 Executive & Council, 11th February and 25th February 2015 respectively		Agenda Item No. 5
Title	Budget 2015/16 and Council Tax – General Fund Revenue & Capital	
For further information about this report please contact	Mike Snow (Tel: 01926 456800) Jenny Clayton (Tel: 01926 456013)	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers	Report to Executive 3rd December , 2014: Approval of General Fund Base Budgets 2015/16 Report to Executive 1st October, 2014: Proposed Fees and Charges for 2015/16	

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

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

1. **Summary**

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

2. **Recommendations**

That the Council agree:-

- 2.1 The 2014/15 latest General Fund Revenue Budget of net expenditure, including the proposed adjustments in section 3.2, at £17.3m, after the projected £220,000 surplus has been allocated (recommendation 2.1), as summarised in Appendix 1.
- 2.2 The 2014/15 projected surplus of £220,000 is allocated to form the Contingency Budget for 2015/16, as discussed in paragraph 3.2.2).
- 2.3 Notes the use of Emergency powers by the Chief Executive to agree payment of the non-consolidated element of the 2014/16 NJC Pay Award to Grade A officers (paragraph 3.2.3).
- 2.4 The changes to the latest 2015/16 General Fund Revenue Budgets (as previously agreed by the Executive on 3rd December 2014) below and as discussed in paragraph 3.3.1 with net expenditure of £13.6m, as shown in Appendix 1.
- 2.5 To note the Grant Settlement for 2015/16 in section 3.4 and agree that should there be a non-material change to the final Revenue Support for 2015/16 when the announcement is made, this would be accommodated within the Contingency Budget in 2015/16 (paragraph 3.4.1), and any change in the projected Retained Business Rates will be accommodated within the transfer from the Business Rate Retention Volatility Reserve (paragraph 3.4.5).
- 2.6 That the Council should continue to pay the National Living Wage to its employees, with the rate increased to £7.85 from April 2015 (paragraph 3.5).
- 2.7 The Council Tax of a Band D property for Warwick District Council for 2015/16 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts is agreed by Council at £146.86, representing a zero increase on 2014/15 (paragraph 3.6.5).
- 2.8 Subject to approval of the above recommendations, the Council Tax charges for Warwick District Council for 2015/16 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts, for each band is agreed by Council as follows (paragraph 3.6.5):-

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

- 2.9 The Statement of New Homes Bonus Use within Appendix 3 and note the New Homes Bonus allocation due for 2015/16 of £1,622,888 (Provisional), of which £118,543 will be allocated to the W2 (Waterloo/Warwick District Council) Joint Venture and £450,000 towards Bishops Tachbrook Community Centre, and agrees that the balance of £1,054,345 is appropriated discussed in paragraph 3.7.3 and in Appendix 3.
- 2.10 That Service Level Agreement is agreed with Hill Close Gardens, with the precise details of this delegated to the Chief Executive in consultation with the Head of Finance and Head of Development Services (paragraph 3.7.3).
- 2.11 Agrees to extend the discretionary business rates transitional relief scheme for two years following the announcement in the December Autumn Statement as discussed in paragraph 3.8.1.
- 2.12 The Council agree to continue disregard income Housing Benefit claimants receive in respect of War Widows(ers) pension, War Disablement Pension and the Armed Forces Compensation Scheme Guaranteed Income Payment in full in the calculation of Housing Benefit (paragraph 3.8.2)
- 2.13 That the Executive agrees that the financial contribution it committed of up to £400,000 to the West Midlands Reserve Force & Cadets Association (hereafter referred to as the Cadets) to enable it to relocate from Hampton Road Football Ground can be applied in respect of a new building at the Aylesford School site (Warwick West ward) should relocation to the Warwick Corps of Drums site prove not to be the favoured option and that authority is delegated to Deputy Chief Executive (AJ), in consultation with Councillor Coker, to agree the precise terms of use and release of the funding, and any necessary consents and agreements. (paragraph 3.8.3).
- 2.14 Reallocation of £4,000 from St Mary's Lands Business Strategy match-funding to St Mary's Lands Working Group studies to enable the Group's work to continue with the budget now delegated to the Chief Executive. (paragraph 3.8.4).
- 2.15 That the £16,900 Climate Control Earmarked Reserve budget is used for projects as part of the Council's Strategic Approach to Sustainability, with its use delegated to the Head of Health and Community Protection (paragraph 3.8.5).
- 2.16 The changes to the financial projections (section 3.9) and note the significant future forecast deficit, currently estimated to rise to £0.98m by 2019/20 on net expenditure of £15m and that further on-going savings/ increased income of this amount must be secured in order for the authority to be able to set

balanced budgets in the future without impacting on the range and quality of services provided.

- 2.17 That the balances on the Council's reserves are noted, as shown within Appendix 6, with the relevant allocations to and from the reserves as detailed in section 3.10 being approved.
- 2.18 The latest schedule in respect of the Equipment Renewal Reserve (£1.6 million required by 2024/25) and it be noted that this /Reserve is fully funded up to 2018/19 (paragraph 3.10.2.xii).
- 2.19 That new reserves entitled "Hill Close Gardens" and "Riverside House Maintenance" be established with the use of the reserve, management & control and review mechanism as outlined in Appendix 6a (paragraph 3.10.3).
- 2.20 That the General Fund Capital Programme and the Housing Investment Programme, together with their financing, as set out in Section 3.11 and Appendix 10, are agreed by Council.
- 2.21 That the Prudential indicators (paragraph 3.12 refers) as shown within Appendix 12 in paragraphs 2.2, 3.1, 4.1, 5.2, 6.2, 7.2, 8.2 and the annual adoption of the Code of Practice, as shown at paragraph 9.1 of Appendix 12 are approved and endorsed by the full Council.
- 2.22 That if there is any future mismatch between the proposed General Fund budgets and subsidiary strategies and action plans, officers would bring forward proposals for managing service provision within the agreed budgets.
- 2.23 The updated Financial Strategy (as discussed in paragraph 4.2) as set out in Appendix 13.
- 2.24 To note the risks that may impact upon the Council's financial position and the mitigations and controls in place to manage these risks (Section 6).

3. Reasons for the Recommendation

- 3.1 The Council is required to set a budget and council tax each year taking into account the many factors that are considered within this report. In particular:-
 - The revenue and capital budget are being considered together.
 - The Council is required to determine an authorised borrowing limit in accordance with The Local Government Act 2004, Section 3, and to agree prudential indicators (Appendix 12 refers) in accordance with the CIPFA Code for Capital Finance in Local Authorities.
 - The Chief Financial Officer is required to report on the robustness of the estimates made and the adequacy of the proposed financial reserves. (This statement is made at Appendix 2).
 - By considering the 5 Year Medium Term Financial Strategy at the same time as the latest and next year's Budget, the Council has a full understanding their implications on the long term implications.

3.2 2014/15 Revenue Budget

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

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

- Town Hall liability for Town Council overcharges (Business rates and service charges).
- An additional £10,000 for the Back Up Generator at Oakley Wood Crematorium, bringing the total cost to £30,000 as agreed by the Executive in December 2014.
- £134,000 Non-Recurrent Business Rate Refunds in respect of Council properties
- A Leisure Centre staffing non-recurrent overspend of £47,000 which is net of a £3,000 increase in Vending Machine Commission. – £12,000 of this is at St Nicholas Park Leisure centre (£10,000 due to long term sickness cover). The other £2,000 can be attributed to increased costs of swimming teachers as new lessons have been added to the programme in the last 18 months.

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

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

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

- A saving of £15,000 is now forecast on the budget for the National Minimum Wage based on the spending to date. This projection takes into consideration that the next months may be higher due to additional staffing at the Spa Centre during the Pantomime and increased Gym activity in the new year.
- Minor changes totalling £19,000 debit.

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

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

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

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

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

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

3.3 2015/16 Revenue Budget

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

- £11,000 Reduction in Housing Benefit and Council Tax Reduction Scheme Administration Subsidy
- National Living Wage – Within the Council's financial projections, £60,000 was included for the full year anticipated costs relating to the National Living Wage. Consistent with the reference within paragraph 3.2.1, it is believed that this budget is overstated, so has been reduced by £15,000.
- The Employment Committee has recently considered a report on Finance Staffing. Within this, there are recurring costs relating to an additional Revenues Officer (£22,800) and changes to the Accountancy Establishment (£2,100) which have been included within the proposed 2015/16 Budget.

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

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

3.4 Government Grant

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

- 3.4.2 No details have been provided over likely levels of grant beyond 2015/16. From the Government's financial projections, the most recent being within the Autumn Statement in December 2014, it is apparent that local authorities will continue to see substantial reductions in core funding for the foreseeable future, although no details are available as to how this will impact upon individual authorities. As district councils are not directly responsible for any of the "protected" public services (eg health and education), it has been necessary to take a prudent stance in projecting this Council's future levels of Revenue Support Grant for the Medium Term Financial Strategy (discussed in paragraph 3.9).
- 3.4.3. As part of the Grant Settlement, the Council is due to receive Revenue Support Grant of £2,499,484. This figure is in line with the provisional grant announced a year ago.
- 3.4.4 The Grant Settlement also included details of the 2015/16 Business Rates Retention scheme. The Council's Business Rates Baseline for 2015/16 is £3,128,447. Should this Council collect Business Rates in excess of this, it will retain 40% of the additional income. The Business Multiplier will again be held to a 2% increase, (this being below the September 2014 Retail Prices Index of 2.3%). Local authorities will receive additional grant funding to compensate. As previously discussed within Budget Review reports to the Executive, the Business Rates Retention Scheme does present an opportunity for local authorities in terms of the potential to gain from increases in the local business rates base, however, there are also risks associated. Hence it has been necessary to be cautious when estimating the business rates due to be retained by the Council.
- 3.4.5 Whilst the Government Settlement figures are based upon the Business Rate Baseline, the Authority's actual retained income for the 2015/16 Financial Year is determined by the projection submitted at the end of January 2015 (known as the NNDR1). Between finalising this Executive report and the NNDR1, if the figures change within the NNDR1, and it is a non-material change, it is proposed that this will be accommodated by compensating adjustments in the sums transferred from the Business Rate Retention Volatility Reserve. Members agreed in December 2012 that authority to approve the NNDR1 is delegated to the Head of Finance in consultation with the Finance Portfolio Holder.

3.5 National Living Wage

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

3.6 Council Tax

- 3.6.1 In setting these Budgets, Members need to be aware of the impact on their local Council Tax Payers. 2015/16 is the fifth year that this Council has been able to “freeze” its share of the Council Tax, and receive council tax freeze grant. For 2015/16 the Government is providing a Grant equivalent to the value a 1% per cent increase would have yielded. This equates to £79,000.
- 3.6.2 The 1% tax freeze grant is helping the Council to maintain its funding and services for the period that the grant is paid. The Government have previously announced that the freeze grant amounts will be added to the Spending Review baseline and will therefore be on-going. This is intended to remove a cliff edge in 2016/17 (if council tax freeze grant funding were to be removed). However, this future funding will be part of the future Revenue Support Grant which is still projected to see further significant reductions in future years.
- 3.6.3 If the Council was to propose an increase of above 2% this would require a referendum. Whilst this would have one-off costs relating to its administration, if the electorate agree to an increase above 2%, this would help to protect the Council’s funding and services into the future.

3.6.4 Calculating the district element

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

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

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

3.6.6 Parishes

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

within the December 2013 Base Budget report). An updated position will be given to the meeting.

3.6.7 Major Precepting Authorities

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

3.6.8 Formal Setting of the Tax

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

- (a) to consider the recommendations from the Executive as to the council tax for district purposes; and
- (b) formally to set the amount of the council tax for each parish/town, and within those areas for each tax band, under Section 30 of the 1992 Act.

3.6.9 Making the Council Tax Decision and Legal Implications

- 3.6.9.1 The setting of the budget and the Council Tax by Members involves their consideration of choices and alternatives. No genuine and reasonable options should be dismissed out of hand and Members must bear in mind their fiduciary duty to the Council Taxpayers of Warwick District Council.
- 3.6.9.2 Should Members wish to propose additions or reductions to the budget, on which no information is given in the report before Members, they should present sufficient information on the justification for and consequences of their proposals to enable the Executive (or the Council) to arrive at a reasonable decision on them. This report sets out relevant considerations for Members to consider during their deliberations, including the statement at Appendix 2 from the Chief Financial Officer.
- 3.6.9.3 Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget and must not knowingly budget for a deficit. Members must not come to a decision that no reasonable authority could come to, balancing the nature, quality and level of services that they consider should be provided, against the costs of providing such services.
- 3.6.9.4 It is a duty on all Members of the authority to set the budget. What this means in practice is that collectively all Members have this duty not just the Executive. Case Law has shown that abstention is not a defence in failing to comply with this duty.

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

3.7 New Homes Bonus

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

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

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

- Hill Close Gardens £100,000. The Trust has approached the Council for further support when the existing Grant is discontinued. £20,000 per annum for 5 years 2015/16 to 2019/20 will help to reduce the deficit demonstrated in their Business Plan. It is recommended that a Service Level Agreement is agreed with Hill Close Gardens, with the precise details of this delegated to the Chief Executive in consultation with the Head of Finance and Head of Development Services.
- Corporate Asset Reserve £570,000. Last year sufficient monies were allocated to this Reserve to support the unfunded element of the Corporate Asset Repairs 30 year programme. Savings arising in the current financial year will contribute towards the year 2 plan, however a further allocation £570,000 is required to complete all the items for the second year. In February of last year, Officers were tasked to consider how the Council can manage its Corporate Asset Base more efficiently and report back to Members.
- Riverside House backlog maintenance £60,000. The planned office move has been delayed by 24 months overall. Based on the earlier target of April 2016, general repairs on the current offices were put on hold. However, it has now reached the point when these works cannot be deferred further.
- General Fund Early Retirement Reserve £100,000. Due to staffing restructures, this has been depleted over the last few years. Further demands are anticipated from the Housing and Property Services restructure.
- Planning Reserve £50,000. Similarly this has been depleted and future demands are forecast from Appeals and the Local Plan.

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

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

3.8 Other 2015/16 Budget Matters

3.8.1 Business Rates – Transitional Relief

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

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

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

3.8.2 War Widows Pensions

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

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

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

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

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

3.8.3 Funding for West Midlands Reserve Force & Cadets Association

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

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

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

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

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

3.8.4 St Mary's Lands Funding

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

3.8.5 Climate Control – Earmarked Reserve

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

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

3.9 Medium Term Financial Strategy

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

3.9.2 Members were last updated in December when the 2015/16 Base Budgets were presented. At that point £0.912 million in savings by 2019/20 still needed to be identified and delivered to enable the Council to set a balanced budget. Since then there have been further changes to the projections as detailed below:-

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

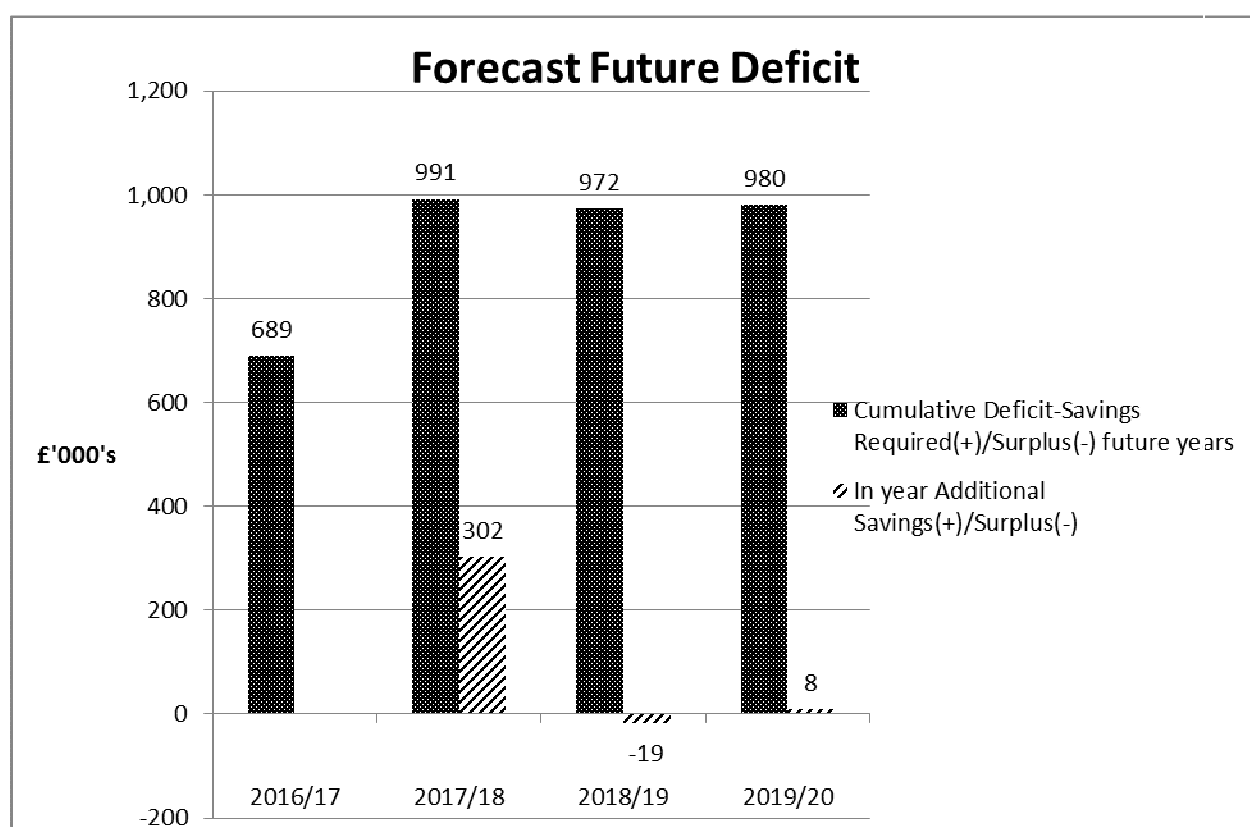
3.9.3 This is replicated in the table below-

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

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

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

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



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

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

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

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

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

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

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

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

3.10 Reserves and Balances

3.10.1 General Fund Balance

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

3.10.2 General Fund Earmarked Reserves

The reasons for the reserves and their use are included in Appendix 6 and Finance and Audit Scrutiny Committee is especially asked to scrutinise this element and pass comment to the Executive. Those General Fund reserves

which show a significant change in the overall balance in the period 1st April 2014 to 31st March 2019 are detailed below and also shown in Appendix 6.

- i.) Other Commuted Sums - reduction of £144k due to annual funding of mainly Open Spaces maintenance costs.
- ii.) Capital Investment Reserve – a decrease in the balance of £2,857k mainly due to the use of the reserve in financing projected General Fund capital expenditure, offset by contributions from the General Fund in respect of previous capital expenditure financed by this reserve.
- iii.) ICT Replacement Reserve - Members are reminded that in November 2014, it was approved that a separate ICT Replacement Reserve was created, using £179,000 funding from the Capital Improvement Reserve (CIR) and £925,000 being transferred from the Equipment Renewals Reserve. The latest ICT Replacement Schedule is attached at Appendix 7. This shows that the Reserve will need £2.9 million to sustain the forecast commitments until 2025/26. At this point there is only £1,104,000 in the Reserve which will be supplemented by any underspendings within the ICT revenue budget each year but currently it is predicted that this reserve will be exhausted by the end of 2018/19
- iv.) Planning Reserve – increased by £300k from the 2014/15 budget surplus agreed in February 2014 and £50k from the 2015/16 New Homes Bonus but overall a decrease in balance of £132k due to:-
 - a) Funding the Local Plan and Town Centre Plans costs in 2014/15,
 - b) Financing the Council's contribution towards HS2 costs in 2014/15,
 - c) Funding the salary etc costs for the Major Sites Monitoring Officer over the years 2014/15 to 2016/17 and the HS2 Officer over the years 2014/15 and 2015/16 (pending receipt of S106 funding).
- v.) Service Transformation Reserve – a decrease of £1,679k as a result of:-
 - a) Various approvals under the Council's Fit for the Future programme
 - b) £100k towards the New Offices project
 - c) £50k contribution towards a new hut for Warwick Sea Scouts
 - d) £50k funding for consultants fees in relation to the feasibility of creating a Council Housing Company
 - e) £50k funding for a research source concerning the Prosperity Agenda
 - f) £350k funding for the Sports & Leisure options appraisal.
 - g) £200k was also transferred in 2014/15 to the Capital Investment Reserve to fund the purchase of land at Radford Road Leamington Spa.

The following uses of this reserve are now proposed:-

- Finance Staffing – a report to the Employment Committee on 27 January recommended temporary posts in respect of Procurement, Revenues and Accountancy, totalling £126,200.
- Priority Families – it is proposed that £15,000 per annum for three years is contributed towards this project as detailed in Appendix 8. It is proposed that this should be reviewed after a year.

- vi.) Public Amenity Reserve - this reserve will receive a £300k contribution from the 2014/15 budget surplus agreed in February 2014 but overall there will be a decrease of £320k due to providing the finance for the Play Equipment as part of the capital programme.
- vii.) Community Forums Reserve – This reserve was established using £160,000 from the 2013/14 New Homes Bonus and will be amortised to revenue each year to fund grants to community forums. It will be exhausted by the end of 2017/18.
- viii.) Business Rates Retention Volatility Reserve – this reserve will receive a top up of £1,686k in 2014/15 as previously reported to members. In addition, within 2014/15 the balance on the former National Non-Domestic Rate Pool Account of £416,000 will be transferred to this reserve. The balance on this reserve will be used smooth out future retained business rate revenues which are likely to remain relatively volatile. In 2015/16 and subsequent years it is intended that contributions will continue to be made to and from this reserve as agreed originally for 2013/14, the first year of Business Rates Retention, so that the net Retained Business Rates within the General Fund equate to the original Business Rates Baseline figure, duly uplifted for the business rate multiplier. This principle will be reviewed in future reports having regard to the on-going profile of retained business rates and the balance on the reserve. In view of the projected increasing balance on this reserve, it is proposed that £467,000 is appropriated to the Equipment Renewals Reserve to ensure it is fully funded up to 2018/19.
- ix.) Public Planning Open Space Reserve – increased by a further £87,000 arising from S106 developers contributions.
- x.) Car Parking Repairs & Maintenance Reserve – decrease of £82,000 due to funding Linen Street multi storey car park works in 2014/15 and multi storey car park structural surveys in 2014/15 and 2015/16.
- xi.) Corporate Assets Reserve – Members will receive a full Report in March of this year on the latest Corporate Asset Repairs and Maintenance Programme. During 2014/15 savings on the forecast programme for £214,700 have been returned to this Reserve with £204,000 of Works now rescheduled for 2015/16 and the corresponding Budgeted Amount deferred to 2015/16. The Table below details the additional Budget Requirement for 2015/16 (£570,000) to complete Year 2 of the 30 year Work Programme after taking into account the General Fund Revenue Budget and the £204,000 being slipped by way of the Corporate Asset Reserve.

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

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

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

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

Service Managers and Portfolio Holders have already been tasked with reviewing their items on this schedule on a quarterly basis. There needs

to be careful scrutiny of the need to spend from this Reserve. Consideration should be given as to whether the asset still needs replacing, could the same service be delivered using most cost effective methods and other alternatives which will ultimately reduce the net cost to the Council.

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

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

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

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

3.11 General Fund and Housing Capital Programmes.

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

General Fund Capital Programme

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

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

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

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

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

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

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

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

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

Housing Investment Programme

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

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

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

3.11.9 During the first two years of the revised 'Right to Buy' scheme the Council retained £907,060 from the proceeds of selling Council housing on the condition it would be spent on providing additional affordable or social rented housing. This funding is being used towards the financing of the Fetherston Court

scheme. Current projections are that the Council will retain an additional £57,300 in 2015/16; with similarly low receipts, if any, in future years. Receipts will be fully applied to fund the provision of new housing within the specified 3 year time limit.

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

3.12 Prudential Indicators.

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

4. Policy Framework

- 4.1 The Council's priorities have been reaffirmed within its Fit For the Future Programme. Savings from the Programme have been built into the Budgets now presented to members for Approval. The Budgets have also been set to support this Council's delivery of the projects within the Fit for the Future Programme.
- 4.2 The budget is a major milestone in the life of the Council. It is a financial expression of the Council's policies, having regard to resource availability and taxation consequences. The Council has formulated a number of strategies setting the framework to ensure that its overall aims and objectives are achieved. The Financial Strategy is one of its Resource Strategies; the 2015/16 Budget has been set in line with this Strategy. The updated Financial Strategy is included as Appendix 13. Should there be any mismatch between these subsidiary strategies and action plans, officers will bring forward proposals for managing these within the agreed budgets.

5. Budgetary Framework

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

6. Risks

- 6.1 Recent years have seen a slow recovery from the recession. With low interest rates, reduced Government Funding and this Council's customers having less disposable income to spend on the Council's discretionary services have placed further pressures on the Council Budgets and its Services. The rate of economic recovery still presents a risk to future financial stability.
- 6.2 The Council's Significant Business Risk Register contains several risks which are finance related. Shortage of finance will impact upon the Council's plans for the

provision of services. Reduced income or increased expenditure will reduce the funding available.

- 6.3 The main sources of income which may be subject to reductions include:-
- Government grant (eg. Revenue Support Grant, Benefits Administration Grant)
 - Business Rates Retention
 - Fees and charges from the provision of services
 - Rent income
 - Investment Interest
- 6.4 As discussed in paragraph 3.4.2, whilst the financial projections assume reductions in future Government Grant, there remains the risk that the reductions may be far greater than currently allowed for. It is expected that further details of this will follow in due course following the General Election in May. In due course it is possible that there may be major changes to the amounts or the basis of the main components of funding covered by the Government's Grant Settlement, namely Revenue support Grant, Business Rates Retention and New Homes Bonus. Accordingly, a cautious approach has been taken in projecting these forward and how they are utilized.
- 6.5 This is the second year of the Business Rate Retention Scheme. Changes affecting the valuations of non-domestic properties and levels of arrears will impact on the income that this Council retains under the scheme, major schemes, such as the works on the Toll Bar Island impact on the Financial Viability of Businesses which is then reflected in their rateable values, reducing this income stream to the Council. The Business Rates Volatility Reserve and membership of the Coventry and Warwickshire Pool are intended to mitigate these risks.
- 6.6 Increased expenditure in service provision may be due to:-
- Inflation and price increases for supplies and services.
 - Increased demand for services increasing costs
 - Changes to taxation regime
 - Unplanned expenditure
 - Changes to Government policy, whereby the changes are not fully funded
 - Assumed savings in budgets not materialising
- 6.7 Triggers for increased costs or reduced income include:-
- Economic cycle – impacting upon inflation, interest rates, unemployment, demand for services, Government funding available
 - Unplanned expenditure, eg Costs from uninsured events, Costs of planning appeals or other legal process
 - Project costs – whereby there are unforeseen costs, or the project is not properly costed, or the risks related to them are not properly managed.
- 6.8 Many controls and mitigations are in place to help manage these risks. These include:-
- The comprehensive Budget Review process. This entails all budget managers reviewing their budgets on at least a monthly basis, considering previous, current and future years, along with any possible

issues that may impact upon their budgets. As part of this process, Budget Review reports are issued to the Executive and Senior Management Team.

- Financial Planning with the Medium Term Financial Strategy/financial projections, bringing together all issues that will impact on the Council's finances in medium term.
- Financial controls, including the Codes of Financial and Procurement Practice, system controls, reconciliations, audit (internal and external).
- Project Management and associated controls
- Trained staff and access to appropriate professional advice (eg WCC Legal).
- Risk Management process across the Council, including the on-going review and maintenance of risk registers.
- Scrutiny by members of the Council's finances, including Budget Reports, and the financial implications of all proposals.
- Within the proposed 2014/15 there is a Contingency Budget of £200,000 for any unplanned unavoidable expenditure.
- Reserves – The Council holds reserves as discussed within section 10.2.1. Whilst much of these reserves have already been earmarked for specific projects, it is important that reserves are held for any unforeseen demands. It should be noted that the balance on the Capital Investment Reserve is projected to decrease below the £2m balance referred to in paragraph 3.11.5.
- The General Fund Balance is £1.5m as discussed in paragraph 3.10.1. This is available to accommodate any unplanned expenditure, or to make up any shortfall in income. However, the Council should seek to maintain the balance at this level.
- The specific causes of reductions to income or increased expenditure (para 6.3 and 6.6) should continue to be managed by the relevant Service Area as part of managing the risks within each Service Risk Register.

7. Alternative Option(s) considered

- 7.1 The Council does not have an alternative to setting a Budget for the forthcoming year. Members could however decide to amend the way in which the budget is broken down or not to revise the current year's Budget. However, the proposed latest 2014/15 and 2015/16 are based upon the most up to date information.
- 7.2 With the limited financial resources available, there is limited capacity to invest in any new initiatives. Any new proposals will need to be accommodated with compensating reductions to other budgets with the consequential impact upon services.

8. **Background**

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

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

8.2 Key Assumptions

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