

EXECUTIVE

Minutes of the meeting held on Wednesday 15 February 2012 at the Town Hall, Royal Leamington Spa at 6.00 pm.

PRESENT: Councillor Michael Doody (Chairman), Councillors Caborn, Coker, Mrs Gallagher, Mrs Grainger, Hammon, Mobbs, Shilton and Vincett.

ALSO PRESENT: Councillor Boad (Liberal Democrat Group Observer), Councillor Gifford (Chair of Overview and Scrutiny Committee), Councillor Mrs Knight Chair of Finance and Audit Scrutiny Committee), Mr Christopher Purser (Chair of Standards Committee) and Councillor Williams.

121. **DECLARATIONS OF INTEREST**

No declarations of interest were made relevant to the minutes below

PART 1

(Items which a decision by Council is required)

123. **BUDGET 2012/13 AND COUNCIL TAX – REVENUE & CAPITAL**

The Executive considered a report from Finance which updated members on the overall financial position of the Council.

It included the latest position in respect of the 2011/12 General Fund Budget and the future implications of the proposed changes. For 2012/13 onwards, the report considered both the General Fund Revenue budget and the Capital Programme.

The report supported the recommendations to Council in respect of setting next year's budgets and the Council's level of Council Tax for 2012/13. It updated members on the latest projections and assumptions in the Medium Term Financial Strategy, identifying the on-going savings required by 2016/17. Finally, the report updated members on the Council's Reserves and General Fund and feedback on the public consultation, undertaken by Simalto, was also included.

The Council was required to set a budget and council tax each year taking into account the Budgetary and Policy Frameworks, the Base Budget, Fees and Charges, the Collection Fund, the government Finance Grant Settlement and the New Homes Bonus.

This was a complex report which brought together the information which had been set out in a number of background reports over previous months. The

structure of the report was detailed in section 7 and explained what each section covered and the details of each appendix.

No specific alternatives to the recommendations were made but the information given enabled Members to propose variations to the proposals. Members were mindful that they had a duty to consider all possible options. The proposals in the report reflected the Portfolio Holder priorities contained within the Fit For the Future programme which was approved by Members in October 2010.

Councillor Mrs Knight, Chair of Finance and Audit Scrutiny Committee, addressed members and explained the comments made by members of her committee.

The Finance & Audit Scrutiny Committee recognised that there was little the Council could do about a number of the issues it faced other than maintain an awareness of them. Concern was expressed that the current list of equipment renewals was greater than the reserve itself. Members agreed to maintain a watching brief on the reserves and balances set out in Section 11 of the report, as per recommendation 2.20 and supported the remainder of the recommendations, with the exception of recommendation 2.17, which the Committee felt it could not support without a business case being made.

While there was general support for a Local Pay Agreement, the Finance & Audit Scrutiny Committee did not want to see this method become the norm year on year. Members felt the proposal was rather crude, but recognised its worth as a means of incentivising the Council to achieve necessary savings. However, the Committee did not want to see staff pay rises become performance related.

The Deputy Chief Executive (AJ) agreed to confirm whether or not there was a deadline relating to the housing association element of the Housing Investment Programme, as Members did not want to see the Council lose funding for potential projects.

Officers also agreed to clarify proposals for delivering outputs in relation to the Community Enterprise Officer contract, because the Finance & Audit Scrutiny Committee was keen to ensure that the Council continued to receive best value.

The Finance & Audit Scrutiny Committee stressed that future costs for HS2 campaigning should go through clear processing of a financial case.

Councillor Gifford, Chairman of the Overview and Scrutiny Committee, thanked Mike Snow for attending their meeting and answering the questions they put to him. They also requested that he be thanked for his hard work in compiling this Budget report.

The Portfolio Holder for Finance, Councillor Mobbs, addressed members and stressed that this budget, although repetitious, would help to build on the successes of previous years.

He signposted members to a number of points in the report including the New Homes Bonus, the additional travel token funding and the importance of supporting the Community Forums during the Diamond Jubilee Celebrations and the London Olympics. He highlighted that the funds being offered to forums was not just to assist with the cost of celebrations but to help to increase trade and support local businesses. He confirmed that officers were investigating the possibility of a blanket public liability insurance policy for community groups, following the request made at January's Executive.

Councillor Mobbs thanked the scrutiny committees for their support and apologised for the lack of wording contained in recommendation 2.17, which dealt with the funding for an additional Temporary Project Co-ordinator. He assured members that more detailed information would be made available to them shortly.

Councillor Mobbs reminded members that there were still challenging years ahead with £334,000 of savings needed. He explained the fall in the level of Revenue Support Grant provided and congratulated officers for reducing 'overhead' costs over the past twelve months.

The Leader of the Council, Councillor Doody, addressed members and endorsed the report. He made reference to the achievements that not only the Section 151 officer, Mike Snow, had made but also of Councillor Mobbs, as Portfolio Holder for Finance. The close working relationship they maintained underpinned their successes in the current financial climate.

In response to the comments regarding HS2, Councillor Doody advised that there were still funds available from the original amount put aside and felt that this could last until next year. However, he advised that a further financial commitment may need to be made towards the end of the 2012/13 financial year.

Councillor Doody referred to the work undertaken by Simalto, in investigating what the residents of Warwick District wanted from their Council. Their views had been taken into account when compiling the budget and further requests were being implemented to include the cessation of the Council magazine and the control of noise nuisance and anti-social behaviour being achieved within the current staffing levels.

He also advised members that the Council would be taking on two apprentices in the near future, with a further two each year for the following two years. It had been proposed that they would train in the Revenues and Benefits department and on Flood Alleviation work for the District. Other issues highlighted by Simalto were the refurbishment of Leisure Centres,

which was underway, public convenience contracts and pest control, all of which had been programmed in to be looked at in due course.

Having read the report, and considered the comments by the scrutiny committees, members were satisfied that the resolutions in the report be recommended to Council.

RECOMMENDED that

- (1) the 2011/12 Revised General Fund Revenue Estimate of net expenditure, including the proposed adjustments in section 8.3, be agreed at £16,226,400, and a projected £5,100 surplus, as summarised in appendix 1 to the report;
- (2) the treatment of any balance upon closure of the 2011/12 Accounts will be considered by the Executive in June 2012;
- (3) the changes to the 2012/13 General Fund revenue base budget (as previously agreed by Council on 25th January 2012) with net expenditure of £16,103,000, be agreed;
- (4) the Council Tax of a Band D property for Warwick District Council for 2012/13 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police Authority precepts be agreed at £146.86, representing a zero increase on 2011/12;
- (5) the Council Tax charges for Warwick District Council for 2012/13 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police Authority precepts, for each band be agreed as follows:-

Band	2012/13
A	£97.91
B	£114.22
C	£130.54
D	£146.86
E	£179.50
F	£212.13
G	£244.77
H	£293.72

- (6) around £500,000 new ongoing savings / increased income have been realised in preparing the 2012/13 General Fund revenue base budget. Further savings/ increased income of £334,000 are required from Fit For the Future interventions during 2012/13;
- (7) if there is any mismatch between the proposed General Fund budgets and subsidiary strategies and action plans, officers bring forward proposals for managing within the agreed budgets;
- (8) the appropriation of £200,000 from the 2011/12 estimated Revised Budget surplus to the Play Equipment Reserve, be approved;
- (9) the transfer of £200,000 from the Spencer Yard/URC 2011/12 revenue budgets to the Capital Investment Reserve, to be ring-fenced to further future development on this site, be approved. The residual un-spent revenue budget being slipped to 2012/13 by way of an Ear Marked Reserve upon closure of the 2011/12 accounts;
- (10) the £28,000 deficit on the Collection Fund Balance (this Council's share) be met from the General Fund Balance in 2012/13;
- (11) should there be a small change to the final grant settlement for 2012/13 when the announcement is made, it will be accommodated within the Contingency Budget in 2012/13;
- (12) the New Homes Bonus due for 2012/13 of £818,000 be appropriated to the Services Transformation Reserve;
- (13) the Chief Executive enter into discussions with the unions to agree a local pay agreement based on the principles outlined in paragraph 9.8 of the report, and report back to a future Executive meeting;
- (14) the discretionary travel scheme be enhanced to make residents of Shrewley Parish eligible for £50 travel tokens (upon payment of a £5

administration charge) and residents of Burton Green Parish eligible for £50 travel tokens (upon payment of a £5.00 administration charge);

- (15) the cost of the inaugural Burton Green Parish Council election in 2012/13 of approximately £3,000 be paid from within the 2012/13 Elections Budget;
- (16) £14,000 be provided from the Contingency Budget in 2012/13 to allow the seven Community Forums to support local celebrations of the Diamond Jubilee, with each able to claim up to £2,000;
- (17) £60,000 be included in the 2012/13 Budget for an additional Temporary Project Co-ordinator, funded from the Services Transformation Reserve;
- (18) the significant future forecast deficit, currently estimated to rise to over £2.5m by 2016/17 on net expenditure of £18m, be noted. Further on-going savings/ increased income of this amount must be secured in order for the authority to be able to set future balanced budgets. A report on the Fit For the Future Programme will be presented to the April 2012 Executive;
- (19) the latest schedule in respect of the Equipment Renewal Reserve, be noted, and this Reserve, estimated to be £1,470,000 as at the 1st April 2012, will be exhausted by 2015/16 should all the requests be fully funded as indicated;
- (20) Finance and Audit Scrutiny Committee be asked to pay particular attention to the reserves and balances set out in appendix 5 of the report;
- (21) the arrangements for Financial and Budget Management, be noted and the Executive continue to receive quarterly reports;
- (22) the General Fund Capital Programme and the Housing Investment Programme together with their financing, be agreed;
- (23) should viable future self-funded business cases be agreed in the future, appropriate amendments will be made to the Capital Budget;

- (24) a report investigating future use of capital receipts within the Housing Investment Programme be brought to Members, in due course;
- (25) the continuation of the Housing Investment Programme, be approved, and authority be granted to the Head of Housing and Property Services to incur expenditure, using existing compliant contracts in accordance with the Code of Financial Practice;
- (26) the Prudential indicators as set out in Appendix 10 of the report, including the revised indicators relating to 2011/12, be agreed; and
- (27) the revised financial strategy be agreed and updated on an ongoing basis in the light of a review of all resource strategies, with quarterly reports on the financial projections brought to Executive, and the Fit For the Future programme be reviewed in light of this.

(The Portfolio Holder for this item was Councillor Mobbs)

124. **TREASURY MANAGEMENT STRATEGY PLAN FOR 2012/2013**

The Executive considered a report from Finance which detailed the strategy for 2012/13 that the Council would follow in carrying out its Treasury Management activities, including the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy Statement.

This report also updated the appropriate 2011/12 Prudential Indicators to allow for the take on of approximately £140m debt, as a result of the introduction of the HRA (Housing Revenue Account) Self Financing regime from 1 April 2012. This debt would be taken on 28 March 2012 hence the need to amend the current 2011/12 Prudential Indicators.

The Council was required to have an approved Treasury Management Strategy, including an Annual Investment Strategy and Minimum Revenue Provision Policy within which its Treasury Management operations could be carried out.

Following a systems intervention on Treasury Management, it was decided that quarterly reporting was above the minimum requirements of the CIPFA (Chartered Institute of Public Finance and Accountancy) and one of the

recommendations of this report was to reduce this to bi-annual reporting, depending on the view of the Finance & Audit Scrutiny Committee.

There were no alternative options because the approval of an annual Treasury Management Strategy was a requirement of the CIPFA; Treasury Management in the Public Services Code of Practice, the latest version of which had been adopted by the Council in 2011/12.

The Chairman of Finance & Audit Scrutiny Committee, Councillor Mrs Knight, endorsed the move from quarterly performance reporting to bi-annual reporting, as per recommendation 2.1(b) and agreed to monitor this through regular liaison with officers. The Committee supported the recommendations in the report and were impressed by the continuing high performance of the Treasury Management team.

The Portfolio Holder for Finance, Councillor Mobbs, endorsed the report and congratulated the officers on such a solid piece of work.

Having read the report, the Executive decided to agree the recommendations as set out.

RESOLVED that

- (1) the Treasury Management Strategy for 2012/13 as outlined in Appendix B to the report, be approved;
- (2) the changes to the various Treasury Management Practices as detailed in paragraph 1.5 of Appendix A including the potential move from quarterly performance reporting to Finance & Audit Scrutiny Committee to bi-annual, be approved;

RECOMMENDED that

- (1) the 2012/13 Annual Investment Strategy in Appendix B to the report, includes the following changes:-
 - a) the change, referred to in paragraph 2.2, in long term credit rating for those banks who are partly or wholly owned by the UK Government from A+ to A and the replacement of individual ratings with a viability rating of at least BBB;
 - b) the opening of a Custodian Account with King & Shaxson as referred to in paragraph 6.2(a); and
 - c) the adding to our Counterparty List of explicitly

guaranteed subsidiary banks of parent banks who meet our minimum credit rating criteria as per paragraph 6.2(b) of the report;

(2) as per paragraph 6.2(c), the Council continues to invest in unrated Building Societies but that a floor of £500m in asset value is applied. Building Societies with asset values of less than £500m will not be utilised.

a) the Minimum Revenue Provision Policy Statement contained in paragraphs 4.1 to 4.4 of Appendix C; and

b) the Prudential Indicators as outlined in paragraphs 5.4 & 5.5 of Appendix A.

(The Portfolio Holder for this item was Councillor Mobbs)

125. **HOUSING REVENUE ACCOUNT BUDGET 2012/13 AND HOUSING RENTS**

The Executive considered a report from Finance and Housing and Property Services which updated members on the latest projections for the Housing Revenue Account revenue budgets in respect of 2011/12 and 2012/13.

The report supported the recommendations to Council in respect of setting the 2012/13 budgets and the proposed increase to council tenant rents, garage rents and supporting people charges for 2012/13. It was proposed that the council tenant rents be increased by an average of 8.39%, garage rents by 5.6% and that the Supporting People Charges would remain the same as in 2011/12.

The proposed dwelling rent increase follows Government guidance which requires councils to increase their rents in accordance with a prescribed formula so as to meet the requirements of rent restructuring and rent convergence. Garage rent increases are not governed by the guidance for rent restructuring. However, part of the formula used by the Government to calculate dwelling rent increases uses the Retail Price Index, (RPI), for September 2011. It is this rate of inflation, 5.6%, which has been used to increase garage rents for 2012/13.

An alternative option was for members to refuse or amend the increase to dwelling rents against the Government's rent restructuring model. However, officers did not feel it was advisable especially with the proposed introduction of Self Financing of the HRA from 1 April 2012.

An alternative option with regard to the garage rents would be to apply a different percentage change, with each option realising a different amount of income to the HRA. Each 1% change in garage rents resulted in an increase or decrease of potential income of around £4,580, per annum.

The Finance & Audit Scrutiny Committee supported the recommendations in the report, recognising that the increase was based on a formula set by central government. Nevertheless, members noted one strong objection to increasing housing dwelling rents by 8.39%.

The Overview and Scrutiny Committee was concerned at the substantial increase this year and made a formal recommendation requesting details on other scenarios to mitigate the impact of the rent increases, such as smoothing the impact over a few years, and background information, especially in light of the fact that inflation was predicted to fall, should be provided. Councillor Vincett, who was present at the meeting, agreed to provide the data for transparency purposes.

The Portfolio Holder for Housing and Property Services, Councillor Vincett, addressed members and agreed that the increase was substantial and understood the request for mitigation or concessions. He confirmed that the decision had taken future inflation forecasts into account and reminded officers that there had been no Council Tax increase this year.

Councillor Vincett felt that this was the best decision to take because any concessions made this year or next would result in residents having to 'take a hit' for two to three years and this solution would result in meeting government targets within less time. He therefore requested that the Executive refuse the recommendation from the Overview and Scrutiny Committee.

The Portfolio Holder for Finance, Councillor Mobbs, addressed members and reminded them that the charges had been put together with the tenants' representative and would ensure financial viability. It would also increase capacity to build more homes in the future.

Councillor Boad felt strongly that the increase was too large and would push some families into poverty. He requested that officers look at smoothing the increase over a longer period and was unhappy to see the reference to average rents in the private sector in the report. He did not feel that this had any relevance on council tenant rents.

In response, Councillor Mobbs stated that he appreciated Councillor Boad's comments and reminded that there was a wide range of housing options available to residents including Housing Association and private renting.

Councillor Doody supported the report and reminded members that the Council's rents were very compatible with other authorities, even with the proposed percentage increase.

Having read the report, the Executive decided to agree the recommendations as set out.

RECOMMENDED that

- (1) housing dwelling rents for 2012/13 be increased by an average of 8.39%;
- (2) garage rents for 2012/13 be increased by 5.6%;
- (3) Supporting People charges for Housing tenants remain the same as those charged in 2011/12 – no increase;
- (4) the 2012/13 Housing Revenue Account (HRA) budget, as set out in appendix 5 to the report, be agreed. It was noted that these figures are subject to change since the Final Determination figures are not expected until the end of January;
- (5) changes to the 2011/12 revised estimates considered in January, as set out in appendix 5 to the report, be agreed.

(The Portfolio Holders for this item were Councillors Mobbs and Vincett)