

Title: General Fund Revenue and Capital Budget 2025/26  
 Lead Officer: Andrew Rollins (01926 456013)  
 Portfolio Holder: Councillor Chilvers  
 Wards of the District directly affected: N/A

<b>Approvals required</b>	<b>Date</b>	<b>Name</b>
<b>Portfolio Holder</b>	/01/25	Cllr Chilvers
<b>Finance</b>	/01/25	Steven Leathley
<b>Legal Services</b>		
<b>Chief Executive</b>	/01/25	Chris Elliott
<b>Director of Climate Change</b>	/01/25	Dave Barber
<b>Head of Service(s)</b>	/01/25	Andrew Rollins
<b>Section 151 Officer</b>	/01/25	Andrew Rollins
<b>Monitoring Officer</b>	/01/25	Graham Leach
<b>Leadership Co-ordination Group</b>		
<b>Final decision by this Committee or rec to another Cttee / Council?</b>	Yes	
<b>Contrary to Policy / Budget framework?</b>	No	
<b>Does this report contain exempt info/Confidential? If so, which paragraph(s)?</b>	No	
<b>Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?</b>	Yes	
<b>Accessibility Checked?</b>	Yes	

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## Summary

The report informs Members on the General Fund Budget for Warwick District Council, including proposals for growth, plus the Medium-Term Forecasts up to 2028/29. It will be presented to Full Council alongside a separate report recommending the overall 2025/26 Council Tax Charges for Warwick District Council.

The report presents a balanced budget for 2025/26, which the Council has achieved through the use of available reserves, as expected and outlined in the Medium Term Financial Strategy approved alongside the 2024/25 Budget in February 2024. The Council makes a prudent assumption that £1m of the Core Finance Settlement will be reoccurring and treats the remainder as non-recurrent to support non-recurrent additional activity and replenish reserve balances, and not to support ongoing core revenue spending. The budget factors in the second year of the Councils £2.5m change programme, with £0.7m of recurrent delivery targeted. The first year of the change programme (2024/5) met its £0.3m target.

In advance of the report to approve the 2025/26 Council Tax Charges going to Council, a 2.99% increase has been recommended by Officers, in line with the Medium Term Financial Strategy (MTFS) last approved in February 2024.

## Recommendation(s)

- (1)** That Cabinet recommends to Council to approve the proposed 2025/26 revenue budget as detailed in section 1.2 and notes the shortfall on the year of £2.5m is addressed using the General Fund Volatility Reserve.
- (2)** That Cabinet recommends to Council to approve the Council Tax charges for Warwick District Council for 2025/26 before the addition of Parish/Town Councils, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts, for each band with an increase at band D of 2.99%.

	£
Band A	125.07
Band B	141.91
Band C	166.76
Band D	187.60
Band E	229.29
Band F	270.98
Band G	312.67
Band H	375.21

- (3)** That Cabinet notes the impact on the Medium-Term Financial Strategy (MTFS) due to changes detailed within the report, how these changes are expected to be accommodated through the delivery of an organisational change programme, due to be presented to Cabinet in March.

- (4) That Cabinet recommends to Council to approve the reserve projections and allocations to and from the individual reserves as detailed in Section 1.8, including the ICT Replacement, Equipment Renewal and Planned and Preventative Maintenance (PPM) Schedules.
  - (5) That Cabinet recommends to Council to approve the General Fund Capital and Housing Investment Programmes as detailed in section 1.9 of the report, and Appendices 7 parts 1 and 2, together with the funding of both programmes as detailed in Appendices 7 parts 3 and 4. Changes to the programme are outlined in Appendix 6.
  - (6) That Cabinet recommends to Council to approve the allocation of project funding outlined in Section 1.10 and summarised in Appendix 8.
  - (7) That Cabinet recommends to Council to approve the 2025/26 Corporate Property Repair and Planned and Preventative Maintenance (PPM) Programme totalling £0.709m as outlined in Appendix 9 and section 1.11, funded from a drawdown from the Corporate Asset Reserve of up to £0.296m. Members should also note the 5 year programme presented in the appendix, and how this programme can be accommodated by the Corporate Asset Reserve.
  - (8) That Cabinet approves the introduction of the second homes premium charge with effect from 1 April 2025. The charge relates to Council Tax and is outlined in section 1.12.
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## **1 Reasons for the Recommendation**

### **1.1 Mandatory Obligations**

- 1.1.1 By law, the Council must set a balanced budget before the start of the financial year. As part of this process, it must levy a council tax from its local tax payers to contribute to financing General Fund expenditure.
- 1.1.2 It is prudent to consider the medium term rather than just the current and next financial year in the context of strategic planning and decision making, to align with the Corporate Strategy. Hence, Members receive a 5-year Medium Term Financial Strategy (MTFS) detailing the Council's financial plans, Capital Programme and Reserves Schedule, covering the period 2024/25-2028/29.
- 1.1.3 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. These will be included in the Annual Treasury Management Strategy report to Cabinet and Council in March 2025.
- 1.1.4 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 provided as Appendix 1.
- 1.1.5 This report is structured to build up and present a holistic view of the Council's finances for Members to assist them in considering the Budget and Council Tax proposals and associated matters. The report is structured as follows:-
  - 1.2 2025/26 Revenue Budget – details of main items included within the proposed 2025/26 budget.
  - 1.3 2025/26 Government Funding announcements confirmed since the Draft

budget was presented in December 2024, including the final Local Finance Settlement.

- 1.4 Business Rates – details of main drivers impacting upon the Council’s share of Business Rates, including future policy assumptions.
- 1.5 Council Tax – proposals for Warwick District Councils level of council tax for 2025/26.
- 1.6 New Homes Bonus and Funding Guarantee allocations.
- 1.7 Medium-Term Financial Strategy (MTFS) – revenue projections for the Council covering the period 2024/25 – 2028/29, based upon member decisions and the latest financial assumptions.
- 1.8 Reserves and Balances – details on the funds held by the Council, outlining how they will be used over the MTFS period and their forecast uncommitted balances.
- 1.9 Capital Programme – details of Council’s capital projects and how they are to be funded.
- 1.10 Proposals for the allocation of one-off funding to support non-recurrent activity.
- 1.11 Planned and Preventative Maintenance Programme (PPM) – agreement to the plan for 2025/26.
- 1.12 Proposals for the second homes premium Council Tax charge.

## 1.2 **2025/26 Revenue Budget**

- 1.2.1 In December 2024, the 2025/26 draft base budget was presented to members. This reflected an unbalanced position at that stage of the process, with a forecast deficit of £3.525m, with provision made to balance the budget using General Fund Volatility reserves if necessary.
- 1.2.2 At the time of presenting the draft position to members, central Government funding, including the Local Finance Settlement, had not been outlined at Council level. Therefore, only £1m had been included on a recurrent basis.
- 1.2.3 Provisional allocations have now been shared and are covered in greater detail in section 1.3 of this report.
- 1.2.4 Budget changes (Growth) totaling £1.682m had already been included in the base budget. At the time of the draft report, this left a further £0.8m of proposals awaiting a decision. While some of these required further analysis with the service areas, a final decision was delayed until the Council received details on the Local Finance Settlement to ensure that funding would be available to support the requests.
- 1.2.5 Further proposals have subsequently been added following the announcement of the Finance settlement, focused on meeting the Councils Strategic priorities.
- 1.2.6 The Executive team met with Cabinet to review the outstanding proposals put forward, and have recommended the inclusion of the following:

	<b>Recurrent £</b>	<b>Non-recurrent £</b>
<b>Budget change (growth) requests approved</b>	<b>£0.110m</b>	<b>£0.984m</b>

- 1.2.7 A summary of the Non-Recurrent items can be found in Appendix 8.
- 1.2.8 The 2025/26 budget shows a deficit of £2.5m. This is in line with the MTFS approved by members in February 2024 when the budget was last set, and aligns with the expectations of the Change Programme, which was approved alongside the budget.
- 1.2.9 The key drivers of the change to the position since it was last reported in December (a deficit of £3.525m), include:
- 25/26 Budget Changes (growth) - see 1.2.6
  - Additional top-ups to reserves
    - £1m to General Fund Volatility Reserve (specifically to offset reduction in expected Fees and Charges income from 2026/27)
    - £0.5m to Service Transformation Reserve
    - £0.7m to Corporate Asset Reserve
    - £0.3m to Energy Generation Projects Reserve
    - £0.071m to Climate Change Reserve
  - Removal of services grant, as longer received in Local Finance Settlement - £0.024m
    - Offset by:
      - Inclusion of Non-Recurrent Local Finance Settlement funding, consisting of:
        - New Homes Bonus - £1.529m
        - Funding Guarantee – an additional £0.347m, as £1m was previously included.
      - National insurance Compensation Grant - £0.197m
      - Extended Producer Responsibility (EPR) funding for waste management - £0.954m
      - The inclusion of business rates overperformance, with any change to the Business Rate Retention system not expected to happen until 2026/27 at the earliest - £2m
      - Council Tax Base increase - £0.059m
      - Change to Collection Fund balance - £0.170m
- 1.2.10 To present a balanced budget, it is proposed to use funding from the General Fund Volatility Reserve (see section 1.10.2).
- 1.2.11 Appendix 2b includes details of the breakdown of the Budget over the Council's individual services.
- 1.3 Government Funding Announcements**
- 1.3.1 The Chancellor announced the 2024 Autumn Statement on 30 October. This gave some early indicators for how local Government funding is expected to be distributed through the finance settlement.
- 1.3.2 It confirmed that there would be a 3.2% real-terms increase in Core Spending Power (CSP) for the whole sector in 2025-26. This will include £1.3bn additional grant funding, of which at least £600m will be directed to social care.
- 1.3.3 At the time it was unclear whether District Councils would receive an increase

in-line with the sector.

- 1.3.4 The Provisional Local Government Finance Settlement was subsequently released on 18 December.
- 1.3.5 This set out that District Councils would not be receiving a 3.2% increase, with Warwick District Councils cash increase equating to just 0.3%. However, this increase is dependent upon Council tax being increased by the full amount of 2.99%. The Council tax principles of the Finance Settlement have been set out in section 1.5.
- 1.3.6 Cap compensation will be paid to mitigate for lost income arising from the decision to freeze the small business rating multiplier in 2025/26.
- 1.3.7 The Services Grant introduced in 2022/23 has now been abolished. WDC received £0.024m in 2024/25.
- 1.3.8 For some years the future of New Homes Bonus (NHB) has been subject to review, adding to uncertainty to its continuation.
- 1.3.9 However, as part of the stability, this has included NHB allocations for 2025/26 of £1.529m. There are no legacy payments attached to these new allocations.
- 1.3.10 In addition, to bridge the gap and to ensure that all Councils see a minimum 0.3% increase in their core spending power (before taking into consideration any local decisions on Council Tax), a further one-off Funding Guarantee allocation of £1.347m will be received.
- 1.3.11 The Council has also received confirmation of an increase to the Homelessness Prevention Grant, and also extra funding from the Extended Producer Responsibility for Packaging scheme, a funding stream designed to encourage manufacturers to shift to more environmentally-friendly packaging that can be recycled effectively. However, there is future uncertainty over these funding streams at this point, and therefore they have only been included on a single year basis.
- 1.3.12 The Council will continue to use NHB and the Funding Guarantee to fund one-off items, or to support the top-up of reserve balances. This is in view of the uncertainty over future allocations (with Government indicating that a redistribution of funding, including the first multi-year settlement in years, will take place from 2026/27), so it has been prudent not to use this funding to support core revenue expenditure, with this revenue only factored into the Medium-Term Financial Strategy once it has been agreed for each year, with the exception for £1m as outlined in section 1.2.2. The proposal for their use is outlined in sections 1.2.6, 1.10 and Appendix 8.
- 1.3.13 Funding reforms and changes in funding distribution, including the Fair Funding Review and Business Rates baseline reset, have been assumed to take place from 2026/27. Business Rates are discussed in section 1.4.

## 1.4 **Business Rates**

- 1.4.1 Under the current Business Rate Retention scheme, 50% of rates collected are retained within local government (40% to Warwick District Council / 10% to Warwickshire County Council), with a series of tariffs and top-ups to redistribute the revenue between local authorities to reflect the individual "needs" of authorities, and to distribute revenue to non-billing authorities. For some years the Government has been planning a move to a 75% scheme to give local authorities more incentive to encourage local businesses on the basis that the local councils would get to retain a greater proportion of the tax revenue.

- 1.4.2 The other planned change to the Business Rate Retention system is for there to be a “Re-set” of the Baselines. Under the system, each authority has a Baseline, and gets to retain a proportion of the additional tax revenues above this. Authorities such as Warwick have benefitted from this since the scheme began and operate well above Baseline. If there is a re-set to the Baseline, this would reduce the business rates that the Council retains substantially. For the fifth consecutive year the re-set has been delayed, with it now expected to be from 2026/27 at the earliest. Therefore any delay in changing the baselines is seen to be of benefit to the Council. However, the MTFS does account for a steep decrease in the Council’s forecast Business Rate income from 2026/27, where it is expected that District Councils will be impacted the most from any change.
- 1.4.3 While the details of any reform remain unknown, typically there would be some form of transitional funding available to Councils that are negatively affected. However, for prudence, the MTFS assumes for a ‘worst-case’ scenario, with this position subject to continual review as and when more information becomes available.
- 1.4.4 The Business Rate Retention scheme is very complex, with many components and parameters which drive the funding, and the timing of that funding, that Councils receive. The Council’s Business Rate Retention projections are based on figures provided by Local Government Futures, a specialist consultancy that many local authorities subscribe to. This information is supplemented with local knowledge from being part of a Business Rates Pool with other Councils across Coventry and Warwickshire
- 1.4.5 The Council is part of the Coventry and Warwickshire business rates pool. This has meant that any tariff payable is made through the pool to central Government, along with the other Warwickshire Councils (including the County Council) and Coventry City Council. The operation of the Coventry and Warwickshire pool has meant that the tariff payments made by the council are reduced and more business rates income can be kept locally. The members of the pool have once again agreed to remain within the pool going forward into 2025/26.
- 1.4.6 Given the large fluctuations in the business rates, and the difficulty in projecting the revenue, it is important that the Council continues to retain a “Volatility Reserve”. Any business rates income received in the year above the agreed baseline is allocated to the reserve. In future years, it may be necessary to fund any shortfall to the baseline from the reserve.

## 1.5 **Council Tax**

- 1.5.1 As part of the Finance Settlement (section 1.6) the Government has confirmed that for District Councils, their element of council tax can increase by the higher of 2.99% or £5 for 2025/26. As 2.99% is higher than £5 for this Council, this is the maximum increase in council tax for 2025/26 that is allowed for. Any increase above this level would require a local referendum.
- 1.5.2 Increasing the council tax by the maximum would protect the Council’s tax base and maximise council tax revenue. If the Council agrees a lesser increase than 2.99% (or no increase), this will erode the tax revenue of Warwick District Council from 2025/26 in perpetuity. A 2.99% increase would generate an additional £0.318m in 2025/26. If council tax is not increased, the Council’s revenue income for all future years will be suppressed by at least this amount. With the Council having to find further revenue savings in future years, the savings to be found will be that much greater. If savings in service provision

are not found, it will be necessary to make reductions in services to enable the Council to be able to agree a balanced Budget in future years.

- 1.5.3 The Tax Base for 2025/26 has now been agreed at 59,720 Band D dwellings, representing an increase of 1439 from the prior years tax base, and above the forecast used by the Government in setting the Local Finance settlement. The figures also reflect the actual impact on the changes to the Local Council Tax Reduction Scheme introduced in 2023/24.
- 1.5.4 The 2024/25 estimated council tax balance in respect of Council Tax income for the current year has recently been reviewed. This gives a total estimated surplus balance of £0.684m as at 31 March 2025. This balance has to be shared with the major preceptors in 2025/26, with this Council's element being £0.70m. Estimating the tax base is invariably very difficult, and frequently results in a deficit or surplus balance which would need to be financed subsequently. The current economic conditions, and the actual impact on the changes to the Local Council Tax Reduction Scheme introduced in 2023/24 have increased the challenge of estimating the tax base with increased levels of certainty. The model used to forecast the tax base is continually revised to take into consideration current economic and sector conditions, including changes to stamp duty legislation.
- 1.5.5 The Medium-Term Financial Strategy (discussed in section 1.7) assumes council tax increases for future years of 2.99% per annum from 2025/26. Any departure from this will increase the level of the future deficit, and the values required to be achieved within the change programme.
- 1.5.6 Therefore the Officer recommendation within this report is for District Council's element of council tax for 2025/26 to be increased by 2.99%. On this basis, the 2024/25 council tax for each band would be as follows:-

	<b>£</b>
Band A	125.07
Band B	145.91
Band C	166.76
Band D	187.60
Band E	229.29
Band F	270.98
Band G	312.67
Band H	375.20

- 1.5.7 Members 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. By increasing the Council Tax by the maximum amount permitted, members are ensuring the Council is limiting where possible



the size of the financial deficit, and that it is maximising the amount of Council Tax it can receive in-year to support continued delivery of agreed services.

## 1.6 **New Homes Bonus and Funding Guarantee**

- 1.6.1 For some years the future of New Homes Bonus (NHB) has been subject to review, adding to uncertainty to its continuation.
- 1.6.2 It was expected that NHB payments would end in 2022/23. However, due to the 'holding' nature of the Finance Settlement, NHB allocations have once again been included, with £1.529m to be received in 2025/26. There are no legacy payments attached to these new allocations.
- 1.6.3 In addition, to bridge the gap and to ensure that all Councils see a minimum 0.3% increase in their core spending power (before taking into consideration any local decisions on Council Tax), a further one-off funding guarantee allocation of £1.347m will be received.
- 1.6.4 The Council will continue to use NHB and now the Funding Guarantee to fund one-off items, or to support reserves. This is in view of the uncertainty over future allocations, so it has been prudent not to use this funding to support core recurrent revenue expenditure, with this revenue only factored into the Medium-Term Financial Strategy once it has been agreed for each year. The proposal for their use is outlined in section 1.10 and Appendix 8.

## 1.7 **Medium Term Financial Strategy**

- 1.7.1 The MTFS was last formally reported to members in December as part of the Draft Base Budget report. Once the changes that have taken place through the Budget Setting process (sections 1.2 – 1.6, with the major changes highlighted) have been incorporated into the Strategy, the position of the MTFS is now as follows:

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Deficit-Savings Req(+)/Surplus (-) future years (as at Dec 24)	0.264	3.525	0.496	-0.210	-0.674
Deficit-Savings Req(+)/Surplus (-) future years (as at Feb 24)	0.291	2.500	0.064	-0.122	-0.689

1.7.2 Section 1.10.3 proposes how the deficit will be covered through the use of reserves. The below table shows the MTFS once this has been actioned:

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Deficit-Savings Req(+)/Surplus (-) future years	0.0	0.0	0.064	-0.122	-0.689

1.7.3 As part of the MTFS position above, a number of key assumptions have been included, including:

- A 2.99% Council Tax increase per annum
- A 2% tax base increase per annum
- A 3% (CPI+1%) increase per annum on authority controlled and agreed fees and charges from 2026
- Inflation of 3% from 2026/27, covering salaries and major contracts
- Revenue expenditure costs associated with additional forecast borrowing
- The removal business rates growth from 2026/27, based upon the expectation that a business rates reset will take place as part of Local Government Finance Reform.
- Delivery of the change programme

#### 1.7.4 Fees and Charges

1.7.4.1 As part of the Councils Change programme, an independent fees and charges review was commissioned in 2024. 10 key areas of fee generation were identified for review, to identify opportunities for income generation and / or improved cost recovery, taking into consideration factors such as market position, policy framework, strategic priorities and commercial opportunities.

1.7.4.2 The review identified that it would become increasingly difficult to achieve the 10% fee income increases previously included within the MTFS last reported in February 2024, and that a policy more closely aligned with inflation would be most deliverable.

1.7.4.3 Therefore, in conjunction with service areas, the assumptions within the MTFS have been updated, to reflect a forecast 3% (CPI+1%) increase per annum on authority controlled and agreed fees and charges from 2026, in line with the new policy.

1.7.4.4 Some service areas with potential to generate additional income above this forecast, such as green waste and parking, with their forecasts included in the assumptions.

1.7.4.5 Provision has been made from the finance settlement to offset the gap from the change in fee income assumptions (see 1.2.9).

1.7.5 Regarding the change programme, The Council's Corporate Strategy made a clear commitment to ensure continued financial sustainability. To contribute this priority and the Council's medium-term financial strategy, there will be an organisational change programme, which will set out the approach and

timeframe to achieve financial efficiencies needed. The change programme business case - the case for change, will be presented to Cabinet in March for approval. The change programme will have senior Cabinet and Officer sponsorship and oversight.

1.7.6 The Council is also maximising returns from its investments, through the Local Housing Company and by ensuring reserves are invested when not required. In addition, agreed borrowing is only taken upon need, and where possible, 'internal borrowing' from reserve balances is used to minimise the associated revenue cost. This will be discussed in greater detail as part of the updated Treasury Management Strategy, which will be presented to Cabinet in March, with current performance having last been reported to Audit and Standards Committee in January 2024.

## 1.8 Reserves and Balances

1.8.1 Members have previously agreed that £1.5m should be the minimum level for the core General Fund Balance. This balance 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 completed (Appendix 4). This shows the requirement for maintaining this minimum balance to mitigate against the risks that have been identified, where other funding is not available.

1.8.2 The unallocated General Fund Balance is currently forecast to be £2.8m, and therefore exceeds the agreed minimum level.

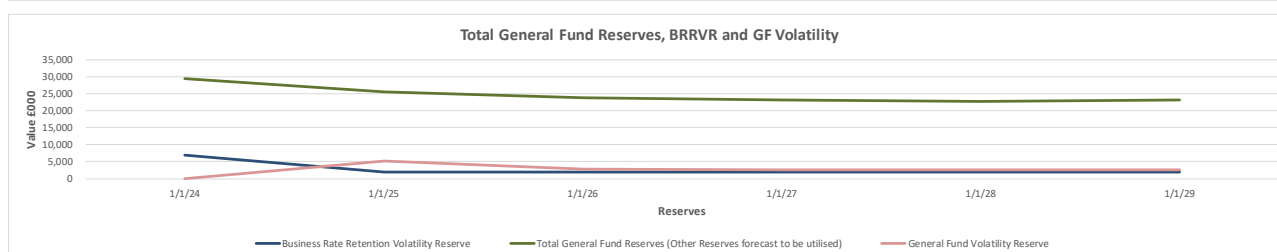
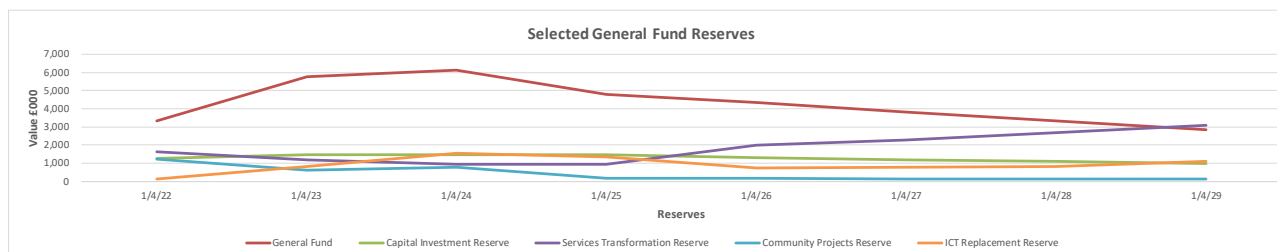
1.8.3 The Business Rate Retention Volatility Reserve (BRRVR) was used over prior years to deliver a balanced budget. However, to ensure this reserve remains available for its primary purpose of smoothing business rate receipts, any overperformance above a £2m balance has been reallocated to the General Fund Volatility Reserve. Business rates are discussed in section 1.4, including the expected changes to Business Rate Retention which have been delayed over the last few years. With the result of the expected changes in mind, it is essential that the Council moves away from its reliance on overperformance receipts to balance the budget in future years, with the Change Programme in March due to outline how the Council plans to address the ongoing deficit position.

1.8.4 A change programme delivery reserve was established from 2024/25 with £0.500m initially allocated. This will be used on an 'invest to save' basis to enable delivery of schemes within the change programme that may require an initial investment in order to deliver recurrent savings.

1.8.5 The Head of Finance has delegated authority enable drawdown from the Equipment Renewal Reserve within the agreed schedule. Any further requests or requests above the agreed schedule will require member approval.

1.8.6 Below is a summary of the key reserve balances available for use by the Council before additional commitments:

General Fund Reserve	Notes	1/4/22	1/4/23	1/4/24	1/4/25	1/4/26	1/4/27	1/4/28	1/4/29
		Actual £000	Actual £000	Actual £000	Actual £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
General Fund	Minimum agreed balance £1.5m	3,341	5,739	6,109	4,804	4,323	3,823	3,323	2,823
Capital Investment Reserve	minimum agreed balance £1.0m	1,256	1,456	1,456	1,456	1,283	1,183	1,083	983
Services Transformation Reserve		1,632	1,198	932	953	2,008	2,273	2,673	3,073
Community Projects Reserve		1,210	616	756	183	158	133	133	133
ICT Replacement Reserve		132	829	1,553	1,343	728	766	818	1,080
General Fund Volatility Reserve	Transfer from BRRVR to leave £2m	0	0	0	5,172	2,774	2,604	2,604	2,604
Business Rate Retention Volatility Reserve	£2m agreed balance ahead of anticipated Business Rate Reset in 2025/26 is achieved.	18,110	11,485	6,913	2,000	2,000	2,000	2,000	2,000
<b>Total General Fund Reserves (Other Reserves forecast to be utilised)</b>		<b>34,443</b>	<b>31,080</b>	<b>29,333</b>	<b>25,454</b>	<b>23,685</b>	<b>23,078</b>	<b>22,808</b>	<b>23,175</b>



The full reserve projections are included within Appendix 5, alongside an explanation for each reserve. Some of the reserves will have additional commitments not reflected in the schedule, which will reduce the projected balances. It should also be noted that some reserves are potentially over-committed, which would either require further funds being allocated in a future year, or a reduction in funded activity. Section 1.10 covers in more detail some of these reserves.

## 1.9 Capital Programme

1.9.1 In 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, including its capital strategy. A report supported by the necessary Business Case should be prepared for review and approval by Cabinet, identifying the means of funding and, where appropriate, demonstrating an options appraisal exercise has been carried out. Should there be any additional revenue costs arising from schemes, the proposed means of financing such must also be included in the Report and Business Plan.

1.9.2 The Capital Programme has been updated throughout the year as new and amended projects have been approved. Appendix 7, consisting of 4 parts, details both the General Fund and Housing Investment Programme (HIP) Capital programmes, along with their associated funding. Appendix 6 details the variations to the capital programme as new schemes have been approved and projects have been updated.

1.9.3 Slippage and savings on existing schemes are also detailed within Appendix 6.

1.9.4 The HIP and associated funding are included within Appendices 7 parts 2 and 4. Additional borrowing is the primary source of funding for new construction and

acquisition projects. The HIP will be presented again as part of the HRA Business Plan report due in March.

#### **1.10 Appropriation of Funding and Balances**

1.10.1 The Council does have some balances and funding which it is able to use to fund specific projects and service demands. The sums available can be used to fund 'one-off' items only. Any initiatives that will result in a recurring cost to the Council need to be accommodated within the revenue budget. The proposed usage of these funds and balances are detailed below.

##### **1.10.2 General Fund Deficit 2025/26**

For 2025/26, it is proposed that funding from the General Fund Volatility Reserve is used to cover the £2.5m deficit, to enable a balanced budget to be presented.

##### **1.10.3 General Fund and Business Rate Retention Volatility Reserves**

A General Fund Volatility Reserve (GFVR) was established during the 2024/25 Budget Setting Process to enable the Medium Term Financial Strategy to be balanced over future years, until a forecast surplus position is achieved from 2026/27. Business rates overperformance continues to be used to top up this reserve.

The GFVR currently has a balance of £5.172m (after the 2024/25 budget is balanced), and will be used to cover the forecast 2025/26 deficit of £2.5m.

##### **1.10.4 General Fund Balance**

The Council's policy is for the General Fund Reserve Balance to be maintained at a minimum level of £1.5m, as discussed in paragraph 1.8.1. This minimum level has been maintained for 2025/26.

##### **1.10.5 Service Transformation Reserve**

The Service Transformation Reserve is to be used to support one-off costs associated with the change in delivery of services. As at 31 March 2025, the forecast balance is £0.953m, with an annual recurrent top up of £0.400m to the reserve from 2025/26 from forecast core-settlement allocations. In addition, a further non-recurrent £0.500m has been allocated to the reserve following final confirmation of the 2025/26 settlement.

##### **1.10.6 Change Programme Delivery Reserve**

This reserve was set up to support the implementation of schemes aligned to the change programme, with the expectation that these should bring recurrent benefit to the Council, either through increased income or service efficiency. It still has £0.500m remaining from its initial allocation of £0.500m provided in the 2024/25 budget.

##### **1.10.7 New Homes Bonus and Funding Guarantee**

As outlined in section 1.6, the Council will receive £2.876m in 2025/26 as part of the Local Finance Settlement, made up of New Homes Bonus (£1.529m) and a Funding Guarantee payment (£1.347m).

1.10.8 Appendix 8 outlines how this funding is to be used, primarily to support non-recurrent funding requirements.

#### **1.11 Planned Preventative Maintenance Budget (PPM)**

1.11.1 The proposed PPM budget will enable the Council to proactively maintain all existing corporate assets (i.e. all assets owned by the Council other than its

Housing Revenue Account homes, shops, garages and land) in a suitable condition unless or until any future decisions are made in respect of individual assets through a Corporate Asset Management Strategy.

1.11.2 The proposed budget allocation for 2025/26 is based on a review of the current PPM data by officers within the Assets Team, in consultation with building managers from other services which hold or operate specific assets. The Proposed Corporate Property & Planned Preventative Maintenance (PPM) Programme works 2025/26 is set out at Appendix 11 to this report.

1.11.3 For 2025/26, the total PPM budget is £0.709m. This will be funded using £0.413m from the Annual Revenue PPM budget and a £0.296m drawdown from the Corporate Assets Reserve. The Council made a significant top up to the Corporate Asset Reserve in 2023/24 of £3m, and a top-up from the core settlement in 2024/25 of £0.686m, leaving sufficient capacity in the reserve (£1.478m) to address emerging issues. Further detail on the PPM schedule and funding is set out in Appendix 9.

## 1.12 **Second Homes**

1.12.1 In the Levelling Up and Regeneration Bill, there is a section relating to Council Tax and changes in the way that Local Authorities (LAs) can apply the Long-Term Empty Property Premium and the opportunity to introduce a premium for furnished second homes. The Levelling-Up and Regeneration Bill, introduced in the House of Commons on 11 May 2022, received Royal Assent on Thursday 26 October 2023.

1.12.2 Section 11b of the Local Government Act 1992 has been updated to allow a local authority to amend how they charge the empty property premium. From 1 April 2024, Warwick District Council introduced a charge of an additional 100% after a property has been empty for 1 year instead of 2, with the other bands remaining unchanged.

1.12.3 The second change is that LAs will be able to charge up to an additional 100% premium on all furnished second homes in the district. These are essentially homes not occupied but kept furnished as 'second homes' by their owners, not rented out, just used by the owners as holiday homes etc.

1.12.4 For the second homes premium, a billing authority's first determination under this section must be made at least one year before the beginning of the financial year to which it relates. Warwick District Council gave notification as part of the 2024/25 Council Tax notice which was published following resolution at Council in February 2024, so as to enable the policy to come into force from 1 April 2025.

1.13 It is anticipated that the introduction of this premium charge will impact approximately 400 properties and increase the Council Tax received by Warwick District Council as the collecting authority by approximately £0.700m, which would be distributed amongst the preceptors in the normal way but providing Warwick District Council with a forecasted £0.057mk per annum.

1.13.1 A separate report seeking approval for this change and its applicable policy will be presented alongside the Budget in February 2024 (Council Tax Second Home Premium - Ref 1537).

## **2 Alternative Options**

2.1 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 amend the current year's Budget. However, the proposed 2025/26 budget seeks to reflect the decisions made by Members and make appropriate recommendations. Any changes to the proposed budgets will need to be fully considered to ensure all implications (financial or otherwise) are addressed. If any Member is considering suggesting changes to the proposed Budget, these proposals should be discussed (in confidence) with the Head of Finance beforehand to ensure all implications are considered, including funding. If appropriate, alternate Budget papers can be prepared for consideration by Council.

### **3 Legal Implications**

- 3.1 Members have the opportunity to generate extra income by raising the council tax by up to 2.99%. Given that the Council has a recurring forecast deficit and is drawing heavily on reserves, it must satisfy itself that it is acting rationally and reasonably when discharging its fiduciary responsibilities if it decides to raise by an amount different to this, be that lower, or through a referendum, by more than 2.99%.

### **4 Financial Services**

- 4.1 This is a finance report which proposes the draft Revenue Budget for 2025/26 and the position for the MTFs up to 2028/29. The report also identifies the proposed Capital Programme for the same period.

### **5 Corporate Strategy**

- 5.1 Warwick District Council has adopted a Corporate Strategy which sets three strategic aims for the organisation.
- 5.2 Delivering valued, sustainable services – it is essential that the Council continues to prioritise delivery of the Change Programme to ensure that it can maintain service provision from in-year resources going forward, and reduce its reliance on finite reserves.
- 5.3 Low cost, low carbon energy across the District – Provision is made within the budget for ongoing resources to support the delivery of this priority, through the Climate Action Plan.
- 5.4 Creating vibrant, safe and healthy communities of the future - The Council seeks to deliver a budget that promotes participation and creativity within the District, while also enabling the Council to continue to reinvest in place making initiatives, support community based events and deliver award winning service provision.

### **6 Environmental/Climate Change Implications**

- 6.1 There are no direct environmental or climate change implications arising as part of this report other than the proposed budget allocations to support the delivery of the Climate Action Programme.

### **7 Analysis of the effects on Equality**

- 7.1 There are no direct equality implications arising as part of this report.

## **8 Data Protection**

8.1 There are no data protection implications arising as part of this report.

## **9 Health and Wellbeing**

9.1 There are no direct health and wellbeing implications arising as part of this report.

## **10 Risk Assessment**

10.1 There are significant financial risks facing all local authorities. Key areas of risk include:

10.2 As detailed in section 1.5, there are still substantial risks around Business Rates Retention, with the below changes still on the immediate horizon:-

- The impact of the Fair Funding Review.
- The re-set of the Baselines.
- The Investment Zone, and its impact upon retained receipts.

Whilst the Council's business rates retention forecasts are believed to be prudent for the future, there is the possibility future receipts being lower than anticipated, which could result in the Council operating below any future baseline were it to change.

10.3 The Strategy assumes a 2.99% per annum increase in Council Tax for future years from 2025/26 on the basis that the current referendum limits will not be changed. This will be subject to future Government determination, and local decision making. There is therefore a degree of risk as to whether this level of Council Tax increase will be able to be continued.

10.4 Many of the Risks in the Significant Business Risk Register (SBRR) have links to Finance, and the Finance Service Area has its own Risk Register. Both are reviewed regularly. The SBRR has been updated in conjunction with the Councils Risk Strategy and Risk Management Policies, and was last reviewed in January by the Audit and Standards Committee.

10.5 As a result of current economic conditions, there is still significant levels of uncertainty. Some of the specific risks faced include:

- Interest rates currently remain at a high level, with projected reductions in rates expected to take longer than initially forecast over 2025/26. These rates are significantly higher than the historic lows present over the last decade. While the Council is benefitting from this through increased investment returns, it will have implications on the Council when taking on additional debt to fund capital projects, due to the increased cost of borrowing.
- Inflation has fallen over the last year, and is expected to remain around 2-3% across the remaining duration of the current MTFS.
- Unemployment has increased because of current economic conditions. Increased unemployment does put increased pressure onto Council's services, notably in relation to housing and council tax support.
- Council Tax income continues to be suppressed through reduced growth



in the Council Tax base, with more claimants of Council Tax support and delays to new property completions. The Council's share of Business Rates is limited by Government. This would be further hit if more local businesses cease trading because of the current economic trading conditions.

- 10.6 The MTFS contains assumptions on savings and efficiencies linked to the Change Programme. Failure to deliver these projects, all or in part, will increase the deficit and savings yet to be identified. Delays to capital schemes 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 fully assessed.
- 10.7 The MTFS reflects changes due to WDC's involvement in the establishment of the West Midlands Investment Zone (WMIZ), as covered in section 1.1.7.4. If there are adverse changes to the Abbey Fields LGI profile put forward, such as a delay in sufficient business rates being generated, WDC will have to fund any shortfall using its own reserves.
- 10.8 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.
- 10.9 Changes in legislation may influence assumptions built into Budgets and the 5-year strategy as well as increasing the costs of implementing these changes.
- 10.10 As previously reported to Members and included within Section 1.8 (Reserves and Balances), the financial projections do not allow for adequate funding to enable the Council to maintain its assets. The Corporate Assets Reserve, ICT Reserve and the Equipment Renewals Reserve are all forecast to have more demands over them in forthcoming years than they can accommodate. Consequently, in addition to the savings referred to in Section 1.7 (MTFS), the Council needs to secure funding to enable these reserves to be replenished, and so maintain current service provision.
- 10.11 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, regular Budget Review reports are issued to Cabinet and the Joint Management Team.
  - Financial Planning with the MTFS/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 (e.g. Legal services).
  - 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 2025/26 Budget there is a Contingency provision of £0.200m for any unplanned unavoidable expenditure. In addition there is a further £1.6m Budget allocation to mitigate against any inflationary increases, including changes to major contracts or commitments.
- Reserves – The Council holds financial reserves so that it can plan for the future. Reserves can be classified in 3 ways:
  - Earmarked for known risks
  - Ringfenced for a specific purpose
  - Unallocated for events, emergencies or opportunities
- A General Fund Balance is held and available to accommodate any unforeseen variations in income and expenditure.

## **11 Consultation**

11.1 In approving the 2025/26 Budget and Medium-Term Financial Strategy as laid out in this report, the assumptions on which it is based need to be fully achieved, together with the delivery of the change programme to enable a balanced MTFS to be achieved in the years ahead. This will ensure the Council becomes financially sustainable on income received in-year rather than continuing to be reliant on finite reserve balances.

### **Background papers:**

[GF Revenue Budget 2025/26 – December 2024](#)

[Revenue and Capital Budget 2024/25 – February 2024](#)

[Q1 Budget Review – September 2024](#)

[Fees and Charges 2025 - October 2024](#)

Q2 Budget Review – December 2023

Revenue and Capital Budget 2023/24 – February 2023

### **Supporting documents:**

Appendix 1 – Statement of CFO

Appendix 2 – General Fund Budget Summary 2025/26

Appendix 2b – Budget Book 2025/26

Appendix 3a – Financial Strategy 2025/26 (i)

Appendix 3b – Financial Strategy 2025/26 (ii)

Appendix 4 – Risks influencing General Fund Balance

Appendix 5a – Purposes of Reserves

Appendix 5b - Reserves

Appendix 6 - Capital Variations

Appendix 7.1 – General Fund Capital Programme

Appendix 7.2 – Housing investment Plan

Appendix 7.3 – General Fund Financing

Appendix 7.4 – Housing Investment Plan Financing

Appendix 8 – Project Funding Summary

Appendix 9 - PPM