WARWICK DISTRICT COUNCIL	Executive 8 February 2017 Council 22 February 2017	Agenda Item No. **4**

Title	Budget 2017/18 and Council Tax – General Fund Revenue and Capital
For further information about this report please contact	Mike Snow (01926 456800) Jenny Clayton (01926 456013)
Wards of the District directly affected	N/A
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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 30 November 2016: Approval of General Fund Base Budgets 2017/18 Report to Executive 28 September 2016: Proposed Fees and Charges for 2017/18

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	No N/A

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	27/1/17	Chris Elliot
CMT	27/1/17	Chris Elliott Bill Hunt Andrew Jones
Section 151 Officer	27/1/17	Mike Snow
Monitoring Officer	27/1/17	Andy Jones
Finance	27/1/17	Jenny Clayton
Portfolio Holder(s)	27/1/17	Peter Whiting
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1. Summary

1.1 This Report informs Members on the Council's financial position, bringing together the latest and original Budgets for 2016/17 and 2017/18, plus the Medium Term Forecasts until 2021/22. In doing so it advises upon the net deficit from 2021/22 and the savings required to balance future years' Budgets.

1.2 The report seeks Members approval of the following-
- Latest Budget 2016/17
- Original 2017/18 Budget
- This Council's Band D Council Tax charge for 2017/18
- 5 Year Capital Programme
- Prudential Indicators for 2017/18.
- To note the latest Reserves and Schedules, approving the relevant transfers.
- Financial Strategy
- Equipment Renewal Reserve and ICT Replacement Schedules
- Ear Marked Reserve Requests for slippage to 2017/18 Budgets

1.3 This report will be presented to Full Council alongside a separate Report recommending the overall Council Tax Charges 2017/18 for Warwick District Council.

1.4 Despite significant cuts in Government Funding, this Council has been able to set a balanced Budget for 2017/18 without having to reduce the services it provides. This has been the case for many years as a result of the Fit for the Future Programme it has adopted. It has not had to rely on New Homes Bonus to support core revenue spending and has been able to allocate this funding to project work, replenish reserves and make a contribution to provide a 2017/18 Contingency Budget. Alongside this the Council has achieved a modest surplus on its 2016/17 Budget. However, the Council financial projections show that further savings need to be secured from 2018/19 onwards.

2. Recommendation

The Executive recommend to Council to approve or to note:

2.1 The proposed changes to 2016/17 Budgets detailed in Section 3.2.

2.2 The Revised 2016/17 Budget of Net Expenditure of £11,969,306 (Appendix 1) after allocating a surplus of £96,200 (paragraphs 3.2.2 and 3.2.4).

2.3 The proposed changes to 2017/18 Base Budgets detailed in Section 3.3.

2.4 The proposed Budget for 2017/18 with Net Expenditure of £14,858,673 taking into account the changes detailed in section 3.3 and which is summarised in Appendix 1.

2.5 The use of the Leisure Options Reserve is agreed by the Heads of Finance and Cultural Services in consultation with the respective Portfolio Holders towards the upfront investment costs that will be incurred by the new leisure centre operator (paragraph 3.3.8).

2.6 The Grant Settlement for 2017/18 as discussed in paragraph 3.4.1. Should there be any changes between the indicative Revenue Support Grant and the final amount, the changes will be managed through the Service Transformation

Reserve (para 3.4.6), and any change in the Business Rate Retention figures is reflected in the use of the Business Rate Retention Volatility Reserve (para 3.5.7).

2.7 The Council Tax of a Band D property for Warwick District Council for 2017/18 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts is agreed at £156.86 representing a £5 increase on 2016/17.(paragraph 3.6.7).

2.8 Subject to approval of the above Budget 2017/18, the Council Tax charges for Warwick District Council for 2017/18 before the addition of Parish/Town Councils, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts, for each band is agreed by Council as follows:

Band	£ Charge
Band A	104.57
Band B	122.00
Band C	139.43
Band D	156.86
Band E	191.72
Band F	226.58
Band G	261.43
Band H	313.72

2.9 That the Council should continue to pay the National Living Wage to its employees, with the rate increased to £8.45 (as determined by the Living Wage Foundation) from April 2017 (paragraph 3.8.1).

2.10 The Medium Term financial projections as shown in the Strategy at Appendices 2. Members note the underlying deficit of some £830,000 unless this can be addressed by savings of the same magnitude delivered by 2021/22 (para 3.9.5). In June 2017, Members will be updated with how this may be resolved in a Fit for the Future Report.

2.11 Note the Reserves Schedule as at 1st April 2017 and projected balances at Appendix 3 (section 3.10).

2.12 Establish a new Community Projects Reserve, with the Executive to agree allocations from this reserve. (paragraphs 3.10.3.xiii and 3.13.3)

2.13 Approve the Equipment Renewal Schedule (Appendix 4) and ICT Schedule (Appendix 5) be financed by the respective reserves and note that neither reserve is fully funded in the long term unless further sources of finance in addition to the recurrent allocations as approved in the September 2015 Fit for the Future Report (paragraphs 3.10.3 v and ii) can be found.

2.14 Note the funding shortfall for future Pre-Planned Maintenance work, and how this will be considered further within the forth-coming March Executive Report on the Corporate Property Planned Preventative Maintenance Programme (para 3.10.3 ix).

2.15 Approve the General Fund Capital and Housing Investment Programmes as detailed in Appendices 6 parts 1 and 2, together with the funding of both programmes as detailed in Appendices 6 parts 3 and 4and the changes described in the tables in paragraph 3.11 and Appendix 7.

2.16 Recognises that it is not restricted in the use of Right to Buy Capital Receipts for the Housing Investment Programme, agree that £1.9m of these be utilised to part fund the 2016/17, 2017/18 and 2018/19 General Fund Capital Programmes, and that this policy will be subject to further consideration within the June Fit For the Future Executive report (paragraph 3.11.11).

2.17 Approve the Prudential indicators (para 3.12 and Appendix 8).

2.18 Approve the Financial Strategy (para 4.2 and Appendix 9).

2.19. The 2017/18 proposed New Homes Bonus of £1,938,358 and Members approve the allocation of this as follows, as detailed in paragraph 3.13.6:

New Homes Bonus - 2017/18 Allocation	**1,938,358**
Waterloo	-178,525
Early Retirement Reserve	-150,000
Contingency	-104,500
Kenilworth (Leisure Ph2)	-100,000
Digital Transformation	-200,000
OSS Digital Investment	-50,000
Linen Street re-provision	-250,000
Private Sector Housing Resources	-37,500
Community Projects Reserve	-867,833
Total Allocated	**-1,938,358**

2.20 The 2016/17 General Fund budgeted surplus of £50,500 be incorporated into a 2017/18 Contingency Budget. In total the 2017/18 contingency budget will be £200,700 when some of the New Homes Bonus (£104,500) and balances on various Contingencies Budgets from 2016/17 (£45,700) are also included. (paragraph 3.13.6)

2.21 Note the mitigations and controls in place to alleviate the financial risks as detailed in Section 6.

2.22 Approve requests for revenue slippage to 2017/18, where it is not possible to complete projects by 2016/17 (Appendix 10).

2.23 That the Executive agrees to adopt the discretionary measure of doubling rural rate relief to 100% from 01 April 2017, funded by Government Grant following the announcement in the December Autumn Statement (paragraph 3.14) .

3. Reasons for the Recommendation

3.1 Mandatory Obligations

3.1.1 By law, the Council must set a balanced budget before the beginning of the financial year. It must levy a council tax from its local tax payers to meet the gap between expenditure and resources available.

3.1.2 It is prudent to consider the medium term rather than just the next financial year, taking into account the longer term implications of decisions in respect of 2017/18. Hence, Members receive a 5 year Financial Strategy, Capital Programme and Reserves Schedule.

3.1.3 The Local Government Act 2004, Section 3, states that the Council must set an authorised borrowing limit. The CIPFA Code for Capital Finance in Local Authorities states the Council should annually approve Prudential Indicators.

3.1.4 The Chief Financial Officer is required to report on the robustness of the estimates made and the adequacy of the proposed financial reserves. (This statement is made at Appendix 12.

3.2 2016/17 Revenue Budget

3.2.1 Appendix 1 summarises the latest 2016/17 Budgets. These were reported to the Executive in November 2016 showing net expenditure of £11.8m and a surplus of £169,300.

3.2.2 The following changes are now proposed to the 2016/17 Budget:-

	2016/17 £
Surplus per November Report	**-169,300**
Additional Legal Costs	49,000
Additional Housing Benefits costs	47,000
Social Mobility grant slippage	20,400
Reduced rental income	14,200
Diverted Footpath contribution	-22,500
Increased Better Care Funding Grant (DFG)	-311,000
Refuse Bins delivery costs declassified capital	40,000
Other small changes	-4,100
Change in Service Expenditure / Income	**-167,000**
Reduced Interest Payments / Receipts	25,800
Footpath contribution to reserves	22,500
Change in Reserves Contributions	-30,500
Better Care Funding Grant (DFG) RCCO	311,000
Declassified Refuse container delivery costs	-40,000
Change in Financing and Reserves	**288,800**
Additional Grants	-3,000
Latest position 2016/17	**-50,500**

3.2.3 It was originally anticipated that the PA system in the Council Chamber would last until the Office Relocation, when this facility would be incorporated into the new Offices. However, this is no longer the case. It urgently needs replacing and it is now proposed to purchase a new system £45,000 from the 2016/17 Contingency Budget. This would leave £8,600 in the Contingency Budget.

3.2.4 Following on from the proposal in paragraph 3.2.3, the 2016/17 Budget also included the following unallocated contingency budgets totalling £45,700:

- General Contingency Budget £8,600 (after allocating £45,000 for the new PA system)
- Office Cleaning Contract £12,600
- Price Inflation £24,500;

These budgets are not likely to be used within 2016/17 and so would increase the surplus for the year by a further £45,700.

3.2.4 The treatment of the resultant net surplus of £96,200 is considered later in this report, in Section 3.13.6, when other funding proposals are considered.

3.2.5 Earmarked Reserve Requests. In reviewing the 2016/17 budgets, revenue "slippage" has been identified on projects originally scheduled for 2016/17. A list of Earmarked Reserve requests for Member approval is attached at Appendix 10. Due to the early closure of the 2016/17 Accounts, the Head of Finance in conjunction with the Finance Portfolio Holder have been given delegated authority to consider any further earmarked reserve requests that are apparent when the Accounts are closed, with these being reported retrospectively to members.

3.3 2017/18 Revenue Budget

3.3.1 Since Members agreed the 2017/18 Base Budgets in November, further changes have been identified. Inclusion in next year's Budgets at this point ensures both the 2017/18 Budget and Financial Projections will contain the most realistic figures as currently available. These changes are:

	2017/18 £
Surplus per November Report	**-97,196**
Contingency Budget 2017/18	96,200
Additional staffing	48,500
Additional Housing Benefits costs	72,400
Private Sector Housing surveys	15,000
Pension Fund contributions	-18,000
Increased rental income	-19,600
Other small changes	-8,300
Change in Service Expenditure / Income	**186,200**
Change in Reserves Contributions	-240,904
Contribution from Leisure Options Reserve	-300,000
Interest Paid & MRP - Leisure Centres	499,400
Collection Fund Deficit	20,000
Investment Interest	-67,500
Change in Financing and Reserves	**-89,004**
Latest position 2017/18	**0**

New Homes Bonus Allocation 2017/18	**-1,938,358**
<u>Allocated to Services</u>:	
Waterloo Housing Association	178,525
Contingency Budget 2017/18	104,500
Kenilworth (Leisure Ph2)	100,000
Digital Transformation	200,000
OSS Digital Investment	50,000
Linen Street re-provision	250,000
Private Sector Housing Resources	37,500
Allocated to Services	**920,525**
<u>Allocated to Reserves:</u>	
Early Retirement Reserve	150,000
Community Projects Reserve	867,833
Allocated to Reserves	**1,017,833**
TOTAL NEW HOMES BONUS ALLOCATED	**1,938,358**

3.3.2 Additional staffing includes:

- £32,000 for an additional Revenues Officer in response to the continued growth in new properties in the district and resultant Council Tax correspondence to be processed.

- Arts Programme Support Officer £10,600.

3.3.3 The 2017/18 Budget proposed also allows for the creation of a Contingency Budget to the total of £200,700. In recent years the use of a Contingency Budget has been invaluable to allow the Council to deal with un-budgeted demands. These demands are agreed by the Executive or delegations as allowed for within the Code of Financial Practice. Full details of the use of the Contingency are reported to members.

3.3.4 The projected Collection Fund Balance as at 31 March 2017 has been calculated to be a deficit of £182,801. Warwickshire County Council and the Warwickshire Police and Crime Commissioner were duly notified of their shares on the 15th January 2017. This Council's share is £20,000. This has been factored into the 2017/18 Budget.

3.3.5 The Base Budget for 2017/18 included an estimated £300,000 (part year) concession payment from the new operator being procured to run the Council's leisure centres from the planned date of 1 June 2017. Within the Medium Term Financial Strategy this figure increases to £600,000 per annum from 2018/19. In discussions with tenderers they have emphasised how they will incur substantial losses in the early years of the contract. This reflects the upfront capital investment required from the operator to fit out the facilities, the only partial completion of NCLC and SNPLC from the start of the contract to late 2017, and the time taken to build up the customer base. Consequently, they do not favour the "flat line" concession fee being sought in the original tender documents. If there were to be no concession payable in the early years, the operators suggest that they will be able to present far more favourable bids.

3.3.6 By agreeing to a "concession holiday" in the early years of the contract, it results in in an increased concession in subsequent years this will present the following advantages to the Council:-

- This will assist the Council's Medium Term Financial Strategy as discussed in paragraph 3.9.5 where savings of £0.83m are still to be sought.
- The contract is for 10 years, at the end of which it is possible to negotiate to extend the contract for a further 5 years, or to re-procure. Having a higher concession price in these later years should present a better negotiating stance for considering an extension of the contract.

The disadvantage of a concession holiday is the impact that this has on the proposed 2017/18 Budget and the early years of the Medium Term Financial Strategy. This will leave a funding gap which has to be closed.

3.3.7 The new operator will need to make significant upfront investment in the leisure centres. This will notably include the gym equipment and general equipment, and in total is likely to be in excess of £1m. The operators are likely to look to lease much of this equipment Gym equipment. Consideration has been given to the Council arranging the leases for this equipment on the basis that it can secure more favourable leasing rates than the operators will be able to. The Council does hold significant balances, which, with current investment rates, investment returns are not great (averaging around 0.57% assumed for 2017/18). Consequently, consideration is being given to the Council advancing a sum of up to £1m to the operators on the basis that this will result in significantly favourable concession payments in subsequent years.

3.3.8 To close the funding gap referred to pin paragraph 3.3.6, the following changes have been made to the financial arrangements that support the proposed Budget:-

- The funding of the Capital Programme from the Capital Investment Reserve is reduced by £1.9m.

- £1.9m Right to Buy Capital Receipts are utilised to replace the Capital Investment Reserve funding. As discussed in paragraph 3.11.11, the Council does legally have the ability to use these receipts for any capital funding.

- The Capital Investment Reserve makes an appropriation of £1.9m to the Leisure Options Reserve profiled £1.5m in 2016/17 and £400k in 2017/18.

- The Leisure Options Reserve releases £300k to the General Fund Budget in 2017/18 and £600k 2018/19 to make up for the concession holiday. The balance on this reserve is proposed to be available to advance to the selected operator for upfront costs, assuming that this presents a sound investment decision and good value for money for the Council in respect of the future concessions payable. It is proposed that the use of this funding will be agreed by the Heads of Finance and Cultural Services in consultation with the respective Portfolio Holders. The use of this reserve will be subsequently reported to members.

3.3.9 On the basis of the fore-going, as part of the negotiation stage for the operation of the leisure centres, tenderers are being asked to submit updated bids based a re-profiled concession payment, with the option of no payment for 2017/18 and 2018/19, and bids if the Council is prepared to advance them up front funding.

3.4 Government Grant

3.4.1 As part of the 2016/17 Provisional Funding Settlement in December 2015, the Government proposed a four year settlement for the period 2016/17 to 2019/20. The future years' settlement figures are shown below, alongside the Revenue Support Grant for recent years:

	£000
2013/14	4,552
2014/15	3,515
2015/16	2,500
2016/17	1,587
2017/18	794
2018/19	307
2019/20	0

3.4.2 As part of the 2016/17 Settlement, the Government proposed that if authorities were to submit an Efficiency Statement and so accept the proposed figures, it would agree not to subsequently alter these figures except in certain extreme circumstances. In common with the vast majority of local authorities, the Council submitted its efficiency statement which was subsequently accepted by the Government.

3.4.3 As anticipated, the RSG within the 2017/18 provisional settlement is unchanged for each year. It is worth noting that the figures for those few authorities not submitting an efficiency statement have also not been changed.

3.4.4 In presenting the RSG figures, the Government makes the following assumptions which all serve to mitigate the overall reduction in Core Spending Power.

- The Government projections assume local authorities will increase council tax by the referendum limit (£5 for Warwick District Council). It will be noted that this is a major departure from previous Government policy whereby local authorities were under pressure to freeze the council tax.

- Assumptions of growth in the council tax base to continue at current levels

- The Government makes assumptions of future New Homes Bonus payments to local authorities. Members will be aware that, given the uncertainty over New Homes Bonus (as vindicated in the reductions seen in the sums awarded for 2017/18), the Council's policy has been to exclude this from core funding and this continues to be reflected in the projections within the Council's Medium Term Financial Strategy where future NHB payments are excluded.

  Taking the above assumptions, the Government's figures suggest that over the period 2015/16 to 2019/20, the Council's overall Core Spending Power will have reduced by £0.9m or 6.3%. However, members will note, that when the reductions in Revenue Support Grant in recent years, the Council's reduction in spending power since 2013/14 will be far greater.

3.4.5 Within the December 2015/16 Provisional Settlement the Government included "Tariff Adjustments" to the Business Rate figures in future years following on from where the RSG had reduced to zero. These adjustments were widely recognised as being negative RSG. In the Final 2016/17 Settlement, these adjustments in future years had been removed partly on the basis that by 2019/20 the figures would all change due to the introduction of 100% Business Rate Retention. However, within the 2017/18 Provisional Settlement, Tariff Adjustments have been re-introduced. For Warwick this amounts to £240,000 from 2019/20. As members will appreciate there is continued substantial lobbying against this from local government. As yet this Tariff Adjustment has not been factored in to the Council's Medium Term Financial Strategy.

3.4.6 The final Grant Settlement is expected in early February. Updated figures will be provided to Members when available. Any change in the Revenue Support Grant is proposed to be compensated by the use of the Service Transformation Reserve.

3.5 Business Rates

3.5.1 Projecting the Council's element of Business Rate Retention continues to present difficulties. The current problems for this include:-

3.5.2 Appeals – there are still many appeals awaiting determination by the Valuation Office. An assessment of the success of these needs to be made and suitable provision has been allowed for within the estimated figures. Whilst it is hoped that this figure is suitably prudent, given the size and nature of some of the appeals, there remains a risk here.

3.5.3 2017 Revaluation. All businesses have had their rateable valuation reassessed for April 2017. This will result in new appeals being submitted against the new valuations. There is to be in place a new "Check, Challenge, Appeal" regime seeking to expedite appeals and deter speculative appeals. However, appeal process is still expected to be protracted, meaning that it may be some years until the success of future appeals are lodged and settled. However, it is necessary for an estimate of these future appeals to be allowed for in the 2017/18 Estimates.

3.5.4 Tariff/Top-Up Adjustments. These exist in the system so as to redistribute business rates income between local authorities. With the revaluations, it is necessary for each local authority's tariff or top-up to be re-based. The re-basing is intended to protect any growth that had accrued in the local business rates bases since the commencements of business rates revaluation in April 2013. The Government has made an assessment of the adjustments necessary for the 2017/18 figures. However this will be reviewed following the closure of the 2017/18 accounts, meaning that further adjustments (positive or negative) are likely into 2018/19 or possibly beyond.

3.5.5 100% Business Rates Retention – this is expected to come in from 2020/21. There are significant uncertainties how this will work in practice, with functions having to transfer from central to local government.

3.5.6 Volatility. Largely due to the regulations governing the accounting arrangements for business rates retention, there can be substantial volatility between years in the amount of retained business rates credited to the General Fund. Consequently it is necessary to maintain a Volatility Reserve to "smooth" the year on year sums received.

3.5.7 Business Rates Estimates. The NNDR1 form which estimates the business rates for 2017/18 is still being finalised as this report is being written ahead of its deadline of 31 January 2017. This will produce some of the final figures that feed into the Business Rates Retention for the Council for the year. It is not expected that there will be much variation in the NNDR1 and what has been allowed in the proposed Budget. However, should there be any variation, this will be accommodated within the Business Rate Volatility Reserve.

3.5.8 Medium Term Financial Strategy – the Business Rates retention within the MTFS are believed to be reasonably prudent taking into account all the above factors. These figures will continue to be reviewed and members will be informed of changes as the Medium Term Financial Strategy is presented in future reports.

3.6 Council Tax

3.6.1 As announced within the Provisional Local Government Finance Settlement, District Councils may increase their share of the Council Tax by the greater of up to 2% and £5 without triggering a referendum. For 2017/18 there are no restrictions on Town and Parish Councils, however, the Government will again continue to closely monitor increases by the larger town and parish councils. In light of this, the previous decisions to reduce the Concurrent and Council Tax Support funding to parish and town councils still hold.

3.6.2 This Council's Council Tax Charge for 2016/17 is £151.86. This is well below the national average. Excluding Parish Precepts, this Council is in the 2nd lowest quartile and when Town and Parish Precepts are included it falls within the lowest quartile. It remains the lowest of the 5 Warwickshire District and Borough Councils, when Parish Precepts are included. The average Band D council tax excluding parish/town council in 2016/17 is £174.99 and £211.70 when they ae included.

3.6.3 The Council Tax Base was calculated in November of last year, with the Council's preceptors being notified accordingly. The Tax Base for 2017/18 is 52,710 Band D Equivalents. This is an increase of 310 Band D Equivalents above that projected in the Strategy when 2016/17 Budgets were set in February 2016. With the increased tax base, the £5 proposed increase in council tax will generate an additional £390,000 per annum in 2017/18.

3.6.6 The Council's element of the Council Tax is calculated by taking its total budget requirement, subtracting the total funding from Central Government in respect of Revenue Support Grant (RSG) and Retained Business Rates (Section 3.4 and 3.5 above) and the addition of the collection fund balance of £20,000 deficit. This figure is divided by the 2017/18 tax base to derive the District Council Band D Council Tax Charge.

3.6.7 The recommendations within this report produce a Band D Council Tax for Warwick District (excluding parish/town council precepts) for 2017/18 of £156.86, this being a £5 increase on that of 2016/17. Based on this increase the Council Tax levels for each of the respective bands will be:

Band	£ Charge
Band A	104.57
Band B	122.00
Band C	139.43
Band D	156.86
Band E	191.72
Band F	226.58

Band G	261.43
Band H	313.72

3.6.8 Parish and town councils throughout the district were asked to submit their precepts for 2017/18 when informed of their Tax Bases. At the time of writing this report, not all precepts have been confirmed. It is estimated that the precepts will total around £1,300,000 based on prior years. This figure does not take into account the grants that this Council will continue to award in respect of the Council Tax Support adjustments to the Tax Base and concurrent services, which the Council has agreed to phase out.

3.6.9 At the time of writing this report, neither the County Council nor the Police and Crime Commissioner have set their 2017/18 budgets and element of the Council Tax. The meeting of the County Council is scheduled for the 2nd February 2017 and the Police & Crime Commissioner is due to seek approval from their Panel on the morning of 3rd February.

3.6.10The Council Tax is set by 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 for this Council. The report to the Council Meeting on the 22 February, 2017 will provide all the required details. This will be e-mailed to all Members as soon as possible following the Police and Crime Commissioner Meeting on the 3rd February. The Council will then be in a position to:

(a) 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 Local Government Finance Act

3.6.11Members must bear in mind their fiduciary duty to the Council Taxpayers of Warwick District Council. Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget and must not knowingly budget for a deficit. Members must not come to a decision that no reasonable authority could come to, balancing the nature, quality and level of services that they consider should be provided, against the costs of providing such services.

3.6.12Should Members wish to propose additions or reductions to the budget, on which no information is given in the report before Members, they must 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. This report sets out relevant considerations for Members to consider during their deliberations, including the statement at Appendix 10 from the Chief Financial Officer

3.6.13 Section 106 of the Local Government Finance Act 1992, states that any member who has not paid their Council Tax or any instalment for at least two months after it becomes due and which remains unpaid at the time of the meeting, must 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 This Council's New Homes Bonus (NHB) for 2017/18 is £1,938,358. Members will note this is a reduction from the £2,257,564 awarded for 2016/17. There was a consultation about the New Homes Bonus allocations in December 2015.

3.7.2 Following the consultation, the Government have made the following changes to the New Homes Bonus:-

- Funding has been reduced from the previous 6 year's retrospective years to 5 years for 2017/18. Had the 6 years been maintained, this would have presented the Council with an additional £500,000 New Homes Bonus in 2017/18.

- From 2018/19 allocations will be on the basis of only 4 years.

- A introduction of a baseline of 0.4% has been included from 2017/18. New Homes Bonus is only awarded on growth above this level. For Warwick District Council, for 2017/18 the 0.4% baseline represents 247 dwellings. With the total growth of 622 Band D properties, the 2017/18 allocation is based on 375 properties. The new baseline is reducing the New Homes Bonus by £300,000 compared to the previous regime.

- The proposals to withhold payments for areas without a local plan are not being implemented for 2017/18, but will be revisited for 2018/19.

- The Government is still to consider withholding payments for homes that are built following an appeal in the future. This is due to be subject to further consultation. At this stage it is not at all clear how this proposal would work in practice.

3.7.3 The December 2015 Consultation was issued because the original scheme was not affordable within the Government's projections. This was widely acknowledged, and hence there has always been caution in relying on future years' allocations. With these reductions to the overall sums being awarded, the scheme should now be more affordable for the Government and present local authorities with more certainty over the future allocations.

3.7.4 Further work is on-going looking at housing building projections used in the Council's Local Plan to see how these will impact upon future New Homes Bonus allocations.

3.7.5 Taking into account the fore-going, future years allocations are likely to be in the £1.5m-£2.0m range.

3.7.2 To date this Council has used the money to fund various schemes and initiatives and replenish some of its Reserves, and unlike many local authorities, has not used NHB to support core services. It continues to be the Council's policy to exclude new Homes Bonus in projecting future funding.

3.7.3 As in previous years, Waterloo Housing will receive part of this allocation from their agreement with the Council to deliver affordable Housing in the District. £178,525 is due to be paid to Waterloo in 2017/18. Section 3.13 details how it is proposed to allocate the Residual Balance for 2017/18.

3.8 Other 2017/18 Budget Matters

3.8.1 National Living Wage
The Council currently pays all its employees the Living Wage as determined by the Living Wage Foundation (LWF). This was agreed for 2016/17 at £8.25 and is due to increase for 2017 to £8.45. This is more than the Living Wage as set by the Government, this being currently £7.20, increasing to £7.50 from April 2017. With the increase in the LWF rate, this will continue to apply to employees up to Spinal Column 12 and so should be able to be accommodated within the proposed Budget. The Council should continue to review its commitment to paying the LWF rate annually.

3.9 Medium Term Financial Strategy

3.9.1 The Strategy presented to Members in February 2016, when the 2016/17 Budgets were approved, forecast that there would be a £240,000 deficit by 2020/21 unless ongoing savings were identified and delivered within the same period.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Cumulative Deficit-Savings Required(+)/Surplus(-) future years	75	103	253	240
Change of Previous Year	75	28	150	-13

3.9.2 Members were informed on the latest position of the Strategy when the Base Budget was approved in November 2016. At that point, there was a forecast deficit of £132,000 by 2021/22 unless savings to the same magnitude could be identified and delivered.

3.9.3 Since then there have been further changes.

- Notably, the impact of the Major Contract Renewal in 2021/22. RPI is now increasing at a higher rate that that built into the Financial Strategy. By 2021/22 it is now expected to be 3.2%, 1.2% more than in the Strategy. (The RPI factor in the next 4 years has also been updated). When the current contract was re-let, recycling income tonnage prices were much higher than they are now. Now the contractor retains all of this income, it is anticipated that this shortfall will be built into the tender prices. Alongside that a provision has been made for the National Living Wage. There is now a further increase of some £550,000 above the £600,000 originally forecast when the Strategy was updated to reflect 2021/22 (as reported in the June 2016 Fit for the Future Report).

- The full estimated financial implications from the decision in November to invest in the two leisure centres have been factored into the Medium Term Financial Strategy. These include the cost of borrowing, all direct costs of operating the centres removed, inclusion of the estimated concession, and anticipated savings in support costs of the service. Estimated. These changes are in addition to the savings that have already been made to the leisure centre budgets in recent years.

- Various smaller changes, the most significant being costs of Benefits E Forms on the CIVICA system £52,000.

- Investment Interest forecasts have been updated to reflect the Council's Treasury Management Consultant's latest interest rate forecasts and also the revised forecast balances. The November Base Budget Report reflected a reduction in income of some £345,000. However, this has now improved by some £121,000. An overall change of a £224,000 shortfall on the assumptions in February 2016.

- Office Relocation and Town Hall Transfer have both now been re-profiled to April 2019/20. This does not impact on the overall savings requirement in the Medium Term Financial Strategy, but does increase the savings to be found for 2018/19.

- Council Tax – Extending the £5 future annual increases to 2020/21 and 2021/22, this yields additional recurrent income of some £180,000.

3.9.4 Taking all of these changes and those reported previously in June and November 2016, plus many minor ones into account, the Medium Term Financial Strategy now indicates that £830,000 of recurrent savings still need to be found outside of those already built into the Strategy. This is replicated in the table below:

	£'000
February 2016 Executive	**240**
Roll Forward 2021/22	49
Major Contracts	1,151
Fit for the Future Programme as amended	-684
Council Tax Increases of £5 up to and including 2021/22	-507
Fees and Charges including Planning and Car Parking income	-316
Electricity costs	335
Pension changes	230
Increased Tax Base (reported November 2017)	-48
CIVICA Costs	72
HEART	50
Business Rates Retention	-210
Investment Interest	224
Other Changes (less than £50,000)	244
February 2017 Executive	**830**

3.9.5 The Table below breaks down these savings into financial years:

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Deficit-Savings Required(+)/Surplus(-) future years		412	201	-202	830
Change on previous year		412	-211	-403	1,032

3.9.6 Appendix 2 shows the Medium Term Financial Strategy in more detail. It will be noted, that despite the significant potential savings considered and included within the Medium Term Financial Strategy, further savings are needed to enable the Council to continue to set a balanced budget within the projected level of financial resources.

3.9.7 Of particular note is the shortfall of £412k for 2018/19. Additional savings of this magnitude need to be found before this time next year to ensure that a balanced budget can be set for 2018/19. Further proposals are due to be presented to members in June 2017 as part of the forthcoming Fit For the Future report.

3.9.8 Members are reminded that within the Medium Term Financial Strategy savings from several significant projects have been included. If these savings are not made, the Council will need to agree how other savings may be made. The saving from projects currently included in the Medium Term Financial Strategy are:-

- Office relocation
- Town Hall Transfer
- Changes to Members Allowances
- Senior Management Review
- Further reductions in Discretionary Spend
- A review of Community Partnership spending
- Increased recycling credits

3.9.10Officers will continue to monitor and update the 5 year forecast during 2017/18, with Members regularly updated as part of the Budget Review process.

3.10 Reserves and Balances

3.10.1Members agreed that £1.5m should be the minimum level for the core General Fund Balance. This Reserve supports the Council for future unforeseen demands upon its resources. In order to consider a reasonable level of general reserves, a risk assessment has been done and is contained at Appendix 11. 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.

3.10.2The General Fund has many specific Earmarked Reserves. These are attached at Appendix 3 showing the actual and projected balances from April 2016, along with the purposes for which each reserve is held. Finance and Audit Scrutiny Committee is especially asked to scrutinise this element and pass comment to Executive.

3.10.3Those reserves which show a significant change in the overall balance in the period 1st April 2016 to 31st March 2021 are detailed below and also shown in Appendix 3:-

i. Capital Investment Reserve – reduction of £1,655k to £1,392k due to financing of General Fund Capital Programme. The Council's policy is for this reserve to maintain a balance in excess of £1m to fund any unavoidable and unpredicted capital liabilities. As discussed in paragraph 3.3.8, it is proposed to reduce the use of this reserve to fund the General Fund Capital Programme by £1.5m in 2016/17, £323k in 2017/18 and £77k in 2018/19 , and for £1.5m and £400k to be appropriated to the Leisure Options Reserve in 2016/17 and 2017/18 respectively.

ii. ICT Replacement Reserve – reduction of £723k due to financing of ICT revenue and capital expenditure. The reserve is due to get a further top up of £250k in 2021/22 but will require significant further top ups if it is to continue to finance the Council's ICT requirements beyond 31st March 2022.

iii. Gym Equipment Reserve – following the decision to externalise the Leisure Centre operations this reserve is no longer required and £123k has been returned to the General Fund.

iv. General Fund Early Retirements Reserve – an overall net increase of £193k from 2016/17 & 2017/18 New Homes Bonus.

v. Equipment Renewal Reserve – based on all of the items included in the schedule in Appendix 5 to this report actually being acquired the reserve will be overdrawn by the end of 2018/19 and despite further top ups of £100k in each of 2019/20 and 2020/21will still be overdrawn to the tune of £210k at the end of 2020/21.

vi. Service Transformation Reserve – reduction of £1,183k to £234k at 31st March 2021 due to projects approved under the Council's Fit for the Future programme and other initiatives.

vii. Public Open Spaces Planning Gain Reserve – this reserve contains S106 contributions received in respect of open space improvements and is currently forecast to reduce by £317k as a result of financing capital expenditure on play areas etc.

viii. Public Amenity Reserve – this reserve provides finance for the Council's Play Area capital programme and will be virtually extinguished by the end of 2017/18 based on the current spend profile.

ix. Corporate Assets Reserve – a reduction of £465k to £1,377k at the end of 2016/17 due to part financing the Council's Corporate Property R & M revenue programme in that year. This reserve contains sufficient funding to support the pre-planned maintenance programme up to 2019/20. Pre-Planned Maintenance over the next three years is estimated to cost £2.4m with a further approximately £25m in the following 25 years. The recurring revenue budget includes £420,000 per annum towards this work. However further sources of funding need to be sought if the Council is to continue to properly maintain its assets. A report on Asset Maintenance, including the use of this reserve, is due to be presented to members in March.

x. Community Forums Reserve – this reserve will be extinguished at the end of 2018/19 as result of financing revenue expenditure on the forums.

xi. Business Rates Retention Volatility Reserve – this reserve received a top up of £750k in 2016/17 from that years New Homes Bonus and will make contributions of £3,207k to the General Fund in respect of NDR appeals etc. leaving a balance of £880k for future years. This balance will be subject to change as the Council's element of Business Rates Retention alters from the figures currently included within the Medium Term Financial Strategy.

xii. Leisure Options Reserve – this reserve received £625k from the 2016/17 New Homes Bonus and will make a contribution to the General Fund of £484k in 2016/17 in order to compensate for the lost income as a result of the closure of St Nicholas Park and Newbold Comyn Leisure Centres for refurbishment. It will also make a contribution of £141k in 2017/18 to partly cover the first year's debt servicing costs in respect of the borrowing taken out to finance the refurbishments. As discussed in paragraph 3.3.7, this reserve will by increased by £1.5m in 2016/17 and £400k in 2017/18 . This will then be used to fund the 2017/18 Budget by £300k in 2017/18 and the 2018/19 of the Medium Term Financial Strategy by £600k to compensate for the "concession holiday". The further use of this reserve is discussed further in paragraph 3.3.8.

xiii. Community Projects Reserve – a new reserve to be established in 2017/18 from that year's New Homes Bonus to provide finance for various identified community projects. It's opening balance will be £868k. The use of this reserve will be subject to requests being agreed by the Executive.

3.10.4 For some years now, officers have undertaken Options Appraisal when procuring items from the Equipment Renewal Reserve. It is recommended this practice continues and is used for any purchase from a Reserve where this exercise might be appropriate and offer an alternative cost effective means of purchase, e.g. ICT Reserve and Capital Investment Reserve

3.11 General Fund and Housing Capital Programmes.

3.11.3In accordance with the Council's Code of Financial Practice, all new and future capital schemes, must be in line with the Council's corporate priorities and a full business cases will be required as part of the Report to the Executive for approval. This case will identify the means of funding and, where appropriate, an options appraisal exercise will be carried out. Should there be any additional revenue costs arising from the project, the proposed means of financing such must also be included in the Report and Business Plan.

It is proposed to add the following into the current 5 year General Fund capital programme :-

Scheme	**Year**	**Amount**	**Financed From**
Colour Copier – replacement for current obsolete machine	2016/17	£74,200	Finance Lease
Replacement Printers and PC's – extension of current programme	2020/21	£27,000	ICT Replacement Reserve
Infrastructure Replacement	2020/21	£35,000	ICT Replacement Reserve
Infrastructure General	2020/21	£13,500	ICT Replacement Reserve
VOIP Telephone System	2020/21	£75,000	ICT Replacement Reserve
Rural & Urban Initiatives Grants – extension of	2020/21	£150,000	Capital Investment Reserve

Scheme	Year	Amount	Financed From
current programme			
Recycling & Refuse Containers – extension of current programme	2020/21	£125,000	Capital Investment Reserve

3.11.4 In addition to the new projects incorporated above the following capital projects are expected to come forward over the next year:-

- Investment in replacement multi storey car parks
- Office relocation
- Europa Way

3.11.5 Slippage to 2017/18 in the General Fund Programme has been incorporated into the proposed Capital Programme in respect of two Paly Area Improvement Schemes totalling £109,500.

3.11.6 In addition the following table shows changes to current schemes that are required to be reported to Members:-

Scheme	Year	Amount	Comments
Leisure Options	2016/17	-£26,000	Transfer to revenue to part fund Programme Managers salary
Green Farm Play Area	2016/17	-£26,800	S106 contribution funding this scheme returned to Developer as Developer now providing play area
Rural & Urban Initiatives Grants	2016/17	-£60,000	2016/17 Underspend
Cubbington Flood Alleviation Scheme	2016/17	-£17,200	Transferred to revenue to meet ongoing maintenance costs
Royal Spa Centre Operational Works	2016/17	-£48,000	Scheme completed under budget
Recycling and Refuse Containers	2016/17 – 2019/20	-£40,000 per year	Transferred to revenue to fund bin delivery costs

3.11.7 Appendix 6 Part 5 shows the General Fund unallocated capital resources. These total £2.866m. The Capital Investment Reserve represents the largest share of this at £1.392m, for which the Council has agreed the minimum balance should be £1m. Whilst the Council does hold other reserves to fund capital projects, it will be noted that these are limited and have been reserved for specific purposes. The Capital Receipts shown relate to the funding originally allocated to Kenilworth Public Service Centre. With this scheme no longer within the Capital Programme, this funding should now be available to fund other capital projects that may come forward.

3.11.8The latest Housing Investment Programme (HIP) is shown at Appendix6 part 2.

3.11.9Slippage to 2017/18 in the Housing Investment Programme since last reported to Members is shown in the table below:-

Scheme	Amount
Environmental Works - General	£87,000
Electrical Fitments/Rewiring	£500,000

3.11.10In addition the following tables show new schemes and changes to current schemes that are required to be reported to Members:-

New schemes:-

Scheme	Year	Amount	Financed from
Cloister Way House Purchases	2017/18	£825,300	1 for 1 capital receipts

Changes to current schemes:-

Scheme	Year	Amount	Comments
Improved Ventilation	2016/17	£5,000	Saving
Environmental Works – Tenant Participation Projects	2016/17	£46,000	Saving
Mandatory Disabled Facilities Grants	2016/17	£132,100	Saving

3.11.11Appendix 6 Part 4 shows the funding of the Housing Investment Programme and the funding available. The total funding accruing over the period to 2020/21 that has not currently been allocated to funding the HIP is as follows:-

	£000
Capital Receipts	9,614
Capital Receipts: One for One replacement	8,375
HRA Capital Investment Reserve	38,315
Major Repairs Reserve	13,848
S 106	1,002
Decent Homes Grant	138
Total	**71,292**

- The Capital Receipts primarily relate to Right to Buy Sales. The Council does have freedom over how these are utilised, being able to fund General Fund or Housing capital schemes. The Council’s policy has been for these to be retained for housing purposes, and currently primarily assisting to fund the Disabled Facilities Grants. As the Council does legally have scope to use these receipts for any capital funding, it has been proposed to use £1.5m in 2016/17, £323,000 in 2017/18 and £77k in 2018/19to fund the General Fund Capital Programme, as discussed in paragraph 3.3.7. In addition, given the Council’s current financial position the Council should review its policy for the future use of this funding. It is proposed that this should be further considered as part of the forth-coming Fit For the Future report in June.

- Capital Receipts: One to One. These are an element of the receipts from Right to Buy Sales that would otherwise be paid to Central Government. The Council needs to use this funding towards new additional dwellings. If this funding is not used within a three year period from the date of receipt, this funding will be repayable to the Government, along with interest.

- HRA Capital Investment Reserve. This reserve is funded by the surpluses generated on the Housing Revenue Account. The HRA Business Plan assumes that this funding will primarily be used for the provision of new HRA stock. However with details of the high value voids levy proposed by the Government still awaited, the funding may not be available to invest in new dwellings and may be needed to fund housing association Right to Buy.

- Major Repairs Reserve. This reserve is used to fund capital repairs of the HRA stock. The contributions to this reserve are based on depreciation calculations.

- Section 106. These payments are received from developers in lieu of them providing new on site affordable homes, enabling the Council to increase the HRA stock or assisting housing associations to provide new dwellings. These S106 payments usually have a time limit attached to them by which time they need to be utilised or they may need to be repaid to the developers.

  It will be noted that the Council is predicted to accrue substantial resources in future years to fund the Housing Investment Programme.

3.12 Prudential Indicators

3.12.1 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 in accordance with the CIPFA Code for Capital Finance in Local Authorities.

3.12.2 The Indicators are shown at Appendix 8. Further indicators are included within the Treasury Management Strategy Report.

3.13 Appropriation of funding and balances

3.13.1 Based on the details presented in this report, the Council has the following one off funding and balances over which it has discretion over its utilisation:-

- New Homes bonus (£1,759,833 net of payment to Waterloo Housing Association)

- 2016/17 Surpluses, totalling £96,200.

3.13.2 The following demands on this funding proposed to be specifically resourced are:-

  - The Early Retirement Reserve has a forecast balance of £143,000 at 31st March 2017. There are various initiatives and staffing reviews underway and to be undertaken during 2017/18. It is therefore considered prudent to maintain a healthy balance in this reserve.

  - In previous years, the Council has had a Contingency Budget (approx. £200,000) to allow for unforeseen events which cannot be met from other funding sources. Where these are unavoidable, the Contingency Budget has been utilised.

- Future reports will consider funding requests in respect of Digital Transformation and One Stop Shop Digital Investment.

- Members will be aware that Newbold Comyn and St Nicholas Park Leisure Centres are undergoing refurbishment ahead of the Centres being outsourced. In December 2017 Members were again reminded that Phase 2 of the refurbishments at Kenilworth had still to be done. A report will be forthcoming to members ahead of feasibility work for this project commencing.

- Linen Street Car Park is in need of refurbishment or demolition and rebuilding. Monies are needed to undertake feasibility works prior a business case being brought to Members with proposals for a way forward. A more detailed report will be presented outlining the business case for parking in Warwick

- Public Sector Housing. As a result of a peak of additional work for the private sector housing team, with 164 HMO licenses due for renewal in September as part of the 5 year licensing cycle, and an estimated 200 new properties likely to be licensable under the new regulations that it is anticipated will be introduced by Government in October, additional staffing resource is required. Budget provision has been made available to recruit 1x F grade officer and 1x H grade admin assistant from the start of the second quarter. The need for any additional resource will be considered 'in-year' when the date of implementation of the new licensing regime is confirmed and addressed through the contingency budget if appropriate.

3.13.3 Community Projects Reserves

Alongside the projects detailed in 13.3.2, there will be other projects which will benefit the community in Warwick District. It is therefore proposed that after allocating monies to the Contingency Budget, Early Retirement Reserve and projects above, the residual £867,833 be allocated to a new Community Projects Reserve. When monies are ready to be spent on one of these projects a separate Report will be brought to the Executive prior to it being drawn down.

3.13.4 Some of the projects that for which funding is likely to be sought in from Members include the following:-

- Members have already received Reports on St Mary's Lands. The last one being in November 2016. The Executive has agreed a Delivery plan of proposals amounting to £256,000 over 2 years (£196,000 and £60,000 respectively) be considered as part of the budget process for 2017/18 and 2018/19. It is now proposed that the sum is re scheduled to £86,000 and £170,000 respectively to allow for the proper planning of the car parking element (£110,000).

- A report is due to come to the Council which considers the purchase of land off Europa Way to facilitate the relocation of Leamington Football Club and in turn for its current site to be used as a Gypsy and Traveller site. It is proposed that the land purchase and associated costs be funded by borrowing incurring approximately £325,000 debt servicing costs per annum, the first 4 years of which would be proposed to be funded from the Community Fund Reserve, so giving time to provide for its ongoing funding to be sourced within the General Fund. The scheme as a whole will allow for the construction costs of a stadium to be sourced from commercial and other enabling development. To facilitate the 1st stage of that process £100,000 is proposed to be used to undertake a detailed development appraisal and to cover project management costs. This is also proposed to be funded from the Community Fund Reserve.

- Abbey Fields Parks for People, - Funding is needed to undertake preliminary investigation and consultation to enable an evidence-based assessment of the likelihood of achieving Parks for People funding from the Heritage Lottery Fund.

- Abbey Fields Footpath, - Funding is needed to improve and repair a major footpath running through Abbey Fields.

13.3.5.1 Further funding requests

- It is anticipated that a small amount of funding, possibly 'match-funding', will be required during the financial year to enhance the external communal areas, street scene, car parking area and signposting within the Spencer Yard complex to complement the development of the Creative Quarter initiative.

- It is anticipated that a small amount of funding will be required during the financial year to develop a partnership project to investigate the deployment of digital screens at selected council buildings to promote the town centre and Council activities and to allow the commercial potential of the project to be investigated.

- It is anticipated that the Leamington Town Centre Vision will be presented to Council for WDC endorsement during the financial year, in addition to it being presented to the other organisations represented in the partnership developing the Vision for their endorsement, and that some 'seed-funding' will be required for initial priority work, for example, improvements to the routes from the station to the town centre, to deliver the Vision.

- This approach also gives the Council the opportunity to consider during the year community based schemes that may not otherwise qualify for the Council's RUCIS scheme.

3.13.6The following uses of these balances/funding shown in paragraph 3.13.1 is now proposed:-

	2017/18 New Homes Bonus	**2016/17 Surplus**	**Unspent Contingency Budgets 2016/17**	**Total**
	£	**£**	**£**	**£**
Waterloo Housing Association	178,525			**178,525**
Early Retirement Reserve	150,000			**150,000**
Contingency Budget 2017/18	104,500	50,500	45,700	**200,700**
Kenilworth (Leisure Ph2)	100,000			**100,000**
Digital Transformation	200,000			**200,000**

	2017/18	2016/17 Surplus	Unspent Contingency Budgets 2016/17	Total
OSS Digital Investment	50,000			**50,000**
Linen Street re-provision	250,000			**250,000**
Private Sector Housing Resources	37,500			**37,500**
Community Projects Reserve	867,833			**867,833**
Total	**1,938,358**	**50,500**	**45,700**	**2,034,558**

3.14 Rural Rate Relief
In the December Autumn Statement the Government announced a package of business rates measures including the Government doubling rural rate relief to 100% from 01 April 2017.

The Government intends to amend the relevant primary legislation to require local authorities to grant 100% mandatory rural rate relief. However before legislation is amended the Government expect local authorities to use their local powers (under section 47 of the Local Government Finance Act 1988) to grant 100% rural rate relief to eligible ratepayers from 01 April 2017.

It is for individual local authorities to decide to award relief 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 awarding the relief by means of a section 31 Grant. Consequently the Council will be no worse off under the business rates retention scheme if they adopt the scheme.

4. Policy Framework

4.1 Policy Framework

This Report does not contradict the Council's Policies and Strategies. –

4.2 Fit for the Future

The Budget underpins the Sustainable Community Strategy and the vision of making Warwick District a great place to live work and visit. It provides one of the Council's 3 key strands, "Money" of the Fit for the Future Programme. In achieving this it also helps to achieve the "Service" strand – maintaining or improving services. The Fit for Future Programme savings have been built into budgets and the Strategy. However, further savings are still needed and the Fit for the Future Programme is an integral part of achieving them.

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.

5.2 Officers monitor the current year's budgets by way of the monthly Budget Review process which is duly reported to the Council's Senior Management Team. The same process is applied when reporting quarterly to Members. Members are also kept informed on progress with Earmarked Reserves and the

Contingency Budget, alongside the latest predictions in the Medium Term Financial Strategy.

6. Risks

6.1 Business Rates Retention

As detailed in section 3.5, there are still substantial risks around Business Rates Retention. Also, as detailed in paragraph 3.4.5, the potential "Tariff Adjustment" of £240k from 2019/20 has not been factored into the Council's projections. It is uncertain whether this will be funded by the Government or will be accommodated within the 100% Business Rate Retention system.

6.2 The Strategy now assumes that £5 increases in Council Tax in 2020/21 and 2021/22 will not be subject to a referendum. This is beyond the term of the current Provisional Finance Settlement. There is therefore a degree of risk as to whether this level of Council Tax increase will be able to be continued.

6.3 Many of the Risks in the Significant Business Risk Register are Finance related and the Finance Service Area has its own Risk Register. Both are reviewed regularly.

6.4 Whilst the country is now seeing an upturn in the economy with interest rates expected to increase, it is still susceptible to changes in the world economic and political environment which could reverse the trend. A return to recession would see the projected rise in interest rates delay further and increased unemployment would in turn impact on the Council's finances by increasing the level of Council Tax Reduction claimants and reduce customers' discretionary spending in the Council's income generating areas, to give but one example. Inflation rates are influenced by the economy. High inflation rates restrict the Council's own purchasing powers and also impact on its Contractors whose annual contract uplifts may have been based on a lower RPI period.

6.5 The Medium Term Financial Strategy has a significant amount of savings built in from the Fit for the Future Programme. Failure to deliver these projects, all or in part, will increase the deficit and savings yet to be identified. Delays may drive up the costs of the enabling works and mean savings do not materialise as early as expected. There may also be revenue implications should the projects not have been assessed.

6.6 Unforeseen events, such as planning appeals, uninsured damage, legal challenges, can expose the Council to incur expenditure not previously budgeted for. Whilst the Council endeavours to cover these from its Contingency Budgets and Reserves, they may not prove adequate.

6.7 The ICT Replacement Schedule at Appendix 5 has been costed on existing intelligence. However the ICT Manager advises

- It is likely that changes to Microsoft licensing may mean that the Council needs to convert from a device licence model to a user model. It is unclear what impact this will have on licence costs going forward until retendered.
- Due to 'Brexit', and the impact on the dollar exchange rate, Microsoft has announced that it intends to increase its prices by a further 22%. Again it is unclear what the impact will be on prices at renewal because the Council purchase through a government negotiated framework. The

Revenue Support and Maintenance Contracts are also quoted in dollars prior to conversion.

6.8 Changes in legislation may influence assumptions built into Budgets and the 5 year Strategy as well as increasing the costs of implementing these changes.

6.9 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 the medium term.

- Financial controls, including the Codes of Financial and Procurement Practice, system controls, reconciliations, audit (internal and external).

- Project Management and associated controls.

- Trained staff and access to appropriate professional advice (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 2017/18 there is a Contingency Budget of £200,700 for any unplanned unavoidable expenditure.

- Reserves – The Council holds reserves as discussed within section 3.10. Whilst much of these reserves have already been earmarked for specific projects, it is important that reserves are held for any unforeseen demands.

- 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 should continue to be managed by the relevant Service Area as part of managing the risks within each Service Risk Register. Each Service Area's Risk Register is presented to Finance and Audit Committee bi-annually on a rolling basis for scrutiny.

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 2015/16 and 2016/17 are based upon the most up to date information. I