

Title: General Fund Revenue and Capital Budget 2023/24

Lead Officer: Andrew Rollins (01926 456013)

Portfolio Holder: Councillor Hales

Wards of the District directly affected: N/A

Approvals required	Date	Name
Portfolio Holder	23/01/23	Cllr Hales
Finance	23/01/23	Andrew Rollins
Legal Services		
Chief Executive	23/01/23	Chris Elliot
Head of Service(s)	23/01/23	Andrew Rollins
Section 151 Officer	23/01/23	Andrew Rollins
Monitoring Officer	23/01/23	Andrew Jones
Leadership Co-ordination Group	23/01/23	
Final decision by this Committee or rec to another Cttee / Council?	Yes	
Contrary to Policy / Budget framework?	No	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No	
Accessibility Checked?	Yes	

Summary

The report informs Members on the Council's General Fund financial position, bringing together the latest and original Budgets for 2022/23 and 2023/24 respectively, plus the Medium-Term Forecasts until 2026/27. It will be presented to Full Council alongside a separate report recommending the overall 2023/24 Council Tax Charges for Warwick District Council.

The report presents a balanced budget for 2023/24, which the Council has been able to achieve without having to reduce the services it provides but with a heavy reliance on reserves. The Council continues to use New Homes Bonus and other non-recurrent funding provided as part of the Finance Settlement to support additional activity and replenishing reserve balances, and not to support core revenue spending.

No increase is proposed for Council Tax for 2023/24 which will erode the tax base of the Council into the future.

Recommendation(s)

- (1)** That Cabinet recommends to Council to approve the proposed changes to the 2022/23 budget as detailed in section 1.2 and notes the projected deficit for the year of £1.290m, to be funded using Business Rate Retention Volatility Reserves.
- (2)** That Cabinet recommends to Council to approve the proposed 2023/24 revenue budget as detailed in section 1.3 and notes the shortfall on the year of £3.528m is supported using Business Rate Retention Volatility Reserves.
- (3)** That Cabinet recommends to Council to approve the Council Tax charges for Warwick District Council for 2023/24 before the addition of Parish/Town Councils, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts, for each band with no increase from 2022/23 (also frozen from 2021/22) as follows:-

	£
Band A	117.91
Band B	137.56
Band C	157.21
Band D	176.86
Band E	216.16
Band F	255.46
Band G	294.77
Band H	353.72

- (4)** That Cabinet notes the impact on the Medium-Term Financial Strategy (MTFS) due to changes detailed within the report, and how these changes are expected to be accommodated and how further organisational change needs to be enacted before the Council agrees its 2024/25 Budget.

- (5)** That Cabinet recommends to Council to approve the reserve projections and allocations to and from the individual reserves as detailed in Section 1.9, including the ICT Replacement, Equipment Renewal and Pre-Planned Maintenance (PPM) Schedules.
 - (6)** That Cabinet recommends to Council to approve that drawdown from the Equipment Renewal Reserve is delegated to the Head of Finance, in consultation with the relevant Head of Service and in line with the schedule agreed within this report (as per recommendation 5).
 - (7)** That Cabinet recommends to Council to approve the General Fund Capital and Housing Investment Programmes as detailed in Appendices 9 parts 1 and 2, together with the funding of both programmes as detailed in Appendices 9 parts 3 and 4 and the changes described in the tables in section 1.10 and Appendix 8.
 - (8)** That Cabinet recommends to Council to approve the allocation of project funding discussed in Section 1.11 and summarised in Appendix 10.
 - (9)** That Cabinet recommends to Council the allocation of £4.228m for the 2023/24 Corporate Property Repair and Planned & Preventative Maintenance (PPM) Programmes to fund the list of proposed works set out in Appendix 11 and approves the drawdown of funding from the Corporate Asset Reserve of up to £3,815m to support the programme, as discussed in section 1.12.
 - (10)** That Cabinet approves an exemption to the Code of Procurement Practice to enable direct award to National Employment Savings Trust (NEST) Pension Scheme from 1 April 2023 for the provision of a pension scheme for election staff.
 - (11)** That Cabinet notes the Recruitment, Retention and Remuneration project proposal as included within the 2023/24 Base Budget and MTFs.
 - (12)** That Cabinet approves the introduction of empty property and furnished second homes premium charges relating to Council tax, with effect from 1 April 2024.
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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 next financial year, taking into account the longer-term implications of decisions in respect of 2023/24. Hence, Members receive a 5-year Medium Term Financial Strategy (MTFS) detailing the Council's financial plans, Capital Programme and Reserves Schedule.
- 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 2023.
- 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 made at 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 2022/23 Revenue Budget – update to the current year's budget
 - 1.3 2023/24 Revenue Budget – details of main items included within the proposed 2023/24 budget
 - 1.4 2023/24 Government Funding announcements, including the Autumn Statement and Local Finance Settlement
 - 1.5 Business Rates – details of main drivers impacting upon the Council's share of Business Rates.
 - 1.6 Council Tax – proposals for Warwick District Council level of council tax for 2023/24.
 - 1.7 New Homes Bonus and Funding Guarantee - details on the Council's allocation for 2023/24.
 - 1.8 Medium-Term Financial Strategy – revenue projections for the Council for the next 5 years, considering latest information and decisions by Members.
 - 1.9 Reserves and Balances – details on the funds held by the Council and the proposed usage thereof.
 - 1.10 Capital Programme – details of Council's capital projects and funding thereof.
 - 1.11 Appropriation of funding and balances – proposals for the allocation of one-off funding allocations.
 - 1.12 Pre-planned Maintenance Programme – agreement to the plan for 2023/24.

1.2 **2022/23 Latest Revenue Budget**

- 1.2.1 The current year revenue budget was last considered by Cabinet in December 2022 at part of the Q2 Budget Review report. At that time a £482,000 adverse position was forecast for the year, which was to be partly driven by non-ring fenced Government grants.
- 1.2.2 Throughout 2022/23 expenditure/income has been reviewed against budgets, with this helping to inform the Budget Process. Part of this process is to review the current year's budgets to ensure that they are up to date and relevant to the needs and requirements of the service areas. Budgets have been reviewed throughout the year on a regular basis, and more formally through the Quarterly Budget Review reports presented to members in September and December.
- 1.2.3 The Quarter 2 report presented a deficit position of £482,000 with the breakdown as follows:

2022-23		
Service (General Fund)	Variation Description	Forecast Full Year Variation £'000
Employee Costs	Staffing	£500 F
	Pay Award (funded by Vacancy budget) including member allowances	-
Neighbourhood & Assets	Delays to PPM works	-
	Utility Charges – Electricity	£250 A
	Previous waste contract income	£200 F
	Green Waste Permits	£486 F
Place, Arts & Economy	Arts activity increased	-
	Leisure Concession	£200 A
	Planning Income	-
Housing Services	B&B Accommodation	-
Customer & Digital Services	Benefits subsidy and payments	£396 A
Strategic Leadership	Warwickshire Place Partnership (Health & Wellbeing)	-
	De-Carbonisation Grant	-
	Members Allowance	£40 A
	Contingency Budget	-
	Crewe Lane LLP Interest	£62 A
	Removal of EMR	£500 F
	Budget Savings proposals linked to merger	£512 A
	Budget saving proposal – digital transformation	£208 A
Budget Savings in-year underspend	£500 A	
TOTAL		£482 A

1.2.4 However, there has been one further notable change that has impacted on the financial position for the current year, outlined as part of the forecast review alongside the budget setting process:

Expenditure Growth / Income Reductions

- Business Rate retention forecast reduced based on latest projections provided locally and through the Business rate pool (all Warwickshire Councils and Coventry are part of the local pool) (+£609k)

1.2.5 As a result of the changes summarised above, a deficit of £1.290m is forecast for 2022/23. How this is to be met is covered in section 1.11.2.

1.2.6 While section 10.10 highlights the controls and mitigations in place to reduce budgetary risk, it has been clear that significant factors, both locally to the Council and nationally due to the significantly different economic conditions the Council operates in, have lead to unexpected and, in recent times, unprecedented financial challenges. Where savings and efficiencies have been made, these have in some instances been negated by increased costs across many services.

1.2.7 It will be essential that Officers and members continue to support and deliver further proposals in order to address the financial challenges facing the Council, to ensure that the Council can continue to deliver high levels of service within its ongoing financial baseline.

1.3 **2023/24 Revenue Budget**

1.3.1 In preparing the 2023/24 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 2022/23 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

1.3.2 Core inflation of 4% has been included in the proposed 2023/24 Budget. The exceptions to this are:-

- Waste Contract (subject to annual review in July)
- Cleaning contract
- Business Rates

1.3.3 The following unavoidable growth has been included in the Budget:-

- A 4% staffing pay increase has been factored in for 2023/24, subject to pay negotiations (+£709k)
- Increase in finance charges, including the interest paid on PWLB borrowing to support approved schemes including our contribution to the establishment of the Materials Recycling Facility in Coventry, and the purchase of vehicles as part of the new waste collection service (+£543k), and an increase to the Minimum Revenue Provision (MRP) allocation (+£384k)
- Increased cost of utilities due to the rise in wholesale prices, as outlined in the Q2 budget report in December (+£530k)

1.3.4 As part of agreeing the 2022/23 Budget last year, a series of Budget savings were included. These have continued to be monitored throughout the year, and reported to members as necessary.

1.3.5 The 2023/24 budget shows a deficit of £3.624m. The key drivers of the 2023/24 forecast deficit, compared to when the MTFs was last presented to members in the December 2022 Q2 Budget report include:

- Freeze to Council Tax (previously set at a £5 increase for 2023/24)
- Recruitment, Retention and Remuneration recommendation (see 1.14)
- Increase in contingency provision for inflation, major contracts and ad-hoc developments in-year

Offset by:

- Increase to vacancy factor following Recruitment, Retention and Remuneration review
- Business rates increase due to delay in baseline reset

1.3.6 To present a balanced budget, it is proposed to use Business Rates Retention Volatility Reserve (see section 1.11.2).

1.3.7 Appendix 2b includes details of the breakdown of the Budget over the Council's individual services.

1.4 **Government Funding Announcements**

- 1.4.1 The Chancellor announced the 2022 Autumn Statement on 17 November, which was followed by the Provisional Local Government Finance Settlement on 19 December.
- 1.4.2 The recent announcements and provisional settlement are once again a holding position, designed to offer some stability based on a uniform roll-over of the core elements of the settlement. However, this is the second year in succession that the Government has only provided local authorities with a single-year settlement. The hoped-for multi-year settlement has again not been forthcoming, which continues to make financial planning very difficult for local authorities. The settlement is due to be confirmed by the Government in February 2023, ahead of local authorities confirming their budgets for 2023/24.
- 1.4.3 The Council tax principles of the Finance Settlement have been set out in section 1.6.
- 1.4.4 The multiplier used to calculate Business Rates income will be frozen for 2023/24. However the Government will compensate Councils fully for the loss of income resulting from this decision at CPI of 10.1%.
- 1.4.5 The Services Grant introduced in 2022/23 will be retained in 2023/24, but reduced to account for the reversal of the increase to National Insurance Contributions from November 2022. £133,900 has been awarded.
- 1.4.6 For some years the future of New Homes Bonus (NHB) has been subject to review, adding to uncertainty to its continuation.
- 1.4.7 However, as part of the stability, this has included NHB allocations for 2023/24 of £1.078m. There are no legacy payments attached to these new allocations.
- 1.4.8 In addition, to bridge the gap and to ensure that all Councils see a minimum 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 £1.846m will be received.
- 1.4.9 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 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 1.11 and Appendix 10.
- 1.4.10 Funding reforms and changes in funding distribution, including the Fair Funding Review and Business Rates baseline reset, will not be implemented until after the General Election, and therefore 2025/26 at the earliest. Business Rates are discussed in section 1.5.

1.5 **Business Rates**

- 1.5.1 Under the current Business Rate Retention scheme, 50% of rates collected are retained within local government, 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.

- 1.5.2 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 fourth consecutive year the re-set has been delayed, with it now expected to be from 2025/26 at the earliest, with this year being the first following the next expected General Election. 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 2025/26, where it is expected that District Councils will be impacted the most from any change.
- 1.5.3 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
- 1.5.4 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 increased business rate income received in the year is allocated to the reserve, whilst any shortfall should be funded from the reserve. The balance on the reserve has been subject to review, and it is proposed that a maximum balance of £10m is retained in anticipation of the adverse changes expected from 2025/26.

1.6 **Council Tax**

- 1.6.1 As part of the Finance Settlement (section 1.7) the Government has confirmed that for District Councils, their element of council tax can increase by the higher of 2.99% or £5 for 2023/24. As 2.99% is higher than £5 for this Council, this is the maximum increase in council tax for 2023/24 that is allowed for. Any increase above this level would be required to be ratified by a local referendum.
- 1.6.2 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 2023/24 in perpetuity. A 2.99% increase would generate an additional £305,000 in 2023/24. 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.
- 1.6.3 The Tax Base for 2023/24 has now been agreed at 57,670 Band D dwellings, representing an increase of 670 from what had been allowed for within the Council's 2022/23 Medium Term Financial Strategy. The increase reflects the number of new properties across the district now coming forward, while also taking into consideration the impact on the changes to the Local Council Tax Reduction Scheme (as covered within the LCTRS report coming alongside this report on the Cabinet agenda).

- 1.6.4 The 2022/23 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 £201,500 as at 31 March 2023 (including the final year of the 2020/21 deficit that was spread over three years). This balance has to be shared with the major preceptors in 2023/24, with this Council's element being £19,000. This surplus balance again reflects the additional growth in properties across the district during the current year, and how the current year estimated tax base of 12 months ago has been exceeded. Estimating the tax base is invariably very difficult, and frequently results in a deficit or surplus balance which would need to be financed subsequently.
- 1.6.5 The Medium-Term Financial Strategy (discussed in section 1.8) includes council tax increases for future years of 2.99% per annum from 2024/25. Any departure from this will need to increase the savings which need to be agreed.
- 1.6.6 Notwithstanding the financial implications detailed above, given the cost of living pressures that local residents are experiencing and the comparatively healthy position of Council reserves, the recommendation within this report is for District Council's element of council tax for 2023/24 to remain at the 2022/23 levels (which were also set at 2021/22 levels). On this basis, the 2023/24 council tax for each band would be as follows:-

	£
Band A	117.91
Band B	137.56
Band C	157.21
Band D	176.86
Band E	216.16
Band F	255.46
Band G	294.77
Band H	353.72

- 1.6.7 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.

1.7 **New Homes Bonus and Funding Guarantee**

- 1.7.1 For some years the future of New Homes Bonus (NHB) has been subject to review, adding to uncertainty to its continuation.
- 1.7.2 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 £1.078m to be received in 2023/24. There are no legacy payments attached to these new allocations.

1.7.3 In addition, to bridge the gap and to ensure that all Councils see a minimum 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 £1.846m will be received.

1.7.4 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 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 1.11 and Appendix 10.

1.8 Medium Term Financial Strategy

1.8.1 The MTFS was last formally reported to members in December as part of the Q2 Budget report, with the profile for future years being as follows: -

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus(-) future years	482	2,558	3,012	2,688	2,545
Change on previous year	0	2,076	454	-324	-143

1.8.2 Once the changes outlined for 2022/23 and 2023/24 through the Budget Setting process (sections 1.2 – 1.7, with the major changes highlighted) have been incorporated into the Strategy, the position of the MTFS is now as follows:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus (-) future years	1,290	3,528	4,334	2,476	1,525	1,501
Change on previous year		2,238	806	-1,858	-951	-24

1.8.3 Section 1.11.3 proposes how the deficit will be covered through the use of reserves. The below table shows the MTFS once this has been actioned:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000

Deficit-Savings Req(+)/Surplus (-) future years	0	0	4,334	2,476	1,525	1,501
Change on previous year		0	4,434	-1,858	-951	-24

1.8.4 New initiatives will need to be agreed over the next year to enable savings or additional income to be generated so as to remove the forecast £4.334m deficit in 2024/25. By using the Business Rate Retention Volatility Reserve (BRRVR – see section 1.9.3) over the last few years, the Council has given itself some time to get new initiatives in place. However, it now needs to develop strategies above those already agreed for balancing its budget over the medium to long term to create a sustainable platform to deliver services. This is covered in greater detail within the separate Organisational Change report on the same agenda as this report.

1.8.5 The Council has already started realising ways to improve returns from its investments, in particular through the Local Housing Company, which will also have social benefits as well as economic to both the District and the Council. This will be discussed in greater detail as part of the updated Treasury Management Strategy, which will be presented to Cabinet in March.

1.9 Reserves and Balances

1.9.1 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.

1.9.2 The unallocated General Fund Balance is currently forecast to be £2.651m, this being above the minimum level of £1.5m. The use of this excess balance is considered in section 1.11.

1.9.3 The Business Rate Retention Volatility Reserve (BRRVR) has been used over the duration of the MTFs to help smooth the savings needed to be secured, with the shortfall being across the period 2022/23 to 2023/24. Due to increases in the balance on this reserve, additional non-recurrent activity has also been outlined to be supported using this funding. Business rates are discussed in section 1.5, 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, the balance of this reserve should not be allowed to go below a level of £10m.

1.9.4 Delegated authority is requested to enable drawdown from the Equipment Renewal Reserve within the agreed schedule (Appendix 7). Any further requests or requests above the agreed schedule will require member approval.

1.9.5 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 will 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.

1.10 **Capital Programme**

- 1.10.1 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.
- 1.10.2 The Capital Programme has been updated throughout the year as new and amended projects have been approved. Appendix 9, consisting of 5 parts, details both the General Fund and Housing Investment Programme (HIP) Capital programmes, along with their associated funding. Appendix 8 details the variations to the capital programme as new schemes have been approved and projects have been updated.
- 1.10.3 Within the MTFS, no funding had been allowed for Rural and Urban Initiatives from 2023/24 as part of the savings agreed in December 2020. While the scheme will continue in 2023/24, to be funded using the New Homes Bonus and Funding Guarantee, if the scheme is to continue beyond 2023/24, additional funding will need to be found as part of future budget setting proposals.
- 1.10.4 Slippage and savings on existing schemes are also detailed within Appendix 8.
- 1.10.5 The HIP and associated funding are included within Appendices 9 parts 2 and 4. Additional borrowing is the primary source of funding for new construction and acquisition projects. The HIP will be reviewed further as part of the HRA Business Plan report in March.
- 1.10.6 Appendix 9 Part 5 shows the General Fund unallocated capital resources. These total £2.179m in 2022/23. The Capital Investment Reserve represents the largest share of this at just under £1.5m, for which the Council has agreed the minimum balance should be £1m. Whilst the Council does hold other reserves to fund capital projects, it will be noted that these are limited and have been reserved for specific purposes. In addition to the resources shown here, "Any Purposes Capital Receipts" are projected to total £9.444m as at 31 March 2023 (see section 1.11.7).

1.11 **Appropriation of Funding and Balances**

- 1.11.1 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.

1.11.2 General Fund Deficit 2023/24

As discussed in section 1.2, for the current year, the Council is forecasting a deficit of £1.290m for the various reasons outlined. Conversely, 2023/24 is presenting a significant deficit of £3.528m. It is proposed that funding from the Business Rates Retention Volatility Reserve is used to cover the 2023/24 deficit.

1.11.3 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 1.9.1. As at 31 March 2022, the unallocated balance was £2.651m. It is proposed £1m of this balance is allocated to support the proposals outlined in section 1.11.6.

1.11.4 Service Transformation Reserve

The Service Transformation Reserve is to be used to support one-off costs associated with the Office Relocation project. As at 31 March 2022, the unallocated balance was £1.4m.

1.11.5 New Homes Bonus and Funding Guarantee

As outlined in section 1.7, the Council will receive £2.924m in 2023/24 as part of the Local Finance Settlement, made up of New Homes Bonus (£1.078m) and a Funding Guarantee payment (£1.846m).

1.11.6 The table below outlines how the New Homes Bonus, Funding Guarantee and reserves identified at levels above agreed minimum balances are to be used to support one-off activity, with the full programme to 2026/27 outlined in Appendix 10:

Activity	New 22/23 £'000	Award 23/24 £'000	
Lord Leyster Hospital – underwriting of HLF award match funding		40	
St Mary's tower		50	
Barford Youth and Community Centre		250	
Packmores Community Centre plus land		25	
Womens Cycle Tour		30	
Kings Coronation		25	
Demolition of Covent Garden MSCP		1,000	
Abbey Fields Cycle Track		160	
Office relocation One-off costs	98	307	
Play areas disabled improvements		100	
Voluntary/Community Sector Commissioning		249	*
Rural and Capital Initiatives Grants		100	*
Community Forums		35	*
Trees for the Future planting programme		400	*
Community Projects Reserve top-up		500	
ICT Reserve top-up		1000	
Corporate Asset Reserve top-up		2,500	
Total	98	6,771	
Funded by			
New Homes Bonus 23/24		1,078	
Funding Guarantee 23/24		1,846	
Services Transformation Reserve	98	347	
Business Rate Retention Volatility Reserve		2,500	
General fund Reserve		1,000	

* Indicates further funding will need to be allocated for future years as part of 2024/25 Budget process.

1.11.7 Right to Buy (Any Purpose) Capital Receipts.

As at 31 March 2022, the Council held £8.444m in useable Right to Buy Capital Receipts. This balance is projected to increase by £1m in 2022/23 to give an anticipated balance as at 31 March 2023 of £9.444m. £7.897m of this balance has been agreed to be used towards a number of projects, with £7.441m of this

to be used towards the Kenilworth Leisure Centre projects at Abbey Fields and Castle Farm.

1.12 Planned Preventative Maintenance Budget (PPM)

1.12.1 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.

1.12.2 The proposed budget allocation for 2023/24 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 2022/23 is set out at Appendix 11 to this report.

1.12.3 For 2023/24, the total PPM budget is £4.228m. This will be funded using £413,000 from the Annual Revenue PPM budget and a £3,814,600 drawdown from the Corporate Assets Reserve. This is expected to leave a £258,800 balance as at 31 March 2024. The schedule also outlines expected allocations across the period of the MTFs, and the necessary funding requirements, including how further funding of £149,000 will be required in 2024/25 to deliver the full programme of works. Further detail on the PPM schedule and funding is set out in Appendix 11.

1.13 Code of Procurement Exemption – Election Staff

1.13.1 The Returning Officer is now required to provide a pension scheme for all persons employed to work on elections to join if from their earnings on elections they meet either (a) the threshold of £10,000 per annum or (b) wish to join but earn over £6,240. From experience of election fees only a minimal number of people automatically entitled (but who can still opt out) will be less than 5 and those meeting the threshold of (b) and wishing to join will be very low. From knowledge and experience from other authorities it is likely that less than 5 people will opt to be in the scheme. This will set the costs involved but at present it is anticipated it will be met within existing budgets, based on low take up.

1.13.2 The Cabinet should be aware that normally the Returning officer has over 700 employees to work at elections however it is anticipated less than 10 of these would qualify or wish to take up the pension unless there are multiple elections with the same year. The greater burden to the Council will be officer time handling initial questions about what this means for the employee.

The Council's Code of procurement Practice requires a competitive process for all contract-spend above £25,000. It is not clear on the total costs for this scheme as it will depend on the uptake, but as the category of spend is for a Government Employee Pension Schemes (CPV 75320000) which falls under the Light Touch Regime within the Public Contract Regulations 2015 (PCR2015), with a threshold of £663,540, the Council can award a contract without undertaking a formal competition should evaluation of the market suggest an economically advantageous suitable supplier as long as the Council's the decision making process is fair, open and transparent. As such, it is lawful for the Council to choose to direct award this contract; although an exemption from the Council's own Code of Procurement Practice is still required.

1.14 **Recruitment, Retention and Remuneration**

- 1.14.1 As part of the quarterly budget reports to members, it has been reported that the Council is facing recruitment and retention challenges within most service areas, with high levels of staff turnover followed by difficulties in attracting applicants with the required skills. This is putting pressure on some service areas, running the risk of impacting on service delivery, as well as the health and well being of those staff managing the workload expected to be covered by a larger establishment.
- 1.14.2 It was stated that the challenges faced were subject to review, and that work was ongoing on how this was to be tackled going forward.
- 1.14.3 As part of this review, remuneration has been considered in more detail including a comprehensive benchmarking exercise. Officers have considered options and the budgetary impact on the Council as well as striving to be equitable and fair to all.
- 1.14.4 For 2023/24, outside of the national pay negotiations it is proposed to increase all staff salaries by one increment.
- 1.14.5 For 2024/25, outside of the national pay negotiations it is proposed to increase all staff salaries by one further increment.
- 1.14.6 This local remuneration initiative will not impact on the national inflationary rises which will be applied following national negotiations.
- 1.14.7 Further measures are subject to review during 2023/24 to provide targeted support to service areas facing specific staffing challenges. However, the current proposal aims to address the ongoing erosion of salaries in local government, and specific to WDC, help address where the organisation sits following benchmarking work taking place.
- 1.14.8 It is expected that this package can be funded in 2023/24 through savings made because of the under-establishment of services. However, with the proposals expected to mitigate and reduce the levels of vacancy within the organisation going forward, this will need to be funded as part of the baseline 2024/25 budget position.

1.15 **Second Homes and Empty properties**

- 1.15.1 In the Levelling Up and Regeneration Bill as introduced in the House of Commons on 11 May 2022, 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 2nd homes. These would come into force from 01/04/2024.
- 1.15.2 The first change which should be confirmed and added to the Local Government Finance Act 1992 later this year, allows LAs to amend how they charge the empty property premium. Currently at Warwick District Council, this is applied at an additional 100% for properties empty over 2 years, 200% for those empty over 5 years and 300% for those empty over 10 years. The proposal in this bill is to allow LAs to charge the additional 100% after a property has been empty for 1 year instead of 2, the other bands do not change.
- 1.15.3 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.

1.15.4 The recommendation is that Warwick District Council adopt these new measures, which will come into force from 1st April 2024. This is factored into the updated MTFS (section 1.8) and is expected to increase the council tax received by Warwick District Council as the collecting authority by a forecast £1.31m, which would be distributed amongst the preceptors in the normal way. If implemented, this would equate to a forecast £156,000 per annum from the 2024/25 financial year.

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 latest 2022/23 and 2023/24 budgets seek 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.

2.2 As discussed in section 1.6, the Council does have the ability to increase its share of council tax by up to £5 at Band D for 2022/23. This level of increase has been included in the Medium-Term Financial Strategy from 2023/24. If the Council was to increase council tax by £5 in 2023/24, this would generate an additional £305k, which would help to protect the Council's future revenue base. Given the significant level of new savings to be found in future years (in addition to the previously agreed savings, many of which have yet to materialise), this potential additional income from a council tax increase would significantly contribute to making the Council's finances more resilient on a recurring basis into the future.

2.3 By taking the decision to freeze Council tax for a second year in succession, around £3m would be lost from the core spending power of the Council in only the 5 years that the MTFS covers. Given the MTFS position presented in second 1.8.2, the Council, while still likely to have needed to use reserves over the period 2022/23-2024/25, the amount of reserve funding required to balance the budget would have been significantly reduced. The MTFS were there to have been no freezes in the last 2 years is presented below:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus (-) future years	1,008	2,926	3,702	1,824	853	823
Change to recommended position based on tax freeze	-282	-602	-632	-652	-672	-678

3 Legal Implications

- 3.1 Members have the opportunity to generate extra income by raising the council tax by up to £5. 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 “freeze” the council tax. The proposal to “freeze” council tax is a decision an authority can make but it must have fully understood and assessed the implications when agreeing such a recommendation.

4 Financial

- 4.1 This is a finance report which proposes the draft Revenue Budget for 2023/24 and the position for the MTFS up to 2026/27. The report also identifies the proposed Capital Programme for same period.

5 Business Strategy

- 5.1 Warwick District Council has adopted a Business Strategy which sets out key areas for service delivery. The audited accounts support all strands of the Business Strategy by way of confirming how the Council is using its resources.
- 5.2 Health, Homes, Communities,
- 5.3 Green, Clean, Safe,
- 5.4 Infrastructure, Enterprise, Employment,
- 5.5 Effective Staff,
- 5.6 Maintain or Improve Services
- 5.7 Firm Financial Footing over the Longer Term.

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 allocations to the Climate Change Reserve as detailed in the report.

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, especially from 2025/26 with the following changes expected:-
- The impact of the Fair Funding Review
 - The re-set of the Baselines.

Whilst the Council's business rates retention forecasts are believed to be prudent for the future, there is the possibility future receipts being those anticipated.

- 10.3 The Strategy assumes a 2.99% per annum increase in Council Tax for future years from 2024/25 on the basis that the current referendum limits will not be changed. This will be subject to future Government determination. 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 are Finance related and the Finance Service Area has its own Risk Register. Both are reviewed regularly.
- 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 are currently high and are only forecast to peak by September 2023. 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 continues to remain high. This is a challenge for the Council when trying to contain the cost of its supplies and services. It is forecast that inflation will reduce throughout 2023/24, and 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 has an amount of savings built in. 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. Several budget proposals originally approved in December 2020 have been subject to delays or reductions in scope over the last year, with the expectation that further schemes will need to be delivered to achieve a sustainable balanced revenue position in the medium term.
- 10.7 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.
- 10.8 Changes in legislation may influence assumptions built into Budgets and the 5-year strategy as well as increasing the costs of implementing these changes.
- 10.9 As previously reported to Members and included within Section 1.9 (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 1.8 (MTFS), the Council needs to secure funding to enable these reserves to be replenished, and so maintain current service provision.

10.10 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 2023/24 Budget there is a Contingency Budget of £200k for any unplanned unavoidable expenditure. In addition there is a £2m Budget allocation to mitigate against any inflationary increases, including changes to major contracts or commitments.
- Reserves – The Council holds reserves as discussed within section 1.9. Whilst much of these reserves have already been earmarked for specific projects, it is important that reserves are held for any unforeseen demands.
- A General Fund Balance is held and available to accommodate any unforeseen variations in income and expenditure.

11 Consultation

11.1 In approving the 2023/24 Budget and Medium-Term Financial Strategy as laid out in this report, the savings previously agreed need to be fully achieved, together with further savings approaching £4.3m to enable a balanced Budget to be agreed in 12 months' time for 2024/25.

Background papers:

Q2 Budget Review – December 2022

Revenue and Capital Budget 2022/23 – February 2022

Supporting documents:

Appendix 1 – Statement of CFO
Appendix 2 – General Fund Budget Summary 2023/24
Appendix 2b – Budget Book 2023/24
Appendix 3a – Financial Strategy 2023/24 (i)
Appendix 3b – Financial Strategy 2023/24 (ii)
Appendix 4 – Risks influencing General Fund Balance
Appendix 5a – Purposes of Reserves
Appendix 5b - Reserves
Appendix 6 – ICT Asset Replacement Schedule
Appendix 7 – Equipment Renewal Schedule
Appendix 8 - Capital Variations
Appendix 9a – General Fund Capital Programme
Appendix 9b – Housing investment Plan
Appendix 9c – General Fund Financing
Appendix 9d – Housing Investment Plan Financing
Appendix 9e – General Fund Programme and Resources
Appendix 10 – Project Funding Summary
Appendix 11 - PPM