disabled Facilities Grants	516,900	516,900	516,900	516,900	516,900
Discretionary Disabled Facilities Loans	11,400	11,400	11,400	11,400	11,400
Discretionary Disabled Facilities Grants	11,200	11,200	11,200	11,200	11,200
Administered by Health & Community Protection:					
Energy Efficiency Grants	5,000	5,000	5,000	5,000	5,000
Total Private Sector Housing	**610,200**	**610,200**	**610,200**	**610,200**	**610,200**
Total Housing General Fund Related HIP	**1,060,200**	**610,200**	**610,200**	**610,200**	**610,200**
Total Housing Investment Programme	**12,583,800**	**16,455,700**	**6,125,600**	**5,315,700**	**5,315,700**

Appendix 10 Part 3

General Fund Capital Programme Financing 2014/15 to 2018/19.

Method	**2014/15 £**	**2015/16 £**	**2016/17 £**	**2017/18 £**	**2018/19 £**	**TOTAL £**
Capital Receipts	490,600	682,100	0	0	0	1,172,700
External Contributions	600,200	613,700	0	0	0	1,213,900
Revenue Contributions to Capital Outlay	27,300	0	0	0	0	27,300
Service Transformation Reserve	6,200	193,000	43,000	44,000	0	286,200
Equipment Renewal Reserve	12,600	0	0	0	0	12,600
Public Amenity Reserve	308,700	265,500	45,500	0	0	619,700
Gym Equipment Reserve	60,000	30,000	0	0	0	90,000
Car Parks R & M Reserve	40,000	22,700	0	0	0	62,700
ICT Replacement Reserve	31,700	139,100	161,500	267,500	102,300	702,100
Capital Investment Reserve	1,360,300	1,556,800	320,000	588,200	0	3,825,300
Total General Fund Capital Funding	**2,937,600**	**3,502,900**	**570,000**	**899,700**	**102,300**	**8,012,500**

Housing Investment Programme (HIP) Financing 2014/15 to 2018/19

	Proposed Expend. 2014/15 £	Proposed Expend. 2015/16 £	Proposed Expend. 2016/17 £	Proposed Expend. 2017/18 £	Proposed Expend. 2018/19 £
Housing Revenue Account (HRA) Related HIP:					
Borrowing	0	0	0	0	0
Capital Receipts	249,000	0	0	0	0
Capital Receipts: One for One replacement	379,100	585,200	0	0	0
External Contributions	463,800	0	0	0	0
Major Repairs Reserve	4,717,700	4,872,200	4,546,000	4,485,900	4,485,900
HRA Capital Investment Reserve	5,522,900	10,101,600	749,900	0	0
Planning Public Open Space Gain Reserve	4,000	0	0	0	0
Housing Revenue Account (RCCO)	187,100	286,500	219,500	219,600	219,600
Housing Revenue Account Related HIP Financing	**11,523,600**	**15,845,500**	**5,515,400**	**4,705,500**	**4,705,500**

	Proposed Expend. 2014/15 £	Proposed Expend. 2015/16 £	Proposed Expend. 2016/17 £	Proposed Expend. 2017/18 £	Proposed Expend. 2018/19 £
Housing General Fund Related HIP:					
Borrowing	0	0	0	0	0
Capital Receipts	247,900	244,800	244,800	244,800	244,800
External Contributions	250,000	0	0	0	0
Capital Grant	362,300	365,400	365,400	365,400	365,400
General Fund (RCCO)	0	0	0	0	0
New Homes Bonus	200,000	0	0	0	0
Housing General Fund Related HIP Financing	**1,060,200**	**610,200**	**610,200**	**610,200**	**610,200**

	Proposed Expend. 2014/15 £	Proposed Expend. 2015/16 £	Proposed Expend. 2016/17 £	Proposed Expend. 2017/18 £	Proposed Expend. 2018/19 £
Overall Housing Investment Programme (HIP) Financing:					
Borrowing	0	0	0	0	0
Capital Receipts	496,900	244,800	244,800	244,800	244,800
Capital Receipts: One for One replacement	379,100	585,200	0	0	0
External Contributions	713,800	0	0	0	0
Major Repairs Reserve	4,717,700	4,872,200	4,546,000	4,485,900	4,485,900
Capital Grant	362,300	365,400	365,400	365,400	365,400
HRA Capital Investment Reserve	5,522,900	10,101,600	749,900	0	0
Planning Public Open Space Gain Reserve	4,000	0	0	0	0
Housing Revenue Account (RCCO)	187,100	286,500	219,500	219,600	219,600
General Fund (RCCO)	0	0	0	0	0
New Homes Bonus	200,000	0	0	0	0
Total Housing Investment Programme Financing	**12,583,800**	**16,455,700**	**6,125,600**	**5,315,700**	**5,315,700**

General Fund Programme & Resources **Appendix 10 Part 5**

Capital Programme 2014/15 to 2018/19

	Proposed Expend. 2014/15 £	Proposed Expend. 2015/16 £	Proposed Expend. 2016/17 £	Proposed Expend. 2017/18 £	Proposed Expend. 2018/19 £	TOTAL 2014/15 to 2018/19 £
Capital Summary						
Strategic Leadership & CWLEP Portfolio	138,590	255,942	204,500	311,500	102,256	1,012,788
Health & Community Protection Portfolio	518,544	0	0	0	0	518,544
Culture Portfolio	296,885	103,000	0	0	0	399,885
Finance Portfolio	76,388	410,000	150,000	150,000	0	786,388
Neighbourhood Portfolio	1,385,788	1,065,000	165,500	120,000	0	2,736,288
Development Portfolio	521,420	1,669,000	50,000	318,200	0	2,558,620
Total Capital Programme	**2,937,615**	**3,502,942**	**570,000**	**899,700**	**102,256**	**8,012,513**
Capital Resources Brought Forward						
Usable Capital receipts	603,544	292,965	10,864	10,864	10,864	
External Contributions Account	1,005,612	618,442	4,700	4,700	4,700	
Gym Equipment Reserve	123,097	93,097	93,097	123,097	153,097	
Energy Management Reserve	93,270	98,347	103,424	108,501	112,309	
Capital Investment Reserve	4,297,354	3,061,671	2,062,945	1,855,714	1,385,178	
Public Amenity Reserve	677,979	669,290	403,790	358,290	358,290	
Equipment Renewal Reserve	1,431,995	451,661	626,006	626,006	1,087,006	
ICT Replacement Reserve	0	997,695	784,037	547,976	192,866	
	8,232,851	**6,283,168**	**4,088,863**	**3,635,148**	**3,304,310**	**8,232,851**
	8,232,851	6,283,168	4,088,863	3,635,148	3,304,310	
Additions in Year to Resources						
Borrowing/Leasing	0	0	0	0	0	0
Capital Receipts	180,000	400,000	0	0	0	580,000
External Contributions	213,000	0	0	0	0	213,000
Revenue Contributions to Capital Outlay	27,321	0	0	0	0	27,321
Capital Investment Reserve - Net increase	124,580	558,076	112,769	117,664	55,224	968,313
Other Reserves used for Capital Financing	443,031	350,561	3,516	451,198	-57,610	1,190,696
Total Additions to Capital Resources in Year	**987,932**	**1,308,637**	**116,285**	**568,862**	**-2,386**	**2,979,330**
Total Available Capital Resources	**9,220,783**	**7,591,805**	**4,205,148**	**4,204,010**	**3,301,924**	**11,212,181**
Less Capital Programme Expenditure as above	**-2,937,615**	**-3,502,942**	**-570,000**	**-899,700**	**-102,256**	**-8,012,513**
Capital Resources Carried Forward	**6,283,168**	**4,088,863**	**3,635,148**	**3,304,310**	**3,199,668**	**3,199,668**

Nb It should be noted that the Equipment Reserve balance does not include potential funding of identified calls upon the reserve but which have yet to be approved. After these are taken into account there is a balance at the end of 2018/19 of circa £10k.

Capital Investment Reserve	1,440,402
Capital Receipts	10,864
Gym Equipment Reserve	183,097
Energy Management Reserve	112,309
Equipment Renewal Reserve	1,087,006
Public Amenity Reserve	358,290
External Contributions	4,700
ICT Replacement Reserve	3,000
Balance Carried Forward 2018/19	**3,199,668**

CAPITAL VARIATIONS

Appendix 11

	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	TOTAL £
ORIGINAL BUDGETS PER 2014/15 BUDGET BOOK:						
Original General Fund Capital Budgets	3,123,600	1,116,500	404,500	309,000	**Not**	**4,953,600**
Original Housing Investment Programme	11,002,700	12,176,100	5,329,800	5,269,800	**Published**	**33,778,400**
TOTAL	**14,126,300**	**13,292,600**	**5,734,300**	**5,578,800**		**38,732,000**

	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	TOTAL £
ORIGINAL GENERAL FUND CAPITAL BUDGETS PER 2014/15 BUDGET BOOK	**3,123,600**	**1,116,500**	**404,500**	**309,000**	**Not Published**	**4,953,600**
Items slipped from 2013/14 and added to 2014/15 Budgets (see Final Accounts Report 2013/14 for detail on individual schemes - Approved by Executive 11/06/14)	846,200	0	0	0	0	**846,200**
Items brought forward from 2014/15 to 2013/14 (see Final Accounts Report 2013/14 for detail on individual schemes- Approved by Executive 11/06/14)	(6,100)	0	0	0	0	**(6,100)**
TOTAL adjustments arising from Final Accounts Report:	**840,100**	**0**	**0**	**0**	**0**	**840,100**
INCREASES TO SCHEMES:						
Replacement PCs and Printers- budget re-profiled as separate reserve now approved.	0	70,100	122,500	228,500	102,300	**523,400**
Replacement of concrete columns and luminaires- matched by contributions.	11,200	0	0	0	0	**11,200**
Crematorium Improvements- approved September 2014 Executive	269,000	0	0	0	0	**269,000**
Broadband UK- budget re-profiled approved November 2014 Executive	0	43,000	43,000	44,000	0	**130,000**
TOTAL Increase to Schemes:	**280,200**	**113,100**	**165,500**	**272,500**	**102,300**	**933,600**
NEW APPROVALS:						
West Midlands Reserve & Cadet Force - New Building approved April 2014 Executive	400,000	0	0	0	0	**400,000**
2nd Warwick Sea Scouts' Headquarters, approved February 2014 Executive	50,000	0	0	0	0	**50,000**
Land off Radford Road, L/Spa- approved July 2014 Executive from Service Transformation Reserve	190,000	0	0	0	0	**190,000**
PSN - Councillors Ipads, approved Febraury 2014 Executive	6,200	0	0	0	0	**6,200**
26 Hamilton Terrace Gaming Incubation Hub approved July 2014 Executive	115,000	0	0	0	0	**115,000**
Bishops Tachbrook Community Centre approved November 2014 Executive	0	450,000	0	0	0	**450,000**
Refurbishment of 4 Jury Street approved July 2014 Executive	70,000	0	0	0	0	**70,000**
St Mary's Lands Business Strategy approved October 2014 Executive	0	50,000	0	0	0	**50,000**
Assembly Rooms Public Address System approved December 2014 Executive	8,900	0	0	0	0	**8,900**
TOTAL New Approvals:	**840,100**	**500,000**	**0**	**0**	**0**	**1,340,100**
TOTAL General Fund New/Increases to Capital Approvals during 2014/15:	**1,120,300**	**613,100**	**165,500**	**272,500**	**102,300**	**2,273,700**

CAPITAL VARIATIONS **Appendix 11**

	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	TOTAL £
SLIPPAGE - Changes to start dates or delays on projects mean that it is proposed to slip resources into future years - identified as part of budget review process.						
Fen End - City Deal	(559,000)	559,000	0	0	0	**0**
Leamington Spa One Stop Shop	0	(318,200)	0	318,200	0	**0**
Jubilee House Phase 2	(310,000)	310,000	0	0	0	**0**
Oakley Wood Crematorium	(600,000)	600,000	0	0	0	**0**
2nd Warwick Sea Scouts' Headquarters	(50,000)	50,000	0	0	0	**0**
Rural Initiatives	(185,000)	185,000	0	0	0	**0**
Urban Initiatives	(75,000)	75,000	0	0	0	**0**
West Midlands Reserve & Cadet Force - New Building	(200,000)	200,000	0	0	0	**0**
New Gym Equipment	(30,000)	30,000	0	0	0	**0**
Castle Farm Sports Pitch Drainage	(73,000)	73,000	0	0	0	**0**
Replacement PCs and Printers	(30,000)	30,000	0	0	0	**0**
Enhancements of Other Car Parks	(22,700)	22,700	0	0	0	**0**
Green Farm	(26,800)	26,800	0	0	0	**0**
TOTAL General Fund Capital Slippage identified during 2013/14:	**(2,161,500)**	**1,843,300**	**0**	**318,200**	**0**	**0**
RESOURCES BROUGHT FORWARD - 2014/15 Expenditure has exceeded budget, so resources brought forward from 2015/16 allocation to fund current expenditure.						
Recycling & Refuse Containers	70,000	(70,000)	**0**	**0**	**0**	**0**
TOTAL General Fund Resources Brought Forward from 2015/16	**70,000**	**(70,000)**	**0**	**0**	**0**	**0**
VIREMENTS: Movements between budgets determined by Responsible Budget Manager.						
None identified	0	0	0	0	0	**0**
TOTAL General Fund Virements identified during 2014/15:	**0**	**0**	**0**	**0**	**0**	**0**
SCHEMES DELETED / REDUCED /SAVINGS:						
Website CMS replacement approved November 2014 Executive	(28,100)	0	0	0	0	**(28,100)**
Victoria Park Bowling Green & Ancillaries Improvements saving reported to November 2014	(24,000)	0	0	0	0	**(24,000)**
Abbey Fields Ruins- Gatehouse saving reported to November 2014 Executive	(1,100)	0	0	0	0	**(1,100)**
Chase Meadow Community Centre saving reported November 2014 Executive	(1,700)	0	0	0	0	**(1,700)**
TOTAL General Fund Reductions / Savings:	**(54,900)**	**0**	**0**	**0**	**0**	**(54,900)**
PROPOSED GENERAL FUND CAPITAL PROGRAMME FOR 2014/15 BUDGET BOOK:	**2,937,600**	**3,502,900**	**570,000**	**899,700**	**102,300**	**8,012,500**

CAPITAL VARIATIONS **Appendix 11**

	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	TOTAL £
Original Housing Investment Programme (HIP) Budgets Per 2014/15 Budget Book	**11,002,700**	**12,176,100**	**5,329,800**	**5,269,800**	**Not Published**	**33,778,400**
Items slipped from 2013/14 and added to 2014/15 Budgets						
(Final Accounts Report 2013/14 for detail on individual schemes - Approved by Executive						
HRA related - Construction / Acquisition of Housing						
Redevelopment of Fetherston Court site	1,097,300	0	0	0		**1,097,300**
HRA related - Improvement/Renewal Works:						
Roof Coverings	65,000	0	0	0		**65,000**
Tannery Court Biomass	50,000	0	0	0		**50,000**
Environmental Works: Tenant Participation	14,400	0	0	0		**14,400**
Total HIP Slippage Final Accounts 2013/14	**1,226,700**	**0**	**0**	**0**	**0**	**1,226,700**
Slippage: - Changes to start dates or delays on projects mean that it is proposed to slip resources into future years						
HRA related - Construction / Acquisition of Housing:						
Fetherston Court Redevelopment	(279,800)	279,800	0	0		**0**
HRA related - Improvement/Renewal Works:						
Environmental Works	(20,000)	20,000	0	0		**0**
Environmental Works: Tenant Participation	(44,000)	44,000	0	0		**0**
Total HIP Slippage during 2014/15	**(343,800)**	**343,800**	**0**	**0**	**0**	**0**
New Schemes:						
HRA related - Construction / Acquisition of Housing:						
Acquision SW Warwick	1,574,100	1,353,100	0	0		**2,927,200**
Repurchase of Ex-Council Housing	171,900	0	0	0		**171,900**
HRA related - Improvement/Renewal Works:						
Stamford Gardens Play Equipment from 2013/14	4,000	0	0	0		**4,000**
GF related - Registered Providers:						
Warwick Fire Station/Old Gas Works housing devel.	200,000	0	0	0		**200,000**
Bowling Green St/Theatre St Warwick housing devel.	250,000	0	0	0		**250,000**
vired from Unallocated Contributions	(250,000)	0	0	0		**(250,000)**
Initial 2017/18 Budget, not previously						
HRA related	0	0	0	0	4,705,500	**4,705,500**
GF related	0	0	0	0	610,200	**610,200**
Total HIP New Capital Approvals 2014/15	**1,950,000**	**1,353,100**	**0**	**0**	**5,315,700**	**8,618,800**
Increases To Schemes:						
HRA related - Construction / Acquisition of Housing:						
Fetherston Court Redevelopment	0	2,263,200	749,900	0		**3,013,100**
HRA Improvement/Renewal Works:						
HRA Disabled Aids & Adaptations	351,100	273,600	0	0		**624,700**
Central Heating Replacement: increased costs	331,400	160,000	160,000	160,000		**811,400**
Kitchen and Bathroom replacement: part reversal of savings projected when setting budgets	0	150,000	150,000	150,000		**450,000**
Total HIP Increases 2014/15	**682,500**	**2,846,800**	**1,059,900**	**310,000**	**0**	**4,899,200**
Virements: Movements between budgets determined by Responsible Budget Manager.						
HRA related - Improvement/Renewal Works:						
Central Heating Replacement	75,000	0	0	0	0	**75,000**
Electrical Fitments / Rewiring	(75,000)	0	0	0	0	**(75,000)**
Total HIP Virements 2014/15	**0**	**0**	**0**	**0**	**0**	**0**
Schemes Deleted / Reduced / Savings:						
HRA related - Improvement/Renewal Works:						
Tannery Court Biomass	(21,000)	0	0	0		**(21,000)**
Roof Coverings	(182,700)	0	0	0		**(182,700)**
Thermal Improvement Works	(121,300)	0	0	0		**(121,300)**

CAPITAL VARIATIONS **Appendix 11**

	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	TOTAL £
Major Garage Works	(24,600)	0	0	0		**(24,600)**
Environmental Works	0	(19,200)	(19,200)	(19,200)		
Fire Prevention Works - transferred to revenue	(329,700)	(129,700)	(129,700)	(129,700)		**(718,800)**
GF related - Registered Providers:						
Unallocated Contributions held in reserve	(1,139,800)	0	0	0		**(1,139,800)**
WRCC Rural Enabling Service- saving	(1,900)	0	0	0		**(1,900)**
WRCC Rural Enabling Service- transfer to Revenue	(8,100)	(10,000)	(10,000)	(10,000)		**(38,100)**
GF related - Private Sector Housing:						
Discretionary Private Sector Housing Grants	(105,200)	(105,200)	(105,200)	(105,200)		**(420,800)**
Total HIP Reductions / Savings	**(1,934,300)**	**(264,100)**	**(264,100)**	**(264,100)**	**0**	**(2,669,000)**

Proposed Housing Investment Programme Budgets For 2014/15 Budget Book	**12,583,800**	**16,455,700**	**6,125,600**	**5,315,700**	**5,315,700**	**45,854,100**

APPENDIX 12

PRUDENTIAL INDICATORS FOR 2015/2016 ONWARDS

1. INTRODUCTION

1.1 The Prudential Capital Finance system came into effect on 1st April 2004.

1.2 The Prudential Capital Finance system replaced the previous system of basic and supplementary credit approvals allocations (BCA and SCA) from Central Government and allows authorities to borrow as much as they can prudently afford to pay back from their revenue resources (subject to national safeguards). CIPFA developed the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) (last revised in 2011) to provide a mechanism (the Prudential Indicators) to enable Councils to ensure, that in line with the new freedom given, their capital investment plans are affordable, prudent and sustainable. Thus the Prudential Indicators provide an assessment of how much unfunded (i.e. from within its own resources) borrowing can be afforded by an authority.

1.3 It is up to the Council to set its own Prudential Indicators having had regard to its own individual set of circumstances. The Council will then be able to demonstrate that its capital investment proposals are affordable, prudent and sustainable.

1.4 The Prudential Indicators are divided into groups covering Affordability, Prudence, Capital Expenditure, External Debt and Treasury Management. This appendix explains what the Prudential Indicators are as well as revising them for 2014/15 where appropriate and setting them for 2015/16 and, if required, subsequent financial years. Certain indicators are required to be completed separately for the General Fund (GF) and Housing Revenue Account (HRA) whilst others relate to the whole authority only.

2. THE INDICATORS

2.0 Affordability - Ratio of financing costs to net revenue stream

2.1 This ratio sets an upper limit on the proportion of the Council's net revenue streams both for GF and HRA which goes to service debt.

2.2 The table below shows the ratios proposed for the General Fund, Housing Revenue Account and Overall as required by the Prudential Code.

Year	**General Fund**	**Housing Revenue Account**	**Overall**
2014/15 Revised	+2.00% to -3.00%	37.00% to 42.00%	20.00% to 25.00%
2015/16	0.00% to -5.00%	35.00% to 40.00%	20.00% to 26.00%
2016/17	-1.00% to -6.00%	31.00% to 36.00%	20.00% to 25.00%
2017/18	-2.00% to -7.00%	31.00% to 36.00%	19.00% to 24.00%
For information :-			

Year	General Fund	Housing Revenue Account	Overall
2013/14 Actual	-1.24%	40.38%	24.07%
2014/15 Orig.	+2.00% to - 3.00%	35.00% to 40.00%	21.00% to 26.00%

2.3 It is felt best to have a ratio which is a range rather than a precise figure as at this point in time it is difficult to predict what long term interest rates will be in the future and even a small variation in the interest rate at which borrowing is incurred could cause a ratio based on a precise percentage to be breached but with little effect on the Authority's finances.

2.4 The significant size of the HRA ratio is due to the impact of taking on the HRA Self Financing debt and reflects the need to provide for repayment of the debt throughout the life of the Business Plan. This debt repayment provision was not required under the previous Subsidy system but is fully covered within the Business Plan as the Council will retain all its rent income in order to provide for debt servicing costs.

2.5 There will be a need to monitor these ratios during the year and, if necessary, to take remedial action to avoid them being breached. It is recommended that the trigger point be set at the lowest point of each range. This will give sufficient time to remedy the situation.

3.0 Affordability - Estimates of the incremental impact of the new capital investment decisions on the Council Tax / Average Weekly Housing Rents

3.1 This is seen as a fundamental indicator of affordability as it allows the Council to see what impact additional capital expenditure (including revenue consequences) and the way it is financed has on the Council Tax/Housing Rents and therefore whether or not any resultant increases are either financially or politically acceptable. The table below shows the incremental impact on the Council Tax and Housing Rents of the capital programmes in paragraph 5.2:-

Year	Council Tax	Housing Rent
2015/16	£3.93	£0.51
2016/17	£2.94	£0.77
2017/18	£4.81	£1.13

3.2 The impact on the Council Tax is positive due in the main to the revenue effects of various capital projects both past and present e.g. Jubilee House , Victoria Park Bowls Complex Improvements and the Crematorium Refurbishment. In addition it includes an estimate of the lost investment interest on the resources used to finance the capital programme.

3.3 The Housing Rent figures in the table in 3.1 above reflect the cumulative effect of the investment interest foregone as a result of utilising Housing Capital Investment Reserve balances to finance the Fetherston Court development. Although the HRA Self Financing debt counts as capital expenditure it is not "new" capital expenditure rather it is a transfer of existing debt between central and local government and is already fully resourced by the current rents being charged, hence its effects are excluded from this indicator.

4.0 Prudence - Gross Borrowing and the Capital Financing Requirement

4.1 This indicator requires that gross debt, except in the short term, is to be kept below the CFR for the same period. Currently it is estimated that gross external borrowing for this purpose at the end of 2016/17 will amount to £150,000,000 and the total CFR for the same period is estimated to be £148,302,900. Comparison of the two figures shows that in theory the Council is "over borrowed "to the tune of £1.697m. However, this is not the case as the Capital Financing Requirement previous to the self financing borrowing of £136.157m was negative by £1.697m and this negativity has been carried forward into the CFR calculation for this indicator. Therefore, it is likely that in the future the CFR will always be less than our external gross borrowing but this is not viewed as an issue and is a position faced by any Council which has or has had a negative CFR.

5.0 Capital Expenditure - Estimates of Capital Expenditure for at least 3 years

5.1 The Council is required to publish its estimated capital expenditure for both the General Fund and HRA for at least the next year and two years following it. By modelling various capital programmes, this indicator provides the data for other indicators such as the ratio of financing costs to net revenue stream and the incremental impact on the council tax / housing rents. It should be noted here that the General Fund Capital Programme and the General Fund element of the Housing Investment Programme (affordable housing programme and private sector Improvement Grants) are to be considered as one.

5.2 The table below shows the Councils estimated capital expenditure on the General Fund and Housing Revenue Account for the next four years:-

Year	General Fund	HRA	Overall
2015/16	£4,113,100	£15,825,500	£19,938,600
2016/17	£1,180,200	£5,515,400	£6,695,600
2017/18	£1,509,900	£4,705,500	£6,215,400
2018/19	£712,500	£4,705,500	£5,418,000

6.0 Capital Expenditure - Estimates of Capital Financing Requirement

6.1 This is a key measure in that it measures the underlying need for an authority to borrow for capital purposes. However it may not be prudent from a Treasury Management point of view to actually borrow from an external source such as the Public Works Loans Board. This is especially the case when investment rates are lower than long term borrowing rates, in this instance it would be more economic and efficient to utilise the Council's investments instead (commonly known as internal borrowing) until borrowing interest rates are such that it then becomes economic to replenish the cash backing the internal borrowing . Either external or internal borrowing creates a cost to the Council in terms of having to pay interest on and provide for repayment of external loans or lost investment interest. The Capital Financing Requirement provides the starting point for calculating this cost and the results feed into the ratio of financing costs to net revenue stream indicator and also the incremental impact on the council tax / housing rents indicator.

6.2 The estimated Capital Financing Requirements (CFR) at the end of 2014/15 and each of the next three years are as follows and are based on the Council's capital programmes as outlined in paragraph 5.2 above and also include both the HRA Self Financing debt settlement itself and the effects of the debt repayment strategy contained within the latest version of the HRA Self Financing Business Plan.

Year	General Fund	HRA	Overall
2014/15 Revised	-£1,326,896	£135,786,796	£134,459,900
2015/16	-£1,326,896	£135,786,796	£134,459,900
2016/17	-£1,326,896	£135,786,796	£134,459,900
2017/18	-£1,326,896	£135,786,796	£134,459,900
For Information :-			
2013/14 Actual	-£1,326,896	£135,786,796	£134,459,900
2014/15 Estimate	-£1,326,896	£135,786,796	£134,459,900

6.3 It is possible to have a General Fund negative Capital Financing Requirement as shown in the table above. Essentially this is because the Council still had capital receipts set aside to repay debt at 31st March 2004 which it no longer needed as the Council had gone debt free by this date and it has not needed to borrow to fund subsequent capital programmes nor does the current five year capital programme require any prudential borrowing . With regard to the HRA the Capital Financing Requirement reflects the HRA Self Financing debt settlement of £136.157m. The CFR is slightly below the borrowing figure due to the £0.370m negative capital financing requirement at the commencement of 2011/12.The Council is also limited to a maximum HRA CFR which currently is £150 million for each of 2015/16, 2016/17 and 2017/18.

6.4 Because of variations in the capital programmes there will be a need to monitor this indicator in year to ensure that the in year limit is not breached by slippage from the previous year or expenditure brought forward from the following year. This is unlikely but will be kept under review by Finance.

7.0 External Debt - Authorised Limit

7.1 The Council is required to set for the forthcoming year and the following two financial years an Authorised Limit for its total external debt, gross of investments, separately identifying borrowing from other long term liabilities. The Authorised Limit equates to the maximum external debt at any one time which the Council is allowed to have outstanding.

7.2 The recommended Authorised Limit is as shown in the table below:-

Year	**Authorised Limit for Borrowing**	**Authorised Limit for Other Long Term Liabilities**	**Authorised Limit for external debt**
2014/15 Revised	£162,050,000	£1,077,000	£163,127,000
2015/16	£184,050,000	£1,045,000	£185,095,000
2016/17	£184,050,000	£1,012,000	£185,062,000
2017/18	£189,050,000	£1,009,000	£190,059,000

7.3 The limits above take into account the HRA Self Financing debt settlement and also includes an allowance for any potential prudential borrowing on such projects as the new offices for the Council and in addition includes potential borrowing in relation to possible land purchases within the Housing Revenue Account as part of the Self Financing Business Plan's aims of providing 70 new homes per year during its life.

8.0 External Debt - Operational Boundary

8.1 The Council is also required to set an operational boundary for external debt. Again this is for three years and gross of investments. The Operational Boundary which is less than the Authorised Limit is effectively the day to day working limit for cash flow purposes. This indicator is sensitive to additional borrowing and to debt restructuring so will need to be set at an appropriate level at the outset of each financial year to cater for any forecast activity in these areas during the coming year. Occasional breach of the Operational Boundary is not seen as a cause for concern (so long as the Authorised Limit is not breached as well) but a sustained breach could mean that there are problems with the Councils cash flow therefore there will be a need to monitor this indicator during the year and , if necessary, to take remedial action.

8.2 The recommended Operational Boundaries are as shown in the table below:-

Year	**Operational Boundary for Borrowing**	**Operational Boundary for Other Long Term Liabilities**	**Operational Boundary for external debt**
2014/15 Revised	£151,050,000	£77,000	£151,127,000
2015/16	£151,050,000	£45,000	£151,095,000
2016/17	£151,050,000	£12,000	£151,062,000
2017/18	£151,050,000	£9,000	£151,059,000

9.0 Treasury Management - Adoption of the CIPFA Treasury Management Code of Practice

9.1 It is a requirement of the Prudential Code that the Council states that it has adopted the 2009 Revised CIPFA Treasury Management Code of Practice. The Council has adopted the code.

Appendix 13

Financial Strategy 2015/16-2019/20

1 INTRODUCTION

"Money" is one of 3 keys strands of the Council's Fit for the Future Programme. The others are People and Services. This document supports the delivery of the Council's services and the projects within the Programme, as well as supporting all Council Strategies to deliver it's aims and objectives.

It considers the major funding issues facing the Council in the Medium Term (the next 5 years). Extending the Strategy beyond this period would rely on broad estimates and many uncertainties. It would not be prudent to base the Strategy a shorter period as risks and significant issues arising in the medium term could arise before the Council has developed means of managing these. Forecast future levels of Funding are projected alongside other known constraints and opportunities.
In drawing up a Medium Term Plan, the Strategy considers the constraints and opportunities facing the Council. The Council has a Code of Financial Practice and Code of Procurement Practice which underpin the Strategy.

Monthly Budget Review Reports are considered by the Senior Management Team, with Members of the Executive being updated on a quarterly basis. Alongside this, regular updated 5 year Financial Projections are included. Full Council receive the latest 5 Year Forecast alongside this Strategy within the Budget and Council Tax Reports presented in February of each year.

2. BACKGROUND

2.1 The Economic Background, as provided by Treasury Advisors, Capita Asset Services – Total Solutions is reproduced as Annex 1.

2.2 In 2013/14 the Government introduced the new Business Rate Retention Scheme to incentivise local economic growth. Previously councils collected Business Rates locally; this was then paid over to the Government where it was redistributed to authorities according to their level of need. Whilst councils will still receive their share of redistributed Business Rates (NNDR baseline) they will also be able to retain a share of any growth above this. Councils still receive support from Government by way of Revenue Support Grant as well as Retained Business Rates. It is noticeable that the level of support from Central Government has reduced significantly in recent years and continues to do so. Notably, the proportions of Business Rates (re-distributed and growth) to Revenue Support Grant settlement have changed with further changes being forecast for the future. Alongside this, the Council is more dependent upon Council Tax collected from its local Council Tax Payers. This is shown in the tables below:-

	£'000's				
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Revenue Support Grant	-2,763	-1,796	-1,200	-971	-949
NNDR (Business Rate Retention)	-1,609	-4,209	-4,337	-4,492	-4,492
New Homes Bonus	-1,623	-1,975	-2,035	-1,862	-2,023
Amount to be funded from Council Tax	-7,466	-7,683	-7,915	-8,150	-8,392

2.3 The Financial Strategy and projections have been updated in line with the provisional 2015/16 Government Settlement Figures announced in December 2014. This included the reductions in Public Sector funding previously announced by the Chancellor in his Autumn Statement, 2014, Spending Review 2013 and March 2014 Budget. In the current absence of Government forecasted settlement in years after 2015/16, the Council's Strategy is based upon the latest indicative reductions in Revenue Support Grant as set out below.

2016/17 £'000	**2017/18 £'000**	**2018/19 £'000**
29.86%	33.08%	19.07%

2.4 In 2013/14, the Government introduced the Business Rate Retention Scheme, as outlined in 2.2. Under the Business Rates Retention scheme, the District Council stands to retain 20% of any growth in business rates above the pre-determined Baseline. If Business Rates Income is in line with the Baseline the Council retains £3.128m. As Business Rates income varies to the Baseline, the Council will retain more or less income, working out at the Council retaining 20% of any increased revenues. Conversely, if there is any reduction in the new business rate receipts, the Council will bear 20% of this cost. There is a Safety Net whereby the Council will not be able to receive less than £2.893m, this being within 7.5% of the Baseline retained income figure. However, this Authority has entered into Pooling arrangements (see below). This means the Safety Net payment would be paid to the Pool rather than the actual authority falling into the Safety Net.

The Baseline and the Business Rate Multiplier are due to be increased annually by inflation (RPI September). The Baseline is due to continue to be inflated annually until 2020 when there is due to be a "reset" of the system. This delay in the "reset" is intended to create certainty for authorities, and to provide an incentive to encourage the local economy, and thereby business rate growth. However, for 2015/16 the Government have determined that 2% will be used in place of RPI of 3.2%; it has also said it will make up the resultant funding shortfall that this will present to local authorities.

The Council entered into a "pooling" arrangement with the other Warwickshire Councils and Coventry City Council. Under this arrangement the amounts due to be paid to Central Government under the Levy should greatly reduce, meaning more income will be retained locally. Whilst there are risks attached to pooling, especially if income should substantially decline, however, based on the monitoring over the first year of the new regime, there has been some overall growth in the level of business rate income due. The pooling arrangements continue to be reviewed at least annually, with this Council maintaining its membership for 2015/16.

The Council also receives Government Support by way of New Homes Bonus (NHB) for 2015/16 this is £1.623 million. A proportion of this is allocated to the Waterloo Housing Association as part of the WC Housing Joint Venture, and to the St Chads Project at Bishops Tachbrook. NHB is funded on a 6 year rolling time limited basis. The Council's current policy is not to rely upon in it for revenue support for future years, and does not intend to use it to support recurring expenditure on core service provision. This prudence allows for the risk that Central Government may withdraw the scheme.

2.5 In total, the Council had a 2014/16 Council Tax at Band D of £1,533.84. However, the District element (including parish precepts) is only £171.09. (This Council's own and D charge of 146.86 has been frozen since 2010/11. This reduces the base from which any future increases when introduced can be increased from). The District element is within the lowest Quartile nationally and its own band D charge is only just outside the lowest Quartile. The average for the five Warwickshire Districts is £199.91 (including Parish Precepts) and £171.80 (excluding Parish Precepts), with Warwick being the lowest in both categories. Every £1 on the Council Tax raises £50,837. If Warwick were levying at the average rate of tax for a district, the Council's additional income would be around £1.27m each year.

2.6 In March 2012 the Housing Revenue Account (HRA) borrowed £136.2m to make a one off 'buy out' payment when the Housing Subsidy system was replaced by 'Self Financing'. This debt is serviced from HRA rental income, in place of the payments previously made to the National Housing Rent Pool under the Housing Subsidy system. A 50 year Business Plan is maintained to demonstrate the viability of the HRA and the capacity to invest in the service and provide new homes.

2.7 A 'Prudential Framework' for borrowing was introduced from 2004/05. Local authorities no longer have to obtain Government approval before borrowing. Control is by prudential limits based on the authority's revenue resources. The Council can borrow if it can afford the revenue consequences.

2.8 In April 2012, the Council introduced a new "Budget Review" process for its Budget Management. Amending budgets as changes were identified, rather than reporting upon variations and updating its current year's budgets once at part of the following year's budget setting process. The process has been evaluated and concluded that the desired objectives had been achieved in part yet there are till areas where further improvements can be made. The process will be constantly reviewed to indentify further efficiencies with data being produced in a both a timely and accurate manner.

3. CORPORATE STRATEGY AND FIT FOR THE FUTURE PROGRAMME

3.1 The Council's Organisational Purpose being:

"**Warwick District: a great place to live, work and visit".**

3.2 During 2010, the Council adopted its Fit For the Future programme as its Corporate Strategy to provide an organisation framework to progress these objectives. As well as focusing on delivering quality services that its customers need, the programme set challenging savings targets to be delivered. Achieving such, will assist the Council in delivering its services in the future in light of uncertainty surrounding the economic climate, and future reductions in Central Government Support.

This programme needs to stay up to date and relevant in providing the strategic framework for the Council to meet the challenges it faces. Projects within the programme will be adjusted to reflect opportunities and challenges arising from Government initiatives and legislation as well as the Council's own Local Priorities.

These include-

- The Universal Credit and the full implementation plan has yet to be confirmed. It was broadly intended to combine a number of existing benefits in to a single credit including housing benefit which is currently administered by the Council. Albeit, latest intelligence suggests Job Seekers Allowance single claimants is to be rolled out from February 2015 but this Council was not in the first tranche and does not yet have a definitive date. However, it is not anticipated that this group will have a large impact. There is uncertainty in respect of Non-Working Age claimants who may continue to be delivered housing benefits under the existing arrangements The situation continues to be closely monitored.

- Proposed Single State Pension from April 2017 at the earliest, indicate potential significant increases in employers' National Insurance Contributions.

- Tax Increment Finance / Accelerated Development Zones : A mechanism to allow local authorities to fund key projects by borrowing against future increases in locally collected business rates.

3.3 As well as these initiatives, other major issues that will affect the Council's finances over this period are:

(i) Monitoring the substantial medium term forecast deficit and this Council's progress in reducing such deficit.
(ii) The impact of pressures to improve environmental sustainability. Alongside this, CO^2 emissions need to be reduced to meet the climate change agenda.
(iii) Energy costs are extremely volatile.
(iv) Major developments that may occur, such as the Spencers Yard, Chandos Street, Lillington regeneration, Office (H.Q)Relocation Europa Way.
(vi) Major investment in multi storey car parks that will require structural renewal.
(vii) The Council completed condition surveys on its Corporate Assets. The costs to bring and maintain these properties at a reasonable standard are significant. Funding for the first 2 years has been built into the Financial Plan, but further work is required to determine how to address liabilities after that period.
(viii) The potential to work with partners and realising savings by pooling resources.
(ix) Capital receipts have reduced considerably and any for the future are extremely uncertain.
(x) The volatility of many of the Council's income budgets.
(xi) The rate of economic recovery.
(xii) Trees throughout the district need replacing for which funding will need to be sought.
(xiii) Ongoing reviews on how the Council manages and delivers its services.
(xiv) Development of the Fit for the Future Programme and the Council's ability to adapt to change.
(xv) Efficient procurement to deliver quality services at minimum cost.
(xvi) Superannuation Fund and pensions changes further to the changes to the Local Government Pension Scheme introduced in April 2014.The pensions fund, in common with most others, continues to carry a projected deficit, although plans are in place to seek to ensure the fund is in surplus.
(xvii) In November 2014, this Council lost it's On-street Parking (Decriminalisation) contract with the County Council. Unable to share a proportion of the costs of providing both on and off street parking, has increased the level of savings the Council needs to achieve. The Service Area continues to look for further efficiencies to help offset this.

3.4 The Council will plan replacements and renewals of equipment, and repair and maintenance in a careful manner concentrating on the sustainability of services as a first priority. In addition the Council needs to continually review its reserves in the light of a very ambitious programme of change, and constant uncertain external pressures on the planning regime.

3.5 The Council continues to promote agile working, and this links to the asset management plan strategy of reducing office space needs.

4. FINANCIAL PRINCIPLES

4.1 The following are the principles (for both the General Fund and the Housing Revenue Account) that underpin the Financial Strategy:

(i) Savings and developments will be based upon corporate priorities as set out in the Corporate Strategy and it's Fit for the Future programme.

(ii) In order to achieve further savings there will be a need to explore all avenues including
- Continuing the work on Lean Systems Interventions to ensure services meet the needs to users, whilst stripping out waste and making savings
- Shared services and joint working
- Procurement projects
- Benchmarking costs and understanding differences
- Increasing fees and paying customers where there is spare capacity and Looking for opportunities to maximize incom
- Accessing grants to assist with corporate priorities
- Controlling costs
- Workforce planning

(iii) The Council has ambitions to effectively manage its resources. In setting both its Council Tax and Housing Rents, the Council takes account of its budget requirement, the support it receives from Central Government, inflation and the affordability of its local tax-payers. The 2015/16 Council Tax has not been increased for 5 years and is still the same as that set for 2010/11. To date the lost income from waiving such an increase has been matched in part by Central Government funding on a one-off basis, such support will not be available in future years.

(iv) The Council's base policy for Council house rent increases is currently to follow Central Government guidance. Any diversion from this policy will be requested in the annual Rent Setting report to Council, and reflected in the HRA Business Plan.

(v) Arising from the 2014/15 & 2015/16 budget surpluses, and using the balance of the2015/16 New Homes Bonus after deducting prior commitments, the following reserves will receive additional contributions towards future expenditure:-

- £50,000 to the Planning Reserve to provide finance for potential appeals and funding for the future likely costs associated with the Local Plan.

- £174,000 to the Equipment Renewal Reserve towards the cost of future equipment replacements. However, based on current forecasts, this reserve will be all but depleted at the end of 2018/19 if all the current demands made on it are met.

- £100,000 to the Early Retirement Reserve, to maintain a day to day cushion

- £570,000 to the "Corporate Assets Reserve to help resource expenditure identified in the Asset Condition Surveys.

- £100,000 to a new "Hill Close Gardens Reserve" in order to provide funding to assist in meeting the running costs of the gardens.

- £60,000 to a new "Riverside House Maintenance Reserve" to provide finance for backlog maintenance.

(vi) Whilst the Council will aim for Fees and Charges to be increased so that income is at least maintained in real terms, it will be mindful of the reality of the current economic conditions and its competitors. The Council is committed to making good use of the ability to raise funds through charges and put them to good use for the community.

(vii) The Council still needs to develop its ability to benchmark all services across the Council.

(viii) This Council takes a positive approach to partnership working, realising the following benefits: -

a) Levering in additional external funding.
b) Ensuring improved use of sites, whether or not in the ownership of the Council.
c) Ensuring the future sustainability of projects.
d) Sharing/Reducing costs
e) Strengthening the Resilience of the Service

(ix) The Financial Strategy takes account of all revenue effects of the capital programme to ensure that the decisions taken are sustainable into the future.

(x) Any unplanned windfalls of income, whether service specific or more general, will be reported to the Executive who will prioritise how such income is used as part of setting future balanced budgets and meeting the Council's priorities.

(xi) The community will be consulted on changes to the Council's spending plans through different mechanisms.

5. PROCESS & MONITORING

Preparing budgets

5.1 The budget setting process is consistent with the service area planning process and Fit for the Future Programme with recent years focusing on reductions in budgets and efficiencies.

5.2 When the Capital Programme is approved by Council the capital schemes will still be subject to individual approval on the basis of an evaluation and Business Case that needs to be agreed by Executive. .

Monitoring and managing budgets

5.4 In April 2012, the Council introduced a new "Budget Review" Process. Budgets are amended as soon as changes are identified. The Financial Code of Practice was updated in March 2013, to incorporate these changes. The code is undergoing a further review during 2015 to reflect further changes, including the introduction of Procurement Cards and the updated Code of Procurement Practice.

5.5 Accountants work with Service Areas to identify budget variances and changes, these are reported to the Senior Management Team on a monthly basis. A minimum of quarterly reports are submitted for consideration by the Executive and Scrutiny Committees. The Council continues to review and refine its current processes, putting tighter controls in place to improve the quality and accuracy of the review process.

Consultation

5.6 The Council has a track record of consulting both partner organisations and the public – this is an important contribution to assist identifying options and in learning lessons.

5.7 There is extensive consultation with partners on the Corporate Strategy, and the Sustainable Community Strategy.

5.8 The Council takes a strategic 4 year approach to determine how budgets are set and service prioritised.

5.9 The Council has a record of consulting where appropriate on the development of individual schemes.

6 ASSUMPTIONS

6.1 The following assumptions will be used in bringing forward proposals on the budget

(i) When the Government announced the 2015/16 provisional grant settlement it did not announce any future year provisional funding for future years. This Council continues to assume reductions of some 19% to 33% in future years Revenue Support Grant prior to maintaining a consistent settlement for subsequent years.

(ii) Interest projections will continue to be based on the rates projected by Capita Asset Services – Treasury Solutions, the treasury management advisers who were awarded a new Contract from January 2015.

(iii) No allowance for inflation has been applied to many budgets from 2016/17 until 2019/20 which then incorporates a 2% increase.

(iv) The Council's Discretionary Budgets have a deflationary factor of 10% over a four year period (2014/15 to 2017/18). Most budgets being reduced by 2.5% per annum unless the 10% is re-profiled to reflect the nature of the type of service.

7. HOUSING REVENUE ACCOUNT (HRA)

7.1 Housing Self Financing was implemented on 1st April 2012. A 50 year HRA Business Plan has been developed to ensure sufficient funds will be available to service the £136.2m debt taken out with the PWLB in order to 'buy' the Council out of the existing Housing Subsidy system, provide the necessary funding to maintain the stock and enable the building of new homes over the life of the Business Plan.

7.2 The Council has freedom over setting its rents as long it acts 'reasonably'. There is no requirement to follow Central Government rent guidelines. Consequently the Council has the freedom to set dwelling rents, garage rents, Warwick Response charges or rents for HRA owned shops and commercial properties.

8. REVENUE FORECASTS

8.1 Revenue forecasts will be drawn up in line with this strategy, and the strategy itself will be reviewed every year when the budget is set. The current forecasts are set out in the February 2015 Budget Report, which reported savings required as follows in order to freeze the Council Tax increase for 2015/16 prior to keeping Council Tax increases to 2% per year for subsequent years(before the use of any one-off reserves or balances)

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

These are indicative based on current assumptions, and assumes that savings are achieved and maintained.

9. ASSET RESOURCE BACKGROUND

9.1 Set out below is a summary of the Council's assets and its existing plans to use its resources to invest for the future.

9.2 The Council's assets as shown in the balance sheet as at 31st March 2014 are summarised below: -

	No	Value £'000
Operational Assets		
HRA		
Operational Land and Buildings	7,534	252,132
Surplus Assets/Work in Progress	31	2,253
Vehicles, Plant, Furniture and Equipment	-	100
General Fund		
Operational Land and Buildings	113	45,519
Surplus Assets/Work In Progress	5	1,229
Vehicles, Plant, Furniture and Equipment		2,114
Community Assets	-	6,716
Infrastructure	-	1,084
Heritage Assets	-	8,981
Total	**7,683**	**320,128**
Investment Properties	**142**	**9,535**

9.3 A summary of the proposed capital programme for the period to March 2019 is given below. This programme gives an indication of the level of the Council's available capital resources that are to be devoted to capital expenditure during this period.

	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Strategic Leadership	262	726	43	44	0
Corporate & Community Services	66	139	162	586	102
Culture Portfolio	297	103	0	0	0
Finance Portfolio	76	410	150	150	0
Neighbourhood Portfolio	578	465	166	120	0
Community Protection Portfolio	1,136	600	0	0	0
Development Portfolio	521	1,060	50	0	0
Housing Investment Programme	12,604	16,436	6,126	5,316	5,316
TOTAL	15,540	19,939	6,697	6,216	5,418
ESTIMATED RESOURCES	58,158	57,746	48,761	57,124	63,951

10. CAPITAL PRIORITIES

10.1 The main focus of the programme is:

- Realising local aspirations as expressed within the Corporate Strategy (which incorporates the Community Plan and the Council's Resource Strategies);

- Maintaining, and where possible enhancing, the condition of the Council's existing assets so as to reduce future maintenance liabilities and to encourage their effective use. Where appropriate this will include working in partnership with others such as the County Council on the customer Access Project.

- Supporting capital schemes that provide revenue savings to the Council, in particular supporting investment in Information and Communication Technology so as to modernise activities and release resources for other purposes.

- Achieving regeneration and economic vitality in our main population centres.

10.2 Key particular projects that link to the corporate strategy are: -

- Enabling developments across the district that improve the environment such as the Kenilworth Town Centre scheme, and the improvement of Leamington Old Town.

- To continue to maintain the Government's "decent homes" standard.

- To increase the number of affordable houses in the district.

- Improvements to Oakley Wood Crematorium.

11. FINANCING THE CAPITAL STRATEGY

11.1 The Capital Strategy needs to have regard to the financial resources available to fund it. The main sources of funding are detailed below: -

- Capital Receipts – primarily resulting from the sale of the Council's assets. This income is lumpy and limited, although there are still schemes being considered that could realise further capital receipts.

- The Council is required to sell homes to eligible tenants at a significant discount (currently up to £77,000) under the right-to buy (RTB). The majority of such receipts are taken by the Treasury; however from 2012/13 onwards if sales reach a certain threshold any additional receipts can be kept as long as they are spent on providing new social or affordable rented homes within 3 years. £907,000 was retained in the first 2 years of this scheme, however sales in the first 2 quarters of 2014/15 have been too low to retain income under this scheme.

- Capital Contributions – including contributions from developers (often under Section 106 Planning Agreements and in the future, from the Community Infrastructure Levy as well) and grants towards specific schemes.

- Use of Council's own resources – either by revenue contributions to capital, or use of earmarked reserves.

- Borrowing – the Council has freedom to borrow under the Prudential System provided it can demonstrate that it has the resource to service the debt.

- Leasing – the Council now requires that, where appropriate, an options appraisal is undertaken in order to identify the most efficient source of financing capital purchases. In certain cases this may take the form of either a finance or operating lease.

12. REVIEW

12.1 This strategy will be subject to annual review to ensure that changes are included and that development issues have been implemented. It has been reviewed in the light of the Fit for the Future programme.

13. RISKS

13.1 Previous years have demonstrated that the Council needs to consider the risk in setting and managing its budgets.

13.2 The key risks that could arise and ways in which they should be managed are set out in the main February Budget report and associated appendix.

13.3 The Council maintains a Significant Business Risk Register which is reviewed bi-annually by the Executive and quarterly by the Senior Management Team. Each Service Area has its own Service Risk Register. These are presented for the consideration of the Finance and Audit Scrutiny Committee on a quarterly rotating basis.

13.4 All major projects the Council undertakes have their own separate Risk Register.

Annex 1

1.1 Economic Background

1. UK

1.1 After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The MPC is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

1.2 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November 2014, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.

2. **Eurozone (EZ).**

2.1 The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In November 2014, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June and September 2014 to loosen monetary policy in order to promote growth. It now appears likely that the

ECB will embark on full quantitative easing (purchase of EZ country sovereign debt) in early 2015.

2.2 Concern in financial markets for the Eurozone subsided considerably after the prolonged crisis during 2011-2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause of concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to continue to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US.

2.3 The Greek general election due to take place on 25 January 2015 is likely to bring a political party to power which is anti EU and anti austerity. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to quantify. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries which have high unemployment rates. There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. These countries already have political parties with major electoral support for anti EU and anti austerity policies. Any loss of market confidence in either of the two largest Eurozone economies after Germany would present a huge challenge to the resources of the ECB to defend their debt.

3. Other Economies.

3.1. The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently forecast that the first increase in the Fed. rate will occur by the middle of 2015.

3.2 Chinese Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has indicated a marginally lower outturn for 2014, which would be the lowest rate of growth for many years. There are also concerns that the Chinese leadership has only started to address an unbalanced economy which is heavily over dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

3.3 Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth to the extent that it has slipped back into recession in Q2 and Q3. The Japanese government already has the highest debt to GDP ratio in the world.

4. CAPITA ASSET SERVICES FORWARD VIEW

4.1 Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

4.2 The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

4.3 The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

4.4 The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has sufficient fire walls in place that a Greek exit would have little immediate direct impact on the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed, albeit painful and tortuous, resolution of any EZ debt crisis that may occur where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be weak at best for the next couple of years with some EZ countries experiencing low or negative growth, which will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the larger countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

4.5 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK strong economic growth is weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.

4.6 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government
- ECB either failing to carry through on recent statements that it will soon start quantitative easing (purchase of government debt) or severely disappointing financial markets with embarking on only a token programme of minimal purchases which are unlikely to have much impact, if any, on stimulating growth in the EZ.
- The commencement by the US Federal Reserve of increases in the central rate in 2015 causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities, leading to a sudden flight from bonds to equities.

- A surge in investor confidence that a return to robust world economic growth is imminent, causing a flow of funds out of bonds into equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

STATEMENT BY THE CHIEF FINANCIAL OFFICER

I am required to make this report by the Local Government Act 2003.

Robustness of Estimates

The preparation of the estimates started back in July. As the Head of Finance, and being a qualified and experienced accountant, I have overseen the process. The estimates have used the current year as their base. Budget Review process has shown where these do not form a reasonable basis for the following year. There has been a high level of scrutiny to the budget this year, along with budget monitoring throughout the year, from:-

- Senior Officers, the Senior Management Team (SMT) and Corporate Management Team (CMT)
- Portfolio Holders
- The Executive through the various preceding reports set out in the background papers
- Scrutiny Committees

Consequently I am satisfied that the estimates are prepared on a robust basis.

Service managers should also confirm the robustness of the estimates. Officers in all Services have been actively involved in preparing the estimates with the accountants. SMT members agreed the base budget and all service managers will be asked to sign off their final budgets to confirm acceptance of the final decisions by members on the budgets they are responsible for.

In preparing the Budget, in view of the tight financial climate facing the Council along with the whole of the public sector, many budgets have not been increased for inflation. In addition, budgets for supplies and services that are not subject to contractual inflation increases have been reduced by 2.5% for the second subsequent year. With continuing improved procurement and management of contracts, better value for money will be able to be obtained from budgets. The Council is therefore committed to maintaining the procurement support that it is able to provide to budget managers. The Council does continue to hold a specific inflation provision where it is not possible to contain expenditure within budgets. In addition, the recent Spend Analysis undertaken across the Council, and the strengthening of the Procurement Team recommended to January Employment Committee should assist in making sure that these savings are achievable.

Adequacy of Reserves

The Chartered Institute of Finance and Accountancy (CIPFA) has issued a paper on local authority reserves and balances. They do not consider it appropriate or practical for the Institute to give prescriptive guidance on the minimum level of reserves. Guidance in the previous CPA marking said that in order to meet a good ranking

"The aggregate of

- *General Fund balance;*
- *Other earmarked General Fund Revenue Reserves; and*
- *Liabilities not recognised in the financial statements (excluding unfunded pension fund liabilities)*

Should be in surplus at 31 March, and the General Fund Balance should be at least equal to 5%, but not more than 100% of forecast net operating expenditure. There are plans agreed by members on how to use reserves, which link to the council's strategic aims"

The aggregate figure for this Council for net expenditure for District Purposes as at 31 March 2016 is estimated to be approximately 10% for the General Fund balance only taking into account known appropriations. However the Council also has several earmarked reserves, some of which are committed. When the uncommitted reserves are included, the Council is in a very strong position for 2015/16.

In addition, the Audit Commission in its December 2012 report "Striking a Balance" discussed the reserves held by local authorities. Whilst it recognised it was for each body to determine the level of reserves it should hold, it was important for it to be clear why it was holding those reserves. Within the main report and Appendix 6, the Council's reserves are discussed in detail.

In the Audit Commission's Value for Money Guidance (December 2010) the following is stated:-

"Financial planning
An annual budget is not enough to secure financial resilience. Organisations should set the budget in the context of a longer-term financial strategy and a medium-term financial plan (MTFP) covering for example, a three-to five-year horizon. The MTFP needs to be realistic. Assumptions around inflation, income levels, demographics and future demand for services need to be modelled and based on reasonable predictions.

The financial position of an organisation will depend on a number of factors including the level of borrowing, receivables outstanding, investment risks, council tax collection rates and levels of reserves."

The Council's budget and financial planning regime can be demonstrated to be robust.

The Code of practice on local authority accounting requires the purpose, usage and basis of transactions of earmarked reserves to be identified clearly. This was set out in Appendix 6 of this report and Finance and Audit Scrutiny Committee have been asked to pay particular attention to this. In accordance with best practice on reserves and balances these have therefore been reviewed as part of the annual budget preparation. In addition there are forecasts for future years which are reflected in the medium term financial strategy. In considering the level of reserves in addition to the cash flow requirements CIPFA recommends that the following factors are considered: -

Budget assumptions	Financial standing and management
The treatment of inflation and interest rates	The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates).
Estimates of the level and timing of capital receipts	The authority's track record in budget and financial management.
The treatment of demand led pressures	The authority's capacity to manage in-year budget pressures.
The treatment of efficiency savings/productivity gains	The strength of financial information and reporting arrangements.
The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments	The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level.
The availability of other funds to deal with major contingencies	The adequacy of the authority's insurance arrangements to cover major unforeseen risks.

I have considered these matters and can advise members that they currently have a satisfactory level of reserves and balances, but need to address the medium term financial forecast in order to deliver balanced budgets in future years. Risks which may impact upon the Council's finances and the Budget, together with controls and mitigations, are set out in Section 6, and a risk assessment against the general fund reserve is set out in Appendix 5. The Council has self-insurance for small items but generally relies on external insurance for claims above £25,000, so there is no major risk in this area.

In making this assessment I have taken into account the contingency budget of £220,000 for 2015/16. The contingency provision reduces the possibility of the Council calling upon its General Fund balances

The immediate in-year budget risks to which the Council is exposed are low. However, there are currently additional risks in relation to the uncertain state of the economy (including on how this may impact upon the Council's partners), the current volatility of the Council's income sources, and the risks associated with capital schemes.

The medium term financial strategy has been prepared on a prudent basis given the uncertainties that face local government at the present time. Whilst the 2015/16 budget has been prepared prudently, there are undoubtedly risks associated with it. However, with the level of reserves, the Council should be able to manage any risks throughout the year.

Members will need to address the underlying budget deficit in future years, and will need to ensure that proposals are brought forward in good time to balance the budget for 2016/17. Within there are projects as part of Fit For the Future aimed at reducing costs and ensuring service provision meets customer expectations, further projects need to be agreed by members during 2015 that will make further savings. Members need to be mindful of the underlying budget situation throughout their decision-making and ensure that the savings requirement is given due priority.

Mike Snow

Head of Finance

January 2015

Appendix 3

Use of New Homes Bonus

The New Homes Bonus Scheme provides Warwick District Council with a payment equal to the national average for the council tax band on each additional home in the District and is paid for the following six years as a grant. Although use of the grant is not prescribed, it is the Government's hope that local communities see, at least in part, New Homes Bonus being used to address community aspirations.

The Government has ensured that the Scheme is fully funded for the period 2011/12 to 2016/17. Warwick District Council therefore intends to use its New Homes Bonus allocation through that period to help support Warwick District's different communities.

Each year Warwick District Council will be clear about what New Homes Bonus is being used for. For financial year 2015/16, Warwick District Council is due receive £1,622,888 in New Homes Bonus. This will be used as follows:

- £118,543 to support affordable housing provided by Waterloo Housing Group;
- £450,000 Bishops Tachbrook Community Centre;
- £100,000 to support Hill Close Gardens for the period 2015/16-2019/20;
- £570,000 contribution to the Corporate Assets Reserve to help ensure that Council's assets for the provision of services to the public are maintained so as to ensure continued service provision;
- £60,000 to address maintenance issues at Riverside House, so as to ensure it is fit for service provision;
- £100,000 to the General Fund Early Retirement Reserve to help pay for any one-off staff costs resulting from service reviews;
- £50,000 to the Planning Reserve to ensure costs associated with the Local Plan are fully funded;
- £174,345 to the Equipment Renewals Reserve to ensure the provision of the equipment required in service provision.

Warwick District Council - Medium Term Financial Strategy

Appendix 4a

Row Ref		2014/15 Original £'000	2014/15 Latest £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
(i)	Net Cost Of General Fund Services	18,983	21,967	19,618	18,712	18,786	18,861	19,191
	Investment Interest	-181	-239	-292	-315	-451	-487	-487
	New Homes Bonus-unallocated Balance				1,975	2,035	1,862	2,023
	Other Financing Adjusments	-2,758	-4,405	-5,763	-3,942	-3,814	-3,710	-3,812
(ii)	**Net Expenditure after adjustments**	**16,044**	**17,323**	**13,563**	**16,430**	**16,556**	**16,526**	**16,915**
(iii)	Revenue Support Grant	-3,280	-3,290	-2,763	-1,796	-1,200	-971	-949
	NNDR (Business Rate Retention, including SBR grant)	-3,554	-4,824	-1,609	-4,209	-4,337	-4,492	-4,492
	Collection Fund Balance	-142	-142					
	New Homes Bonus	-1,222	-1,222	-1,623	-1,975	-2,035	-1,862	-2,023
	Other Grants and Government Funding	-527	-527	-102	-79	-79	-79	-79
(iv)	**Amount to be funded from Council Tax**	**-7,319**	**-7,319**	**-7,466**	**-7,683**	**-7,915**	**-8,150**	**-8,392**
	Band D Equivalent	£146.86	£146.86	£146.86	£149.77	£152.79	£155.83	£158.94
(v)	% increase on previous year				2.00%	2.00%	2.00%	2.00%
	Net Expenditure after adjustments	16,044	17,323	13,563	16,430	16,556	16,526	16,915
	Total Grant and Council Tax Income	-16,044	-17,324	-13,563	-15,741	-15,565	-15,554	-15,935
(vi)	Cumulative Deficit-Savings Required(+)/Surplus(-) future ye		0		689	991	972	980
(vii)	In year Additional Savings(+)/Surplus(-)				689	302	-19	8
(viii)	Current Year Surplus(-) Defict (+)		0					

Description	Narrative	2014/15 £ Original	2014/15 £ Latest	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Major Contract Renewals & Inflation at -1% RPI	GM and Waste Management			58,959	58,959	58,959	58,959
Grounds Maintenance	profiling of additional/expired funding	-28,826		3,965	12,730	22,798	5,605
Above inflation growth	to allow for staff increments	87,000		60,000	50,000	50,000	50,000
Fees and Charges		-139,458			-139,458	-139,458	-139,458
Fees and Charges	Increase above those already built into St	-73,542					
Fees and Charges-Cultural services	Various as per October 2014 Report		-18,000	-86,400			
Fees and Charges health & Community Protection	Various as per October 2014 Report			-32,800			
Car Parking	Savings on Repairs and Maintenance	5,000			5,000		10,000
Waste Management	New Properties				13,000	13,000	13,000
Street Cleaning	New Adopted roads to be cleansed	10,000		10,000	10,000	10,000	10,000
Hill Close Gardens funding	April 2004 Executive	-5,000		-5,000	-2,500		
inflation provision	reflection of volatility of the economy	50,000	-125,000		50,000	50,000	50,000
Deflation on Non contractual Spend	-2.50%	-188,491	800	-196,639	-210,898	-205,268	
Catering Contract	July/August Executive	-12,800		-15,500	-17,700	-13,100	
Salaries	Pay Award	148,000		163,700	137,000	276,800	282,300
Pension fund Increases		55,383		56,490	57,620		
National Employment Savings Trust (NEST)						63,750	63,750
World Bowls recharge for Facilities	Ceased to Womens Bowls for 10 year per	26,000					
CCTV Revenue Savings from new tender	lower annual maintenance, no inflation						
Crematorium- Reduced Income	when New Facilities open at Rugby	150,000					
HMRS system	County may charge for future service	25,000					
Community Forums	Reserve Funding 4 years from 2014-15	-40,000					40,000
Rural Footway LIghting	February 2013 Executive	-23,200					
Additional costs of one state pension (NI contributions)					200,000		
Events Management Officer made substantive	June 2013 Executive	31,000					
Developer Commuted Sums Reserve reducing				3,965	12,730	22,798	5,605
Development Services Restructure	3 Year Protection				-2,100		
Restructure of Environment and Community Protection	June 2013 Employment Committee	-72,500					
Reductions on Discretionary Budgets		-135,900					
Revenue saving on Lighting at Linen Street Car Park/increased	August Executive					-1,200	-3,600
Terms and Conditions changes							-100,000
Riverside House Relocation							-300,000
2014/15 Salary Workings	head of Development Services	32,600					
NNDR (adjustment + Inflation)		28,200					
Increase in Housing Benefits Transfer Payments		118,500					
Increase in Housing Benefit Subsidy		-39,100					
Reduction in HB Admin Subsidy and LCTS Subsidy		47,500					
No Additional Specific Admin Subsidy 2014/15		30,800					
Corporate Utility Bills (across all GF services),		35,100					
Misc changes in salary ests, mainly fixed term posts ending	Housing and Property General Fund	-32,300					
Increase WCC shared legal services (includes Disbursements0 costs		8,700					
Pensions-settlement of lump re. Deficit with lower %age, further	Revaluation December 2013	1,410		28,300	40,360	92,965	94,508
New Living Wage	From October 2016	30,000		15,000			
DFG (& other Home improvements)charging Fees		-74,500					
Netvisibility Lease of Jubilee House			-8,200	-2,200	-2,300		
Orbit vacating Riverside House 30/6/14 - lease expires			45,100	15,000			
Income Contingency	provision for seasonal over-recovery of Fees and Char		-200,000				
Income Contingency	Additional Income included in Budgets		138,000	-12,000			
High Value Leases. 1 Market Street Warick sold to Waterloo			15,500	15,500			
Increase in licenses / applications and getting more money than			-55,100				
Service Area Disbanded and Head of Service Post deleted -	Corporate and Community			-74,000			
Legal Services Increases 2015-16			41,700				
Loss of Decrim contract				136,600			
2 posts in CSC no longer Funded	re. Decrim			-50,000			
Additional Car Parking Income				-112,000			
Reduction in Benefits Admin Subsidy	Single Fraud Investigation Service			41,900			
Financial Services Salary Changes				-63,500			
Realign Unrealistic TDO Budgets				17,300			
Insurances - General Fund			-16,900	10,300			
Reduction in LCTS/HB Admin Subsidy (Provisional)				26,000			
Temporary fix to balance to BCtA	(recurrent element only)		37,293				
Housing and Property Services Restructure				154,400			
Pension changes, increments now built into base Budgets				-50,000			
Cleaning Contract				10,400	50,400		
Finance Staffing Costs	January 2015 Employment Committee			25,000			
IAS19 Changes			-52,400	-800			
Minor Budget Changes		-9,684	18,670	-9,100			
Savings required					-688,539	-302,401	18,552
Total Recurring Developments		**44,893**	**-178,537**	**142,841**	**-365,695**	**-356**	**159,221**

Development Description	Narrative	2014/15 £ Original	2014/15 £ Latest	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Private Sector Stock Condition Survey	from Equipment Renewal Schedule (Sept 2011 Executive)			75,000				
Housing Market Assessment	from Equipment Renewal Schedule (Sept 2011 Executive)			60,000				
Budget Consultation Process	Simalto/Residents Suveys to replace Citizens Panel	11,700	-17,500	-1,000	-5,800	-15,800	11,700	-15,800
RCCO (DCLG Disabled Facilities Grant towards Private Sector Housing (rec'd in year only)		-308,600	-8,600	-308,600	-308,600	-308,600	-308,600	-308,600
Improvement Grants RCCO Non-capital Element from HIP	Not in before?		9,600	9,600	9,600	9,600	9,600	9,600
RCCO re Abbey Fields Gatehouse project from Corporate Property R & M			-1,421					
RCCO from Flood Alleviation budget re Cubbington Flood Alleviation project (was £15,000 now £10,000)			-10,000					
RCCO from Corp R & M re 26 Hamilton Terrace gaming Hub			-7,000					
Community and Voluntary Contracts	Variations over 3 year period	1,600						
Corporate and Community Services	salary protection HR	3,400						
Oakley Wood Crematorium Improvements	lost income works sdelayed	135,000	-104,000	104,000				
Book of Remembrance-lasts 30 to 40 years,	Service always been offered at Crematorium			4,000				
Democratic Services Assistant -	redeployment 3 yrs salary protection	3,400		2,500				
Various small budget adjustments		28,000						
Minor Roundings		20,000						
Waterloo NHB Payment		59,000		118,542				
Contingency Budget		200,000		1000				
payroll staff not on top of increment budget virement top of scp		-1,300		-500				
£62,720 new Burdens Monies- Council Tax Support off set by additional spend		79,625						
Project Officer Contract extended	currently unfunded	38,000						
Hill close gardens addional funding		2,500						
Sustainability Officer, extended		18,000		36,000				
Simalto contract 2014/15	shirtfall (net)	700						
Organisational Development Post Extensions	2 years net of Savings			0	20,686			
Senior Project Co-Ordinator Posts extended to march 2016	(Deputy Chief Execs office)	79,100		103,400				
City Deal	Funded from NHB	24,000						
Payment Card Industry Data Security Standards (PCI DSS)	Less than originally envisaged	75,000	-45,000					
Employment Initiatives		50,000						
LEP Contribution		15,000						
Community Forums World War One Contribution		10,500						
AED defibrillators at Abbey Fields and Castle Farm in 2016/17 (total £2k non-recurrent)					2,000			
Golf Course Lease	Finance and Audit Scrutiny March 2014		20,000	3,330				
£2,780 Parish Council Precept Shortfall			2,780					

Development Description	Narrative	2014/15 £ Original	2014/15 £ Latest	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Election Costs in year	net of those built into Reserve Funding			30,000				30,000
Netvisibility Lease of Jubilee House	Refurbishment costs		5,600					
Sustainability Officer missed off Budget	on Strategy but missed off detailed papers		18,000					
Overbilling WCC Library 13/14 re Service Charges			26,900					
NNDR refund Town Hall			-13,100					
Dilapidation payment re Riverside House - Orbit			-15,000					
Consultancy Fees & Medical fees (non recurrent)			2,600					
South West Warwick community Centre Infrastructure	March 2012 Executive 4 years only	1,500		1,500	1,500			
Mercury Abatement payment 1/1/13-31/12/13	Future Years will see lower payments		-22,200					
agency staff cover committee services-			4,500					
Match Funding for St Mary's Lands Business Strategy	(Budget funded from Contingency in 2013/2014 by virement should have been an EMR request at 31 March 2014)		10,000					
NNDR Refund Castle Farm - reduced RV - arrears payment			-16,000					
Loss of Rent 10 Hamilton Terrace, L/Spa and Pageant House, Warwick. WREP/Relate/Armonico Consort leases terminated (non-Rec)			30,000					
High Value Leases. 24 Hamilton Terrace Vacant. (non rec)			23,400					
Staff Engagement activities,	funded from STR 2014-15 and revenue thereafter			9,000				
VCS contract value budget correction			2,400					
NNDR Riverside House - change in RV - refund			-85,600					
Non-recurrent Salary Savings in Neighbourhood			-5,300	-3,100				
Organisation Development salaries	extended contract to end March 2016			24,300				
Minor Budget Changes			-51,342	-28,343				
Compromise agreement payment - RSC			7,600					
Fees and Charges report 1/10/14	Various Non-Recurrent Changes		26,200					
Loss of Decrim contract	1/11/14 to 31/3/14		107,400					
Catering Contract reduced income from % of sales			18,000					
Land Charges Income			-10,000	-10,000				
Financial Services Salary Changes			-55,900					
Development Services Salary Changes			-23,000					
Additional Planning Fee Income Forecasted			-200,300					
Gateway Public Inquiry Costs (non Rec)			32,100					
Additional Consultancy Costs - Planning Viability/Feasibility			50,900					
AEH & Court Str Arches- Reduced Income			17,600					

Development Description	Narrative	2014/15 £ Original	2014/15 £ Latest	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Land Charges - Agency Services WCC Charges for CON29 and Question 22. (Increase based on first six month's searches)			12,100					
Land Charges- Increased Income Projected			-10,000					
Add Back Vacant Bid Post	to fund Revenues Agency Staff cost		8,200					
ok - Contributions to reserve from S106 admin fees re Major Sites Monitoring Officer - 14/15 Gallaghers			-30,000					
Housing and Property Services Restructure			179,700					
Oakley Wood Crematorium Generator	Latest projected cost £30,000		30,000					
Insurance Provision			-56,900					
Salary Savings from Vacancies	Savings Contingency			-30,000				
Council Tax Support Grant	Change to scheme & less claiments reduce costs to Parishes			-1,986				
Euro elections-WCC charge for building elections payroll too late to claim			4,000					
Committee teas increase per head and drinks charged separately from sandwiches Non Recurrent				1,800				
NNDR non-recurrent refunds 2014-15			-120,000					
NNDR non-recurrent refunds 2014-15			-8,800					
Customer services Supervisor sick leave/cover - Culture			14,000					
Annual Software Licence/Support RSC Artifax+PDQ cable - should be able to vire from ceased Databox charge 15/16			3,600					
NNDR non-recurrent refunds 2014-15			-7,700					
NNDR non-recurrent refunds 2014-15-adjust			2,300					
Council Tax Reduction Scheme - new burdens monies (assume revenue budget set up to spend this				23,430				
Street Lighting			6,000	-6,000				
Net Leisure Centre Staffing overspend	Newbold Comyn & St Nicholas Park		32,000					
Provision for Town Council-refund of overcharged NNDR & Service Charge percentage			70,000					
Hill Close Gardens addional funding	5 years			20,000				
Riverside House 2 years backlog maintenance	2016/17 Reserve funded			30,000				
Total Non-Recurrent Developments		**546,125**	**-147,183**	**267,873**	**-280,614**	**-314,800**	**-287,300**	**-284,800**

Warwick District Council - Medium Term Financial Strategy **Reserve Funded** **Appendix 4d**

Development Description	en	2014/15 £ Original	2014/15 £ Latest CHANGES ONLY	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Election costs	Elections Reserve			80,000				80,000
Grounds Maintenance	Commuted Sums Reserve	49,781		45,816	33,086	10,288	4,683	4,683
Earmarked Reserve	Items slipped from previous year		477,100					
OD officers transformation reserve slippage	Transformation Reserve	10,000						
OD officers transformation reserve slippage, further slippage (December 2013)	Transformation Reserve	-23,930	23,930					
OD officers transformation EMR slippage	net of salary savings	7,900		11,000				
OD officers Extensions reserve slippage	Transformation Reserve			70,900	22700			
Finance Restructure	Service Transformation Reserve-Sept Executive	20,305	5,095					
Housing Benefits - Staff Changes (Funded by Additional Specific Admin Grant)	Revenue Grants and Contributions in Advance	42,500	200	1,800				
Sports & Arts Tender - Forbes Estate	-St Mary's Lands Reserve	44,300						
Community Forums	4 years Reserve Finded	40,000		40,000	40,000	40,000		
Linen Street MSCP Improvements (1st phase) from CIR		30,000	-30,000					
Local and Town Centre Plan slippage from 12/13 to 13/14		134,900	10,300					
ok - Additional allocation re Warwick Town Centre Plan			8,000					
Major Sites Monitoring Officers funded from Planning Reserve	September Executive 2013	41,200		41,200	41,300			
Additional Benefits Staff Funded from Revenue Contributions in Advance Reserve		8,500	-8,500					
Car Park Repairs and Maintenance		37,778	-19,578					
Government Grant Re Homelessness Packs	GF Revenue Grants/Contributions In Advance Reserve	100	300	400				
Crematorium Bequest	GF Revenue Grants/Contributions In Advance Reserve	3,458	42					
RSL Contributions to Advertisements	GF Revenue Grants/Contributions In Advance Reserve	6,100	-4,300					
Funding for Portas Pilot	GF Revenue Grants/Contributions In Advance Reserve	96,000	-23,600					
HS2 2 year post funded from Planning Reserve	December 2013 Executive	20,500		20,500				
Warwick Fire Station - Open Spaces project delayed	EMR from 2012-13	40,000	-40,000					
STR £100k for incidental Riverside House Moves incidental (revenue) costs	March 2014 Executive		100,000					
Interim HR/Payroll Project manager and Interim Senior HR Officer Service Transformation Reserve			64,900	35,000				
Compromise Agreement (part offset by Salary Budget Saving) June 2014 Executive			22,600					
Financing of AV Equipment (Town Hall) from Equipment Renewal Reserve			42,700					

Development Description	en	2014/15 £ Original	2014/15 £ Latest CHANGES ONLY	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Portas Pilot - Reduce Budget 14/15 as 13/14 spend greater than budgeted for.	Revenue Grants Contributions in Advance		0					
Culture and Health a Ccommunity Protection	Revenue Grants Contributions in Advance		0					
Sports & Leisure Project manager/consultant - rolled over from 13/14	Service Transformation Reserve		22,000					
Sports & Leisure Options Appraisal - rolled over from 13/14	Service Transformation Reserve		25,700					
Costs of HS2 Appeal Funded from Planning Appeals Reserve			77,200					
salary cost Head of Corporate & Community services from early retirment reserve			4,300					
WCC Rural Enabling transferred from Capital per RSW; cost to GF mitigated by removing RCCO that previously funded DFG admin hence no overall effect on GF balance			9,600	9,600	9,600	9,600	9,600	9,600
Revised PPM budgets to reflect latest projections, overall as per Matt Jones' Dec 14 Report to SAG. No net effect on GF bottom line as funded from Asset Reserve, as adjsuted in line below			-418,700					
Staff Engagement activities,	funded from STR 2014-15 and revenue thereafter		9,000					
18 months Archiving Post (part of Riverside House Project)	Service Transformation Reserve		9,500	19,000				
Non-Pay Archiving Costs (scanning) 10/9/14 SMT	Service Transformation Reserve		20,000					
TPO Compensation Payments (Provision) from Planning Reserve			117,300					
Totalmobile pilot project costs from STR			900					
Temporary Asistant Accountant Post extended to end of March (STR)			6,700					
IER revenue grant received in advance			10,800					
WDC Assets feasibility study from STR			5,000					
Building Control Income			40,000	40,000				
Building Control Reserve - Building Control Staff Changes			-7,400	4,200	4,200	4,200	4,200	4,200
Building Control - Other Income Shared Standby with Coventry City Council To BC Reserve			-9,600	-9,600	-9,600	-9,600	-9,600	-9,600
Building Control Staff Costs Recharged to BC Reserve			-33,300					
Additional Consultancy Costs - Planning Viability/Feasibility			50,900					
Leisure Options Approved Nuvember 2014 Exectutive	Funding from Service Transformation Reserve		150,000	150,000	50,000			
Prosperity Agenda - Funded from Service Transformation Reserve	November Executive		6,000	50,000				
Housing and Property GF			88,500					
Corporate Property PPM - Element funded from Asset Reserve rather than existing W000 revenue budget			829,000					

Development Description	en	2014/15 £ Original	2014/15 £ Latest CHANGES ONLY	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
ok - Additional marketing costs for National Bowls Championships (£20,000) - per Gary only £8,000 spent	Tourism Reserve		8,000					
OK - Consultants fees etc re creation of council housing company (£50,000)			50,000					
ok - Planning Gain contributions received on 1270 9123 at October 2014			-115,900					
ok - Arts Development Balance of Contributions			58,100					
ok - Digital Content Development Project Net Income From Contributions			2,400					
ok - Exhibitions Programme Funding Net Income From Contributions			60,400					
ok - Warwick Town Team Partnership grant			960					
ok - IER Max Reg 2 Grant from Cabinet Office			10,800					
ok - Contribution from Reserve	Community Right to Bid/Challenge Reserve		200					
Correction to OD Staff Phased Funding			-27,030					
Housing and Property Temporary Posts funded from STR				40,500	40,500			
Individual Electoral Registration additional costs £55k unfunded from 2015-16				55,000				
ICT services DEFRA grant			7,100					
ICT equipment reserve funded			74,600	74,600	74,600	87,600	87,600	
Contingency Budget				220,000				
Hill Close Gardens	5 year agreement (2015/16 funded from Revenue non, rec)				20,000	20,000	20,000	20,000
Riverside House 2 years backlog maintenance	2016/17 Reserve funded				30,000			
Bowls Action Plan	January 2015 Executive - from Tourism Reserve			5,000				
Priority Families	From Service Transformation Reserve			15,000	15,000	15,000		
Temporary Posts Funded from Srvice Transformation Reserve	Finance			62,600	31,800	31,800		
Total for Year		**609,392**	**1,772,219**	**1,082,516**	**403,186**	**208,888**	**116,483**	**108,883**

APPENDIX 5

Risks Influencing the Level of General Fund Balance

Risk Area	Provision
The possibility the Council overspends – risk increased with budgets reduced to reflect prior year underspends, reductions in “non-contractual” budgets.	£0.1 million
Economic cycle issues affect the budget – over and above what can be expected to be contained within routine monitoring procedures.	£0.15 million
Development control income adversely affected by planning policies and economic cycle.	£0.1 million
Costs of environmental prosecution or public enquiry. This is always a possibility and is difficult to forecast in terms of cost.	£0.1 million
Car parking income doesn’t achieve budget forecast.	£0.15 million
Uninsurable event – eg environmental or asbestos claim outside terms of insurance policies.	£0.15 million
Swimming and gym Income does not meet targets.	£0.1 million
Costs of Planning Refusal in respect of Clarendon Arcade.	£0.35 million
Possible impacts of budget reductions by other public agencies on this council and the area of Warwick District.	£0.1 million
Cost of possible claim against the Council.	£0.1million
Cost arising from unanticipated risk	£0.1 million
Total	£1.5 million

Commuted Sums Reserve Commuted Sums are received from developers in respect of the adoption of public open space or other facilities to be maintained at the Council's expense.	Credits are made annually to the General Fund based on (usually) 1/13 of the capital sum starting from the year in which the maintenance of the facility begins. This date notified by the relevant Service Area.
Insurance Reserve To provide finance to cover the Council's self insurance against potential claims and to pay for security improvements to the Council's General Fund properties. The reserve also holds sufficient funds to cover any potential claim with regard to the Municipal Mutual Insurance "clawback" re previous claims settled.	Self insurance claims and Security Improvements are charged to the service accounts and the comparable amount is credited to the General Fund from this reserve as part of the final accounts process.
Election Expenses Reserve To provide finance to fund the expense incurred in holding the District Council elections every four years.	The cost of the election is charged to a service account and a contribution from this reserve is credited to the General Fund from this reserve as part of the final accounts process. In the years where no election is held an annual contribution of £30,000 is made to the reserve..
Art Fund Reserve To fund major art purchases for the Art Gallery and Museum	Items to be financed from this reserve are charged to the Art Gallery and Museum Account during the year and notified to Finance. An appropriate amount is then transferred to the General Fund as part of the final accounts process. The reserve is “topped up” from public donations and any unspent balance on the Art Gallery and Museum purchases budget.
Capital Investment Reserve To provide finance for the Council's General Fund capital programme not met by other resources e.g. capital receipts, RCCO, external contributions, other reserves.	This reserve provides the balancing figure for financing the Council's General Fund capital programme and the relevant amount is transferred to the Capital Adjustment Account as part of the final accounts process. Annual “repayments” in respect of recently financed schemes are made to the reserve from the General Fund.
ICT Replacement Reserve To provide finance for the Council’s ICT Replacement programme	This reserve has been established in order to provide certainty of finance for the Councils ICT replacement programme as previously this was subject to bidding for resources from the
Energy Management Reserve	

To provide finance for the Council's energy saving schemes within its General Fund and Housing Revenue Account properties	Energy Management Schemes undertaken by Property are charged to the relevant service account during the year. The total cost is notified to Finance and the comparable amount is credited to the General Fund or Housing Revenue Account from this reserve as part of the final accounts process. Annual contributions are made into the Reserve as repayments for schemes previously financed.
Gym Equipment Reserve To provide finance for the replacement of the Gym	Suitable schemes are identified and included within
Art Gallery Gift Reserve To provide finance for major Art Gallery and	Items to be financed from this reserve are charged

Name of Reserve **Purpose**	**Use of Reserve/Balance**
Building Control Reserve The fee earning part of the Building Control service	Annual surpluses/deficits are credited/debited to
Planning Reserve Originally created to provide finance to cover the	Items to be financed from this reserve are charged
General Fund Early Retirement Reserve To provide finance to cover the one off pension	Items to be financed from this reserve are charged

Name of Reserve **Purpose**	**Use of Reserve/Balance**
Equipment Renewal Reserve To finance a rolling programme of equipment and	Revenue Items to be financed from this reserve are This reserve also provides finance for capital
Enterprise Projects Reserve	Reserve is used to smooth surpluses/deficits
Car Parks Repairs and Maintenance Reserve	Reserve created from Car Parks revenue repairs and maintenance budget in order to provide
Tourism Reserve To provide finance for initiatives relating to the	Items to be financed from this reserve are charged to the Service Accounts during the year. An

Name of Reserve **Purpose**	**Use of Reserve/Balance**
Services Transformation Reserve	Reserve created to enable services to continue to be provided pending delivery of required savings and to finance “Fit for the Future” schemes so as
Public Open Spaces Planning Gain Reserve	Expenditure from this reserve will be charged to
St Mary’s Lands/Forbes Estate Community	To provide finance for initiatives within Warwick
Right to Challenge Reserve	To provide finance to assist in dealing with bids

Name of Reserve **Purpose**	**Use of Reserve/Balance**
Right to Bid Reserve	To provide finance to help meet compensation claims arising from the Council listing properties as Community Assets.
Public Amenity Reserve	To provide finance for play area and public open space improvements
Corporate Assets Reserve	To provide finance for refurbishment of facilities

(name change from Sports & Culture Facility Reserve)	To provide finance for refurbishment of facilities following the Stock Condition Survey
Community Forums Reserve	To provide finance for the annual programme of Community Forum Grants

Name of Reserve **Purpose**	**Use of Reserve/Balance**
Business Rate Retention Volatility Reserve	Reserve established to provide finance for “smoothing out” future retained Business Rate revenues
Rent Bond Scheme Reserve	Reserve established to assist households who are homeless, threatened with homelessness or in housing need by guaranteeing one month’s rent to the landlord.
Biodiversity Reserve	Reserve established to hold developers contributions resulting from loss of habitat arising from their developments. These contributions are then used for biodiversity improvements offsite
Local Plan Delivery Reserve	The reserve is used for items of work required to help the implementation of the Local Plan. This would include detailed work on a specific proposal to help turn it from a proposal to reality.
Hill Close Gardens Reserve	This reserve will be used to help fund maintenance of Hill Close Gardens.

Name of Reserve **Purpose**	**Use of Reserve/Balance**

Riverside House Maintenance Reserve	This reserve will be used to fund backlog maintenance on Riverside House.

Major Repairs Allowance Reserve To provide funding for major capital works to the Council's housing stock	The relevant amount required to finance the
Housing Revenue Account To provide a contingency reserve to protect the Housing Revenue Account against any unexpected, adverse, revenue or capital cash flows arising during the year.	The balance will be applied as necessary to
Housing Capital Investment Reserve To provide finance for new build projects.	To provide finance for new build projects.

Name of Reserve Purpose	Use of Reserve/Balance
HRA Early Retirement Reserve To provide finance to cover the pension one off costs to the Housing Revenue Account as a result of the early retirement of Housing Service Officers and to provide finance to cover redundancy costs properly chargeable to the Housing Revenue Account.	Items to be financed from this reserve are charged

The General Fund Estimates and its financing is approved by the Executive. This sets the contribution to/from this reserve. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The balance on this reserve is dictated by receipts from developers.
The Insurance Officer has authority to spend up to £15,000 (£1,000 per project) in any one year on security improvements. Items above these thresholds have to be authorised by the Head of Finance. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
The Head of Cultural Services has delegated authority to make such purchases as necessary from the reserve subject to reporting the purchases retrospectively to the Executive. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure
The General Fund capital programme and its financing is approved by the Executive. This sets the contribution from this reserve. Any variation to this figure will be formally agreed by the Executive either as part of the final accounts process or as part of the normal process of revising the General Fund Capital Programme. In addition the reserve is monitored by Finance on a regular basis to provide information for reviews of capital programme resources.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the Estimates and Final Accounts processes where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure. In addition the adequacy of the reserve is reviewed as part of the financial strategy and capital programme setting processes. Normal practice is to keep the level at around £2,000,000.
The ICT Services Manager has delegated authority to spend from this reserve in consultation with the Head of Finance and relevant Portfolio Holders	Any underspending from within the ICT Revenue Budget will be transferred to this reserve at year end

The Head of Housing and Property Services has delegated authority to spend up to £50,000 on any one scheme from this reserve. Schemes above this level require the approval of the Executive. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
The Head of Cultural Services, in conjunction with	The level and continuing need for the reserve is
The Head of Cultural Services has delegated	This reserve is reviewed during the final accounts

Management and Control	**Review Mechanism**
Approval for expenditure to be met from this	The level and continuing need for the reserve is
Approval for expenditure to be met from this	The level and continuing need for the reserve is
Approval for expenditure to be met from this	The level and continuing need for the reserve is

Management and Control	**Review Mechanism**
Items proposed to be financed from this reserve should first be approved by Executive to be	Reserve reviewed as part of Estimates and closedown procedures. Balance increased on basis
Transfers to and from this reserve will be approved	Reserve reviewed by Finance as part of Estimates
Transfers to and from this reserve will be approved by the Executive as part of the Budget and Final	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151
Authority to spend delegated to Deputy Chief Executive in consultation with the Development	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151

Management and Control	**Review Mechanism**
The responsibility for the authorisation of expenditure from this reserve up to a maximum cost of £20,000 for any individual item of	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where
The Head of Neighbourhood Services, in	This reserve is reviewed during the final accounts
Executive to approve usage.	The level and continuing need for the reserve is
Executive to approve usage.	The level and continuing need for the reserve is

Management and Control	**Review Mechanism**
Executive to approve usage.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
The General Fund capital programme and its financing is approved by the Executive. This sets the contribution from this reserve. Any further	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where
Approvals from the reserve have been delegated to	The level and continuing need for the reserve is

SAG and the Section 151 Officer in consultation with the portfolio holders for Housing & Property	reviewed by Finance in conjunction with the S151 Officer during the final accounts process where
February 2013 Executive approved 4 year programme 2014/15 to 2017/18.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.

Management and Control	**Review Mechanism**
Executive to approve usage.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Authority to spend from this reserve is delegated to the Head of Housing and Property Services.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
The Head of Neighbourhood Services, in agreement with the Head of Finance, has delegated authority to spend from this reserve.	This reserve is reviewed during the final accounts process but as the reserve was created from S106 contributions which generally have conditions of use attached to them, levels and potential closure are not applicable
Approval to spend from this reserve is delegated to the Chief Executive, Head of Finance and Head of Development Services in consultation with the Deputy Leader (Responsible for the Local Plan) and all group leaders.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
£20,000 per annum will be credited to the Income & Expenditure account as part of the Council's budget setting process.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure

Management and Control	**Review Mechanism**

Approval to spend from this reserve is delegated to the Heads of Housing and Property and Finance in consultation with the relevant portfolio holders.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure. It is expected that this reserve will be liquidated during 2016/17.

The contribution made from this reserve towards	The operation of this reserve will be reviewed as
The budgets which affect the balance are	The adequacy of the balance is assessed as part
The budgets which affect the balance are	The adequacy of the balance is assessed as part

Management and Control	**Review Mechanism**
Approval for expenditure to be met from this	The level and continuing need for the reserve is

Name of Reserve & Purpose	Use of Reserve/Balance	Management and Control	Review Mechanism
General Fund Reserves			
Art Fund Reserve To fund major art purchases for the Art Gallery and Museum	Items to be financed from this reserve are charged to the Art Gallery and Museum Account during the year and notified to Finance. An appropriate amount is then transferred to the General Fund as part of the final accounts process. The reserve is "topped up" from public donations and any unspent balance on the Art Gallery and Museum purchases budget.	The Head of Cultural Services has delegated authority to make such purchases as necessary from the reserve subject to reporting the purchases retrospectively to the Executive. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure
Art Gallery Gift Reserve To provide finance for major Art Gallery and Museum purchases linked to the specific conditions imposed by the original gift of the money to the Council	Items to be financed from this reserve are charged to the Art Gallery and Museum Account during the year and notified to Finance. An appropriate amount is then transferred to the General Fund as part of the final accounts process.	The Head of Cultural Services has delegated authority to make such purchases as necessary from this reserve subject to reporting retrospectively to the Executive. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	This reserve is reviewed during the final accounts process but as the reserve was created by a private donation and has conditions of use attached to it, levels and potential closure are not applicable
Biodiversity Reserve	Reserve established to hold developers contributions resulting from loss of habitat arising from their developments. These contributions are then used for biodiversity improvements offsite	The Head of Neighbourhood Services, in agreement with the Head of Finance, has delegated authority to spend from this reserve.	This reserve is reviewed during the final accounts process but as the reserve was created from S106 contributions which generally have conditions of use attached to them, levels and potential closure are not applicable
Building Control Reserve The fee earning part of the Building Control service should not make a loss over a rolling three year period. This reserve has been created to assist in this with annual surpluses being paid into it and any annual losses being funded from it. It also funds any improvements required in the service.	Annual surpluses/deficits are credited/debited to this reserve as necessary. If funding improvements e.g. IT, reserve makes the necessary contribution to either the General Fund or Capital Financing as appropriate.	Approval for expenditure to be met from this reserve is subject to a report to the Executive which previously has been agreed with Finance. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Business Rate Retention Volatility Reserve	Reserve established to provide finance for "smoothing out" future retained Business Rate revenues	Executive to approve usage.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Capital Investment Reserve To provide finance for the Council's General Fund capital programme not met by other resources e.g. capital receipts, RCCO, external contributions, other reserves.	This reserve provides the balancing figure for financing the Council's General Fund capital programme and the relevant amount is transferred to the Capital Adjustment Account as part of the final accounts process. Annual "repayments" in respect of recently financed schemes are made to the reserve from the General Fund.	The General Fund capital programme and its financing is approved by the Executive. This sets the contribution from this reserve. Any variation to this figure will be formally agreed by the Executive either as part of the final accounts process or as part of the normal process of revising the General Fund Capital Programme. In addition the reserve is monitored by Finance on a regular basis to provide information for reviews of capital programme resources.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the Estimates and Final Accounts processes where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure. In addition the adequacy of the reserve is reviewed as part of the financial strategy and capital programme setting processes. Normal practice is to keep the level at around £2,000,000.
Car Parks Repairs and Maintenance Reserve	Reserve created from Car Parks revenue repairs and maintenance budget in order to provide resources for future years.	Transfers to and from this reserve will be approved by the Executive as part of the Budget and Final Accounts processes.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.

Name of Reserve & Purpose	Use of Reserve/Balance	Management and Control	Review Mechanism
Community Forums Reserve	To provide finance for the annual programme of Community Forum Grants	February 2013 Executive approved 4 year programme 2014/15 to 2017/18.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Commuted Sums Reserve Commuted Sums are received from developers in respect of the adoption of public open space or other facilities to be maintained at the Council's expense.	Credits are made annually to the General Fund based on (usually) 1/13 of the capital sum starting from the year in which the maintenance of the facility begins. This date notified by the relevant Service Area.	The General Fund Estimates and its financing is approved by the Executive. This sets the contribution to/from this reserve. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The balance on this reserve is dictated by receipts from developers.
Corporate Assets Reserve(name change from Sports & Culture Facility Reserve)	To provide finance for refurbishment of facilities following the Stock Condition Survey	Approvals from the reserve have been delegated to SAG and the Section 151 Officer in consultation with the portfolio holders for Housing & Property Services and Finance	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Election Expenses Reserve To provide finance to fund the expense incurred in holding the District Council elections every four years.	The cost of the election is charged to a service account and a contribution from this reserve is credited to the General Fund from this reserve as part of the final accounts process. In the years where no election is held an annual contribution of £30,000 is made to the reserve..	The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Energy Management Reserve To provide finance for the Council's energy saving schemes within its General Fund and Housing Revenue Account properties	Energy Management Schemes undertaken by Property are charged to the relevant service account during the year. The total cost is notified to Finance and the comparable amount is credited to the General Fund or Housing Revenue Account from this reserve as part of the final accounts process. Annual contributions are made into the Reserve as repayments for schemes previously financed.	The Head of Housing and Property Services has delegated authority to spend up to £50,000 on any one scheme from this reserve. Schemes above this level require the approval of the Executive. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Enterprise Projects Reserve	Reserve is used to smooth surpluses/deficits	Transfers to and from this reserve will be approved by the Executive as part of the Budget and Final Accounts processes.	Reserve reviewed by Finance as part of Estimates and closedown procedures.
Equipment Renewal Reserve To finance a rolling programme of equipment and property replacement and renewal.	Revenue Items to be financed from this reserve are charged to the Service Accounts during the year. An appropriate amount is then transferred to the General Fund as part of the final accounts process.	Items proposed to be financed from this reserve should first be approved by Executive to be included within the ERR Schedule. Use of reserve is subsequently controlled by SMT who consider the Business Case seeking release of funding from the reserve, and may approve if appropriate followed by approval from Chief Executive and relevant portfolio holders. The standard Business case template to be used for SMT's consideration was presented and approved by the September 2011 Executive.	Reserve reviewed as part of Estimates and closedown procedures. Balance increased on basis of Executive approval. Based on the current programme It is anticipated that the reserve will be extinguished by the end of 2018/19.
General Fund Early Retirement Reserve To provide finance to cover the one off pension costs to the General Fund as a result of the early retirement of Officers and to provide finance to cover redundancy costs to the General Fund.	Items to be financed from this reserve are charged to the Service Accounts during the year and notified to Finance. An appropriate amount is then transferred to the General Fund as part of the final accounts process.	Approval for expenditure to be met from this reserve is subject to a report to the Executive which previously has been agreed with Finance. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.

Name of Reserve & Purpose	Use of Reserve/Balance	Management and Control	Review Mechanism
Gym Equipment Reserve To provide finance for the replacement of the Gym Equipment within the Council's Leisure Centres	Suitable schemes are identified and included within the capital programme. The relevant amount from this reserve is then utilised to finance them. Annual contributions of £30,000 are made into the Reserve so as to enable the reserve to meet the future cost of gym equipment replacement.	The Head of Cultural Services, in conjunction with the S151 Officer and Cultural Services Portfolio Holder, has delegated authority to approve future expenditure from this reserve. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer essentially three times a year a) when the Financial Strategy is updated b) at budget setting and c) final accounts where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure. In addition the adequacy of the reserve is taken into account when revising the capital programme.
Hill Close Gardens Reserve	This reserve will be used to help fund maintenance of Hill Close Gardens.	£20,000 per annum will be credited to the Income & Expenditure account as part of the Council's budget setting process.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure
ICT Replacement Reserve To provide finance for the Council's ICT Replacement programme	This reserve has been established in order to provide certainty of finance for the Councils ICT replacement programme as previously this was subject to bidding for resources from the Equipment Renewals Reserve which is heavily oversubscribed. Resources have been transferred from the Equipment Renewals Reserve and Capital Investment Reserve	The ICT Services Manager has delegated authority to spend from this reserve in consultation with the Head of Finance and relevant Portfolio Holders	
Insurance Reserve To provide finance to cover the Council's self insurance against potential claims and to pay for security improvements to the Council's General Fund properties. The reserve also holds sufficient funds to cover any potential claim with regard to the Municipal Mutual Insurance "clawback" re previous claims settled.	Self insurance claims and Security Improvements are charged to the service accounts and the comparable amount is credited to the General Fund from this reserve as part of the final accounts process.	The Insurance Officer has authority to spend up to £15,000 (£1,000 per project) in any one year on security improvements. Items above these thresholds have to be authorised by the Head of Finance. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Local Plan Delivery Reserve	The reserve is used for items of work required to help the implementation of the Local Plan. This would include detailed work on a specific proposal to help turn it from a proposal to reality.	Approval to spend from this reserve is delegated to the Chief Executive, Head of Finance and Head of Development Services in consultation with the Deputy Leader (Responsible for the Local Plan) and all group leaders.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Planning Reserve Originally created to provide finance to cover the costs incurred by the Council with regard to appeals against its planning decisions. The Reserve also now pays for issues relating to planning policy, for example the costs associated with the Local Plan, and associated research.	Items to be financed from this reserve are charged to the Planning Service Account during the year and notified to Finance. An appropriate amount is then transferred to the General Fund as part of the final accounts process.	Approval for expenditure to be met from this reserve is subject to a report to the Executive which previously has been agreed with Finance. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Public Amenity Reserve	To provide finance for play area and public open space improvements	The General Fund capital programme and its financing is approved by the Executive. This sets the contribution from this reserve. Any further upward variation in the contribution would have to be approved by the Executive either as part of a report on the particular scheme in question or as part of a revision of the capital programme during the budget monitoring process. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.

Name of Reserve & Purpose	Use of Reserve/Balance	Management and Control	Review Mechanism
Public Open Spaces Planning Gain Reserve	Expenditure from this reserve will be charged to Service Accounts during the year. An appropriate amount is then transferred to the General Fund as part of the final accounts process.	The Head of Neighbourhood Services, in agreement with the Head of Finance, has delegated authority to spend from this reserve.	This reserve is reviewed during the final accounts process but as the reserve was created from S106 contributions which generally have conditions of use attached to them, levels and potential closure are not applicable
Rent Bond Scheme Reserve	Reserve established to assist households who are homeless, threatened with homelessness or in housing need by guaranteeing one month's rent to the landlord.	Authority to spend from this reserve is delegated to the Head of Housing and Property Services.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Right to Bid Reserve	To provide finance to help meet compensation claims arising from the Council listing properties as Community Assets.	Executive to approve usage.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Right to Challenge Reserve	To provide finance to assist in dealing with bids from local communities etc. to take over running services from the Council.	Executive to approve usage.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Riverside House Maintenance Reserve	This reserve will be used to fund backlog maintenance on Riverside House.	Approval to spend from this reserve is delegated to the Heads of Housing and Property and Finance in consultation with the relevant portfolio holders.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure. It is expected that this reserve will be liquidated during 2016/17.
Services Transformation Reserve	Reserve created to enable services to continue to be provided pending delivery of required savings and to finance "Fit for the Future" schemes so as to help the Council secure the savings needed in its medium term financial strategy.	The responsibility for the authorisation of expenditure from this reserve up to a maximum cost of £20,000 for any individual item of expenditure is delegated to the Change Programme's Senior Responsible Officer (the Chief Executive) in consultation with the S.151 Officer. Expenditure above £20,000 will be approved by the Executive.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
St Mary's Lands/Forbes Estate Community Fund	To provide finance for initiatives within Warwick West.	Executive to approve usage.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Tourism Reserve To provide finance for initiatives relating to the Council's on-going promotion of tourism	Items to be financed from this reserve are charged to the Service Accounts during the year. An appropriate amount is then transferred to the General Fund as part of the final accounts process.	Authority to spend delegated to Deputy Chief Executive in consultation with the Development Services Portfolio Holder, Finance Portfolio Holder and S 151 Officer.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Housing Revenue Account			

Name of Reserve & Purpose	Use of Reserve/Balance	Management and Control	Review Mechanism
Housing Revenue Account To provide a contingency reserve to protect the Housing Revenue Account against any unexpected, adverse, revenue or capital cash flows arising during the year.	The balance will be applied as necessary to finance housing landlord revenue or capital budget variations.	The budgets which affect the balance are monitored during the year by Finance and Housing with the effect on the balance being taken into account in future years' projections to ensure the balance conforms to minimum acceptable requirements within the Self Financing Business Plan.	The adequacy of the balance is assessed as part of reviewing the Self Financing Business Plan . The Self Financing Business Plan is based on maintaining a minimum £1.25m balance.
HRA Early Retirement Reserve To provide finance to cover the pension one off costs to the Housing Revenue Account as a result of the early retirement of Housing Service Officers and to provide finance to cover redundancy costs properly chargeable to the Housing Revenue Account.	Items to be financed from this reserve are charged to the Housing Revenue Account during the year and notified to Finance. An appropriate amount is then transferred to the Housing Revenue Account as part of the final accounts process.	Approval for expenditure to be met from this reserve is subject to a report to the Executive which previously has been agreed with Finance. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure
Housing Capital Investment Reserve To provide finance for new build projects.	To provide finance for new build projects.	The budgets which affect the balance are monitored during the year by Finance and Housing with the effect on the balance being taken into account in future years' projections to ensure the balance conforms to minimum acceptable requirements within the Self Financing Business Plan in order to achieve the required number of new build homes.	The adequacy of the balance is assessed as part of reviewing the Self Financing Business Plan .
Major Repairs Allowance Reserve To provide funding for major capital works to the Council's housing stock	The relevant amount required to finance the Housing Revenue Account capital programme is transferred to the Capital Adjustment Account as part of the final accounts process.	The contribution made from this reserve towards capital expenditure is dictated by the developing needs of the HRA Self Financing Business Plan and will be reviewed as part of the formal Business Plan governance process.	The operation of this reserve will be reviewed as part of the ongoing monitoring of the Self Financing Business Plan..

GENERAL FUND AND HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

APPENDIX 6b

Reserve	Use of Reserve 2014/15 to 2018/19	Balance 1/4/2014 £000	Estimated Balance 1/4/2015 £000	Estimated Balance 1/4/2016 £000	Estimated Balance 1/4/2017 £000	Estimated Balance 1/4/2018 £000	Estimated Balance 1/4/2019 £000
EARMARKED RESERVES							
Art Fund Reserve	No expenditure is currently projected from this reserve and it is estimated that £1k in public donations will be received in each year.	58	59	60	61	62	63
Art Gallery Gift Reserve	Currently there is no expenditure to be met from this reserve.	57	57	57	57	57	57
Biodiversity Reserve	Reserve created from external developers contributions in order to provide finance for replacing habitat lost as a result of developments	2	2	2	2	2	2
Building Control Reserve	In 2014/15 and 2015/16, contributions of £40k per year will be made from the General Fund to the reserve arising from increased Building Control income. Additional contributions arising from the shared service agreement with Coventry Council amounting to £50k in 14/15 and c. £5k thereafter will also be paid into the reserve.	274	284	250	255	261	266
Business Rate Retention Volatility Reserve	Reserve will receive contributions of £2,093k in 2014/15, £1,032k in 2016/17, £1,036k in 17/18 & £1,120k in 18/19 and will be used to smooth out future retained business rate revenues. It will also be used to top up the Equipment Renewal Reserve in 17/18.	842	2,528	371	805	702	1,144
Capital Investment Reserve	Contributions to the reserve re past capital programme financing will be made from the General Fund amounting to £104k in 14/15, £108k in 15/16, £113k in 16/17,£118k in 17/18 and £55k in 18/19.Currently the reserve will make contributions of £1,360k in 14/15,£1,557k in 15/16, £320k in 16/17 and £588k in 17/18 towards capital programme financing. £179k has been transferred to the new ICT Replacement Reserve re future PC's & Printer replacements and £200k has been transferred to this reserve from the Service Transformation Reserve re the purchase of land at Radford Road Leamington Spa.	4,297	3,062	2,063	1,856	1,385	1,440
Car Parking Repairs and Maintenance Reserve	Reserve created from Car Parks revenue repairs and maintenance budget in order to provide resources for future years. £18k will be credited to the General Fund in 2014/15 in respect of works at Linen Street Multi Storey Car Park and the reserve will also fund multi storey car park structural surveys amounting to £63k in 14/15 & 15/16.	215	156	133	133	133	133
Community Forums Reserve	Reserve created from 2013/14 New Homes Bonus to provide finance for the Community Forum Grants from 2014/15 to 2017/18.	160	120	80	40	0	0
Corporate Assets Reserve	Reserve created from 2012/13 budget surplus to provide finance for refurbishing facilities following the Stock Condition Survey. The reserve will receive a £570k top up from the 15/16 New Homes Bonus and will make a contribution of £411k to the General Fund in 14/15.	561	927	1,497	1,497	1,497	1,497
Election Expenses Reserve	£30k per annum will be credited to the Reserve to help defray the May 2015 election.Then, in 2015/16, A £80k contribution will be paid out to the General Fund to help defray the costs of that election.	65	95	15	45	75	105

GENERAL FUND AND HOUSING REVENUE ACCOUNT RESERVES AND BALANCES **APPENDIX 6b**

Reserve	Use of Reserve 2014/15 to 2018/19	Balance 1/4/2014 £000	Estimated Balance 1/4/2015 £000	Estimated Balance 1/4/2016 £000	Estimated Balance 1/4/2017 £000	Estimated Balance 1/4/2018 £000	Estimated Balance 1/4/2019 £000
Energy Management Reserve	Contributions back to the reserve in respect of Linen Street MSCP lighting improvements in 13/14 will commence in 2014/15 until 2017/18 when the scheme will be fully paid back.	93	98	103	108	112	112
Enterprise Projects Reserve	Reserve set up to "smooth" future years surplus/deficits	0	0	0	0	0	0
Equipment Renewal Reserve	Projects as detailed in Appendix **4** will be approved by SMT, Chief Executive and relevant Portfolio Holders prior to going ahead. £925k has also been transferred to the new ICT Replacement Reserve. The reserve will receive a £174k top up from the 15/16 New Homes Bonus and a further top up from the Business Rates Volatility Reserve in 2017/18.	1,432	452	361	73	461	10
General Fund Early Retirements Reserve	In 2014/15, the reserve will fund redundancy & early retirement costs relating to the Head of Corporate & Community Services and the General Fund costs of the Housing & Property Service re-design. The reserve will receive a top up of £100k from the 15/16 New Homes Bonus	210	95	195	195	195	195
Gym Equipment Reserve	Contributions of £30k per year from the General Fund will be made to the reserve. The reserve will finance £60k of new gym equipment in 14/15 and £30k in 15/16.	123	93	93	123	153	183
Hill Close Gardens Reserve	Reserve created from 15/16 New Homes Bonus and will be used to make payments to the hill Close Gardens Trust for ongoing expenditure	0	0	80	60	40	20
ICT Replacement Reserve	This reserve has been established in 2014/15 in order to provide for planned ICT replacements without the need to bid for resources from the Equipment Renewals Reserve. The opening balance on the reserve has been created by transfers from the Capital Equipment Reserve and Equipment Renewals Reserve. Currently the reserve will make contributions of £32k in 14/15, £139k in 15/16, £162k in 16/17, £268k in 17/18 and £102k in 18/19 towards capital programme financing.	0	998	784	548	193	3
Insurance Reserve	This reserve will be used to cover self insurance against claims and to provide finance for security improvements as and when they arise.	322	322	322	322	322	322

GENERAL FUND AND HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

APPENDIX 6b

Reserve	Use of Reserve 2014/15 to 2018/19	Balance 1/4/2014 £000	Estimated Balance 1/4/2015 £000	Estimated Balance 1/4/2016 £000	Estimated Balance 1/4/2017 £000	Estimated Balance 1/4/2018 £000	Estimated Balance 1/4/2019 £000
Local Plan Delivery Reserve	Reserve will fund the costs of a Strategic Transport Assessment and the Myton School Infrastructure Study in 2014/15	250	190	190	190	190	190
Other Commuted Sums Reserve	Contributions of between £5k and £50k approx. will be made to the General Fund each year to fund maintenance of adopted land.	334	284	238	205	194	190
Planning Appeal Reserve	The reserve will be contributing £153k in 14/15 towards the cost of the Local Plan and Town Centre Plans. The reserve is also contributing £77k in respect of HS2 In addition, the reserve will also fund the salary etc costs of the Major Sites Monitoring Officer (£124k over the years 14/15 to 16/17) and the HS2 Officer (£20.5k per year 14/15 & 15/16). The reserve will receive a one off top up of £300k from the 14/15 budget surplus and £30k in respect of S106 admin fees and also a £50k top up from the 15/16 New Homes Bonus.	505	425	413	372	372	372
Public Amenity Reserve	This reserve will provide the finance for the Play Equipment capital programme and will receive a £300,000 top up from the 14/15 budget surplus	678	669	404	358	358	358
Public Open Spaces Planning Gain Reserve	Reserve receives S106 Planning Development contributions for one -off improvement of Public Open Spaces both revenue and capital.	195	282	282	282	282	282
Rent Bond Scheme Reserve	Reserve created from General Fund Housing budget to provide finance for guaranteeing 1 month's rent in order to assist households who are homeless, threatened with homelessness or in housing need.	22	22	22	22	22	22
Right to Bid Reserve	The 2011 Localism Act introduced a requirement for the Council to list community assets. Using grants provided by the DCLG, this reserve has been established to assist with any compensation claims arising from listing.	12	20	20	20	20	20
Right to Challenge Reserve	Reserve created from central government grant received to assist in dealing with applications from local communities etc. to take over the running of Council services.	17	26	26	26	26	26
Riverside House Maintenance Reserve	Reserve cretaed from 15/16 New Homes Bonus and will be used to fund backlog maintenance on Riverside House	0	0	30	0	0	0
Services Transformation Reserve	Various approvals for Fit for the Future experiments have been agreed from this reserve.Other approvals include £100k towards the New Offices project costs, £50k contribution towards the cost of a new hut for Warwick Sea Scouts, £50K for consultants fees relating to the feasibility of creating a Council Housing Company, £50k funding for a research souce concerning the prosperity agenda and £350k funding for the Sports & Leisure options appraisal. The reserve will also fund the £130k budget for the Broadband UK project.£200k has been transferred fom this reserve in 14/15 to the Capital Investment Reserve to fund the purchase of land at Radford Road, Leamington Spa.	2,316	1,621	930	728	637	637

GENERAL FUND AND HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

APPENDIX 6b

Reserve	Use of Reserve 2014/15 to 2018/19	Balance 1/4/2014 £000	Estimated Balance 1/4/2015 £000	Estimated Balance 1/4/2016 £000	Estimated Balance 1/4/2017 £000	Estimated Balance 1/4/2018 £000	Estimated Balance 1/4/2019 £000
St Mary's Lands /Forbes Estate Community Fund	Reserve created from balance of St Mary's Lands capital budget to provide finance for schemes benefitting the St Mary's Lands and Forbes Estate areas of Warwick. This reserve is providing the funding for the "Sky Blues in the Community" project.	44	0	0	0	0	0
Tourism Reserve	Reserve created from savings within the Tourism budget in order to fund up-front work in relation to the Council's promotion of tourism. A contribution of £8k will be made to the General Fund in 2014/15 to fund additional marketing costs for the National Bowls Championships followed by a further £5k in 15/16.	61	53	48	48	48	48
GENERAL FUND TOTAL		13,145	12,940	9,069	8,431	7,799	7,697
BALANCES							
General Fund	A core balance of £1.5m will be maintained as a contingency reserve.	1,503	1,503	1,503	1,503	1,503	1,503

GENERAL FUND AND HOUSING REVENUE ACCOUNT RESERVES AND BALANCES **APPENDIX 6b**

Reserve	Use of Reserve 2014/15 to 2018/19	Balance 1/4/2014 £000	Estimated Balance 1/4/2015 £000	Estimated Balance 1/4/2016 £000	Estimated Balance 1/4/2017 £000	Estimated Balance 1/4/2018 £000	Estimated Balance 1/4/2019 £000
HOUSING REVENUE ACCOUNT							
Housing Capital Investment Reserve	Under self financing, this reserve provides the finance for investment in new housing stock and is providing the major part of the finance for the Fetherston Court Redevelopment	17,731	17,515	12,764	17,364	22,714	28,065
Housing Early Retirements Reserve	As a result of payments made following the Housing & Property Redesign a one off contribution of £309k will be made to the reserve from the HRA. Thereafter, contributions of £8k in each year will be made.	50	115	123	131	139	147
Housing Revenue Account	To provide a contingency reserve to protect the Housing Revenue Account against adverse in year revenue or capital cash flows arising from unexpected major repairs etc.	1,324	1,353	1,386	1,430	1,479	1,526
Major Repairs Reserve	Under Self Financing this reserve provides the major element of funding for capital maintenance works to the Council's housing stock.	764	2,059	3,289	5,025	6,915	8,900
HOUSING REVENUE ACCOUNT TOTAL		19,869	21,042	17,562	23,950	31,247	38,638

Warwick District Council ICT Renewal Reserve **Appendix 7**

Asset Description	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Totals £000
Microsoft Licences													
Microsoft Desktop Licences	61.5	61.5	61.5	72.3	72.3	72.3	84.9	84.9	84.9	99.8	99.8	99.8	955.5
MS Windows Server DataCenter (SA)	0.0	9.5	0.0	0.0	10.4	0.0	0.0	11.3	0.0	0.0	12.3	0.0	43.5
MS SQL Server (SA)	0.0	17.0	0.0	0.0	27.8	0.0	0.0	30.3	0.0	0.0	33.0	0.0	108.1
MS Exchange Server Licences	0.0	1.1	0.0	0.0	1.2	0.0	0.0	1.3	0.0	0.0	1.4	0.0	5.0
Additional SQL Licences	0.0	0.0	0.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0
SCCM	13.1	13.1	13.1	15.3	15.3	15.3	18.0	18.0	18.0	21.2	21.2	21.2	202.8
DataCentre													
ESX Servers	0.0	18.0	0.0	0.0	12.0	0.0	18.8	0.0	0.0	12.5	0.0	0.0	61.3
View Servers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Storage Area Network (SAN)	0.0	0.0	110.0	0.0	0.0	0.0	0.0	120.0	0.0	0.0	0.0	0.0	230.0
Backup Solution	0.0	0.0	0.0	0.0	80.0	0.0	0.0	0.0	0.0	0.0	80.0	0.0	160.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Infrastructure (General)	0.0	12.5	12.5	12.5	12.5	13.5	13.5	13.5	13.5	14.5	14.5	14.5	147.5
Network													
Fibre Sitches (Fabric)	0.0	0.0	0.0	30.0	0.0	0.0	30.0	0.0	0.0	0.0	0.0	35.0	95.0
Network Devices LAN (Core)	0.0	0.0	0.0	70.0	0.0	0.0	0.0	0.0	0.0	75.0	0.0	0.0	145.0
Network Devices WAN (Remote Sites)	0.0	0.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0	25.0	0.0	0.0	45.0
Telephony													
VoIP Telephony	0.0	0.0	0.0	75.0	0.0	0.0	0.0	75.0	0.0	0.0	0.0	0.0	150.0
Desktop													
PC Replacements	28.0	69.0	39.0	39.0	35.0	35.0	35.0	35.0	40.0	40.0	40.0	40.0	475.0
View Servers	0.0	12.0	0.0	6.0	18.0	0.0	12.5	0.0	6.3	18.8	0.0	0.0	73.6
Totals	**102.6**	**213.7**	**236.1**	**355.1**	**284.5**	**136.1**	**212.7**	**389.3**	**162.7**	**306.8**	**302.2**	**210.5**	**2,912.3**

PRIORITY FAMILIES – PHASE 2

The Priority Families programme is the name given to the Government sponsored Troubled Families initiative, in Warwickshire. Phase 1 of the scheme has operated since April 2012 and runs until March 2015.

The aim of the programme is to change the lives of families who have many problems and indeed cause many problems in their local area… they also cost cash-strapped services a lot of money just to contain them in a mess, rather than getting to the root causes of what's going wrong for them as a family". (*Louise Casey- Director General of the Priority Families Unit)*

Phase 1 of the programme in Warwickshire has been recognised as a success by the Priority Families Unit at DCLG. Warwickshire has therefore been selected to be an 'Early Starter' on Phase 2. The County has agreed to progress this and invites Districts and Boroughs to engage with the Phase 2 programme.

The Government funding for Phase 2 is much less than in Phase 1. Districts & Boroughs have therefore been asked by County to make a contribution. An amount of £66,000 per annum for 3 years had been suggested by County as the contribution anticipated from WDC. Officers considered that, even though the aims of the programme were supported, this would not represent good value for money.

The reservations of officers were related to the focus of work and outcomes for families known to us. Following discussions with the lead officer for the programme it is considered that the location of a Support Worker for the scheme alongside our staff would allow for significant improvements on the operation of Phase 1and also facilitate our ongoing work with targeted families, once they have left the Government scheme.

It is therefore recommended that £15,000 per annum, for a period of 3 years from 1st April 2015, be made available for the Priority Families programme, from the New Homes Bonus budget. The Priority Families programme runs for 5 years, but the County budget currently is for a 3 year period. A further decision would need to be taken as to whether to continue with funding after 2018.

The role of the Support Worker will be to act as lead professional for those families identified by Warwick District Council as being eligible for the 'Early Starter' programme. To provide targeted and intensive support to families experiencing complex and multiple issues through sustained intervention using whole family assessment and utilising partner agencies to effect and sustain positive change for the family, individual members and the community around them. To deliver and co-facilitate a range of evidence based interventions in accordance with the Warwickshire Priority Families programme.

Equipment Renewal Reserve Schedule, by Portfolio **Appendix 9**

Portfolio	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Grand Total
Culture	233	255	50	427		220		180			1,365
Development Services		5				5					10
Environment and Community Protection - Environment	12	16	24		30				22		104
Housing (GF) & Property Services		7									7
Strategic Leadership - DMC		5	5				5	5			20
Strategic Leadership - Member Services	20			24	11					40	95
Grand Total	**265**	**288**	**79**	**451**	**41**	**225**	**5**	**185**	**22**	**40**	**1,601**

Equipment Renewal Reserve Schedule, by Replacement Year **Appendix 9**

Row Labels	**Equipment Reserve £'000s**
2015-16	265
Chairman's Civic Car	20
High jump mat at Edmonscote track	5
Noise Equipment - Matron & calibrator (yellow)	12
Pole Vault mat at Edmonscote track	13
Refurbishments of Abbey Fields Tennis Courts	50
Stage lighting Dimmers	150
Replace foyer and bar furniture RSC	15
2016-17	288
1 Monitor Labs Nox Monitor - Mn9841 With Floppy Drive	8
1 Monitor Labs Nox Monitor - Mn9841A	8
1 x Fujitsu fi-5750C scanner	5
Cad System	7
Fujitsu fi-5750C scanner	5
R.P.R. Ag&M - Local History Gallery Refurbishment (WDC assumed external match funding)	100
Refurbishment Of St Nicholas Park Tennis Courts	30
Sound System at Leisure Centres	20
Town Hall chairs	40
Update flood barrier protection	10
Beachamp Gardens Tennis Courts	55
2017-18	79
B&K 2250 sound Level Meter/ Matron & calibrator(red)	12
Fujitsu fi-5750C scanner	5
Noise Equipment 2250 (Green) SLM	12
Refurbishment Of Victoria Park Tennis Courts	50
2018-19	451
R.P.R. Maintenance Equipment- Mobile Hydraulic Lift	7
Replacement Carpet - St Nicholas Park LC All Weather Pitch	350
Stage speaker system	70
3 Sacnners for Individual electoral registration forms and postal vote application forms.	24
2019-20	41
1 Teom (Air Monitoing Equipment)	20
Cad System	10
250 ballot boxes	11
2020-21	225
1 x Fujitsu fi-5750C scanner	5
digital projector	40
Flying Equipment Royal Spa Cente	180
2021-22	5
Fujitsu fi-5750C scanner	5
2022-23	185
Flying System	180
Fujitsu fi-5750C scanner	5
2023-24	22
1 Monitor Labs 03 Monitor - Ml9812	6
1 Monitor Labs Nox Monitor - Mn9841A	8
1 Monitor Labs So2 Monitor - Ml9850	8
2024-25	40
150 packflat polling screens	40
Grand Total	**1,601**

	Executive & Council, 11th February and 25th February 2015 respectively	Agenda Item No. **5**

Title	**Budget 2015/16 and Council Tax – General Fund Revenue & Capital**
For further information about this report please contact	Mike Snow (Tel: 01926 456800) Jenny Clayton (Tel: 01926 456013)
Wards of the District directly affected	All
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	
Background Papers	Report to Executive 3rd December , 2014: Approval of General Fund Base Budgets 2015/16 Report to Executive 1st October, 2014: Proposed Fees and Charges for 2015/16

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

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	26/01/2015	Chris Elliott
Head of Service	26/01/2015	Mike Snow
CMT	26/01/2015	
Section 151 Officer	26/01/2015	Mike Snow
Monitoring Officer	26/01/2015	Andrew Jones
Finance	26/01/2015	Jenny Clayton
Portfolio Holder(s)	26/01/2015	Cllr Stephen Cross
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. Summary

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

2. Recommendations

That the Council agree:-

2.1 The 2014/15 latest General Fund Revenue Budget of net expenditure, including the proposed adjustments in section 3.2, at £17.3m, after the projected £220,000 surplus has been allocated (recommendation 2.1), as summarised in Appendix 1.

2.2 The 2014/15 projected surplus of £220,000 is allocated to form the Contingency Budget for 2015/16, as discussed in paragraph 3.2.2).

2.3 Notes the use of Emergency powers by the Chief Executive to agree payment of the non-consolidated element of the 2014/16 NJC Pay Award to Grade A officers (paragraph 3.2.3).

2.4 The changes to the latest 2015/16 General Fund Revenue Budgets (as previously agreed by the Executive on 3rd December 2014) below and as discussed in paragraph 3.3.1 with net expenditure of £13.6m, as shown in Appendix 1.

2.5 To note the Grant Settlement for 2015/16 in section 3.4 and agree that should there be a non-material change to the final Revenue Support for 2015/16 when the announcement is made, this would be accommodated within the Contingency Budget in 2015/16 (paragraph3.4.1), and any change in the projected Retained Business Rates will be accommodated within the transfer from the Business Rate Retention Volatility Reserve (paragraph 3.4.5).

2.6 That the Council should continue to pay the National Living Wage to its employees, with the rate increased to £7.85 from April 2015 (paragraph 3.5).

2.7 The Council Tax of a Band D property for Warwick District Council for 2015/16 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts is agreed by Council at £146.86, representing a zero increase on 2014/15 (paragraph 3.6.5).

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

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

2.9 The Statement of New Homes Bonus Use within Appendix 3 and note the New Homes Bonus allocation due for 2015/16 of £1,622,888 (Provisional), of which £118,543 will be allocated to the W2 (Waterloo/Warwick District Council) Joint Venture and £450,000 towards Bishops Tachbrook Community Centre, and agrees that the balance of £1,054,345 is appropriated discussed in paragraph 3.7.3 and in Appendix 3.

2.10 That Service Level Agreement is agreed with Hill Close Gardens, with the precise details of this delegated to the Chief Executive in consultation with the Head of Finance and Head of Development Services (paragraph 3.7.3).

2.11 Agrees to extend the discretionary business rates transitional relief scheme for two years following the announcement in the December Autumn Statement as discussed in paragraph 3.8.1.

2.12 The Council agree to continue disregard income Housing Benefit claimants receive in respect of War Widows(ers) pension, War Disablement Pension and the Armed Forces Compensation Scheme Guaranteed Income Payment in full in the calculation of Housing Benefit (paragraph 3.8.2)

2.13 That the Executive agrees that the financial contribution it committed of up to £400,000 to the West Midlands Reserve Force & Cadets Association (hereafter referred to as the Cadets) to enable it to relocate from Hampton Road Football Ground can be applied in respect of a new building at the Aylesford School site (Warwick West ward) should relocation to the Warwick Corps of Drums site prove not to be the favoured option and that authority is delegated to Deputy Chief Executive (AJ), in consultation with Councillor Coker, to agree the precise terms of use and release of the funding, and any necessary consents and agreements. (paragraph 3.8.3).

2.14 Reallocation of £4,000 from St Mary's Lands Business Strategy match-funding to St Mary's Lands Working Group studies to enable the Group's work to continue with the budget now delegated to the Chief Executive. (paragraph 3.8.4).

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

2.16 The changes to the financial projections (section 3.9) and note the significant future forecast deficit, currently estimated to rise to £0.98m by 2019/20 on net expenditure of £15m and that further on-going savings/ increased income of this amount must be secured in order for the authority to be able to set balanced budgets in the future without impacting on the range and quality of services provided.

2.17 That the balances on the Council's reserves are noted, as shown within Appendix 6, with the relevant allocations to and from the reserves as detailed in section 3.10 being approved.

2.18 The latest schedule in respect of the Equipment Renewal Reserve (£1.6 million required by 2024/25) and it be noted that this /Reserve is fully funded up to 2018/19 (paragraph 3.10.2.xii).

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

2.20 That the General Fund Capital Programme and the Housing Investment Programme, together with their financing, as set out in Section 3.11 and Appendix 10, are agreed by Council.

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

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

2.23 The updated Financial Strategy (as discussed in paragraph 4.2) as set out in Appendix 13.

2.24 To note the risks that may impact upon the Council's financial position and the mitigations and controls in place to manage these risks (Section 6).

3. Reasons for the Recommendation

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

- The revenue and capital budget are being considered together.
- The Council is required to determine an authorised borrowing limit in accordance with The Local Government Act 2004, Section 3, and to agree prudential indicators (Appendix 12 refers) in accordance with the CIPFA Code for Capital Finance in Local Authorities.
- 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 2).
- By considering the 5 Year Medium Term Financial Strategy at the same time as the latest and next year's Budget, the Council has a full understanding their implications on the long term implications.

3.2 2014/15 Revenue Budget

3.2.1 Appendix 1 summarises the latest 2014/15 Estimates and the proposed Budget for 2015/16. The latest Estimates for 2014/15 were reported to the Executive in

December 2014 with net expenditure of £17.9m and a surplus of £217,000. Further changes are now proposed.

- Town Hall liability for Town Council overcharges (Business rates and service charges).

- An additional £10,000 for the Back Up Generator at Oakley Wood Crematorium, bringing the total cost to £30,000 as agreed by the Executive in December 2014.

- £134,000 Non-Recurrent Business Rate Refunds in respect of Council properties

- A Leisure Centre staffing non-recurrent overspend of £47,000 which is net of a £3,000 increase in Vending Machine Commission. – £12,000 of this is at St Nicholas Park Leisure centre (£10,000 due to long term sickness cover).
  The other £2,000 can be attributed to increased costs of swimming teachers as new lessons have been added to the programme in the last 18 months.

  The residual £38,000 is at Newbold Comyn Leisure Centre. The significant part is attributable to the failure to implement new rotas, which had been agreed and budgeted for. This was caused by management actions of a former member of staff who unfortunately was finding the role beyond their capabilities.

  Actions have now been taken to address the causes of the overspend at Newbold Comyn, and the new manager has taken far greater control of staffing since November 2014. New rotas will be introduced at all sites from 1st April 2015 to coincide with the start of the new activity programme.

  The figures quoted above are based on performance until the end of December. Quarter 4 performance will not be known until the end of the year. The gym at Newbold Comyn is to undergo a refit of new equipment in Feb 2015 and Officers are hopeful that gym income will exceed budgeted levels and negate the overspends reported above.

- A saving of £15,000 is now forecast on the budget for the National Minimum Wage based on the spending to date. This projection takes into consideration that the next months may be higher due to additional staffing at the Spa Centre during the Pantomime and increased Gym activity in the new year.

- Minor changes totalling £19,000 debit.

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

3.2.3 The 2014/15 Budget allows for the 2.2% pay award applicable from January 2015. As part of the 2014 -2016 settlement there is a non-consolidated payment for all staff on Spinal Column Point (SCP) 5 to 49. Advice was been received from West Midlands Employers that the 2.2% pay award is payable to all NJC staff above SCP 49 (grade A staff within Warwick District Council) but that the additional non-consolidated award is a matter for local determination. The authority employs 7 members of staff on grade A and the total cost of awarding the payment was in the region of £1,400 (approximately £200 each). As the payment was due to be paid in December 2014, the Chief

Executive used his Emergency Powers to agree to the payments being made, having consulted with the leaders of the main political groups under the Council's Constitution.

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

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

The unallocated balance on the Contingency Budget 2014/15 stands at £27,600, excluding any other proposed uses from the Contingency Budget discussed elsewhere on this agenda.

3.3 2015/16 Revenue Budget

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

- £11,000 Reduction in Housing Benefit and Council Tax Reduction Scheme Administration Subsidy

- National Living Wage – Within the Council's financial projections, £60,000 was included for the full year anticipated costs relating to the National Living Wage. Consistent with the reference within paragraph 3.2.1, it is believed that this budget is overstated, so has been reduced by £15,000.

- The Employment Committee has recently considered a report on Finance Staffing. Within this, there are recurring costs relating to an additional Revenues Officer (£22,800) and changes to the Accountancy Establishment (£2,100) which have been included within the proposed 2015/16 Budget.

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

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

3.4 Government Grant

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

3.4.2 No details have been provided over likely levels of grant beyond 2015/16. From the Government's financial projections, the most recent being within the Autumn Statement in December 2014, it is apparent that local authorities will continue to see substantial reductions in core funding for the foreseeable future, although no details are available as to how this will impact upon individual authorities. As district councils are not directly responsible for any of the "protected" public services (eg health and education), it has been necessary to take a prudent stance in projecting this Council's future levels of Revenue Support Grant for the Medium Term Financial Strategy (discussed in paragraph 3.9).

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

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

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

3.5 National Living Wage

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

3.6 Council Tax

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

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

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

3.6.4 Calculating the district element

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

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

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

3.6.6 Parishes

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

3.6.7 Major Precepting Authorities

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

3.6.8 Formal Setting of the Tax

This is the arithmetical process of aggregating the council tax levels calculated by the major precepting authorities (the County Council and the Police and Crime Commissioner) and the parish/town councils for their purposes with those required by this Council. A report to the Council Meeting on the 25th February, 2015 will provide the required details. This Executive report will be updated to take account of all the precepts and will be sent by e-mail to all members as soon as possible following Police & Crime Commissioner Tax setting. The Council will then be in a position:-

(a) to consider the recommendations from the Executive as to the council tax for district purposes; and

(b) formally to set the amount of the council tax for each parish/town, and within those areas for each tax band, under Section 30 of the 1992 Act.

3.6.9 Making the Council Tax Decision and Legal Implications

3.6.9.1 The setting of the budget and the Council Tax by Members involves their consideration of choices and alternatives. No genuine and reasonable options should be dismissed out of hand and Members must bear in mind their fiduciary duty to the Council Taxpayers of Warwick District Council.

3.6.9.2 Should Members wish to propose additions or reductions to the budget, on which no information is given in the report before Members, they should present sufficient information on the justification for and consequences of their proposals to enable the Executive (or the Council) to arrive at a reasonable decision on them. This report sets out relevant considerations for Members to consider during their deliberations, including the statement at Appendix 2 from the Chief Financial Officer.

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

3.6.9.4 It is a duty on all Members of the authority to set the budget. What this means in practice is that collectively all Members have this duty not just the Executive. Case Law has shown that abstention is not a defence in failing to comply with this duty.

3.6.9.5 Members are also reminded of section 106 of the Local Government Finance Act 1992, which requires any member who has not paid his/her Council Tax or any instalment for at least two months after it becomes due and which remains unpaid at the time of the meeting, to declare that at the meeting and not vote on any matter relating to setting the budget or making of the Council Tax and related calculations.

3.7 New Homes Bonus

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

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

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

- Hill Close Gardens £100,000. The Trust has approached the Council for further support when the existing Grant is discontinued. £20,000 per annum for 5 years 2015/16 to 2019/20 will help to reduce the deficit demonstrated in their Business Plan. It is recommended that a Service Level Agreement is agreed with Hill Close Gardens, with the precise details of this delegated to the Chief Executive in consultation with the Head of Finance and Head of Development Services.

- Corporate Asset Reserve £570,000. Last year sufficient monies were allocated to this Reserve to support the unfunded element of the Corporate Asset Repairs 30 year programme. Savings arising in the current financial year will contribute towards the year 2 plan, however a further allocation £570,000 is required to complete all the items for the second year. In February of last year, Officers were tasked to consider how the Council can manage its Corporate Asset Base more efficiently and report back to Members.

- Riverside House backlog maintenance £60,000. The planned office move has been delayed by 24 months overall. Based on the earlier target of April 2016, general repairs on the current offices were put on hold. However, it has now reached the point when these works cannot be deferred further.

- General Fund Early Retirement Reserve £100,000. Due to staffing restructures, this has been depleted over the last few years. Further demands are anticipated from the Housing and Property Services restructure.

- Planning Reserve £50,000. Similarly this has been depleted and future demands are forecast from Appeals and the Local Plan.

- Equipment Renewals Reserve£174,345. Members will already be aware this has always been undersubscribed to cover all of the demands for a full 5 year period.

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

3.8 Other 2015/16 Budget Matters

3.8.1 Business Rates – Transitional Relief

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

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

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

3.8.2 War Widows Pensions

Under current arrangements, any money paid out in respect of Housing Benefit, is reclaimed from the Government in the form of subsidy and the scheme by which the Council determines entitlement to the Benefit is prescribed by the Government.

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

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

The table below shows the cost to the authority for the last 3 years. These are allowed for within the proposed Budget.

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

3.8.3 Funding for West Midlands Reserve Force & Cadets Association

3.8.3.1 At its meeting of 16th April 2014, Executive agreed the following:

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

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

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

3.8.3.4It should be noted that the Aylesford School site is in Warwick West and will provide for the same catchment area as the Warwick Corps of Drums site. It will also be situated next to a children's facility thereby being highly visible with hopefully a positive impact in terms of participation.

3.8.4 St Mary's Lands Funding

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

3.8.5 Climate Control – Earmarked Reserve

Earmarked Reserves are agreed by Executive as part of the Final Accounts process in June of each year. These relate to slippage of specific budgets from one year to the next where it has not been possible to carry out a specific project in the timescale originally intended. Within the earmarked reserves carried forward from 2013/14 is £16,900 for Climate Control. This budget was expected to be needed for projects relating for the Local Plan. However, this work has been funded from the Planning Reserve. It is now proposed that members agree that the £16,900 is used towards projects as part of the

Council’s Strategic Approach to Sustainability and Climate Change in line with the report considered by the January 2015 Executive meeting.

3.9 Medium Term Financial Strategy

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

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

- Additional income due to an increase in the agreed Council Tax Base for 2015/16 above that originally assumed in the Strategy, £96,000 favourable.
- Full impact of Pay Award in addition to amounts previously estimated, £28,000 adverse.
- In January of this year, Capita, the Council’s Treasury Management Consultants alerted Officers that future increases in interest rates are now likely to be delayed. This reduces the forecast investment interest income by some £111,000.
- The impact of the Finance Staffing changes approved by January 2015 Employment Committee, £24,900 adverse.
- The cost implications from the introduction of the National Living Wage have not proved as much as originally forecast, £15,000 saving.
- Recurrent changes (adverse -minor) in the 2014/15 and 2015/16 Budgets, total adverse £16,000.

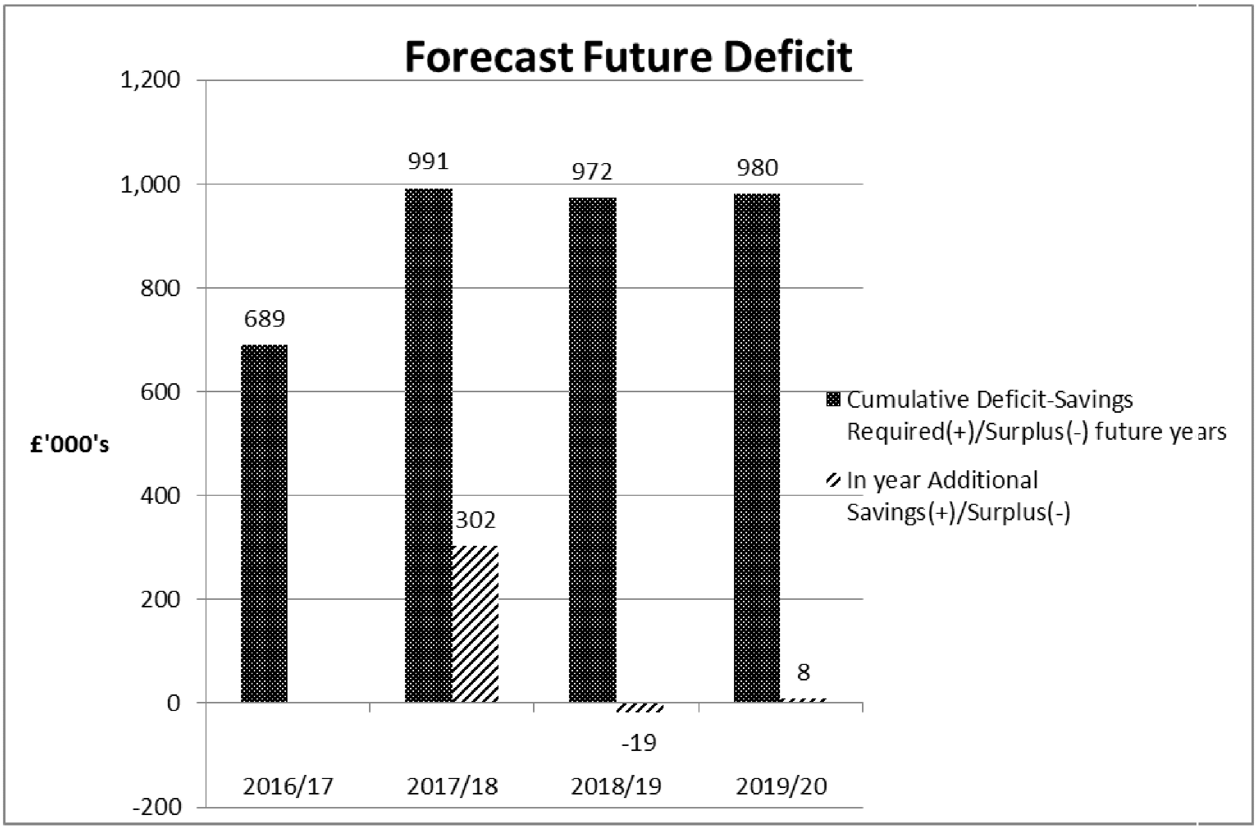
3.9.3 This is replicated in the table below-

Savings Requirement	**£'000's**
December Executive Deficit	**912**
Change in Tax Base	-96.3
Minor recurrent	15.7
Pay Award	28
Interest Rates increase delayed	111
Finance Salaries	25
National Living Wage	-15
February 2015	**980**

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

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

3.9.5 The profile of the savings required and future forecast deficit that would ensue should these savings not be identified and achieved are depicted graphically below-



The complete 5 year Financial Strategy is shown at Appendix 4.

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

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

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

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

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

3.9.7 During the year, Members have been updated on the latest Financial projections. The changes reported are summarised below:-

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

3.10 **Reserves and Balances**

3.10.1 General Fund Balance

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

3.10.2 General Fund Earmarked Reserves

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

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

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

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

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

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

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

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

The following uses of this reserve are now proposed:-

- Finance Staffing – a report to the Employment Committee on 27 January recommended temporary posts in respect of Procurement, Revenues and Accountancy, totalling £126,200.

- Priority Families – it is proposed that £15,000 per annum for three years is contributed towards this project as detailed in Appendix 8. It is proposed that this should be reviewed after a year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.11 General Fund and Housing Capital Programmes.

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

General Fund Capital Programme

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

Project	**Amount**	**Comments**
Contribution towards a new building for West Midlands Reserve & Cadet Force	£400,000	Approved by Executive April 2014 and funded from Capital Investment Reserve
Contribution towards 2nd Warwick Sea Scouts Headquarters.	£50,000	Approved by Executive February 2014 and funded from Service Transformation Reserve
Land off Radford Road Leamington Spa	£190,000	Approved by Executive July 2014 and funded from Capital Investment Reserve
PSN – Councillors Ipads	£6,200	Approved by Executive February 2014 and funded from Service Transformation Reserve
26 Hamilton Terrace Gaming Incubation Hub	£115,000	Approved by Executive July 2014 and funded by a revenue contribution from the Corporate Repairs & Maintenance budget and external contributions
Bishops Tachbrook Community Centre	£450,000	Approved by Executive November 2014 and funded from Capital Investment Reserve in 2015/16 (using New Homes Bonus)
Refurbishment of 4 Jury Street Warwick	£70,000	Approved by Executive July 2014 and funded from either capital receipts or Capital Investment Reserve
Warwick Corps of Drums building refurbishment	£50,000	Approved by Executive October 2014 and funded from either capital receipts or Capital Investment Reserve in 2015/16
Pump Rooms Assembly Rooms Public Address System	£8,900	Approved by December 2014 Executive and funded by a revenue contribution from the Contingency Budget
TOTAL	£1,340,100	

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

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

3.11.5 Also shown in Appendix 10 (part 5) is a summary of the total General Fund capital resources available to the Council over the period 2014/15 to 2018/19 matched against the projected spend. This shows that over the period the

Council has £3.2m surplus resources once the current programme is financed. This is detailed in the table below.

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

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

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

Housing Investment Programme

3.11.7 The latest Housing Investment Programme is presented in Appendix 10 part 2.

3.11.8 The changes from the Programme approved in February 2014 are summarised in Appendix 11. The majority of changes have been previously reported and approved, new changes presented for approval are:

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

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

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

3.12 Prudential Indicators.

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

4. Policy Framework

4.1 The Council's priorities have been reaffirmed within its Fit For the Future Programme. Savings from the Programme have been built into the Budgets now presented to members for Approval. The Budgets have also been set to support this Council's delivery of the projects within the Fit for the Future Programme.

4.2 The budget is a major milestone in the life of the Council. It is a financial expression of the Council's policies, having regard to resource availability and taxation consequences. The Council has formulated a number of strategies setting the framework to ensure that its overall aims and objectives are achieved. The Financial Strategy is one of its Resource Strategies; the 2015/16 Budget has been set in line with this Strategy. The updated Financial Strategy is included as Appendix 13. Should there be any mismatch between these subsidiary strategies and action plans, officers will bring forward proposals for managing these within the agreed budgets.

5. Budgetary Framework

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

6. Risks

6.1 Recent years have seen a slow recovery from the recession. With low interest rates, reduced Government Funding and this Council's customers having less disposable income to spend on the Council's discretionary services have placed further pressures on the Council Budgets and its Services. The rate of economic recovery still presents a risk to future financial stability.

6.2 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.

6.3 The main sources of income which may be subject to reductions include:-

- Government grant (eg. Revenue Support Grant, Benefits Administration Grant)
- Business Rates Retention
- Fees and charges from the provision of services
- Rent income
- Investment Interest

6.4 As discussed in paragraph 3.4.2, whilst the financial projections assume reductions in future Government Grant, there remains the risk that the reductions may be far greater than currently allowed for. It is expected that further details of this will follow in due course following the General Election in May. In due course it is possible that there may be major changes to the amounts or the basis of the main components of funding covered by the Government's Grant Settlement, namely Revenue support Grant, Business Rates Retention and New Homes Bonus. Accordingly, a cautious approach has been taken in projecting these forward and how they are utilized.

6.5 This is the second year of the Business Rate Retention Scheme. Changes affecting the valuations of non-domestic properties and levels of arrears will impact on the income that this Council retains under the scheme, major schemes, such as the works on the Toll Bar Island impact on the Financial Viability of Businesses which is then reflected in their rateable values, reducing this income stream to the Council. The Business Rates Volatility Reserve and membership of the Coventry and Warwickshire Pool are intended to mitigate these risks.

6.6 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
- Changes to Government policy, whereby the changes are not fully funded
- Assumed savings in budgets not materialising

6.7 Triggers for increased costs or reduced income include:-

- Economic cycle – impacting upon inflation, interest rates, unemployment, demand for services, Government funding available
- Unplanned expenditure, eg 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.

6.8 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 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 (eg WCC Legal).

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

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

- Within the proposed 2014/15 there is a Contingency Budget of £200,000 for any unplanned unavoidable expenditure.

- Reserves – The Council holds reserves as discussed within section 10.2.1. Whilst much of these reserves have already been earmarked for specific projects, it is important that reserves are held for any unforeseen demands. It should be noted that the balance on the Capital Investment Reserve is projected to decrease below the £2m balance referred to in paragraph 3.11.5.

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

- The specific causes of reductions to income or increased expenditure (para 6.3 and 6.6) should continue to be managed by the relevant Service Area as part of managing the risks within each Service Risk Register.

7. Alternative Option(s) considered

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

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

8. **Background**

8.1 This is a complex report which brings together the information which has been set out in a number of background reports over the last few months. The appendices to the report are:-

Appendix 1: Proposed summary budget
Appendix 2: Statement by Chief Financial Officer
Appendix 3: Statement of New Homes Bonus
Appendix 4: Medium Term Financial Strategy (Financial Projections)
Appendix 5: Risk Assessment against General Fund balances
Appendix 6: Summary of Reserves and Balances
Appendix 7: ICT Renewal Schedule
Appendix 8: Priority Families
Appendix 9: Equipment Renewal Schedule
Appendix 10: Proposed Capital Programme
Appendix 11: Changes within Capital Programme (Variations)
Appendix 12: Prudential indicators
Appendix 13: Financial Strategy February 2015

8.2 Key Assumptions

Our Treasury Consultants currently forecast the Bank Rate on which short term investment rates are based to be 0.5% at the start of 2015/16 and it is expected that Bank Rate will begin to rise from the December quarter of 2015 and end the year at 0.75%. The target return for the Council's cash flow derived investments in 2014/15 reflects this forecast and has been set at 0.60%. When the expected returns from the Council's core investments are added in, the overall investment rate for 2015/16 is expected to be 0.80%.

WARWICK DISTRICT COUNCIL	**Executive 11th February 2015** **Council 26th February 2015**	**Agenda Item No.** **6**

Title	Housing Revenue Account (HRA) Budget 2015/16 and Housing Rents
For further information about this report please contact	Andy Thompson andy.thompson@warwickdc.gov.uk 01926 456403 Mark Smith mark.smith@warwickdc.gov.uk 01926 456803
Wards of the District directly affected	All
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	
Background Papers	Report to Executive 3rd December 2014: Housing Revenue Account base budgets latest 2014/15 and original 2015/16

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes, Ref 664
Equality & Sustainability Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	21-Jan-2015	Bill Hunt
Head of Service	n/a	Finance/Housing & Property Report
CMT	22-Jan-2015	
Section 151 Officer	21-Jan-2015	Mike Snow
Monitoring Officer	20-Jan-2015	Andrew Jones
Finance	n/a	Finance/Housing & Property Report
Portfolio Holder	20-Jan-2015	Councillor Vincett
Consultation & Community Engagement		
None		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. Summary

1.1 This report presents to Members the latest Housing Revenue Account (HRA) budgets in respect of 2014/15 and 2015/16.

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

1.3 Appendix 1 compares current rents, proposed rents, and rent restructuring rents.

1.4 Appendix 2 compares current rents and proposed rents to market rents and affordable rents.

1.5 Appendix 3 shows the latest 2014/15 and 2015/16 budgets, including forecast reserves.

2. Recommendations

To recommend to Council:

2.1 That housing dwelling rents for 2015/16 be increased by 2.2%.

2.2 That garage rents for 2015/16 be increased by 2.2%.

2.3 That 2015/16 Supporting People charges for housing tenants receiving housing related support be increased by 1%.

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

3. Reasons for the Recommendations

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

3.2 Housing Rents – 2015/16 Annual Increase

3.2.1 In May 2014 the Department for Communities and Local Government issued updated guidance on Rents for Social Housing. More detail of the previous and current guidance is given in section 8.4.

3.2.2 In summary, Central Government social rent policy remains focused on 'target (formula) social rents' calculated according to a standard national formula. Increases in this target social rent are now linked to Consumer Price Index (CPI) inflation plus 1% rather than Retail Price Index (RPI) inflation plus 0.5%; which will typically mean lower increases (0.6% lower in 2015/16).

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

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

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

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

3.2.7 It should be noted that national rent policy is guidance, so social landlords are free to set rents on any other reasonable basis. Central Government have indicated they expect landlords to follow national policy.

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

3.3 Garage Rents

3.3.1 Garage rent increases are not governed by any national guidance. Any increase can be considered. The HRA Business Plan base assumption is that garage rents will increase in line with inflation, however there has been no consistent policy followed in recent years.

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

3.3.3 With regard to these factors an increase of 2.2% has been recommended as the most appropriate increase, the same as that proposed for housing rents.

3.3.4 This increases projected income for 2015/16 by £10,700.

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

3.4 Supporting People charges

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

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

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

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

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

3.4.6 The current and proposed charges for each category of support are:

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

3.5 **Housing Revenue Account (HRA) budgets**

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

3.5.2 The Latest Budgets presented in Appendix 3 are based on the Budgets approved in December 2014 updated for any changes since that report and the recommendations in this report.

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

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

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

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

4. Policy Framework

4.1 Policy Framework

The Housing Revenue Account (HRA) budget is a financial expression of the Council's housing policies, having regard to the available resources and rent setting consequences. This report is in accordance with the Council's Financial Strategy.

4.2 Rents Policy

4.2.1 This report recommends following the latest Central Government rent guidance. This is also the rent policy assumed in the current HRA Business Plan.

4.2.2 It should be noted that 2014/15 and 2015/16 rents were set at a lower value than recommended by the Central Government rent guidance then in force, and therefore rents for current tenants and available HRA resources remain lower than projected in the HRA Business Plan agreed in March 2012 on the introduction of 'Self Financing'.

4.2.3 As agreed in June 2014, void homes are re-let at capped target (formula) social rent, in line with the latest Central Government rent guidance.

4.3 Fit for the Future

4.3.1 A key element 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. The HRA is subject to the same regime to ensure efficiency within the service.

4.3.2 The completion of the Housing & Property Services Redesign in the final quarter of 2014/15 will allow for closer management of contracts and services in the future, by refocusing and where necessary increasing the capacity and capability of the service. This will add to the overall efficiency of the Council's landlord service, including a stock condition survey of the municipal housing stock in 2015/16, the first since 2010, and a review of how repairs and maintenance are delivered to make sure the Council is getting best value for its expenditure in this area of activity.

5. Budgetary Framework

5.1 The HRA is a key component of the Council's budget framework and the budgets proposed are in accordance with the long term Housing Revenue Account (HRA) Business Plan.

5.2 The recommended budgets maintain the minimum working balance on the HRA expected under current Council policy, increasing by inflation each year.

5.3 No longer following 'rent restructuring' does not threaten the financial viability of the HRA; there are sufficient resources to meet all projected future expenditure on managing and maintaining homes, as demonstrated in the HRA Business Plan reported to Executive in December 2013 which incorporated the new national social rents policy. However following the new national social rent guidance will reduce future funding available to develop new homes and improve the housing service. Annual rental income is approximately £1.8m lower than if Rent Restructuring had been completed in 2015/16.

5.4 An updated HRA Business Plan, incorporating all known changes and updated projections, will be reported to Executive in March 2015.

5.5 During 2015/16 the HRA Business Plan will be further reviewed to take account of:

- A stock condition survey to be completed in 2015, which may impact upon the resources needed to maintain the Council's housing stock in good condition.
- A review of the way repairs and maintenance services are delivered with the aim of increasing cost control and reducing the resources needed to manage the administration of contracts.
- Work to reduce the cost of providing new homes, for example by maximising the use of the Council's land resources and introducing robust viability assessments for new housing schemes.

6. Risks

6.1.1 The risks, and appropriate control mechanisms, for the 2015/16 HRA and the rent increase process are considered to be:

Self Financing Debt

- The 'Self Financing' payment of £136.2m was calculated by Central Government assuming that Rent Restructuring will be followed, rent increases linked to RPI, and the debt would be paid off within 30 years.
- Central Government support for rent restructuring though annual rent increases was abolished one year early, and new rent guidance based on lower annual rent increases based on CPI was introduced. This highlights that there is significant uncertainty surrounding Government rent policy over the Business Plan period.
- This Council has borrowed over a longer term, taking loans with durations from 41 to 50 years. This provides more resources in the early years of the Business Plan, which can be used to fund the Council's housing priorities; but also gives more flexibility to accommodate significant changes.

Revenue

- The County Council continues to review Supporting People contracts. It is uncertain how long current contracts will continue and what – if any- funding may be available once this review is complete, although it unlikely there will be any significant reduction in funding for 2015/16. Currently a block grant of £463,700 per year is received. Any future changes to Supporting People funding will be the subject of a report in the summer of 2015.
- Changes to void levels or lengthening re-let times, for either dwellings or garages, would affect income received. Effective management of void rent loss is critical to efficient service delivery, and is scrutinised regularly by the service area's management team.
- A significant contribution to the Bad Debt Provision is already included in the budgets to reflect the possible impact of Welfare changes. Close monitoring of the rent arrears situation is being undertaken with every effort being made to contain any increase in current arrears that may occur.

Capital

- The maximum discounts available for 'Right to Buy' (RTB) sales of Council homes increased significantly on 1st April 2012; This has increased the number of sales, but reduced the amount received per sale. There were 17 sales in 2012/13 and 39 in 2013/14. The current HRA Business Plan assumes 22 sales in 2014/15 and each year thereafter; it is extremely unlikely that sales will increase to a magnitude that significantly affects Business Plan viability.
- The maximum percentage discount for a house sold under 'Right to Buy' has increased from 60% to 70%, and the maximum discount ('cap') has will increase each year in line with CPI inflation.
- Previously Central Government kept 75% of each capital receipt, but there is now a 'tiered' approach based on various thresholds which means the proportion paid to Government will vary and certain portions of the retained receipts may be reserved for specific purposes if sales pass certain thresholds. These include providing for HRA debt, and providing new affordable housing.
- At WDC the capital receipts from RTB sales have traditionally been used to support General Fund housing initiatives, particularly grant provision for private sector housing. There remains an element of retained receipts that can still be used for these purposes.
- Members may wish to consider these changes when considering the policy concerning funding of private sector housing in the future.

6.1.2 These key risks have been considered when setting the HRA budget for 2014/15. A sensitivity analysis of assumptions relating to these risks and their potential impact on the budget is as follows:-

- 20% reduction in Supporting People Grant income = £92,700

- Loss of Supporting People Grant income = £463,700

- 0.5% change in void rent loss = £129,600 increase or decrease to rental income.

- Currently only the element of anticipated capital receipts from RTB sales specifically reserved for provision of affordable housing has been included for HRA usage in future years. It is assumed that the remainder of receipts will continue to be used to fund General Fund housing. Each sale currently generates an average 'usable capital receipt' for the Council of around £35,500, the remainder being paid to the Treasury under capital receipt 'pooling' regulations.

- On average the loss of rental income due to Right to Buy (RTB) sales = £4,700 per property for a full year; so in the year of sale the initial loss will be approximately half of this, £2,350, for each home sold if RTB sales are spread fairly evenly throughout the year.

6.1.3 Were any, or all, of these possibilities to arise the impact could be accommodated within the proposed HRA budget for 2015/16 and overall HRA Business Plan.

7. Alternative Options Considered

7.1 Housing Rents – 2015/16 Annual Increase

7.1.1 National social rent policy is guidance, any level of average rent can be considered.

7.1.2 As long as rents remain below the Rent Rebate Subsidy Limit Rent (which is currently broadly equal to target social rent) each 1% increase or decrease in rent would change projected 2015/16 rental income by £251,000. The longer term effect upon the Business Plan would depend upon the rents set in future years.

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

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

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

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

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

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

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

7.2 **Garage Rents**

7.2.1 The Council has total discretion over the setting of garage rents.

7.2.2 Each 1% change in garage rents results in an increase or decrease of potential income of around £4,800 per year.

7.2.3 Keeping garage rents artificially low would mean they are effectively subsidised from tenants' rents. Since most tenants do not also rent a garage, and most garages are rented to people who are not Council tenants, this is hard to justify.

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

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

7.3 **Supporting People Charges**

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

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

8. Background

8.1 The Executive received a report on the background to setting the HRA budget and housing rents and charges for 2015/16 at its meeting on 3rd December 2014.

8.2 However, dwelling rents, garage rents, and supporting people charges for 2015/16 need to be considered and agreed before the final budgets can be set. The background to each of these items is summarised below.

8.3 These rents and charges, along with any other changes that have arisen since the previous report, impact on the setting of the final HRA budget.

8.4 **Housing Rents and Rent Restructuring**

8.4.1 Target (formula) social rent was introduced by Central Government in 2002, with the intention of bringing all social housing rents into line with each other by application of a national rent formula – so that the same rent would be charged on a socially rented property no matter who the landlord was.

8.4.2 In many cases these new target rents were significantly different to existing rents. Therefore social landlords were expected to 'converge' with target (formula) social rents though a series of annual rent increases over 10 years Due to caps and limits not all rents would reach this level by the target year, 2012/13. The convergence target was later updated to 2015/16, but the abolition of the policy in 2014/15 means no council that followed Central Government guidance will have reached target social rent through annual increases.

8.4.3 In May 2014 Central Government introduced new social rent guidance, removing support for rent restructuring for current tenants one year before rents were expected to reach target social rent, and instead recommending that annual rent increases for tenants are limited to CPI inflation plus 1%.

8.4.4 Central Government instead expect Void homes to be re-let at capped target rent; therefore rents will still eventually reach the levels expected under rent restructuring through this different mechanism, though it may take several decades.

8.4.5 It is not compulsory to follow the national rents policy. Currently Rent Rebate Subsidy 'Limit Rent' has been set to target rent, leaving councils free to continue rent restructuring without incurring any financial disadvantage. However it would be possible for Central Government to amend this, and if there was an increase above whatever limit they set the Council would effectively have to repay the element of income above that level that is funded by Housing Benefits.

8.4.6 A summary of average target rents compared to the 2015/16 rents for current tenants recommended in this report are included in Appendix 1.

8.4.7 A comparison with market rents currently charged for properties with 1 to 4 bedrooms in the WDC area has been included at Appendix 2. For example, the current average market rent for a 3 bedroom home in the area is £219, whilst the proposed average 2015/16 rent for current WDC tenants living in a 3 bedroom home is £99.85. On average proposed 2015/16 rents are approximately half of current Market rents. This means that the Council's housing service reduces the cost of living for tenants, allowing more money to be spent in the wider economy and reducing the social security costs of helping lower income tenants afford their rent.

8.5 **Supporting People Charges for Housing Related Support**

8.5.1 Supporting People charges were introduced in April 2003 for older or vulnerable tenants living in properties that receive housing related support in addition to normal tenancy management arrangements. Whilst normal tenancy management is financed from the rents that all tenants pay, the introduction of the Government's Supporting People initiative meant that the costs of the additional housing support provided to particular groups of tenants was to be separately funded, to eliminate "rent pooling".

8.5.2 Warwickshire County Council is the Supporting People Administrative Authority for this area, and negotiates contracts for the provision of appropriate support throughout the county. If a tenant is in receipt of Housing Benefit or is eligible under the 'Fairer Access to Care' criteria then they receive this support at no cost to them. Most tenants are entitled to receive this support without charge; therefore the majority of income comes from the Supporting People Grant paid from Warwickshire County Council to fund those tenants, and is therefore unaffected by the level of charges to tenants.

8.5.3 Warwick District Council currently has four Supporting People contracts covering the support services offered to council tenants living in sheltered housing, designated older persons dwellings or any other property with a community (Lifeline) alarm. The support is delivered by Housing and Property Services' Supporting People Services, which includes the 24 hour Warwick Response team.

8.6 **Housing Revenue Account (HRA)**

8.6.1 Councils with housing stock are required to maintain a separate 'ring-fenced' Housing Revenue Account (HRA) for all expenditure and income related to council housing. By law councils cannot approve a budget that would lead to a deficit HRA balance.

8.6.2 2014/15 and 2015/16 budgets were last considered in the December 2014 report 'Housing Revenue Account base budgets latest 2014/15 and original 2015/16', which detailed the latest 2014/15 budget and base 2015/16 budget and identified the changes from the initial 2014/15 budget.

8.6.3 2015/16 budgets include the projected effect of the Asset Management service redesign.

8.6.4 Appendix 3 shows the recommended Housing Revenue Account budgets for 2014/15 and 2015/16, updated to show the latest position including the effect of the recommendations in this report.

8.6.5 The Capital works in the Housing Investment Programme are presented as part of the separate February 2015 report 'Budget 2016/17 and Council Tax – Revenue and Capital'. A summary is included within Appendix 3 for reference.

Appendix 1

Average Weekly Rents - Formula, Current and Proposed Social Rents

Number of Bedrooms	Current Number of WDC Homes	2014/15 F Average 'Target' (Formula) Rent	2014/15 A Current Average Weekly Rent	2015/16 F Average 'Target' (Formula) Rent	2015/16 A Proposed Average Weekly Rent	2015/16 Average Difference between 'Target' (Formula) Rent (F) and Proposed Rent (A)		2015/16 Proposed Average Increase in Weekly Rent	
0 Bedroom	**46**	£66.45	**£62.91**	£67.91	**£64.29**	£3.62	5.63%	**£1.39**	**2.20%**
1 Bedroom	**1,471**	£84.02	**£78.50**	£85.87	**£80.23**	£5.64	7.03%	**£1.73**	**2.20%**
2 Bedroom	**1,976**	£92.06	**£86.44**	£94.08	**£88.34**	£5.74	6.50%	**£1.90**	**2.20%**
3 Bedroom	**1,945**	£105.41	**£97.80**	£107.73	**£99.95**	£7.78	7.79%	**£2.15**	**2.20%**
4 Bedroom	**60**	£117.10	**£105.88**	£119.68	**£108.21**	£11.47	10.60%	**£2.33**	**2.20%**
5 Bedroom	**4**	£159.41	**£120.47**	£162.92	**£123.12**	£39.80	32.33%	**£2.65**	**2.20%**
Average	**5,502**	**£94.74**	**£88.37**	**£96.82**	**£90.32**	**£6.51**	**7.20%**	**£1.94**	**2.20%**

Appendix 2

Comparison to Local Market Rents

Number of Bedrooms	2014/15 WDC Current Average Weekly Rent	2015/16 WDC Proposed Average Weekly Rent	Current Local Average Weekly Market Rent*	Difference between Proposed WDC Rent and Market Rent	Proposed 2015/16 WDC Rent as a % of 2014/15 Market Rent	2014/15 WDC Average Formula (Target) Rent	2015/16 WDC Average Formula (Target) Rent	Difference 2015/16 WDC Formula Rent to Market Rent	2015/16 WDC Formula Rent as a % of Market Rent	Affordable Rents at 60% of Market Rent	Affordable Rents at 80% of Market Rent	LHA Local Housing Allowance Limit# (Jan 2015)
1 Bedroom	£78.50	**£80.23**	£138	£58	58%	£84.02	**£85.87**	£52	62%	£83	£110	£117.91
2 Bedroom	£86.44	**£88.34**	£178	£90	50%	£92.06	**£94.08**	£84	53%	£107	£142	£148.87
3 Bedroom	£97.80	**£99.95**	£219	£119	46%	£105.41	**£107.73**	£111	49%	£131	£175	£180.00
4 Bedroom	£105.88	**£108.21**	£300	£192	36%	£117.10	**£119.68**	£180	40%	£180	£240	£237.02

* Median local average private market rents (December 2013 to November 2014) from Hometrack

LHA (Local Housing Allowance) is the cap for housing benefit for those who rent privately, subject to other eligibility criteria.
Rates shown are for the Warwickshire South Broad Rental Market Area, January 2015.
LHA does not apply to council tenants; it is shown to illustrate the highest rents that can be supported by housing benefit in the private rented sector.

Housing Revenue Account (HRA)

	Actual 2013/14 £	Original Budget 2014/15 £	Latest Budget 2014/15 £	Original Budget 2015/16 £
Expenditure				
Revenue Repairs and Maintenance	4,965,095	4,732,000	4,882,900	5,327,300
Housing Repairs Supervision	561,794	440,200	642,700	682,300
Electricity	255	300	300	300
NNDR	1,744	-	(2,000)	1,400
Council Tax	18,229	19,000	19,000	19,500
Water Charges-Metered	33,973	32,600	32,600	32,600
Premises	**5,581,090**	**5,224,100**	**5,575,500**	**6,063,400**
Debt Recovery Agency Costs	2,229	3,900	3,900	3,900
Contribution to Insurance Provision	48,698	15,000	100,200	15,000
Bad Debts Provision	99,064	331,400	331,400	437,000
Supplies and Services	**149,991**	**350,300**	**435,500**	**455,900**
Supervision & Management - General	2,487,970	2,522,700	2,578,500	2,453,100
Supervision & Management - Special	2,106,309	2,256,900	2,251,200	2,233,600
Support Services	**4,594,279**	**4,779,600**	**4,829,700**	**4,686,700**
Revaluation of Fixed Assets	(16,499,554)	-	-	-
REFCUS	55,627	100,000	100,000	100,000
Depreciation on Council Dwellings	2,159,720	2,306,300	2,443,700	2,489,700
Depreciation on Other HRA Properties	403,712	403,800	396,800	396,800
Depreciation on Equipment	27,850	27,800	24,200	24,600
Capital Charges	**(13,852,645)**	**2,837,900**	**2,964,700**	**3,011,100**
Total Expenditure	**(3,527,285)**	**13,191,900**	**13,805,400**	**14,217,100**
Income				
Other Income	(1,657)	-	-	-
Other Licences	(4,023)	(4,100)	(4,100)	(4,100)
Heating Charges	(103,099)	(102,900)	(102,900)	(102,900)
Service Charges	(152,845)	(131,200)	(143,000)	(144,400)
Service Charges Supporting People	(132,278)	(133,300)	(134,300)	(134,300)
Water Charges	(31,391)	(31,100)	(31,100)	(31,100)
Rents - Housing	(24,473,818)	(25,162,100)	(25,200,900)	(25,725,000)
Rents - Garages	(475,006)	(486,000)	(490,700)	(495,500)
Rents - Other	(307,099)	(320,000)	(320,000)	(320,000)
General Fund Share of Open Spaces	(37,900)	(37,900)	(37,900)	(37,900)
Other Grants and Contributions	(464,504)	(461,800)	(463,700)	(463,700)
Total Income	**(26,183,620)**	**(26,870,400)**	**(26,928,600)**	**(27,458,900)**
Net Income From HRA Services	**(29,710,905)**	**(13,678,500)**	**(13,123,200)**	**(13,241,800)**
Debt Charges - Premiums & Discounts	11,374	-	-	-
Interest Payable	4,765,564	4,765,600	4,765,600	4,765,600
Interest Receivable - Balances	(131,700)	(117,900)	(167,000)	(172,500)
Interest Receivable - Advances (RTB)	(78)	(100)	-	-
Reverse REFCUS	(55,627)	(100,000)	(100,000)	(100,000)
Reverse Depreciation Other HRA Property & Equip.	-	(431,600)	-	-
Net Operational Income	**(25,121,372)**	**(9,562,500)**	**(8,624,600)**	**(8,748,700)**

Housing Revenue Account (HRA) Continued	Actual 2013/14 £	Original Budget 2014/15 £	Latest Budget 2014/15 £	Original Budget 2015/16 £
Net Operational Income	**(25,121,372)**	**(9,562,500)**	**(8,624,600)**	**(8,748,700)**
Appropriations:				
Appropriation: Adjust Depreciation to MRA	3,348,175	3,020,700	3,106,000	3,137,800
Revenue Contribution to Capital Outlay (RCCO)	153,813	100,000	187,100	286,500
Reverse Revaluation of Fixed Assets	16,499,554	-	-	-
Employee Benefits Accruals	13,128	-	-	-
Net IAS19 Charges for Retirement Benefits	(390,808)	(494,800)	(477,700)	(491,400)
Employers Contribs payable to Pension Fd	201,225	229,900	201,500	214,100
Pensions Interest+Rate of Return Assets	134,900	184,600	191,900	192,700
Contribution to HRA Early Retirement Reserve	80,000	8,000	317,000	8,000
Contribution from HRA Early Retirement Reserve	(107,998)	-	(252,200)	-
Contribution to HRA Capital Investment Reserve	5,148,397	6,474,600	5,321,100	5,368,500
Taken To HRA Balance	**(40,986)**	**(39,500)**	**(29,900)**	**(32,500)**
HRA Balance Brought Forward	(1,282,500)	(1,323,500)	(1,323,500)	(1,353,400)
HRA Balance Carried Forward	**(1,323,486)**	**(1,363,000)**	**(1,353,400)**	**(1,385,900)**

Appendix 3

HRA Repairs & Maintenance

	Actual 2013/14 £	Original Budget 2014/15 £	Latest Budget 2014/15 £	Original Budget 2015/16 £
Cyclical & Major Repairs & Maintenance				
Painting & Decorations	501,490	473,500	541,300	980,000
Concrete Repairs	18,141	65,000	65,000	40,000
Communal Flooring / Carpets	-	-	18,300	-
Electrical Repairs & Maintenance	458,899	601,400	601,400	601,400
Gas/Heating Maintenance	581,008	631,400	594,100	594,100
Lift & Stairlift Maintenance	80,978	114,800	114,800	114,800
Door Entry & Security Maintenance	38,893	60,000	60,000	60,000
Shop Maintenance	3,659	10,700	10,700	10,700
Legionella Testing	4,093	34,600	34,600	34,600
Fire Prevention Work	-	-	101,000	150,000
HRA Paths and Surfacing	99,813	100,000	100,000	100,000
HRA Asbestos Works	173,589	637,600	637,600	637,600
Expenditure To Repairs Summary	**1,960,563**	**2,729,000**	**2,878,800**	**3,323,200**

Void & Responsive Repairs & Maintenance

Void Repair Contract	1,073,971	867,000	867,000	867,000
Garages: Void Repairs	-	11,900	11,900	11,900
Out of Hours Contract	1,592	48,300	48,300	48,300
Day to Day Repairs Contract	1,849,403	1,034,100	1,035,200	1,035,200
Garages: Routine Repairs	79,566	41,700	41,700	41,700
Expenditure To Repairs Summary	**3,004,532**	**2,003,000**	**2,004,100**	**2,004,100**

Capital Maintenance & Improvements (summary from Housing Investment Programme 'HIP')

Improvement / Renewal Works	5,343,076	4,736,200	4,808,800	5,058,700
Expenditure To Repairs Summary	**5,343,076**	**4,736,200**	**4,808,800**	**5,058,700**

Summary of Housing Repairs, Maintenance & Improvements

Cyclical & Major Repairs & Maintenance	1,960,563	2,729,000	2,878,800	3,323,200
Void, Routine & Responsive Repairs & Maintenance	3,004,532	2,003,000	2,004,100	2,004,100
Total Revenue Repairs & Maintenance (within HRA)	**4,965,095**	**4,732,000**	**4,882,900**	**5,327,300**
Capital Maintenance & Improvements (HIP)	5,343,076	4,736,200	4,808,800	5,058,700
Total Housing Repairs & Maintenance (including Capital)	**10,308,171**	**9,468,200**	**9,691,700**	**10,386,000**

Other HRA Related Capital Expenditure (Summary from 'HIP')

Construction / Acquisition of Housing	331,076	4,051,300	6,614,800	10,686,800
Lettings Incentive Scheme	55,627	100,000	100,000	100,000
Total Other Capital Expenditure	**386,703**	**4,151,300**	**6,714,800**	**10,786,800**

The detailed Housing Investment Programme (HIP) is presented as part of a separate report to Executive and Council February 2015, 'Budget 2015/16 and Council Tax – Revenue and Capital'.

Appendix 3

HRA Reserves and Balances	Actual 2013/14 £	Original Budget 2014/15 £	Latest Budget 2014/15 £	Original Budget 2015/16 £
Housing Revenue Account (HRA) Balances				
Balance brought forward	**(1,282,500)**	**(1,323,500)**	**(1,323,500)**	**(1,353,400)**
contribution to/(from) HRA	(40,986)	(39,500)	(29,900)	(32,500)
Balance carried forward	**(1,323,486)**	**(1,363,000)**	**(1,353,400)**	**(1,385,900)**
HRA Early Retirement Reserve				
Balance brought forward	**(77,730)**	**(73,530)**	**(49,732)**	**(114,532)**
contribution from HRA	(80,000)	(8,000)	(317,000)	(8,000)
contribution to HRA	107,998	-	252,200	-
Net change in year	**27,998**	**(8,000)**	**(64,800)**	**(8,000)**
Balance carried forward	**(49,732)**	**(81,530)**	**(114,532)**	**(122,532)**
Major Repairs Reserve				
Balance brought forward	**-**	**(232,000)**	**(764,119)**	**(2,017,119)**
contribution from HRA	(5,939,457)	(5,327,000)	(5,970,700)	(6,048,900)
used to fund Capital Maintenance & Improvements	5,175,338	4,736,200	4,717,700	4,872,200
Net change in year	**(764,119)**	**(590,800)**	**(1,253,000)**	**(1,176,700)**
Balance carried forward	**(764,119)**	**(822,800)**	**(2,017,119)**	**(3,193,819)**
HRA Capital Investmestment Reserve				
Balance brought forward	**(12,913,394)**	**(17,404,595)**	**(17,730,716)**	**(17,528,916)**
transfer from HRA	(5,148,397)	(6,474,600)	(5,321,100)	(5,368,500)
used to fund Redevelopment / New Build	331,076	3,241,100	5,522,900	10,101,600
Net change in year	**(4,817,321)**	**(3,233,500)**	**201,800**	**4,733,100**
Balance carried forward	**(17,730,716)**	**(20,638,095)**	**(17,528,916)**	**(12,795,816)**
'One-for-One' Right-to-Buy Receipts (RTB) retained for Replacement of sold housing				
Balance brought forward	**(70,013)**	**(858,600)**	**(907,060)**	**#VALUE!**
RTB Receipts retained for replacement of housing	(837,047)	(200,000)	(57,300)	-
used to fund Redevelopment / New Build	-	810,200	379,100	585,260
Net change in year	**(837,047)**	**610,200**	**321,800**	**585,260**
Balance carried forward	**(907,060)**	**(248,400)**	**(585,260)**	**-**

WARWICK DISTRICT COUNCIL	**Executive 11th February 2015** **Council 26th February 2015**	**Agenda Item No.** **7**

Title	Heating, Lighting and Water Charges 2015/16 – Council Tenants
For further information about this report please contact	Andy Thompson andy.thompson@warwickdc.gov.uk 01926 456403 Mark Smith mark.smith@warwickdc.gov.uk 01926 456803
Wards of the District directly affected	All
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	
Background Papers	Previous annual 'Approval of Heating, Lighting and Water Charges' reports, every February

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes, Ref 665
Equality & Sustainability Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	26-Jan-2015	Bill Hunt
Head of Service	n/a	Finance/Housing & Property Report
CMT	26-Jan-2015	
Section 151 Officer	22-Jan-2015	Mike Snow
Monitoring Officer	26-Jan-2015	Andrew Jones
Finance	n/a	Finance/Housing & Property Report
Portfolio Holder(s)	22-Jan-2015	Councillor Vincett
Consultation Undertaken		
None		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1. Summary

1.1 This report sets out the proposed recharges to Council housing tenants for the provision of communal heating, lighting and water supply during 2015/16.

2. Recommendation

2.1 To recommend to Council to agree the revised recharges for Council tenants relating to heating, lighting, water and miscellaneous charges for the rent year commencing 6th April 2015, as set out in Appendix 1 & Appendix 2.

3. Reasons for the Recommendation

3.1 Recharges are levied to recover costs of electricity, gas and water supply usage to individual properties within one of the sheltered and the 5 very sheltered housing schemes, which are provided as part of communal heating and water supplies. The costs of maintaining communal laundry facilities are also recharged at those sites benefitting from these facilities under the heading of miscellaneous charges.

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

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

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

4. Policy Framework

4.1 Policy Framework

4.1.1 The Heating, Lighting and Water Charges Report forms part of the Budgetary Framework, which is the resource strategy for implementing Fit for the Future.

4.1.2 Until 2013/14, it was the policy of this council to set recharges to tenants for the electricity, gas and water supplied to certain properties at the level that will fully recover these costs without 'rent pooling', that is without subsidising from other HRA income.

4.1.3 As described in paragraph 3.3, from 2013/14 when increases were felt unaffordable lower charges have been set to mitigate the immediate cost to tenants, recovering these costs gradually over subsequent years.

4.2 **Fit for the Future**

A key element 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. The Housing Revenue Account is subject to the same regime to ensure efficiency within the service.

5. Budgetary Framework

5.1 Recharges to tenants for the provision of communal heating, lighting and water form part of the Housing Revenue Account (HRA), which is a key component of the Council's budgetary framework.

5.2 If charges are set so as not to fully recover costs, this will present an additional cost to all housing tenants by way of the rent they are charged, unless costs are recouped in future years.

6. Risks

6.1 It would be impossible to predict fuel and water costs over the next year completely accurately. Therefore the charges tenants pay in a year will either over-recover or under-recover the costs.

6.2 This is mitigated by adjusting charges for one third of any over-recover or under-recovery in previous years. This ensures that over time what tenants pay will meet the costs of heating, water and lighting.

7. Alternative Options Considered

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

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

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

8. Background

8.1 Costs for electricity, gas, water and laundry facilities provided at some housing schemes are recovered as a weekly charge.

8.2 These utility charges are not eligible for Housing Benefit.

8.3 Tenants are notified of these charges at the same time as the annual rent increase.

8.4 The gas and electricity used to deliver communal heating and lighting is supplied under the provisions of the Council's energy supply contracts.

8.5 Photovoltaic cells (solar panels) were installed on James Court, Tannery Court and Yeomanry Court in April 2012. The electricity generated reduces consumption from the national grid.

8.6 A biomass heating system has been installed in Tannery Court. In addition to the environmental benefits of using a more sustainable fuel, the capital cost of installation will be partly repaid over time by the Government's Renewable Heat Incentive scheme. Proposed charges are based on historical costs, but 2016/17 charges will be based on data from the first year of operation of the new system.

Appendix 1

Heating, Lighting and Miscellaneous Charges

It is recommended that from 6th April 2015 charges covering heating, lighting and miscellaneous charges should be varied as follows:

Heating, Lighting and Miscellaneous Charges	**Current Charge per Week 2014/15 £**	**Charge To Fully Recover Costs 2015/16 £**	**Proposed Charge per Week 2015/16 £**	**Proposed Increase/ (Decrease) per Week 2015/16 £**	**Proposed Change 2015/16 %**
Acorn Court, Stockton Grove, Lillington, Royal Leamington Spa					
Nos. 1 - 12, 14 – 41	£9.60	£11.15	**£10.55**	+£0.95	+9.9%
Nos. 43, 44, 46 and 47 (Misc. Charge only)	£0.60	£0.60	**£0.60**	+£0.00	+0.0%
Tannery Court, Bertie Road, Kenilworth					
Nos. 1, 2, 4 – 6, 7a, 8 - 12, 22a, 14 - 40	£8.45	£8.85	**£8.85**	+£0.40	+4.7%
No. 3	£12.35	£13.00	**£13.00**	+£0.65	+5.3%
Yeomanry Close, Priory Road, Warwick					
Nos. 1 - 12, 14 – 32	£7.60	£7.60	**£7.60**	+£0.00	+0.0%
James Court, Weston Close, Warwick					
Nos. 1 - 12, 14 – 26	£8.50	£9.35	**£9.35**	+£0.85	+10.0%
Chandos Court, Chandos Street, Royal Leamington Spa					
Nos. 1 - 12, 11a, 25a, 14 – 46	£10.15	£10.70	**£10.70**	+£0.55	+5.4%
Radcliffe Gardens, Brunswick Street, Royal Leamington Spa					
Bedsits and 1 bedroom flats	£5.70	£6.45	**£6.45**	+£0.75	+13.2%
2 bedroom flats	£9.10	£10.30	**£10.05**	+£0.95	+10.4%

Appendix 2

Water Charges

It is recommended that from 6th April 2015 water charges should be varied as follows:

Water Charges	Current Charge per Week 2014/15 £	Proposed Charge per Week 2015/16 £	Proposed Increase/ (Decrease) per Week 2015/16 £	Proposed Change 2015/16 %
Acorn Court, Stockton Grove, Lillington, Royal Leamington Spa				
Nos. 1 - 12, 14 - 41, 43 – 47	£3.10	**£3.45**	+£0.35	+11.3%
Tannery Court, Bertie Road, Kenilworth				
Nos. 1, 2, 3, 4 - 6, 7a, 8 - 12, 22a, 14 - 40	£3.80	**£4.00**	+£0.20	+5.3%
Yeomanry Close, Priory Road, Warwick				
Nos. 1 - 12, 14 - 32, 33 and 34	£2.80	**£2.65**	-£0.15	-5.4%
James Court, Weston Close, Warwick				
Nos. 1 - 12, 14 – 28	£3.20	**£2.90**	-£0.30	-9.4%
Chandos Court, Chandos Street, Royal Leamington Spa				
Nos. 1 - 12, 11a, 25a, 14 - 46, 47	£3.05	**£3.15**	+£0.10	+3.3%

WARWICK DISTRICT COUNCIL	**Warwick District Council Executive** **11th February 2015**	**Agenda Item No.** **8**

Title	**Allocation of budget to deliver voluntary sector services in Warwick District, 2015 - 2018**
For further information about this report please contact	Liz Young Liz.young@warwickdc.gov.uk 01926 456019 Andrew Jones Andrew.jones@warwickdc.gov.uk 01926 456830
Wards of the District directly affected	All wards
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	**Executive 11-Jun-14** – Procurement of Services from the Voluntary and Community Sector 2015 - 2018 – **minute**
Background Papers	**Executive 10-Jul-13 –** Procurement of Services from the Voluntary and Community Sector – summary of year 1

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes: Ref 585
Equality & Sustainability Impact Assessment Undertaken	Yes
Attached at Appendix 2	

Officer/Councillor Approval

Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	09.01.15	Andrew Jones
Head of Service	09.01.15	Richard Hall
CMT	19.01.15	Chris Elliott, Bill Hunt
Section 151 Officer	15.01.15	Mike Snow
Monitoring Officer	15.01.15	Andrew Jones
Finance	15.01.15	Jenny Clayton/Susan Simmonds
Portfolio Holder(s)	21.01.15	Cllr Michael Coker

Consultation & Community Engagement

Consultation with members of the public and voluntary sector organisations was undertaken at earlier stages of the process, and detailed in previous Executive reports.

Final Decision?	Yes
Suggested next steps (if not final decision please set out below)	

1. **Summary**

1.1 This report explains the reasons for amending the process for the evaluation and scoring of bids submitted for the delivery of voluntary and community sector services (2015 – 2018), following an open tendering process during September and October 2014.

1.2 The report also seeks to clarify the role of the Elected Member Grant Review Panel in relation to the future commissioning and monitoring of voluntary and community sector service contracts.

1.3 The report references guidance on Members' involvement with outside bodies following changes in the Code of Conduct.

1.4 The report provides information on the successful bidders and the allocation of the commissioning budget for 2015 - 2018.

1.5 Further information about the scoring process is also provided, along with a summary of the next steps for both successful and unsuccessful bidders, and service providers currently delivering service level agreements whose contracts will end on 31st March 2015.

2. **Recommendations**

2.1 That Executive notes the reasons for the changes to the 2015-2018 voluntary sector services tender evaluation and scoring process.

2.2 That Executive agrees the revised decision making process as described in paragraphs 3.6 to 3.12 in respect of voluntary and community sector service commissioning whereby future tenders are evaluated by an officer panel prior to being submitted to Deputy Chief Executive (AJ) in consultation with the Chair of the Member Grant Review Panel for final approval.

2.3 The Executive to note that a briefing note will be provided for all Councillors, after the election, on their work on outside bodies (when they are formally appointed as a District Councillor and those where they end up involved because they are a Councillor).

2.4 That Executive notes the outcomes of the tender award process for the delivery of voluntary and community sector services in Warwick District for 2015 – 2018 commencing 1st April 2015 as detailed in Appendix 1.

2.5 That Executive notes that as a result of the bid from the current service provider being unsuccessful, and in accordance with Procurement policy, Lot 3 - Targeted Service Delivery in Crown Ward will be put through a full, open procurement process again in April with a contract commencement date of 1st July 2015.

3. **Reasons for Recommendations**

3.1 When the tender process for voluntary and community sector services first took place in 2011, the Elected Member Grant Review Panel evaluated and scored the bids, supported and advised by officers from the Community Partnership Team and Procurement Services.

3.2 A list of each Member's declarations of interest was kept throughout the scoring sessions. Where Members had an interest in a bidding organisation the level of interest was assessed to decide whether or not they should score a bid.

3.3 During the recent tendering process (September & October 2014) for the new 3 year contracts, concerns were raised by a number of current contract deliverers and new potential bidders regarding potential conflicts of interest of Members in the voluntary and community sector commissioning process.

3.4 Procurement officers also voiced similar concerns with the Council's Monitoring Officer (Deputy Chief Executive (AJ)). Nearly all other tenders the Council receives are evaluated by officers and, if necessary, awards are ultimately made by Executive. In this case, whilst technically the Executive has delegated the decision to an officer (Deputy Chief Executive), it is highly unlikely that the decision would be contrary to the Member Grant Review Panel's recommendations. Hence there was a distinct anomaly in the Council's tendering process that needed to be addressed.

3.5 As a consequence, Members of the Panel were once again asked to complete a 'Conflict of Interest Declaration'. Having reviewed their submissions, the Council's Monitoring Officer decided that there were clear conflicts of interest which would require at least one Member to take no part in the tender evaluation process. The Monitoring Officer was concerned that the decision making process could leave the Council open to legal challenge due to allegations of bias.

3.6 The Monitoring Officer met with the Elected Member Grant Review Panel on 5 November 2014 and the next steps were agreed and implemented:

- Those Members with a clear conflict of interest withdraw from the Panel
- Those Members who have withdrawn are substituted by a Member from the same Group who does not have a conflict of interest – a "Conflict of Interest Declaration" would need to be completed by the Substitute Member
- Officers (Naomi Nortey, Liz Young, Jenny Murray and Jon Dawson) will score the bids. These evaluations are intended as an aid to impartial and defensible decision-making, however, it remains open to the Panel to add its own advice to the Deputy Chief Executive (AJ) which may differ from the officer scores provided that it is supported by sound reasoning
- The outcome of the officer evaluations and Member deliberations are then formally reported to Deputy Chief Executive (AJ) to make the ultimate decision (as agreed by Executive) in consultation with the Member Grant Panel Chairman

3.7 Although Members agreed to this process they were most unhappy with the turn of events. They unanimously felt as though their role had been compromised and it called into question the very purpose behind them becoming Councillors.

3.8 Whilst being very sympathetic to the Councillors' position, the clear advice from the Council's Monitoring Officer, having taken advice from Warwickshire County Council Legal Services, was that we are in an increasingly litigious environment, where challenges are frequently made to contract awards and any potential deficit in process is seized upon for challenge.

3.9 Therefore to avoid the risk of challenge it is prudent to have officers evaluate the tenders as is the case in nearly all other Council tender opportunities so there can be no argument of bias or lack of suitable training.

3.10 This is not to say that there is not an essential role for Councillors in the overall contract process. It is the responsibility of Councillors to work with officers to determine what it is they want to see delivered in their communities i.e. a service specification. Councillors are best positioned to understand the needs and wants of a community and officers rely on this expertise.

3.11 Consequently the Elected Member Grant Review Panel, to be renamed the **VCS Commissioning Panel** from hereon in, will continue to meet regularly to carry out the following key functions:

- Oversee and input into the performance monitoring and review of the current and new contracts
- Input into the development of future voluntary and community sector commissioning priorities for 2018 and beyond

3.12 Going forward it is therefore recommended that the scoring and evaluation process is undertaken by officers with final approval given by the Deputy Chief Executive (AJ) in consultation with the Chair of the VCS Commissioning Panel.

3.13 Recommendation 2.3 is included because it has already been recognised that this guidance needs to be provided for Councillors regarding their work with outside bodies taking into consideration the current code of conduct and any potential revisions to this by the Council as well as relevant legislation.

4. The Council received 9 bids in total, 6 of which were current contract deliverers. 2 of the current contract deliverers, Coventry and Warwickshire Cooperative Development Agency and Warwickshire Welfare Rights, did not re-tender. The Contract Awards for 2015 - 2018 are listed in Appendix 1.

4.1 Applicants were asked to submit their proposals to deliver 7 service specifications issued by Warwick District Council. The service specifications were outcomes- focused to enable bidders a considerable amount of flexibility in their proposals.

4.2 The tendering process for the VCS contracts was done completely online for the first time through the Coventry and Warwickshire JETS system. All bidders were given the opportunity to attend training sessions on the use of JETS in the lead up to the tendering process and these were well attended by a wide range of VCS organisations.

4.3 The officer scoring panel comprised the Manager of the Community Partnership Team, the Lead Officer for VCS Commissioning, a Procurement Officer and the Finance and Admin Team Manager.

4.4 The role of the scoring panel was to:

- To use the scoring matrix within the Warwick District Council procurement framework as part of the evaluation process (Appendix 2)
- To focus the scoring on the service specification for each of the Delivery Programmes and Lots
- To flag up inconsistencies and/or short-falls between bids and the service specification for each of the delivery programmes
- To seek input from the VCS Commissioning Panel on the final results of the evaluation prior to approval and sign off by the Deputy Chief Executive (AJ) (who was granted delegated authority by this committee in June 2014) in consultation with the Chair of the Elected Member Grant Review Panel, Councillor Moira-Ann Grainger.

4.5 Tenders have been awarded to successful bidders, and meetings are scheduled to take place between January and March to negotiate service level agreements and specific outcomes with each provider.

4.6 The Crown Routes Consortium was unsuccessful in re-tendering for Lot 3 Targeted Service Delivery in Crown Ward. Hybrid Arts was the second organisation who tendered for this Lot and they were also unsuccessful. In accordance with Procurement Policy the Council is now required to go out to open tender again for this Lot only with a delayed start date of 1st October 2015.

4.7 Discussions are taking place with Crown Routes to ascertain what support they will need leading up to the submission of the second tender. It is proposed that their current contract is extended for 6 months whereby they will continue to provide the existing level of service provision. This is clearly a preferable option to terminating the contract on 31st March which would have a detrimental impact on local people and groups accessing and depending on the services and activities they provide as well as those employed to deliver those services.

4.8 The procurement process will continue to follow a strict timetable to ensure that service delivery by voluntary and community sector groups will commence on 1st April 2015.

The new contracts will be monitored for the first time using the Coventry and Warwickshire JETS online procurement system.

The timetable is as follows:

January to March 2015	• Negotiate monitoring arrangements and service delivery details with successful bidders • Finalise any consortia arrangements • Meet with Crown Routes to discuss implications and next steps
1 April 2015	Service delivery commences
1 April 2015	Tendering window opens for bidding for Lot 3 Targeted Service Delivery in Crown Ward only
30 April 2015	Tendering deadline for Lot 3 bid submissions
May 2015	Lot 3 evaluation
1 June 2015	Award of contract for Lot 3
1 July 2015	Commencement of contract for Lot 3
First 6 months of delivery	Schedule Elected Member/ officer visits to all groups for the year
Month 7 of delivery	Submission of first round of monitoring information (and then half-yearly at 6 month intervals)
31 March 2018	End date of all contracts
30 June 2019	Final evaluation reports received from all contracted service deliverers

5. **Policy Framework**

5.1 **Policy Framework** – There are no changes to the policies listed below.

- Development Plan Documents
- Fit for the Future
- Food Law Enforcement Service Plan
- The plan and strategy which comprise the Housing Investment Programme

5.2 **Fit for the Future** – Continued delivery of the voluntary and community sector services procured will support the vision of making Warwick District a great place to live work and visit as set out in the refreshed

The framework and commissioning priorities for delivery of voluntary and community sector services are closely aligned with FFF and will be a key mechanism that enables the Council to deploy its resources where it can have the most influence and be of maximum benefit to communities.

6. **Budgetary Framework**

6.1 The total revenue budget for the funding of the voluntary and community sector is £329,700 for 2014/15 and £330,000 for 2015/16. This level of funding over a three year period (1.4.15 to 31.3.18) would total £990,000. The contracts awarded to date can be accommodated within this.

6.2 The process for procuring services from the voluntary and community sector is in accordance with the Council's Code of Conduct Practice & the Procurement Practice. This is being used to ensure best value.

6.3 Applications for funding for emergency requests from voluntary and community sector groups who are not under a contract agreement, (and therefore unbudgeted for) to deliver services on behalf of the Council would have to be financed from an alternative resource. Should the Service Area be unable to find savings to cover these costs, this would be considered in line with the Code of Financial Practice.

7. **Risks**

7.1 Possible risks associated with the delivery of the VCS contracts are:

The contractor fails to deliver on the requirements of the agreed service level agreement

The contractor fails to get other expected sources of income to sustain their organization

A dip in service due to staff turnover part way through the contract

7.2 These risks will be mitigated through robust contract performance management via the JETS online system and through regular dialogue and meetings with each of the contractors.

8**. Alternative Options Considered**

8.1 There are no alternative options to be considered

Appendix 1

Contract Awards to Deliver Voluntary and Community Sector Services in Warwick District 2015 – 2018: Total Yearly Budget = £330,000

Lots	Type of Service	Service Provider	Yearly Value of Contract
Lot 1. Third Sector Support	Ensuring that local third sector organisations get the advice, support and representation they need to improve the circumstances of the people and communities they work with	Warwickshire Community and Voluntary Action (WCAVA)	£55,000
Lot 2. Services in Targeted Geographic Areas – Brunswick	To target those people living in disadvantaged areas within Brunswick, Crown, West Warwick and Sydenham who are feeling socially excluded due to lack of resources, rights, services and the inability to participate in the normal relationships and activities available to the majority of people in a community, whether those are of an economic, social or cultural nature	Brunswick Healthy Living Centre	£50,000
Lot 3. Services in Targeted Geographic Areas – Crown		Not Awarded	£30,000
Lot 4. Services in Targeted Geographic Areas – West Warwick		The Gap Warwick Percy Estate Community Projects Ltd.	£35,000
Lot 5. Services in Targeted Geographic Areas – Sydenham		Sydni Sydenham Neighbourhood Initiatives	£20,000
Lot 6. Financial Inclusion	To minimise the likelihood and impact of financial exclusion in Warwick District through the	Warwick District Citizens Advice Bureau	£100,000

Lots	Type of Service	Service Provider	Yearly Value of Contract
	provision of advice, support and services at the point of need in a coordinated and collaborative manner		
Lot 7. Delivery of Employment Clubs	To manage the three Employment Clubs currently operating from the Brunswick Healthy Living Centre, Lillington Youth Centre and The Gap Community Centre	Brunswick Healthy Living Centre	£40,000

APPENDIX

The process used to score bids

The table below shows:
- the percentage allocated to the 4 areas comprising the bid
- responsibility for scoring the area
- method used to calculate the score

<table>
<tr><th colspan="2">Percentage of total score</th><th>Area</th><th>Responsible for scoring</th><th>Method</th></tr>
<tr><td colspan="2">5%</td><td>Policies and procedures</td><td>Officers</td><td>1. Submission of specified policies, procedures and insurance cover requested during the bid process.
2. Submitted documentation ticked off against checklist and checked for ‘fit for purpose’
3. Scores totalled and rounded to the nearest 0.5%.</td></tr>
<tr><td colspan="2">10%</td><td>References</td><td>Officers</td><td>1. Submission of 2 professional and 1 service user referees requested during the bid process.
2. Standardised reference templates used for each category of referee.
3. References collected by phone and email.
4. Scores totalled, aggregated, and rounded to the nearest 0.5%</td></tr>
<tr><td rowspan="2">25%</td><td>12.5%</td><td>Assessment of financial stability</td><td>Officers</td><td>1. Submission of 3 years’ management accounts (or less for new groups) requested during the bid process.
2. Accounts analysed, taking note of the levels of profit, loss, and reserves.
3. Score allocated by WDC Finance.</td></tr>
<tr><td>12.5%</td><td>Value for money</td><td>Officers</td><td>1. Breakdown of costs of bid against the service to be delivered requested during the bid process.
2. Individual assessment made of the value for money of each bid (Q4.12).
3. Panel scores totalled, aggregated, and rounded to the nearest 0.5%</td></tr>
<tr><td colspan="2">60%</td><td>Service description</td><td>Officers</td><td>1. Information on service to be delivered requested during the bid process (Q4.1 to 4.14 excluding 4.12).
2. Individual assessment made of each question against a pre-set scoring matrix (below).
3. Panel scores totalled, aggregated, and rounded to the nearest 0.5%</td></tr>
</table>

EVALUATION MATRIX

Criteria	POOR Score 0	WEAK Score 1-3	AVERAGE Score 4-6	EXCELLENT Score 7-10
Cost (funding amount per annum for all 3 years, section 4, question 4.12) including an appraisal of financial stability (Section 3 question C.2) **25%**	No information on cost supplied. Financial information from the lead organisation not submitted.	Cost proposal received but lacking key information in respect of expenditure and partner organisations and the 3 year plans. And/or: Financial information on organisation of concern.	Cost proposal received including a breakdown of all expenditure and partner organisations but further clarification required in some areas. And/or the 3 year plan. And/or: Financial information on organisation requiring further clarification.	Full cost proposal received including a breakdown of all expenditure and partner organisations. Information on how the funds will be used to deliver the services. Clear 3 year plan for the funding/expenditure showing detail for all services. Financial information on organisation acceptable.
References (Section 3 question D.4) **10%**	No references given.	References are less than positive.	Majority of references are positive but some concerns noted.	All references have positive feedback and would recommend the organisation.
Policies and Procedures (Section 3 part E) **5%**	No policies and procedures provided.	Policies and procedures information provided in part.	Policies and procedures information provided but further clarification required.	Policies and procedures information provided in full.
Proposal (Section 4) **60%**	**Each question carries a different weighting. The weighting is shown in bold under the question number.** **The Council has chosen these weightings according to the importance of each question.**			
4.1 **2%**	No information received or response not connected to the question.	Some information on intended users provided but fundamental information missing or unclear.	Information on intended users provided in the main but some points of clarification still required.	Intended users clearly defined.
4.3 **3%**	No information received or response not connected to the question.	Partial information on resources and delivery of the proposed service.	Information on the delivery of the service and resource usage in part but more in depth	Clear and detailed information on the delivery of the service. Including resources (staff, volunteers,

		Information is insufficient or raises concerns about the ability to deliver the proposal.	information needed to assess in full.	premises, frequencies, milestones etc).
4.4 **3%**	No information received or response not connected to the question.	Some information on geographical location and distance/time to be travelled by service users provided, but fundamental information missing or unclear.	Information on geographical location and distance/time to be travelled by service users provided in the main, but some points of clarification still required.	Information on geographical location and distance/time to be travelled by service users clearly defined.
4.5 **3%**	No information received or response not connected to the question.	Partial information on how the needs of service users will be met and assessed but fundamentally lacking detail. Long term strategies for change unclear or omitted.	Information on how the needs of service users will be met and assessed submitted in part. Some further information required around this and/or how the services will develop and change.	In depth information on how the needs of service users will be met and assessed. Proposals for change mechanism and re-assessment of the services included.
4.6 **3%**	No information received or response not connected to the question.	Some information submitted but of insufficient detail to allow a full assessment of the monitoring methods. Some information on how user satisfaction will be measured. Method for measurement is weak, not focussed and/ lacking in	Proposals for monitoring submitted but requiring clarification and/or not supported by documentation. Measures for user satisfaction available in part but require further information in terms of use of the information and strategy for action.	Proposed monitoring methods are clear. Templates, pro-forma, mock documents submitted to demonstrate the mechanisms to be used. Measures for user satisfaction clear and robust. Information gathering and appropriate action planned. Template documentation submitted.

		strategy for action.		
4.7 **3%**	No information received or response not connected to the question.	Methods for marketing and publicity sketchy and unclear. No strategy demonstrated.	Methods for marketing and publicity available. Further clarification required around choice of media, costs, times and /or ideas, in order to fully assess the question.	Methods for publicity and marketing clear and relevant to the target groups. Frequency and budget allocation shown. Ideas included in the submission to support this question.
4.8 **20%**	No information received or response not connected to the question.	Weak and/or sketchy proposals for how the proposed service will meet the Service Outlines.	Proposals for how the proposed service will meet the Service Outlines received but lacking in detail and requiring further clarification.	Clear and detailed proposals for how the proposed service will meet the Service Outlines.
4.9 **4%**	No information received or response not connected to the question.	Some details submitted of how the proposal supports WDC strategies. Poor knowledge of Council priorities demonstrated. Key information omitted.	Some details submitted of how the proposal supports WDC strategies. Knowledge of Council priorities partially demonstrated. Further clarification required.	Details submitted of how the proposal supports WDC strategies. Excellent knowledge of Council priorities demonstrated.
4.10 **7%**	No information received or response not connected to the question.	Partial and incomplete information on complementing and supplementing services. No understanding of existing service provisions.	Information on complementing and supplementing existing services provided. An understanding of existing service provisions but no in any	Information on complementing and supplementing existing services clear. Excellent demonstration of understanding of existing service provisions.

			depth and/or poor understanding of the linkages.	
4.11 **8%**	No information received or response not connected to the question.	Poor information on stakeholder engagement and cross organisation linkages in the design of the services to be offered. Evidence lacking or only available at a very sketchy level.	Some evidence of stakeholder engagement and cross organisation linkages in the design of the services to be offered. However, further clarification required.	Detailed evidence of stakeholder engagement and cross organisation linkages in the design of the services to be offered.
4.13 **2%**	No information received or response not connected to the question.	Partial information on additional funding, income, assumptions and projections. All or some of which require further clarification.	Information on additional funding and income but further clarification required. Assumptions and projections included but further clarification required.	Comprehensive information on additional funding and income. All assumptions and projections clearly demonstrated.
4.14 **2%**	No information received or response not connected to the question.	Partial information on additional resources. Significant clarification required in order to fully understand the resources and how they will be used	Information on resources provided but detail in terms of how and when they will be used is missing or not specific and requires clarification.	Full information on the resources to be used including when and how they will be used.