

		<b>Insert name and date of meeting in this box.</b> Executive & Council, 4 <sup>th</sup> February and 23 <sup>rd</sup> February 2009 respectively	<b>Agenda Item No.</b>
<b>Title</b>		<b>BUDGET 2009/10 AND COUNCIL TAX – REVENUE AND CAPITAL</b>	
<b>For further information about this report please contact</b>		Mary Hawkins (Tel: 01926 456400) Mike Snow (Tel: 01926 456800)	
<b>Service Area</b>		Corporate	
<b>Wards of the District directly affected</b>		All	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>		No	
<b>Date and meeting when issue was last considered and relevant minute number</b>			
<b>Background Papers</b>		Report to Executive 3rd December, 2008: Approval of General Fund Base Estimates Revised 2008/09 and Original 2009/10 Report to Executive 15th October, 2008: Proposed Fees and Charges for 2009/10	
<b>Contrary to the policy framework:</b>		No – this reports sets a part of the policy framework	
<b>Contrary to the budgetary framework:</b>		No – this reports sets the budgetary framework	
<b>Key Decision?</b>		Yes	
<b>Included within the Forward Plan? (If yes include reference number)</b>		Yes	
<b>Officer/Councillor Approval</b>			
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).			
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>	
Relevant Director		Mary Hawkins	
Chief Executive		Chris Elliott	
CMT			
Section 151 Officer		Mary Hawkins	
Legal		Peter Oliver	
Finance		Mike Snow	
Portfolio Holder(s)		Cllr Doody , and all other Portfolio holders	
<b>Consultation Undertaken</b>			
Please insert details of any consultation undertaken with regard to this report. Citizens Panel – as set out in Para 14.1 of report Chamber of Trades & key partners – as set out in Para 14.2			
<b>Final Decision?</b>		Yes	
<b>Suggested next steps (if not final decision please set out below)</b>			

## SUMMARY

This report reviews the overall financial position of the Council for 2009/10 onwards, including the General Fund Revenue budget and the Capital budget. The recommendations relate to the setting of the level of council tax for 2009/10 and agreeing the revenue and capital budgets.

### 1. RECOMMENDATIONS (TO COUNCIL) –

- 1.1 The 2008/09 Revised General Fund Revenue Estimated net expenditure of £17,523,700 as summarized in Appendix 1, after taking into account the allocations in paragraph 6.10. The treatment of any balance upon closure of the accounts to be considered by the Executive in June 2009.
- 1.2 The changes to the 2009/10 General Fund revenue base budget in paragraph 7.2, together with the Portfolio holder proposals for savings in paragraph 8.1 be agreed with net expenditure of £17,956,521, as summarised in Appendix 1 (and the formal resolution to this effect be contained in the further budget report that will be prepared for the 23<sup>rd</sup> February Council meeting. This report is to include the parish, county and police precepts.).
- 1.3 The Council Tax for Warwick District Council for 2009/10 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police Authority precepts be agreed at £144.38. This increase is made up of 2.3% related to the increased costs of assisted travel and 2.3% to other increased costs, giving a total increase of 4.6% (£6.35) on 2008/09.
- 1.4 The Council Tax charges for Warwick District Council for 2009/10 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police Authority precepts, for each band be as follows:-

A	£96.25
B	£112.30
C	£128.34
D	£144.38
E	£176.46
F	£208.55
G	£240.63
H	£288.76

- 1.5 The General Fund Capital Programme and the Housing Investment Programme as set out in Appendix 9 and Paragraph 12 are agreed together with their financing as shown in paragraph 12.4 and 12.5, and should the Executive receive viable self – funded business cases, amendments be made to the budget .
- 1.6 A report is brought to members in March 2008 detailing the statutory and non-statutory elements of the Housing Investment Programme, and how the Programme can be reduced to be within the resources available. (paragraph 12.3.4)

- 1.7 If there is any mismatch between these subsidiary strategies and action plans officers bring forward proposals for managing within the agreed budgets. (Para 5.1)
- 1.8 The release of monies from the Equipment Renewal Reserve continue to be supported by a report to the CMT, and made subject to CMT agreeing the need for the allocation in consultation with the relevant service Portfolio holder and the Corporate and Strategic Leadership Portfolio holder (Para 7.2 (f)).
- 1.9 The Benefits Administration budget for 2009/10 is increased for any additional subsidy received, for which notification is currently awaited (Para 7.6).
- 1.10 £147,100 be allocated to the contingency budget in 2009/10 in addition to the £200,000 in the contingency maintained solely in respect of concessionary fares until all costs are certain. (Paras 7.2 (d) and 11.3)
- 1.11 The concurrent services scheme, which reimburses parishes for services provided in the towns by the District, should be reviewed during 2009/10 ahead of any changes to the 2009/10 allocations. (Para 8.1.7 (a))
- 1.12 The implications for future year's taxes as set out in Paragraph 9 and Appendix 3 are noted
- 1.13 Audit and Resources be asked to pay particular Scrutiny attention to the reserves and balances set out in Appendix 6 (Para 10)
- 1.14 The Prudential indicators as set out in Appendix 7 and highlighted in Paragraph 13.1 are agreed and recommended to Council for approval.
- 1.15 The revised financial strategy as set out in Appendix 11 is agreed, and further updated in the light of a review of all resource strategies (Para 15)
- 1.16 The Executive consider future requests to utilise the £1,033,000 of the General Fund Balance held for "Spend to Save Schemes" (Para 10.1.2) .
- 1.17 That the level of discounts for council tax applying to "second homes" be set at 10% for prescribed class A & B dwellings from 1 April 2009 and that the level of discount for council tax applying to long term empty properties be set at zero for prescribed class C dwellings from 1 April 2009, and that this decision is duly publicised. (Para 8.1.3.b)
- 1.18 The amended Fees and Charges for 2009/10 in Appendix 5 in light of the VAT rate change to 15% be agreed.
- 1.19 A further review of the Concurrent Services Scheme is undertaken and duly reported to the Executive for consideration (paragraph 8.1.7.a)
- 1.20 The responsibility for the Capital Budget for Dog Bins be transferred from Environmental Health to Neighbourhood Services.

- 1.21 in order to implement new search fees from 1 April 2009 it is recommended that the Council delegates authority to the Chief Executive and Chief Finance Officer to implement any fee changes agreed at the March Executive meeting (Para 7.3.3).

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The Council is required to set a budget and council tax each year taking into account the many factors that are considered in paragraphs 5 and onwards of this report. In particular:-
- The revenue and capital budget are being considered together.
  - The Council is required to determine an affordable borrowing limit in accordance with The Local Government Act 2004, Section 3, and to agree prudential indicators 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).
- 2.2 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.

## **3. ALTERNATIVE OPTIONS CONSIDERED**

No specific alternative to the recommendation is made, however the information given would enable members to propose variations to the proposals. The key recommendations on the revenue budget are in paras 7.2 and 8.1, and for the capital budget are in para 12.

Members do have a duty to consider all possible options. The proposals in the report reflect the Portfolio holder priorities as put to the last Executive and consulted on with the Scrutiny Committees and others.

## **4. POLICY AND BUDGET FRAMEWORK**

- 4.1 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 the Corporate Strategy also being presented to this Committee as demonstrated in paragraphs 8.1.7 and 12.2.2.

## **5. BACKGROUND, REPORT STRUCTURE AND PROCESS OF BUDGET SETTING**

- 5.1 The budget is a major milestone in the life of the Council. It is a financial expression of the Council's policies and priorities reflecting the Corporate Strategy, and having regard to resource availability and taxation consequences of ambitions for the area. The Service Area Plans have been reviewed in the light of achievement of the Corporate Strategy to date and externally imposed changes, primarily from Government initiatives. The Council has many subsidiary plans and strategies and as this budget reflects the Corporate Strategy 2008– 2011 it is

proposed that if there is any mismatch between these subsidiary strategies and action plans officers bring forward proposals for managing within the agreed budgets.

- 5.2 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 structure of the report is as follows:-

Paragraph 5: Background and Process of Budget Setting

5.2 Report Structure

5.3 The Total Tax Calculation

- Calculating the district element
- Parishes
- Major Precepting Authorities
- Formal setting of the Tax

Paragraph 6: Review of 2008/09 Revenue Budget and implications for 2009/10

Paragraph 7: The 2008/09 Base Revenue Budget

7.1 Base Budget

7.2 Further Changes

7.3 Fees and Charges

7.4 Collection Fund

7.5 Government Finance Grant Settlement

7.6 Benefits Administration Subsidy

7.7 Key Assumptions

Paragraph 8: Proposals for the 2009/10 Revenue Budget

8.1 Portfolio holder proposals

8.2 Council Tax Capping

8.3 Making the Council Tax Decision And Legal Implications

Paragraph 9: Implications for the medium term and efficiency

Paragraph 10: Reserves and Balances

Paragraph 11: Risk and Budget Management

11.1 Sensitivity

11.2 Risk

11.3 Contingency

11.4 Budget Management

Paragraph 12: Review of, and proposals for the Capital Programme – Housing and General Fund

12.1 Update to current capital programme

12.2 Proposed additions to the current capital programme

12.3 Housing Investment Programme

12.4 Funding the capital programme

12.5 Funding the Housing Investment Programme

Paragraph 13: Affordable borrowing limit and prudential indicators

Paragraph 14: Consultation

Paragraph 15: Financial Strategy

Appendix 1: Proposed summary budget

Appendix 2: Statement by Chief Financial Officer

Appendix 3: Summary of budget proposals on 2009/10 – 2014/15

Appendix 4: Equipment Renewal Schedule

Appendix 5: Fees and charges revisions 2009/10

Appendix 6: Summary of Reserves and Balances  
 Appendix 7: Prudential indicators  
 Appendix 8: Risk Assessment against General Fund balances  
 Appendix 9: Proposed Capital Programme  
 Appendix 10: Changes within Capital Programme  
  
 Appendix 11: Updated Financial Strategy  
 Appendix 12: Citizens Panel Consultation Results

### 5.3 The Total Tax Calculation

- Calculating the district element

The Council's element of the Council Tax is calculated by taking its total budget requirement, subtracting the grants from Central government in respect Revenue Support Grant (RSG) and Redistributed Non Domestic Rates and any collection fund balance. This figure is divided by the 2009/10 tax base to derive the District Council Band D Council Tax. The Tax Base for 2009/10 has been calculated at 52,293.83. These figures are shown in Appendix 1. The District element represents 9.8% of the total Council Tax in 2008/09.

The recommendations within this report produce a Band D Council Tax for Warwick District (excluding parish/town council precepts) for 2009/10 of £144.38, this being an increase of £6.35 over the current council tax of £138.03. This increase is made up of 2.3% related to the increased costs of assisted travel and 2.3% to other increased costs, giving a total increase of 4.6% (£6.35) on 2008/09. The Council Tax levels for each of the respective bands will be:-

A	£96.25
B	£112.30
C	£128.34
D	£144.38
E	£176.46
F	£208.55
G	£240.63
H	£288.76

- Parishes  
 Parish and town councils throughout the district have been asked to submit their precepts for 2009/10. At the time of writing, not all precepts have been confirmed. It is estimated that the precepts will total around £1,030,000. An updated position will be given to the meeting.
- Major Precepting Authorities  
 As at the time of writing neither the County Council nor the Police Authority have set their 2009/10 budgets and element of the Council Tax. The meeting of the County Council is scheduled for the 2<sup>nd</sup> February 2009 and the Police Authority are due to meet on the morning of 23<sup>rd</sup> February 2009.
- Formal Setting of the Tax

This is the arithmetical process of aggregating the council tax levels calculated by the County Council and the Police Authority for their purposes with those required by this Council. A report to the Council Meeting on the 23<sup>rd</sup> February, 2009 will provide the required details. This report will be available on the evening of the meeting and will be sent by e-mail beforehand once the figures from the Police Authority have been incorporated. 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.

## **6. REVIEW OF 2008/09 REVENUE BUDGET AND IMPLICATIONS FOR 2009/10**

6.1 The budget has been reviewed on a regular basis throughout 2008/09.

6.2 The Revised 2008/09 Estimates considered in December 2008 showed net expenditure of £17.36m, presenting a surplus of £164,000 for the year over the original estimates. A significant item is £288,000 from increased investment interest received. The remainder is a mixture of items, the most notable being additional recycling income (-£165,000), reduced gas and electricity costs (-£86,000) offset by reduced income: Car Parks (+£226,000); Planning fees (+£196,000) and Local Land Charges (+£131,000).

6.3 The following adjustments are now proposed to the 2008/09 Revised Estimates:-

- Additional Fees in respect of Spencer's Yard (+£145,000)
- Reduced Corporate Property Rent Income (+£18,000)
- Delays in Building on Excellence staff changes (+£14,700)
- Provision for Committee Teas tax liability successfully challenged (-£65,800)
- Procurement savings (-£15,100)
- Capital schemes funded from the Contingency budget (-£37,300)
- Additional investment interest (-£17,100)

6.4 Local Authority Business Growth Incentive Scheme (LABGI) – 2007/08 was the third and final year of the original LABGI scheme. In March 2008 the Government announced that the Council was to receive a further £1.168m as part of the original LABGI scheme, which was duly paid. In calculating these payments, the Government withheld £100m in total as a contingency should it be necessary to amend the amounts granted. It is hoped that the Council will be able to receive some benefit from this £100m in due course. In closing the 2007/08 accounts the additional LABGI money enabled the General Fund Balance to be substantially increased, with consideration of the use of this balance to be as part of the 2009/10 budget setting. This is addressed later in this report.

For 2008/09 there was no LABGI scheme. However, the scheme is being reviewed with it intended to distribute £50m in 2009/10 and £100m in 2010/11. This is a significant reduction over the original scheme whereby £1bn was distributed over

the three year period. There are no final details yet over how the 2009/10 scheme will operate.

- 6.5 In November 2008, the Government announced its intention that future Council Tax Bills and the accompanying leaflet should include information on the Council's Efficiency Agenda. The 2009/10 bill and leaflet are to include details of the Council's forecast efficiencies for 2009/10 also to be shown as a percentage of 2007/08 Baseline expenditure. The Bill will also show the aggregate impact on the average Band D property. The leaflet will show the impact of the forecast on a Band D authority comparing it to the average impact for same types of authority.

This will not be achieved without additional costs. The Government have indicated they will be making monies available towards this. At the time of this report we have yet to be advised of the funding we will receive or how much the incorporation of this data will cost. It is hoped that funding will be sufficient.

- 6.6 An additional £50,000 was allocated in the 2008/09 budget towards the community taxi scheme. A report is due to be prepared detailing how this funding may be used.
- 6.7 Also within the 2008/09 budget, £50,000 was allowed for supporting community safety work. This funding has not been fully required this year due to an allocation from the Local Area Agreement, and is likely to be underspent. However, the future of such funding from the LAA is uncertain so it is recommended that the £50,000 should be allowed in future year budgets.
- 6.8 In November the Government announced £22,500 of area based grant for each of the three years 2008/09 to 2009/10. Whilst this money is not ring fenced the reason for the additional sum is in relation to climate change. Consequently it is proposed to allocate this for climate change subject to members agreeing a report on proposals for the expenditure.
- 6.9 The responsibility for dog bins has now been changed to bring all capital and revenue budgetary responsibility under Neighbourhood Services. Previously capital was controlled by Environmental Health. The revenue costs fall part of the main contracts operated by Neighbourhood Services. It is recommended that the Executive approve the transfer of the Capital Budget Responsibility.
- 6.10 Taking into account these changes, the adjusted Revised Estimates for 2008/09 present a net surplus of £114,000. However members will be aware that the dispute on land charges is currently at arbitration. It is proposed that allocation of the actual additional surplus is considered when the 2008/09 accounts are closed and discussed by the Executive in June.



## **7. THE 2009/10 BASE REVENUE BUDGET**

### **7.1 Base Budget**

The base budget was reported to the 3<sup>rd</sup> December Executive. Paragraphs 6.2 and 6.3 set out the main changes in the base budget that arise from scrutiny of the 2008/09 original estimates. In addition to these sums the Council had committed itself to additional expenditure/savings in 2009/10 as part of the 2008/09 and earlier years budget setting on the following on an ongoing basis:-

£'000

Pension Fund Costs	71k
Savings from Building on Excellence	-131k
Waste Management – new properties	23k
Reduced Benefits Administration Grant	20k
Magistrate Fee income	-90k
St. Mary's Land Rent Income	-90k

### **7.2 Further changes**

- (a) New duties – there were no additional sums allocated through the settlement in respect of new duties. As the Government has recently reaffirmed the new duties principle whereby it funds (on a national basis ) the estimated cost of new duties specific to local government no adjustments have been made to the budget for new duties.
- (b) Salaries – the Base Estimates for 2009/10 allowed for a 3% pay award from 1 April 2008. The 2008/09 pay award is not settled, for which the Council made provision of 2.6%, and this has now gone to arbitration with the employers offering 2.45%. Whilst the Chancellor announced an intention to limit public sector pay to 2% this hasn't happened and the police agreed a three year pay deal in the Autumn with increases of 2.65, 2.6 and 2.55 % for each of the next three years, while the NHS agreed a three year settlement of 2.75% in April 2008 followed by further years increases of 2.4% and 2.25%. Given the uncertainty of the current years pay award the Head of Organisational Development advises that 2.75% is a prudent allowance for 2009/10. This lower figure has now been included in the Estimates, reducing the General Fund salary cost by £34,000.
- (c) Inflation on major contracts – both of our main contracts (waste and grounds maintenance) are increased from April at the rate of the January RPI. At the time of preparing the base estimates this was running at 5%. However RPI has fallen rapidly and in November was 3% and December 0.9%. At this stage we now are planning on an RPI of 4% in January which will reduce the need for £58,000 of inflation increase allowed across both contracts. It is very possible that the final RPI figure will be even lower. A further update will be given in February as the January RPI is due to be announced on 17 February. If this is the case it would be prudent to take the 2009/10 saving as an additional contingency and reduce the savings target for 2010/11.

- (d) Contingency - it is recommended that the Council continues to include a contingency sum within its budget. Given the scale of the savings necessary to balance the budget a contingency of £147,100 is possible. Given the current economic climate it is recommended that all efforts are made to fund any urgent in-year initiatives only using the contingency as a last resort.
- (e) General Fund Balance – This was increased to the current level of £3.5 million last year. A contribution of £467,000 was allowed for in the 2008/09 Original Estimates in order to aid the smoothing of the major contract costs. There is further one-off support of £226,000 planned in 2009/10 and £307,000 in 2010/11 (see paragraph 10.1.2).
- (f) Equipment Renewal Reserve – Last year the Council agreed to set up a reserve to allow for the replacement of items of equipment and periodic surveys. In the current economic situation and external grant regime the previous ad-hoc basis of funding could leave the Council without sufficient funds for vital replacements. A schedule is attached at Appendix 4 of the replacements and renewals expected over the next few years for items that are in excess of £5,000. Those shown in italics are additional items to the schedule presented last year. The schedule shows how we propose to fund the replacements and gives notice to service managers where appropriate of the need to actively pursue external funding.

At this point in time, it is not possible to determine exactly when an asset will wear out or how much its replacement is likely to cost. With this in mind, the possible draws on this reserve have not been reflected in Appendix 6b, which shows the projected reserve balances for future years. It does however, identify the need to identify some further capital resources from 2012-13 onwards. The total estimated for the next three years for WDC to fund is about £850,000. As pointed out above, there is never total certainty over when a replacement or renewal is required and there needs to be careful scrutiny of the need to spend. Last year, it was resolved that the release of any monies be supported by a report to the CMT, and made subject to CMT agreeing the need for the allocation in consultation with the relevant service Portfolio holder and the Corporate and Strategic Leadership Portfolio holder. It is recommended that this approval process remains in place for the forthcoming years.

- (g) Planned contribution from Planning Reserve - The reserve stood at just over £240,000 at 1<sup>st</sup> April 2008. The Head of Planning has indicated that he will require the following sums over the next two years for the further development of the Council's Core Strategy which is the document that is replacing the Local Plan.

	09/10 £'000	10/11 £'000
Planning assessments (e.g. flooding, retail, Sustainability)	15	15
Legal advice	30	-
Public examination	<u>95</u>	<u>-</u>
TOTAL	140	15

It is proposed that the work in 2009/10 be met from the Planning Reserve, which will still leave a small amount for any unforeseen challenge to a planning decision.

In addition, the Planning Reserve will need to meet the costs of a recent planning appeal for which it is estimated that the Council will need to pay out £25,000. In addition a recent challenge to the Local Plan will incur the Council in settlement costs of £29,000, again this being suggested to be funded out of the Planning Reserve.

### **7.3 Fees and Charges**

- 7.3.1 In accordance with the Council's Financial Strategy, the Executive in July 2008 agreed that in setting fees and charges the higher of the following should be used – 4% or an increase of up to 10% where our charges are below appropriate comparators. The Car Parks Strategy aimed to increase income by 10% per annum over a five year period. General Fees and Charges were increased to produce an overall 5.7% increase in income. However, due to the economic climate there are large shortfalls in income predicted for Planning (£208,000) and Car Parks (£207,000).
- 7.3.2 The Government has reduced the rate of V.A.T. from 17.5% to 15% from 1 December 2008 for thirteen months. Most charges agreed for 2009/10 to which VAT is applicable are proposed to be changed now to reflect the new VAT rate. It is proposed that where the charge is quoted inclusive of VAT that the new charges will apply throughout 2009/10, even when VAT reverts back to 17.5% from 1 January 2010. Appendix 5 highlights those 2009/10 fees and charges which are proposed to change from those agreed in October 2008. In order to avoid having to make new Car Parking Orders due to future V.A.T., rate changes car park season tickets are now shown exclusive of V.A.T.
- 7.3.3 It had been hoped to report on proposals for new legal search fees. However further guidance is still awaited, and it is anticipated that a report can be agreed at the March Executive. However in order to implement the fees from 1 April 2009 it is recommended that the Council delegates authority to the Chief Executive and Chief Finance Officer to implement any fee changes agreed at the March Executive meeting.

### **7.4 Collection Fund**

In accordance with the relevant regulations, the collection fund balance has been projected. This shows a Council Tax balance as at 31<sup>st</sup> March, 2009 of zero. Unlike previous years, there will not be a deficit balance to share with Warwickshire County Council, and Warwickshire Police Authority, and no impact on the Council Tax for 2009-10. In estimating the balance, a prudent approach has again been taken.

## 7.5 Government Finance Grant Settlement

Last year the Government announced a three year grant settlement, so 2009/10 is the second year of this three year settlement. The Government is still required to formally consult on this settlement, and the consultation announcement includes the expected sum of £10.406m, as this Council's grant for 2009/10 an increase of £51,000, or 0.5% over the previous year.

The 0.5% increase reflects the Council receiving the minimum level of increase for district councils, referred to as the "floor". In recent years the Council has had its grant scaled back as it has had to contribute towards ensuring other authorities received the minimum "floor" increase. Without the "floor guarantee increase", Warwick District Council would be receiving £10.226m, that is, £180,000 less. 39% of district councils are similarly receiving only the minimal floor increase.

District councils continue to have the lowest floor increases as shown below:-

	2008/09	2009/10	2010/11
Social Services Authorities	2.0%	1.8%	1.5%
Police Authorities	2.5%	2.5%	2.5%
Fire & Rescue Authorities	1.0%	0.5%	0.5%
Shire District Authorities	1.0%	0.5%	0.5%

The Government is expecting that authorities will make 3% year on year cashable efficiency savings so as to make up any shortage in funding.

The final settlement is expected at the end of January and will be reported directly to the meeting. It is not expected that there will any be significant change. Should there be a small change in the 2009/10 grant when the final announcement is made, it is recommended that this is accommodated within the proposed 2009/10 Contingency Budget.

## 7.6 Benefits Administration Subsidy

As a result of the current economic climate, increases in benefits caseload and workload are anticipated. The Department for Work and Pensions are expected to agree to an additional £45m Benefits Administration Subsidy for 2009/10. Details of the amounts payable to each authority are still awaited. The expenditure is to be classed as "ring fenced" funding and so will only be available to deal with benefits administration. It is recommended that when details of this funding are available it should be used to increase the Benefits Administration Budget.

## 7.7 Key Assumptions

There are a number of key assumptions made in setting the budget that members are endorsing in agreeing to the budget. The main ones are

- (a) Salary vacancies – The practice introduced in 2002/03 of holding a vacancy factor is continued. 1.5% has been taken as an assumed reduction in cost, and the remaining 1% forms a budget of £123,400 in the Personnel service for a central reserve to cover the costs of maternity, long-term sickness and

recruitment costs. This enables these costs to be spread across all units so they are smoothed over time and manageable.

(b) Key activity assumptions – large budgets and volatile budgets are those which members should pay most attention to. The key figures for 2008/09, which have formed the basis of the Estimates, are as follows:

- Number of council land charge searches – 2,700 based on current demand (compared to 2,600 original budget assumption last year).
- Number of planning applications – 1,700 estimated (1,900 originally estimated in 2008/09).
- Number of building control applications – 1,500 estimated (1,900 initially estimated in 2008/09).
- Car Parking - The target for off street car parking for 2009-10 income from all ticket sales, season tickets and excess charge notices from all WDC car parks excluding Royal Priors is £2,577,000.
- Number of golf course rounds – 29,000 based on current demand (21,800 estimated in 2008/09). The 2009/10 figure now includes “turn up and play” golfers (i.e. season ticket holders) and not just daily play golfers.
- Number of swimming and gym admissions to leisure centres – 358,000 (358,000 estimated in 2008/09).

(c) An increase in the budget has been made for additional road cleaning and waste collection from new households

(d) Inflation assumptions – The inflation indices used were reported in Base Estimates report in December. The key figures for the increases between 2008/09 and 2009/10 are:-

	Percentage
Salaries	2.75
Refuse / Recycling contract	4.0
Grounds maintenance contract	4.0
Cleansing services	4.0
Council Tax benefits	5.0
Repair & Maintenance	4.2
General inflation	3.0

In relation to these figures economic forecasters are currently predicting that inflation as measured by the Consumer Prices Index which has replaced the Retail Prices Index will average 0.125% in 2009. RPI itself is expected to be broadly similar.

(e) Our Treasury Consultants currently forecast the Bank Rate on which short term investment rates are based to be 0.50% at the start of 2009/10 and it is expected to remain at this level throughout 2009/10 although there is a risk that Bank Rate could go lower, perhaps even to 0%, if the current recession proves longer and deeper than currently expected. Our treasury consultants expect the current situation where Money Market rates are higher than Bank Rate due to the effects of the “credit crunch” to continue into 2009/10 so the target return for the Council’s cash flow derived in-house managed investments in 2009/10 is 1.50% which is the expected average Bank Rate for the year adjusted for a 1%

“credit crunch” margin. When the expected returns from the Council’s core investments are added in, the overall in house investment rate for 2009/10 is expected to be 2.39%. In addition the expected rate of return from the £5m investments managed by Invesco is 2.25%. These two factors when combined produce an overall expected return on investments of 2.36%.

(f) The Council is reliant on income collection. Recovery targets have been set for the main sources of income as detailed below. These are deemed to be stretching, yet should also be achievable. These will be monitored throughout the year as part of the budget monitoring.

- Council Tax - percentage received in the year - 98.4%
- Business Rates - percentage received in the year - 98.2%
- Housing Rents – percentage of rent collected – 98.0%

## **8. PROPOSALS FOR THE 2009/10 REVENUE BUDGET**

### **8.1 Portfolio holder proposals**

The proposals for the budget are focused around savings given the financial position, and are set out in the paragraphs below.

#### **8.1.1 Corporate & Strategic Leadership**

##### ***Members services***

- (a) Freeze members allowances- so that there will be no increase in allowances in 2009/10, and neither is it proposed to hold a further review of members allowances during the year. The freeze will save £8,300.
- (b) Reduce costs of printing council papers – the changes to the printing of the Council agendas should save about £8,000
- (c) Reduce the costs of producing the District Focus magazine – officers will be set a target of meeting the cost of the publication through advertising, this will save £21,800 in a year. Should this not be possible the size and frequency and use of colour will need to be considered.

##### ***Organisational Development & Performance Improvement***

- (d) A review of the Policy section budgets has identified £10,300 of savings from a number of headings. The budgets are of £1,300 for the ESD toolkit subscription (no longer needed for Government returns) ; £4,000 for the Performance Plan that we are no longer required to publish separately so can incorporate into other publications ; and £5,000 for external assessments to reflect the less intensive regime promised under Comprehensive Area Assessment.
- (e) Two redundancies are being put forward in this area. The savings relate to efficiencies realised by the implementation of the new Personnel system,

Snowdrop; and a management reorganisation. It is estimated that there will be savings of £71,400 in 2009/10 with further savings in later years. These two posts would cost the Council £98,000 in redundancy payments and £130,000 in early retirement costs, but the payback period for these costs in terms of ongoing savings is less than three years. Details of these proposed redundancies are included within a report to the Employment Committee and a confidential report to this meeting.

### **8.1.2 Culture**

#### ***Cultural Services***

- (a) Grounds Maintenance Contract – It is proposed to save £22,000 from the contract which is in the order of £½million by reducing ad-hoc service requests and ensuring works are included in routine schedules.
- (b) Reduction in Equipment Improvement budget – It is proposed to cut the current budget of £100,000 to £80,000 saving £20,000. This may have an impact on the ability of the services to replace and enhance equipment.
- (c) Savings at the Spa Centre - The manager has indicated that he can save £1,800 as a result of not using the services of a film booker and increase show income by £8200 in the light of recent performance.

### **8.1.3 Customer & Business Improvement**

#### ***Revenue & Customer Services***

- (a) The payment processing budget can be reduced by £10,000. However this will limit the scope for further Direct Debit Charity initiatives. We are in the top quartile for Districts with 71% Direct Debit take-up, having increased this by about 6% over the last 3-4 years. This year the Council had both a charity and a 'creature comforts' campaign, next year this would enable the latter to continue.
- (b) The Council has the discretion to allow discounts in Council Tax on second homes and long-term empty homes, which it currently does. The discount on second homes can be reduced from the 50% currently allowed to 10% minimum. The discount on long term empty properties can be reduced from 50% to zero. Reducing the discount benefits all the Councils who levy on the collection fund, so there would be a benefit to both the County Council and the Police, and in due course on the town/parish councils.

Whilst we can calculate the value of the discount we cannot know the impact of changes in behaviour if the discounts are reduced. If we reduce the estimated value of removing the discounts by 15% to take account of changes in behaviour this would give the Council £26,000 on an ongoing basis (relating to the discount for second homes reducing from 50% to 10%) and £38,000 on a one-off basis (relating to the discount on long term empty properties reducing from 50% to zero), although our understanding is that we would also benefit by this £38,000 for the final year of the three year grant settlement, after which the benefit falls to the Government.

There is a system of exemptions, for example properties that are undergoing major repair, and those that are empty following construction. In the case of major works the Council inspects the properties and would serve a notice with the estimated time for completion. In the case of new build there is a similar inspection to determine when the property is fit for habitation, and there is a 6 month exemption period following completion.

Making these changes from 1st April 2009 will have the effect of increasing the sums paid into the collection fund during 2009/10 and technically we cannot account for the additional income until 2010/11 when the surplus on the fund will be distributed. However, during 2010/11 there will be a double benefit from the share of the collection fund being distributed and the ongoing benefit that will be realised from a higher taxbase.

### ***ICT Services***

- (c) It is proposed to delete a vacant post in the Applications Support team, as the changes to IT have reduced the need for this resource. This will save £35,000.

## **8.1.4 Development**

### ***Engineering Services***

- (a) Security savings – the Head of Engineering made a report to CMT in the light of the potential increase in security costs at Riverside House and new arrangements have been put in place from 1 January 2009, bringing forward savings that had originally been included in Building on Excellence for later years. A further saving of £30,000 has been included for 2009/10 making a total of £40,000. Whilst the saving on the basic contract will exceed this sum additional security will be required on an ad-hoc basis, especially as building alterations take place to allow for additional rental income to be realised, so a further review of the budget will take place when the revised estimates are prepared.
- (b) Sharing of overhead costs on Environment Agency Contract – the Council tendered for the contract from the Environment Agency in competition that allows for the sharing of overhead costs to the value of £30,000. This has been scrutinised by both the Assistant Chief Executives who are satisfied that this saving is achievable in 2009/10 and 2010/11, but could reduce if the Agency changes their works schedules. It does not remain in the budget forecasts beyond the end of the current agreement in March 2012.
- (c) Removal of vacant post – The reorganisation of the engineering team into area based unit now allows for each area to now be responsible for street naming, previously undertaken by a current vacant post. This will save £26,800 a year.

## **8.1.5 Environment**

Negotiations are currently underway concerning the Police contribution to the CCTV service and it is currently hoped that they will provide additional resources of at least £25,000 or proposals will need to be brought forward to reduce the overall level of service, so a saving equal to this has been included in the budget.



### **8.1.6 Global**

It is proposed to amalgamate the administrative support teams of the previous three Strategic Directors to support the two Deputy Chief Executives. There is already a vacant post within the Environment Director's support team and it is proposed to delete this post, and amalgamate the teams which it is anticipated will result in a regrading as one of the current Directors assistants becomes the team leader.

### **8.1.7 Proposals for the 2009/10 budget Growth**

Both of the proposals below are in line with the Corporate Strategy Priority of supporting sustainable and vibrant rural communities.

#### **(a) Revenue**

It is proposed to review the concurrent services scheme which reimburses parishes for services provided in the towns by the District, particularly those that receive minimal payments during 2009/10. A provision of £1,900 has been made which would allow for all those parishes who provide concurrent services to receive a minimum payment of £1,000. Until this has been reviewed the local councils will receive the amounts already notified to them.

#### **(b) Capital**

It is proposed to make provision for a further year of the Rural Initiatives scheme of £100,000 for 2011/12 funding this from the General Fund Balances.

### **8.1.8 Linking the savings proposals to the Corporate Strategy targets**

The savings proposals are targeted at doing the same things that we do now more efficiently, as well as removing some 'redundant' budgets. This fits in with the key priority of effective management of resources whilst delivering responsive public services in an open and transparent manner.

## **8.2 Council Tax Capping**

- 8.2.1 Councillors need to be advised that Ministers have made clear their intention to consider Councils which increase their taxes for capping. John Healey the Minister for Local Government wrote to all Leaders on 9<sup>th</sup> December 2008 saying "The Government expects the average council tax increase in England to be substantially below 5% in 2009/10 and we will not hesitate to use our capping powers as necessary to protect council tax payers from excessive increases, including requiring authorities to rebill if that proves necessary. This message applies to all classes of authority – including police and fire authorities". It is clear from these statements that any proposals for an increase in tax of over 5% would put the Council at risk of capping, and the government used these powers last year against other authorities.

8.2.2 If the Council were to be capped the process would be as follows –

- Once local authorities have set their budgets, the Secretary of State will consider whether the authority's budget is excessive or whether there has been an excessive increase.
- Designated authorities shall be duly notified, with the notification stating the decision, the principles, and the amount proposed to be the maximum budget.
- The Council then has 21 days to respond either accepting or challenging the designation.
- Having considered the response, the Secretary of State will then respond stating the amount of the maximum budget requirement.
- Within 21 days of being notified of the new amount, the authority has 21 days to make and approve a new budget and tax calculations.

8.2.3 The biggest risk to the Council would be in the additional costs of re-billing. This is estimated to be a cost in the order of £50,000 for additional costs of rebilling, plus all the administrative costs in relation to account adjustments and dealing with queries from the public. On top of this there will be the cost of increased borrowing/loss of interest due to missed instalments and delayed recovery action against some taxpayers.

### **8.3 Making the Council Tax Decision and Legal Implications**

8.3.1 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.

8.3.2 Should Members wish to make 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. The report sets out relevant considerations for Members to consider during their deliberations, including the statement at Appendix 2 from the Chief Financial Officer.

8.3.3 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.

8.3.4 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.

8.3.5 Members are also reminded of Section 107 of the Local Government and Finance Act 1992, which prohibits any Member who has not paid for at least two months his/her Council Tax when it becomes due, from voting on setting the budget and making of the Council Tax and related calculations.

## **9. IMPLICATIONS FOR THE MEDIUM TERM AND EFFICIENCY**

- 9.1 Appendices 3a-d set out the current planning totals for the Council's budget for the years 2010/11 to 2013/14, based on current decisions, and changed assumptions as set out in the paragraphs below. This shows the following savings need to found in order to set a Council Tax of 4.5 %

<b>Year</b>	<b>Savings</b>
2010/11	£213,000
2011/12	£757,000
2012/13	£123,000

These are indicative levels of savings based on current assumptions, and total approaching £1.1m over the three years.

- 9.2 The key assumptions and changes being made in this forward forecast apart from the gap between inflation (3%) and grant increase (0.5% ) are :-
- (a) The last actuarial review of the pensions fund has identified a deficit on the fund. In order to make good this funding gap has been necessary for the Council's contributions to increase annually by around £100,000 per annum from 2006/07 to 2010/11, and £55,000 annual increase thereafter on advice from the County Council's valuation advisers. The next full actuarial revaluation is due in 2010, details of which will feed into the 2011/12 budget. Despite the current economic turmoil, the pension fund managers do not believe it is necessary for there to be a special interim revaluation at the current time.
  - (b) In light of the current economic climate, a prudent approach has been taken in respect of car parking income. A detailed Car Parking Strategy, showing the financial impact of various scenarios will be presented to members later in the year.
  - (c) An allowance of £80,000 per year is included for above average current inflation allowance growth.
  - (d) It has been assumed that there can be one further increase in magistrates court fees in 2010/11.
  - (e) There is inclusion of an additional £23,000 every year for the costs of additional properties which fall primarily to the refuse collection and street cleansing budgets.
  - (f) The building on excellence savings have been built in and would result in savings of £75,000 in 2009/10, primarily driven by better use of accommodation to free up letting space. Further savings are assumed for 2010/11 on the scenario of Leamington Town Council assuming responsibility for the Town Hall. A separate report is due to be presented to the Executive updating the financial position and the timetable. Future monitoring reports will be presented to members as the implementation progresses.

- 9.3 In coming to the Council Tax projections of 4.6% it has been necessary to utilise the £1m of the General Fund Balance that was increased in 2007/08. £226,000 is being used to support the 2009/10 budget and a further £307,000 of support is planned for 2010/11. Further details are given in paragraph 10.1.2.
- 9.4 In October 2007, the Department published “delivering value for Money in Local Government: Meeting the challenge of CSR07” (Comprehensive Spending Review 2007). This detailed its efficiency targets for Local Authorities for the next 3 year period (2008-09 to 2010-11). Efficiencies are about providing the same level of service at a lower cost (cashable), or enhancing the level of service at no additional cost (non-cashable). Reductions in service or increased costs to service users are not acceptable as efficiencies. The target is 3% cashable efficiencies calculated as 3% of the 2007-08 baseline and is multiplicative. Non Cashable Efficiencies are no longer eligible for inclusion. Although this target will not be mandatory, Councils are required to report bi-annually on the total net value of ongoing cash releasing gains made since the start of 2008-09. (Over the period 2005/06 to 2007/08 (CSR04) this Council was set a target of £1.2 million of efficiencies, actually achieving a total of £2,million, of which £1.4m being cashable). As the Council exceeded its target during the previous 3 year period, it is possible to carry forward and include £224,000 of this in the CSR07 figures, should they remain ongoing
- 9.5 Whilst the target for this period is not mandatory, we have calculated our 3% targets as follows:-

<b>Baseline total</b>		<b>£27,249,213</b>
Target 2008-09	3.0%	£817,000
Target 2009-10	6.1%	£1,662,000
Target 2010-11	9.3%	£2,534,000

- 9.6 Future efficiencies are expected to accrue from initiatives on:-
- Shared services
  - Procurement projects
  - Reviewing operations to reduce costs in line with best practice examples
  - Increasing paying customers where there is spare capacity
  - Continuing to ensure income opportunities from selling recyclables is maximised
  - Making best use of the potential bonus payments from the waste contractor
  - Carefully controlling costs in excess of basic inflation assumptions to reduce the need for the annual sum of £80,000 as in 9.2 (c).

A Budget and Improvement Programme Board comprising of officers, led by the Chief Executive has been set up to manage a programme of future savings and efficiency initiatives, whilst not losing sight of the need to improve any poor performing areas. Details of the proposed projects is due to be reported to the Executive in March.

- 9.7 When determining future years capital programmes the Council will need to be mindful of the implications for staff who design schemes. It is assumed that there are no additional costs arising to revenue in later years where the capital programme is still to be determined.

## **10. RESERVES AND BALANCES**

The reasons for the reserves and their use was last reported to the Executive in the budget report last year. This is now included in Appendix 6. Audit and Resources are especially asked to scrutinise this element and pass comment to the Executive. Those reserves which show a significant change in the overall balance in the period 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2013 are:-

### **10.1 General Fund Reserves**

#### **10.1.1 General fund Earmarked Reserves**

Other Commuted Sums - reduction of £277,000 due to annual funding of mainly Open Spaces maintenance costs.

Corporate Property Programme Reserve – reduction of £86,000 due to funding required for the capital programme.

Capital Investment Reserve – decrease in balance of £631,000 mainly due to the use of the reserve in financing additional General Fund capital expenditure.

Gym Equipment Reserve – increase in balance of £162,000 due to annual contributions of £30,000 from the General Fund. The replacement of the Gym equipment is not scheduled within the existing General Fund Capital programme.

Best Value Reserve – The balance of £61,000 will be extinguished during 2008/09.

Planning Appeal Reserve – reduction of £182,000 due to funding Crackley Triangle and Spinney Farm costs in 2008/09 and Core Strategy work in 2009/10.

Early Retirements Reserve – reduction of £713,000 due to funding redundancy/early retirement costs arising from Building on Excellence etc. This is netted down by a £300,000 contribution to the reserve in 2008/09 to top it up. After the redundancies arising from the building on excellence reorganisation are completed, and those detailed elsewhere in this report, there will be approximately £100,000 remaining in this reserve.

Equipment Renewal Reserve – As explained in paragraph 7.2 (f) above, it is not possible to accurately reflect the movements on this reserve. At the time of writing this report only £18,000 has been drawn from this reserve. The equipment replacement programme shown in Appendix 4 has not been incorporated into the future years' projections for this reserve (appendix 6b).

#### **10.1.2 General Fund Balance**

This balance stood at £3.517m as at 31 March 2008, having been increased by £2.417m from its normal level of £1.1m during 2007/08. Of the increase, £1m is being used to help smooth the level of council tax increase in future years, with £467,000 being used in 2008/09, £226,000 in 2009/10 and £307,000 in 2010/11 as agreed in the budget projections in February 2008.

The remainder of the increase in the General Fund Balance of £1.417m is being recommended to be used as follows:-

- £30,500 for Legal staffing (as agreed by December 2008 Executive)
- £53,000 for work relating to the future of Newbold Comyn Golf Course (December 2008 Executive)
- £100,000 for extension of Rural Initiatives scheme to 2011/12 (see paragraph 8.3.2)
- £200,000 as a contribution to the Early Retirement Reserve so as to maintain a balance of around £100,000 as at 31 March 2010. This is in addition to the £100,000 agreed in the original 2008/09 budget.
- £1,033,000 to be held in the General Fund Balance and be used to finance "Spend to Save" schemes so as to help the Council secure the savings needed in its medium term financial strategy. It is recommended that as initiatives are identified, they are brought to the Executive for consideration and approval.

## **10.2 Housing Revenue Account Reserves**

Total Housing Revenue Account Reserves of £14.2m as at 1<sup>st</sup> April, 2008 are expected to remain at around that level throughout the period to 31<sup>st</sup> March, 2013.

The use of these reserves will be reviewed following consideration of the outcome of the study into operating outside of the Housing Subsidy System.

## **11. RISK AND BUDGET MANAGEMENT**

### **11.1 Sensitivity analysis**

11.1 The key assumptions made in setting the budget are set out in paragraph 7.7. A sensitivity analysis of these assumptions on the budget is as follows:-

- 0.5% change in pay award = £69k
- 0.25% fall in interest rates from levels assumed in budget = £77k cost to the Council for a full year.

### **11.2 Risks**

11.2 The risks in the 2009/10 budget together with notes on how they are controlled are considered to be:

#### Revenue

- Economic cycle issues that can affect some of the key assumptions in paragraph 7.7 – regular budget monitoring will be undertaken to highlight these areas.
- The cost of the current and new national concessionary bus fares scheme – the operators are able to appeal if usage is higher than anticipated. A contingency is held for this and it should be noted that an appeal for 2007/08 is still outstanding.

- The new duties under the Local Government New Conduct regime are higher than the government has allowed for – we will monitor expenditure and lobby the government should funds significantly exceed the allocation
- Further large ‘environmental’ prosecution or case of some type – there is little the Council can do in addition to the regular monitoring of premises.
- Costs from an environmental uninsured event – the Council’s insures to mitigate against the effects of this
- Partner issues – to the extent that any financial difficulties from partner organisations could affect plans the maintenance of good relations is critical in being able to take any issues on board.
- The costs of planning appeals - a reserve and regular budget monitoring.
- Loss of South Warwickshire Tourism if Stratford continue to reduce their contribution – use influence of Councillors, and keep situation under review
- Reduction in parking income – keep under review.
- Local Area Agreement may give rise to partners putting financial demands on us – we have attempted to make sure that this would only be reallocating resources, it will require the understanding of our partners to manage

#### Capital

- Dealing with contaminated land – this is not controllable to the extent it is ‘historic’.
- Loss of capital receipts – The capital investment reserve should be able to smooth any delay in capital receipts
- Large projects going over budget due to unforeseen circumstances – The balance on the Capital Investment Reserve is judged to be adequate to cover this eventuality.

#### Later Years & Medium Term

- Concessionary fares increases continue to be more than Government allows as we enter the national system or a loss of grant in excess of expenditure if the function changes tier – we have made a contingency provision for this.
- The building on excellence savings are not achieved (see Para 9.2 (f) )
- Additional sums may be required in election years to carry out the new duties in the Electoral Administration Act
- The magistrates do not agree to increase court fees in line with projections

Having considered these risks and controls CMT consider that together with the Council’s balances of over £1.1million, the forecast balance on the capital investment reserve together with the ability to borrow in future years within the prudential framework give sufficient capacity to manage these during the current year. However, the Council faces a significant challenge to balance budgets for each of the next few years time and must continue to address this on an ongoing basis.

Comment is often made on the potential for taking money from the Council’s balances and reserves. The earmarked reserves generally have commitments against them. In order to consider a reasonable level of general reserves a risk assessment has been done and is contained at Appendix 8 and shows the requirement for the General Fund balance of over £1 million against the risks identified above.

A key issue for this Council 4 – 5 years ago was the risk of overspending. However yet again a contingency provision is proposed. Whilst the Council now has a more robust budget monitoring process it is acknowledged that we are now in an unprecedented economic situation and will need to be extra vigilant in budget monitoring.

#### Opportunities/Positive risks

There are also some opportunities for the Council that are set out in Para 9.6 .

### **11.3 Contingency**

#### ***General contingency***

As referred to in paragraph 7.2 (d), it is recommended that a general contingency budget is included in the 2009/10 budget of £147,100 towards any unforeseen expenditure that cannot be accommodated within existing budgets.

#### ***Assisted Travel contingency***

£200,000 has been included within the 2009/10 Base Estimates as a contingency in relation to the uncertain costs of the national concessionary fares scheme. This contingency should not be used for any other purpose than concessionary fares until all costs are certain, and the outstanding appeal is settled.

### **11.4 Budget Management**

- 11.4.4 From 2004/05 CMT agreed a new set of procedures which require monthly monitoring reports to be produced for their meetings. There was also a new procedure for managers to sign off their budgets and their regular budget monitoring returns. These will continue and it is recommended that the quarterly reporting to the Executive is continued.

## **12. REVIEW OF, AND PROPOSALS FOR THE CAPITAL PROGRAMME – HOUSING AND GENERAL FUND**

### **12.1 Current General Fund capital programme**

Appendix 10 contains a reconciliation and details of all the changes, including funding, to the current capital programme from the programme shown in the 2008/2009 Budget Book until now.

### **12.2 Proposed additions to the current capital programme**

- 12.2.1 The proposed total programme both General Fund and Housing is set out in Appendix 9. This includes the proposals within this section.



12.2.2 The only new schemes recommended for funding from capital 2009/10 to 2012/13 as a result of the Portfolio holder review of the service plans together with the Corporate Strategy Targets is as follows :-

	Scheme	Year	Corporate Target	Amount
				£
1	Rural Initiatives Grants – to continue the current scheme	2011/12	Target resources to areas of greatest need	100,000

12.2.3 As part of the service planning process a number of tentative self financing projects were proposed. It is recommended that should the Executive receive viable self – funded business cases, amendments be made to the budget..

12.2.4 Proposals are due to come forward to a future Executive on the development of a public service centre in Kenilworth, when costs and potential additional capital receipts are known. This would need to be agreed as an amendment to the programme presented here.

### 12.3 Housing Investment Programme

12.3.1 The proposed Housing Investment Programme is shown in Appendix 9 part 2. For 2008/09 the figures reflect the slippage from 2007/08 as agreed last June.

12.3.2 Expenditure on the Housing Revenue Account (HRA) element of the Housing Capital Programme (HIP), has been increased by £312,000 for 2009/10. This comprises an additional :-

- £150,000 towards Aids & Adaptations, to help reduce the backlog which has accumulated since the last “Options Appraisal” was undertaken when the budget was significantly reduced.
- Following the successful trialling of a new “Tenants Incentive letting Scheme”, a decision has been made to increase the budget by a further £115,000 to continue the scheme to enable more larger properties currently under occupied, to be freed up for families.
- An extra £47,000 has been included to cover the cost of installing and implementing Housing Process Management System software to monitor and record day to day activity of the service.

12.3.3 Within the General Fund element of HIP, an additional £60,000 of expenditure has been included for Disabled Facilities Grants (DFG's), in the private sector, following a successful bid to Government for additional funds. In 2009/10, DFG receivable will increase from £180,000 to £240,000 and expenditure from £300,000 to £400,000. The additional “matched funding” for DFG's has been found from within existing budgets.

12.3.4 Both the housing association and private sector housing programme are funded from housing capital receipts, with the former being supplemented by commuted sums from developers; and the latter with government grant assistance. To date in 2008/09 no houses have been sold and given the current economic climate it is unlikely that this position will significantly improve for some time to come. Given this

and based on the programme in Appendix 9, capital receipts will be exhausted by the end of 2010/11 leaving the 2011/12 and 2012/13 General Fund Housing Programme substantially unfunded. Prudential Borrowing of £618,000 in 2012/13 has previously been built into the Financial Strategy but this still leaves an unfunded element of approx. £1.1m between 2010/11 and 2012/13. It is possible that there will be some S106 contributions to fund social housing, but these are currently very uncertain. Consequently it is recommended that a report is brought to members on what can be done to reduce the Housing Investment Programme to within the funding available, having regard to the statutory and non-statutory requirements.

## 12.4 Funding the General Fund capital programme

12.4.1 The General Fund capital programme outlined in Appendix 9 is to be funded as follows:-

### General Fund

Method	2008/09	2009/10	2010/11	2011/12	2012/13
	£	£	£	£	£
Borrowing	0	700,000	0	0	0
Capital Receipts	3,325,500	12,000	0	0	0
External Contributions	2,841,700	1,673,700	2,278,900	0	0
Rev. Contributions	73,500	0	0	0	0
Corporate Prop. Res.	0	96,000	0	0	0
Equipment Renewal Res.	0	0	0	0	130,000
Capital Inv. Reserve	186,000	1,057,000	753,500	388,000	100,000
TOTAL	6,426,700	3,538,700	3,032,400	388,000	230,000

12.4.2 Over the period 2008/09 – 2012/13 it is assumed that no significant General Fund capital receipts will be generated. Capital receipts utilised in the table above are those in hand at 1/4/2008. The borrowing in 2009/10 relates to temporary borrowing which is likely to be incurred in part funding the Spencers Yard project until a capital receipt from the sale of the old Dole Office and Loft Theatre sites materialises in 2014/15. This receipt will then be utilised to repay the temporary borrowing.

12.4.3 Also shown in Appendix 9 is a summary of the total General Fund capital resources available to the Council over the period 2008/2009 to 2012/2013 matched against the projected spend. This shows that over the period the Council has £2.954m surplus resources once the current programme is financed. The major elements are represented by balances of £1,586,000 and £929,000 on the Capital Investment Reserve and Equipment Renewals Reserve respectively with smaller reserves making up the balance. However, members' attention is drawn to the assumptions in paragraph 10.1.1. in respect of the treatment of the Equipment Renewal Reserve. So the actual surplus may be up to some £900,00 less than the £2.954m above. The Capital Investment Reserve is in effect a capital contingency for overspending, receipts not materialising when anticipated or some major event that requires expenditure in excess of insurance or Government reimbursement schemes.

## 12.5 Funding the Housing Investment Programme

12.5.1 The Housing Investment Programme outlined in Appendix 9 is to be funded as follows:-

### Housing Investment Programme

Method	2008/09	2009/10	2010/11	2011/12	2012/13
	£	£	£	£	£
Prudential Borrowing	0	0	0	0	618,000
Capital Receipts	1,104,500	886,000	868,900	11,500	11,500
External Contributions	283,400	0	0	0	0
Major Repairs Allowance.	3,889,800	3,375,500	3,476,800	3,581,200	3,688,600
Capital Grant	760,500	240,000	180,000	180,000	180,000
Housing Repairs A/C.	2,317,700	1,889,600	1,623,700	1,671,000	1,719,700
General Fund	4,000	4,000	4,000	4,000	4,000
Funding yet to be decided	0	0	17,100	874,500	256,500
<b>TOTAL</b>	<b>8,359,900</b>	<b>6,395,100</b>	<b>6,170,500</b>	<b>6,322,200</b>	<b>6,478,300</b>

## 13. AFFORDABLE BORROWING LIMIT AND PRUDENTIAL INDICATORS

13.1 The affordable limit and Prudential Indicators that this Council is required to adopt are detailed in Appendix 7. It is recommended that the limits and indicators as shown in paragraphs 2.2,3.1,4.1,5.2, 6.2,7.2,8.2,9.1,10.2,11.2 and 12.2 of Appendix 7 are approved and endorsed by the full Council.

## 14. CONSULTATION

14.1 A Budget consultation was carried out with members of the citizen's panel by questionnaire. There were 441 responses. The detail is attached as Appendix 12. Due to the lack of funding to finance new initiatives, the consultation primarily centred on how the Council could make savings and efficiencies, and the impact of these on services. The key messages in terms of the questions on proposals for reducing budgets are:-

- 75% agreed that there should be small reductions on the grounds maintenance budget by reducing one-off tasks and including them in routine work.
- 91% agreed that the Council should try and make our leisure equipment (for example, furniture and signage) last longer.
- 89% agreed that advertising should be sought for the District Focus magazine.
- 84% agreed that spending should be reduced on external assessments and special performance reports which will be incorporated in other activities.

For the questions concerning expenditure on the totality of the Council's budget:-

- In all categories of the Council's budget there was a majority in favour of keeping the service at the same level.
- Over 82% feel that the Council Tax is good value or very good value.
- The two areas that were most popular for an increase in service are

public conveniences and street cleansing. Last year the two most supported for increasing were public conveniences and CCTV.

- The two areas where there is most support for a reduction in service are CCTV and tourism promotion (previously cultural facilities and tourism promotion).

14.2 Representatives of the business community and the Council's key partners have been sent copies of this report. Comments on the proposals have been requested to be received a week before the Council is due to set its budget on February 23, and any received will be forwarded to all members.

14.3 As a result of the consultation

- The proposals still include a proposal for a 4.6% increase in tax which is above the rate of inflation, being mindful of the need to maintain services in 2009/10 and to keep the limitation to a reasonable level
- All proposals have been included in the budget being presented

## **15. UPDATED FINANCIAL STRATEGY**

15.1 The new Financial Strategy which includes the Capital Strategy is at Appendix 11.