

 <b>Executive 29 November 2017</b>		<b>Agenda Item No.</b>  <b>3</b>
<b>Title</b>	General Fund Base Budgets 2018/19	
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<b>Wards of the District directly affected</b>	None	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>		
<b>Background Papers</b>	Executive 1 June 2017 – Fit For The Future Change Programme; Executive 31 August 2017 – Budget Review to 30 June 2017; Executive 27 September 2017 – Fees and Charges 2018/19.	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	Yes Ref 877
<b>Equality Impact Assessment Undertaken</b>	No

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	3 Nov 2017	Andrew Jones
Head of Service	3 Nov 2017	Mike Snow
CMT	7 Nov 2017	CMT
Section 151 Officer	3 Nov 2017	Mike Snow
Monitoring Officer	7 Nov 2017	Andrew Jones
Finance		Finance Report
Portfolio Holder(s)	10 Nov 2017	Cllr Whiting
<b>Consultation &amp; Community Engagement</b>		
None		
<b>Final Decision?</b>		No
<b>Suggested next steps: Council Tax Setting in February 2018</b>		

## **1. Summary**

- 1.1 This report sets out the latest projections for the General Fund revenue budgets in respect of 2017/18 and 2018/19 based on the current levels of service, and previous decisions. There are further matters that will need to be reviewed in order to finalise the base position as part of the 2018/19 budget setting process as set out in paragraph 8.3.
- 1.2 The 2017/18 latest budgets show a forecast surplus of £811,500 before any appropriations.
- 1.3 The proposed 2018/19 Base Budget currently forecasts a surplus of £38,500.
- 1.4 The Medium Term Financial Strategy has been updated to take these budget adjustments into account, plus any other issues affecting the Strategy in future years. The latest projections are also included in this report.

## **2 Recommendations**

2.1 To recommend to Council:

- (a) the base budget for the General Fund services in respect of 2018/19 as outlined in Appendix 'C';
- (b) the updated budget for the General Fund services in respect of 2017/18 as outlined in Appendix 'C';

2.2 To agree the appropriation of the projected 2017/18 Surplus as follows:-

- Service Transformation Reserve      £150,000
- Capital Investment Reserve          £150,000
- Investment Volatility Reserve        £100,000
- Early Retirement Reserve            £50,000
- Car Park Displacement Reserve      £100,000
- Contingency Budget 2018/19        £200,000
- Contingency Budget 2017/18        £61,500

2.3 To note the future savings required as shown within the Medium Term Financial Strategy.

2.4 To note the other liabilities for which the Council needs to secure funding if it is to continue to maintain service provision, as discussed in paragraph 3.3.15

2.5 To note the progress on the Fit For the Future projects as detailed in Section 3.4.

2.6 It is recommended that the Capital Programme is increased in 2017/18 by £15,000 to renew and significantly upgrade the lighting in the car park at Newbold Comyn, funded initially from the Leisure Options Reserve, pending the receipt of the S106 payment.

2.7 That the Executive approves an exemption to the Code of Procurement Practice for the continued provision of the Corporate Fraud Investigation Service from Oxford City Council, with an on-going service level agreement with annual

reviews to be agreed by the Head of Finance in consultation with the Finance Portfolio Holder.

- 2.8 That Council agrees that the Council Tax Reduction Scheme for 2018/19 should be unchanged from the current Scheme and continue to be based upon the council tax liability being a minimum of 15% for those of working age.
- 2.9 The Executive agree £30,000 towards the cost of the 2018 Women's Cycle Tour, funded from the 2018/19 Service Transformation Reserve.

### **3 Reasons for the Recommendation**

#### **3.1 2018/19 Base Budget and 2017/18 Latest Budgets**

- 3.1.1 The Council is required to determine its budget requirements in order to set the Council Tax for 2018/19.
- 3.1.2 The proposed 2018/19 Base Budget shows a surplus of £38,500 in the Council's net expenditure in continuing to provide its services and meet its commitments. Details of the Base Budget are contained in Section 11. Any changes to the overall position, as a result of further consideration of the 2017/18 projected budget outturn, will be considered within the February Budget report.
- 3.1.3 The latest estimate for the 2017/18 Budget shows a surplus over the original Base Budget of £811,500, as detailed in section 12. Further detailed monitoring of the 2017/18 budget will be undertaken prior to the February Budget setting report being presented to members. This is a substantial improvement on the position reported for Quarter 1 in August of £31,200. The reasons for this shift are detailed in paragraph 12.6.

#### **3.2 Appropriation of 2017/18 Surplus**

- 3.2.1 It is recommended that the 2017/18 projected surplus is allocated as follows:
- 3.2.2 Service Transformation Reserve. The current unallocated balance on this reserve is £50,000. £150,000 is proposed to be allocated to this reserve. A full review of the existing allocations that have not been utilised will be carried out in the new year and subsequently reported to members.
- 3.2.3 Capital Investment Reserve. The current unallocated balance on this reserve is £1,047,000. The Council's policy is for this reserve to maintain a minimum balance of £1m to cover any unplanned and unavoidable call on capital resources. £150,000 is proposed to be allocated to this reserve so as to provide some funding towards future capital schemes.
- 3.2.4 Investment Volatility Reserve. As part of the Treasury Management Strategy report agreed by Members in February, the Investment Strategy suggested the creation of a Volatility Reserve to smooth against fluctuations in returns. This was considered to be increasingly more important now that the Council holds some investments in equity funds, which may prove to be more volatile in the short term. With the equity funds currently performing well (see Treasury Management Quarter 2 report to Finance and Audit Scrutiny Committee on 28 November), it is proposed to allocate £100,000 to this new reserve. The future use of this reserve will be included within future Budget reports to be agreed by the Executive.

- 3.2.5 Early Retirement Reserve. The unallocated balance on this reserve is currently £168,000. However, with several service reviews currently underway, it is likely that there will be some further demands on this reserve in forthcoming months. £50,000 is proposed to be allocated to this reserve.
- 3.2.6 Car Park Displacement Reserve. Members will be aware that substantial work is required to be carried out in respect of some of the Council's car parks in forthcoming years. There will be some costs for arranging alternative parking arrangements, along with possible loss of income. Consequently, it is now proposed to allocate £100,000 to a new Car Park Displacement Reserve. The use of this reserve will be subject to future reports to Executive.
- 3.2.7 Contingency Budget. This budget has proved to be invaluable in recent years to enable the Council to respond to unforeseen opportunities and demands during the year. The current year Contingency is down to £15,900, with no Contingency included within the Base Budget for 2018/19 at this stage. Consequently, it is proposed to allocate £200,000 for a 2018/19 Contingency and £61,500 be added to the 2017/18 Contingency.

### 3.3 **Medium Term Financial Strategy**

- 3.3.1 The Strategy was last presented to Members in August of this year as part of the Budget Review process. At that point it was forecast that further savings of some £385,000 would need to be identified by 2022/23 to enable the Council to set a balanced Budget.
- 3.3.2 Since then many issues have amended this projection. Some of these have been identified during the Budget setting process and have been incorporated into the 2017/18 and 2018/19 budgets and are shown within Sections 11 and 12. Others relate to the years after 2018/19.
- 3.3.3 As part of the September Fees and Charges Report, it was identified that the actual increase in income to the Council was over £70,000 in excess of that originally anticipated. On top of this a further £500,000 income from Planning Fees from 2018/19 has been factored into future budgets.
- 3.3.4 The restructure within Health and Community Protection realised savings of some £70,000. There are also many other savings from staffing which are included in the reconciliations below. However a further 1% for pay increases has now been included for 2018/19 (factored into a Pay Provision) which determines the base for future years' increases.
- 3.3.5 The Responsive Repairs Budget has repeatedly been overspent for some years now. This has now been corrected based upon historical trends, with £97,000 being included in the Budget from 2017/18 onwards.
- 3.3.6 The latest projected Housing growth for 2018/19 has been incorporated into the Tax Base for 2018/19. The numbers of developments completed and occupied have proven less than originally forecast. Subsequent years' growth then continues to increment up. This reduction in the Tax Base forecast has increased on-going savings requirement by 2022/23 by £72,000.
- 3.3.7 The original Investment Interest assumptions have now been updated to reflect revised balances and Interest Rate forecasts. Members should note that these forecasts were the latest prior to the most recent Bank of England announcement on the 2<sup>nd</sup> November. These will be incorporated into the Council

Tax and Budget Report in February. The net impact on 2022/23 is £150,000 favourable.

3.3.8 A £100,000 Budget has been introduced for an Apprenticeship Scheme in 2018/19. It is expected this cost will increase to £150,000 in subsequent years. This is subject to a report being presented on this agenda to Executive and a report to Employment Committee in December.

3.3.9 There is a net benefit of £50,000 on Housing Benefits expenditure and the reimbursement this Council receives.

3.3.10 The following savings have been budgeted to be made within the Medium Term Financial Strategy:

- Office relocation                      £300,000              previously Q4 2019/20, now slipped to October 2020
- Town Hall Transfer                      £85,000                previously Q4 2019/20, now slipped to October 2020
- Senior Management Review              £200,000              this having been slipped from 2019/20 to 2021/22

These initiatives will all be subject to future detailed reports to members before they are formally agreed and realised.

3.3.11 The projected cost of renewing several of the Council's contracts in 2021/22 has been reviewed. This is in light of the impact of the National Living Wage, general inflation (increases on the existing contract are based upon RPI minus 1%) and a fall in recycling prices. The Strategy had previously assumed that upon renewal, this Council was likely to face a £1.1 million increase when contracts are renewed or re-tendered. The review has resulted in a further £600,000 now being included in the Medium Term Financial Strategy. It is hoped that this will present a worst case position, and on tendering, prices will come in below this. This latest estimate increases the savings requirement by some £600,000.

3.3.12 Managers have reviewed the savings in the Fit for the Future Programme for their Service Areas. These are discussed further in section 3.4 below. The key items of note being, Development Services Restructure (reduced cost to £20,000), HR & Media (£42,000 saving not achieved), Asset Team (£30,000 not now expected to be saved) and a further £50,000 in savings from a One-Stop-Shop review.

3.3.13 Taking all of these changes into account, it is now forecast that £313,000 an additional savings must be identified and delivered by 2022/23 as well as those already included in the Strategy.

3.3.14 The profile for these savings is shown below

	2017/18 Latest £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Deficit-Savings Required(+)/Surplus(-) future years	-811	-39	181	-512	341	313
Change on previous year		-39	220	-693	853	-28

3.3.15 In addition to the deficit shown above on the General Fund Medium Term Financial Strategy, the Council faces other future liabilities. These are costs that need to be found if the Council is to continue with the current level of service provision. These costs include:

- The cost of maintaining/improving multi storey car parks
- The cost of maintaining other municipal buildings and assets
- ICT replacement
- Equipment replacement

3.3.16 The Council has some funding set aside to meet these liabilities in the short term, however, further funding is needed so as to be able to invest and maintain these assets in the longer term. Service provision will be at risk if the Council is not able to fund these liabilities. This is a further significant demand for the Council's limited financial resources which will be considered within the February 2018 Budget Report.

3.3.17 Members should note these unfunded liabilities.

#### **3.4 Fit For the Future Projects**

3.4.1 Progress on recent Fit For the Future projects is shown within Appendix 'A'. The total net savings from all these projects is in excess of £2.2m.

3.4.2 As will have been noted from the Medium Term Financial Strategy above, further initiatives need to come forward to ensure the savings required are found.

3.4.3 Consideration is currently being given to future possible projects that may contribute to the savings requirement. So as to maintain current service provision, projects likely to be proposed include income generation, and invest to save projects. New proposals will be subject to consideration within future Executive reports.

#### **3.5 Newbold Comyn Car Park Lighting Project**

3.5.1 It is proposed to renew and significantly upgrade the lighting in the car park at Newbold Comyn. This car park serves the leisure centre and it also serves the Newbold Comyn Arms Public House and the Newbold Comyn Golf Course. The cost of the works is currently being calculated, following some changes to the design, but the original estimate for the previous design was £15,000. The new design is estimated to cost between £15,000 and £16,000.

3.5.2 The Planning Permission granted for the Dairy Crest site included a s106 payment of £15,000 for the provision of indoor sport. The S106 agreement specifically describes the payment as being a contribution towards the lighting in the car park at Newbold Comyn, as this will benefit indoor sport by providing safe and secure parking for leisure centre users.

3.5.3 This S106 payment was estimated to be received by the Council in the financial year 2017/18. However, the first payment is due when the first house on the site is occupied. Construction has not yet commenced on the site, and therefore payment is not likely to be received until the financial year 2018/19 at the earliest. It is therefore proposed that the works should initially be funded from the Leisure Options Reserve (current unallocated balance £419,000), pending the receipt of the S106 payment. If the cost is above the S106 payment, this will be funded from the Leisure Options Reserve.

### 3.6 Corporate Fraud Investigation Service

3.6.1 Since February 2017 the Council has trialled the provision of a Corporate Fraud Investigation Service from Oxford City Council. The trial has been successful. Details of the achievements over the year are included within the report to Finance and Audit Scrutiny Committee on 28 November. In view of the specialised nature of this service and the limited number of providers, it is proposed that an exemption to the Code of Procurement Practice be agreed for an on-going service level agreement with annual reviews to be agreed by the Head of Finance in consultation with the Finance Portfolio Holder. The performance of the service will continue to be reported annually to Finance and Audit Scrutiny Committee.

### 3.7 Council Tax Reduction Scheme

3.7.1 Since April 2013 the Council has been required to agree its own Council Tax Reduction Scheme. This replaces the former Council Tax Benefit scheme that was the responsibility of the Department for Work and Pensions. For 2018/19 it is proposed that the scheme remains unchanged from the Council's current scheme, with all claimants of working age having to pay a minimum of 15% of the council tax liability. Those of pensionable age will still be eligible for up to 100% reduction, in line with Government Regulations. The scheme is planned to be reviewed ahead of 2019/20, which will require consultation with relevant stakeholders before any changes are agreed.

### 3.8 2018 Women's Cycle Tour

The 2017 Women's Cycle Tour finished in Royal Leamington Spa and was deemed an incredibly successful event. Accordingly, it is being proposed that Royal Leamington Spa hosts a finish again in 2018. For 2017 the Council agreed a specific Budget allocation of £20,000, although the total direct cost to the Council was around £25,000. A budget of £30,000 is proposed for 2018/19, funded from the Service Transformation Reserve.

## 4. Policy Framework

### 4.1 Fit for the Future (FFF)

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report shows the way forward for implementing a significant part of one of the Council's Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy."

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment

<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
<b>Impacts of Proposal</b>		
The general fund budgets provide the necessary resources to achieve these outcomes	The general fund budgets provide the necessary resources to achieve these outcomes	The general fund budgets provide the necessary resources to achieve these outcomes
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
The general fund budgets provide the necessary resources to achieve these outcomes	The general fund budgets provide the necessary resources to achieve these outcomes	The general fund budgets provide the necessary resources to achieve these outcomes

#### 4.2 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies. The revenue budgets are consistent with the relevant supporting strategies.

#### 4.3 **Changes to Existing Policies**

The proposed budgets are in accordance with existing policies.

#### 4.4 **Impact Assessments**

The Council's Budget covers the community throughout the District. It is a statement of fact and officers will have considered any impact prior to amending their budgets.



## **5. Budgetary Framework**

- 5.1 Securing savings and balancing its Budget will enable the Council to deliver its aspirations and priorities as well as core services. The Financial Strategy underpins all of the Council's other strategies.
- 5.2 Members are reminded that the 2018/19 Council Tax will be set in February after budgets are finalised. The Executive has previously stated that it intends to set a £5 council tax increase to Band D for 2018/19, subject to any limits imposed by Central Government.
- 5.3 The Council's Medium Term Financial Projections include net inflation for most services for 2018/19 at 0%. An inflation allowance of 2.9% has been included for the major contracts and an increase in the general inflation contingency of £50,000 to allow for other unavoidable price increases. In addition, there is also a 1% increase allowed for in the salary budgets plus a further 1% in the Contingency budgets for the Pay Award.

## **6. Risks**

- 6.1 The Council's Significant Business Risk Register contains several risks which are finance related. Shortage of finance will impact upon the Council's plans for the provision of services. Reduced income or increased expenditure will reduce the funding available.
- 6.2 The main sources of income which may be subject to reductions include:
- Government grant (e.g. Revenue Support Grant, Benefits Administration Grant);
  - Business Rates Retention;
  - Fees and charges from provision of services;
  - Rent income;
  - Investment interest.
- 6.3 Increased expenditure in service provision may be due to:
- Inflation and price increases for supplies and services;
  - Increased demand for services increasing costs;
  - Changes to taxation regimes;
  - Unplanned expenditure;
  - Assumed savings in budgets not materialising.
- 6.4 Triggers for increased costs or reduced income include:
- Economic cycle – impacting upon inflation, interest rates, unemployment, demand for services, Government funding available;
  - Unplanned expenditure, e.g. costs from uninsured events, costs of planning appeals or other legal process;
  - Project costs – whereby there are unforeseen costs, or the project is not properly costed, or the risks related to them are not properly managed.
  - Changes to assumptions underpinning the Medium Term Financial Strategy – these assumptions are closely monitored.
- 6.5 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 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 (e.g. WCC Legal Services, Local Government Futures for advice on local government funding).
- Risk Management process across the Council, including the on-going review and maintenance of risk registers. The specific causes of reductions to income or increased expenditure should continue to be managed by the relevant Service Area as part of managing risks within each Service Risk Register. Individual Service Area Risk Registers are brought to Finance and Audit Scrutiny Committee every two years.
- Scrutiny by Members of the Council's finances, including Budget Reports and the financial implications of all proposals brought to them for consideration.
- Within the 2017/18 budgets there is a Contingency Budget with an uncommitted balance of £15,900 for any unplanned unavoidable expenditure. This report proposes further allocations to this budget.
- Reserves – whilst much of these Reserves have already been earmarked for specific projects, it is important that Reserves are held for any unforeseen demands.
- In addition to the Reserves, the Council holds the General Fund Balance of £1.5m. 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.
- Inflation provision - £114,500 inflation provision is held in the 2018/19 Budgets. This may be used where budget managers can demonstrate that they are unable to accommodate the limited inflationary uplift being incorporated within budgets.

6.6 The Council's Medium Term Financial Strategy includes several projects which should result in savings that will assist the Council to be able to set a balanced budget into the future. The most notable of these projects are the Leisure Options Concession (£1.2m from April 2019) and the Office Relocation (£300,000 from October 2020). If these projects do not make the level of savings projected, or they are delayed, it may seriously impact upon the Council's finances.

## **7 Alternative Option(s) considered**

The purpose of this report is to produce budgets as determined under the requirements of the Financial Strategy, in line with current Council policies. Any alternative strategies will be the subject of separate reports.

## **8. Background**

8.1 This report presents the proposed Base Budget for 2018/19. These figures reflect the costs of maintaining the current level of service, any unavoidable changes in expenditure (for example, where the Council is contractually or statutorily committed to incur additional expenditure) and any other commitments that members have previously agreed to be incorporated within

the 2018/19 Budget. The report also considers the current year's budget, and includes details of the latest proposed changes to the 2017/18 Budget.

8.2 Any other changes that need to be resolved that have not been included in the budgets at this stage will be fed into the February report.

8.3 In February all the following information should be available:

- 2018/19 Base Budget
- 2018/19 Revenue Support Grant Settlement.
- Updated Business Rates Retention projections
- 2018/19 New Homes Bonus

8.4 If the main revenue sources above are below the projections within the medium term financial strategy, detailed consideration will be required as to the means of being able to set a balanced budget. This may include making further savings from services, generating additional income, or using the Council's limited reserves in the short term.

8.5 The Council will then be in a position to agree the 2018/19 Budget and the District Council element of the Council Tax. In addition, the total Council Tax for the District will be set, including the elements set by the County Council, the Police and Crime Commissioner and the Parish and Town Councils.

8.6 The remainder of the report is broken down into the following sections and appendices:

Section 9	- Savings
Section 10	- Base Budgets
Section 11	- 2018/19 Base Budgets
Section 12	- Latest Budgets 2017/18
Section 13	- Capital Financing and Reserves
Section 14	- General Grants
Appendix A	- FFF 2017 Monitoring Nov 2017
Appendix B	- Analysis of Budget Movements from 2017/18 to 2018/19
Appendix C1	- Revenue Budgets Summary
Appendix C2	- Detailed Revenue Budgets – available on the Executive Meeting page on the Council's website <a href="#">Executive - 29 November 2017</a>
Appendix D	- Major Income Budgets Q2
Appendix E	- Capital and Reserve Financing Variations
Appendix F	- Glossary of Terms

## 9. Savings

9.1 Much work has already been undertaken to address the forecast budget deficit in future years.

9.2 There has been a significant amount of procurement activity ongoing across the Council. In addition to the letting of contracts, the actions within the Procurement Strategy have been progressed, including member and officer training. All this work is helping to ensure good procurement practices are well embedded across the authority.

- 9.3 The 2018/19 Base Budget assumes savings of £490,100 agreed in June 2017 and as part of the Fit for the Future Programme.
- 9.4 Progress in achieving these savings is being monitored and will be reported to members in future reports.

## 10. Base Budgets

- 10.1 The proposed Base Budgets for 2018/19 and the Latest Budgets for 2017/18 are shown below. These figures include all financing charges (which are dealt with in Section 13 later). Section 11 of this report considers the 2018/19 Base Budget, with Section 12 looking at the Latest 2017/18 budget figures.

	<b>Base Budget 2017/18 £000</b>	<b>Latest Budget 2017/18 £000</b>	<b>Base Budget 2018/19 £000</b>
<b>Net Expenditure for District Purposes</b>	14,859	14,155	16,254

- 10.2 The above figures fluctuate year on year mainly to reflect changes to the use of reserves (often due to project slippage), and changes in external support, notably Revenue Support Grant and retained Business Rates.

## 11. 2018/19 Base Budget

- 11.1 In preparing the 2018/19 Base Budget the over-riding principle is to budget for the continuation of services at the existing level. The following adjustments need to be made to the 2017/18 Original Budget.

- Removal of any one-off and temporary items
- Addition of inflation
- Addition of previously agreed Growth items
- Addition of unavoidable Growth items
- Inclusion of any identified savings

- 11.2 The table below summarises how the 2018/19 base budget has been calculated. Appendix 'B' gives more details to support this.

	£	£	£	£
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2017/18 ORIGINAL</b>				<b>14,858,673</b>
Plus Inflation			182,900	
Staffing			527,100	
Plus Committed Growth:				
- Increases in expenditure	340,400			
- Reduced income	68,200	408,600		
	<hr/>			
Less Savings:				
- Reduced expenditure	(1,058,000)			
- Increases in income	(793,400)	(1,851,400)	(1,442,800)	
	<hr/>	<hr/>	<hr/>	
<b>CHANGES IN SERVICE INCOME and EXPENDITURE</b>				<b>(732,800)</b>
Changes in Interest				(42,600)
Changes in Contributions to Capital				(373,100)
Changes in non-service specific contributions to reserves				2,444,367
Changes in Contributions to / from General Fund				99,860
				<hr/>
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2018/19 ORIGINAL</b>				<b>16,254,400</b>
				<hr/> <hr/>

### 11.3 Inflation

No inflation has been applied to most expenditure budgets. The only exception is in respect of the major contracts at 2.9% (£132,900). In addition, the general inflation contingency budget has been increased by £50,000.

### 11.4 Staffing

Staffing costs will increase in 2018/19. The main changes:

- Assumed 1% pay award with a similar amount allocated to a Pay Contingency (+£264,600);
- Apprenticeship Scheme (+£100,000), to be considered in a forthcoming report to December Employment Committee;
- Pensions Auto Enrolment (+£63,800);
- Increase in employer's Local Government Pensions Scheme contribution (+£58,400).

### 11.5 Growth / Income Reductions

Only previously committed growth and unavoidable changes have been included in the Base Budget. This totals £408,600 of which £340,400 relates to increased expenditure and £68,200 relates to reduced income. Appendix 'B' lists the main items, the largest being:

- Waste Collection / Cleansing costs (+£96,100) – additional properties and new fly tipping response;
- Housing Market Assessment (+£60,000) – planned survey;
- Commercial property lettings (+£49,400) – vacancies and initial low rentals to attract companies;
- Increases in Business Rates (+£48,500) – new valuations.

11.6 Various savings / increased income have been allowed for within the Budget. These total £1,851,400 which comprises £1,058,000 reductions in expenditure and £793,400 increases in income. Appendix 'B' lists the main items, the

largest being:

- Removal of time limited items (-£685,100);
- Increased planning fee income (-£498,000);
- Fit For the Future Savings: Removal of residual Leisure Centre budgets (-£271,500);
- Other Fit For the Future planned savings (-£218,500);
- Increases in fees and charges income (-£213,100).

11.7 Having taken the above into account, there is a forecast reduction of £732,800 in net service expenditure.

11.8 The large increase in non-service specific contributions to reserves (+£2.4m) is mainly due to a contribution to the Business Rates Retention Volatility Reserve (+£3.2m) plus no allocations from New Homes Bonus to reserves at this time (-£1.0m) and transferring a new Homelessness Grant to reserves until a planned programme of work can be devised (+£0.3m).

11.9 In addition to the above there are also various other, general, financing adjustments required to arrive at the demand for Council Tax. Taking all these items into account produces a forecast surplus of £38,500.

11.10 However, as outlined in section 8, the final Revenue Support Grant and other unforeseen events mean the final position will not be known until early 2018.

11.11 Appendix 'C' is broken down into two parts – Appendix 'C1' and Appendix 'C2'. Both appendices provide details of service expenditure and income in portfolio order. Appendix 'C1' is a summarised version of Appendix 'C2'. The analysis in Appendix 'C2' is divided into two sections – expenditure and income under the direct control of the budget manager (e.g. salaries, fees and charges income, etc.) and those items for which they have little or no control over (support service allocations and capital financing charges). Explanations are provided where significant variations have been identified.

## **12. Latest Budget 2017/18**

12.1 Under the current Budget Review process, amendments to budgets are presented to members, for approval, on a regular basis rather than waiting until this report. Consequently, many changes have already been approved. This report continues that process and provides details of the latest budgets for the current year. Appendices 'C1' and 'C2' provide detailed analysis of net expenditure by service in Portfolio groupings.

12.2 The Latest Budgets total £14,155,300 which is a reduction of £703,400 compared with the originally approved budget for 2017/18 of £14,858,700.

12.3 The main reasons responsible for the decrease in service income and expenditure are included within Appendix 'C', which can be summarised as follows:

	£	£	£	£
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2017/18 ORIGINAL</b>				<b>14,858,673</b>
Staffing			(177,500)	
Plus Committed Growth:				
- Increases in expenditure	825,200			
- Reduced income	177,800	1,003,000		
	<u>          </u>			
Less Savings:				
- Reduced expenditure	(352,900)			
- Increases in income	(737,500)	(1,090,400)	(87,400)	
	<u>          </u>	<u>          </u>	<u>          </u>	
<b>CHANGES IN SERVICE INCOME and EXPENDITURE</b>				<b>(264,900)</b>
Changes in Interest				(312,700)
Changes in Contributions to Capital				(321,800)
Changes in non-service specific contributions to reserves				196,027
				<u>          </u>
<b>NET EXPENDITURE FOR DISTRICT PURPOSES 2017/18 LATEST</b>				<b>14,155,300</b>
				<u>          </u>

- 12.4 The first part of the table above shows that the total net expenditure on services has reduced by £264,900.
- 12.5 The comments made in paragraph 11.11 concerning the content of Appendix 'C' are equally applicable to the information provided in respect of the Latest Budgets for 2017/18.
- 12.6 The Quarter 1 Budget Review to the Executive on 31 August 2017 identified, and reported on, a budget surplus totalling £31,200.

The main changes are as follows:

	£000	£000
<b>Reported to Executive @ Q1</b>		<b>31 F</b>
<u>Leisure Options:</u>		
Timing changes: interest charge on external borrowing (delayed)	226 F	
Additional Income	14 F	
Employee savings	11 F	
Additional Savings	8 F	
Abbey Fields Cafeteria	(7) A	
Condition Surveys - Abbey Fields & Castle farm	(13) A	
Servicing outdoor paddling pools - No WPM	(44) A	195 F
Increased Planning fee income		300 F
Other salary changes		126 F
Increased Car Parking income		115 F
GM work paid for by GF should be HRA		83 F
Additional one-off DWP funding & Benefit subsidy change		79 F
Contribution to Insurance Provision not required		40 F
Increased Spa Centre Income		30 F
Processing credits for transaction charges being received until Feb18		26 F
Business Rates - additional refunds		16 F
Revised Investment Interest Forecast		34 F
Other minor changes		48 F
FOSH - Legal fees due to fatality		(10) A
Media Room software costs		(13) A
Fly-tipping & Enforcement team (rugby BC)		(30) A
Reduced Rental income from Properties		(34) A
Reduced usage of Planning consultants		(60) A
Repairs and Maintenance Budgets - responsive & cyclical changes		(81) A
Reduced Crematorium income		(84) A
<b>Latest position 2017/18</b>		<b>811 F</b>

- 12.7 Investment interest received is slightly up by £34,000. In addition, the anticipated borrowing charge in respect of the Leisure Options of £289,000 will not now start until 2018/19. The borrowing charges were in part supported by a transfer from the Leisure Options Reserve. The transfer has been proportionally reduced by some £63,000 which nets the saving down to £226,000.
- 12.8 There is a saving of £321,800 in Revenue Contributions to Capital Outlay. £373,000 relates to the new arrangements for disabled facilities grant (Better Care Funding). Under the previous arrangements the grant received from Warwickshire County Council was capitalised. Under the new arrangements the grant is passed on to Nuneaton and Bedworth Borough Council who now manage the scheme for the area. There is an increased contribution to capital of £51,000 in respect of bin replacements due to slippage from 2016/17.
- 12.9 Appendix 'D' shows the actual income received against that budgeted over the last 5 financial years. It compares a profiled projection against the Manager's forecast with explanatory notes as to why these are not comparable.
- 12.10 The 2017/18 budget has been reviewed in order to set the 2018/19 base budget. This will be reviewed again in February.



### 13. Capital Financing and Reserves

13.1 In order to arrive at the position for the Council's overall net expenditure it is necessary to take account of the effects of the Council's capital financing arrangements and any transfers to and from reserves. These are summarised below:

Line Ref	BASE BUDGET 2017/18 £'000	LATEST BUDGET 2017/18 £'000	BASE BUDGET 2018/19 £'000
<b>1 Net Cost Of General Fund Service Expenditure</b>	<b>17,915</b>	<b>20,727</b>	<b>21,185</b>
<b>Capital Financing and Reserves</b>			
2 Depreciation, Intangible Assets and Capital Financing Charges included in Service Estimates	(3,374)	(2,973)	(5,236)
3 Loan Repayments, Revenue Contribs & Interest Paid	502	223	534
4 Revenue Contributions to Capital	498	176	125
5 Contributions to / (from) Reserves	283	(1,587)	2,013
6 External Investment Interest	(262)	(295)	(336)
7 IAS19 Pension Adjustments	(603)	(2,016)	(2,031)
8 Contributions to / (from) General Fund	(100)	(100)	-
<b>9 TOTAL CAPITAL FINANCING and RESERVES</b>	<b>(3,056)</b>	<b>(6,572)</b>	<b>(4,931)</b>
<b>10 TOTAL ESTIMATED NET EXPENDITURE</b>	<b>14,859</b>	<b>14,155</b>	<b>16,254</b>
<b>Change from Base Estimate</b>		<b>(704)</b>	<b>1,395</b>

13.2 Detailed explanations of the changes to items 2 to 8 are within Appendix 'E'.

Most of the changes to the Capital Financing and Reserves figures reflect changes in specific items within the cost of General Fund service expenditure, whereby many increases in service expenditure are met by a contribution from a specific reserve which would be included here.

13.3 Depreciation, Intangible Assets and Capital Financing Charges in Service Budgets (line ref 2 above).

These are non-cash charges to services that do not impact on the Council's overall external funding requirement (primarily council tax, retained business rates and Government grant). By including these charges, the full cost of the respective services provision is apparent. A new capital financing charge has been added with effect from 2018/19 (£2.3m). This charge has been introduced for all services to reflect the cost of the use of the assets in service provision reflecting the money invested in the asset. Variations between years occur which reflect new schemes and slippage between years of schemes as reflected within the Council's capital programmes.

13.4 Loan Repayments, Revenue Contributions and Interest Paid (line ref 3 above).

This is made up of the interest element of finance leases which the Council has entered into as well as interest on the bank overdraft. An interest charge in respect of Leisure Options anticipated in 2017/18 (£289,000) will not be

required until 2018/19, although money is being set aside here towards the capital cost of the project.

### 13.5 Revenue Contributions to Capital (line ref 4 above).

The reductions in 2017/18 and 2018/19 are a consequence of the change in the disabled facilities grant regime (-£373,000) offset by an increase in the revenue contribution funding the Refuse and Recycling Containers capital programme budget in 2017/18 (+£51,000).

### 13.6 Contributions to / (from) Reserves (line ref 5 above).

The 2018/19 original budget shows an increase in contributions to reserves of £1,730,000 when compared to the 2017/18 original budget. The 2017/18 latest budget shows a decrease in contributions from reserves of £1,870,000. The changes can be categorised as follows:

	<b>Base Budget 2017/18 £000</b>	<b>Latest Budget 2017/18 £000</b>	<b>Base Budget 2018/19 £000</b>
<b><u>Contributions to / (from) reserves:</u></b>			
Contribution to / (from) Business Rates			
Retention Volability Reserve	-	(195)	3,201
Use of New Homes Bonus	1,018	1,018	-
Homelessness Prevention Grant	-	275	301
Use of Leisure Options Reserve	(441)	(491)	(1,147)
Services, etc.	(294)	(2,194)	(342)
<b>Contributions to / (from) reserves</b>	<b>283</b>	<b>(1,587)</b>	<b>2,013</b>
<b><u>Change:</u></b>			
Contribution to / (from) Business Rates			
Retention Volability Reserve		(195)	3,201
Use of New Homes Bonus		-	(1,018)
Homelessness Prevention Grant		275	301
Use of Leisure Options Reserve		(50)	(706)
Services, etc.		(1,900)	(48)
<b>Contributions to / (from) reserves</b>		<b>(1,870)</b>	<b>1,730</b>

### 13.7 External Investment Interest (line ref 6 above).

When compared to the 2017/18 original budget, net external investment receipts are expected to increase by £34,000 in 2017/18 and by £75,000 in 2018/19. The main reason for this is increased investment balances as a result of variations in the 2016/17 and 2017/18 revenue and capital programmes. The changes can be summarised:

	<b>Base Budget 2017/18 £000</b>	<b>Latest Budget 2017/18 £000</b>	<b>Base Budget 2018/19 £000</b>
Interest receivable	(413)	(480)	(558)
Deferred capital receipt	(26)	(26)	(24)
HRA Share	178	211	246
<b>Total GF Interest Receivable</b>	<b>(261)</b>	<b>(295)</b>	<b>(336)</b>

**Change:**

Interest receivable	(67)	(145)
Deferred capital receipt	-	2
HRA Share	33	68
<b>Change in GF Interest Receivable</b>	<b>(34)</b>	<b>(75)</b>

13.8 The Housing Revenue Account balances form part of the Council's investment portfolio and as a result of the factors described above the investment interest to be credited to the Housing Revenue Account is expected to increase in 2017/18 and 2018/19 by £33,000 and £68,000 respectively.

13.9 IAS 19 Adjustments (line ref 7 above).

IAS 19 requires an authority to recognise the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out. The figures included in the budgets are based on the latest figures from the Pension Fund actuary.

13.10 Contributions to / (from) General Fund (line ref 8 above).

In line with the decisions made at the February 2017 Executive meeting as part of the 2017/18 Council Tax Setting, £99,900 was transferred from 2016/17 to 2017/18 via the General Fund balance.

## **14. General Grants**

14.1 In order to complete the picture the general grants position also needs to be considered.

14.2 The Revenue Support Grant figures show a reduction of £0.487m from 2017/18 to 2018/19 based upon the 4 year settlement confirmed in January 2016. Should this change, which is believed to be most unlikely, the revised figure will be reported in the February Budget Setting Report.

14.3 Business rates retention figures show a reduction of £195,000 in 2017/18 due to a potential levy on increased business rates income (offset by a contribution from the Business Rates Retention Volatility Reserve). Business rate retention income is estimated to increase by £3.18m in 2018/19, which will be matched by an increased contribution to the Volatility Reserve.

- 14.4 At this stage, no New Homes Bonus has been included in respect of 2018/19.
- 14.5 The Government has announced a grant in respect of Homelessness Prevention work of which £275,000 has been received in 2017/18 and a further £301,000 will be received in 2018/19. Pending a decision on the programme of work, these resources have been transferred to a new reserve.
- 14.6 The Council Tax element of the Collection Fund is expected to be in balance for the current year. This will be recalculated in January 2018, with the Major Preceptors being notified of their share of any surplus or deficit, and will be included within the February 2018 Budget report with any balance to be distributed / recovered in 2018/19.
- 14.7 The net result of all these movements is shown below:

	<b>BASE BUDGET 2017/18 £'000</b>	<b>LATEST BUDGET 2017/18 £'000</b>	<b>BASE BUDGET 2018/19 £'000</b>
<b>TOTAL ESTIMATED NET EXPENDITURE</b>	<b>14,859</b>	<b>14,155</b>	<b>16,254</b>
Less: Revenue Support Grant	(794)	(794)	(307)
Less: Business Rates Income	(3,829)	(3,634)	(7,009)
Less: General Grants:			
- New Homes Bonus	(1,938)	(1,938)	-
- New Homes Bonus Returned Funding	(10)	(8)	(4)
- Transition Grant	(40)	(40)	-
- Homelessness Prevention Grant	-	(275)	(301)
- Self & Custom Build New Burdens Grant	-	(30)	(30)
Collection Fund (Surplus) / Deficit	20	20	-
Council Tax	(8,268)	(8,268)	(8,641)
	<hr/>	<hr/>	<hr/>
<b>(Surplus) / Deficit</b>	<b>-</b>	<b>(812)</b>	<b>(38)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

This shows that there is a forecast surplus of £811,500 in 2017/18 and £38,500 in 2018/19. These figures are before the surpluses are appropriated to reserves as discussed in paragraph 3.2.