Executive

Excerpt of the Minutes of the meeting held on Wednesday 10 February 2016 at the Town Hall, Royal Leamington Spa, at 6.00 pm.

Present: Councillor Mobbs (Chairman); Councillors Coker, Cross, Mrs Gallagher, Mrs Grainger, Phillips Shilton and Whiting.

Also present: Councillor Barrott (Chair Finance & Audit Scrutiny Committee), and Councillor Boad (Chair of Overview & Scrutiny Committee & Liberal Democrat Group Observer).

100. **Declarations of Interest**

There were no declarations of interest.

Part 1
(Items on which a decision by Council is required)

104. **Budget 2016/17 and Council Tax – General Fund Revenue and Capital**

The Executive considered a report, from Finance, that set out the Council's financial position, bringing together the latest and original Budgets for 2015/16 and 2016/17, plus the Medium Term Forecasts until 2020/21. In doing so it advised upon the net deficit from 2017/18 and the savings required to balance future years' Budgets.

The report sought approval of the; Latest Budget 2015/16; Original 2016/17 Budget; This Council's Band D Council Tax charge for 2016/17; 5 Year Capital Programme; Prudential Indicators for 2016/17; while noting the latest Reserves and Schedules, approving the relevant transfers.

The decision on this report would be presented to Council, on 24 February 2016 alongside a separate report recommending the overall Council Tax Charges 2016/17 for Warwick District Council.

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

It was 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 2016/17. Therefore the 5 year financial strategy, Capital Programme and Reserves Schedule were also detailed in the report.

The Local Government Act 2004, Section 3, stated 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.

The Chief Financial Officer was required to report on the robustness of the estimates made and the adequacy of the proposed financial reserves; and this was set out in Appendix 10 to the report.

Within the report and the recommendations, the following funding allocations were proposed:-

	2016/17 New Homes Bonus £	**2015/16 Surplus £**	**2015/16 Contingencies £**	**2016/17 allocations £**	**Total £**
Waterloo Housing Association	178,500				178,500
St Georges Playing Field, Barford	71,000				71,000
Corporate Assets Reserve	486,000				486,000
Leisure Options Reserve	625,000				625,000
Business Rate Retention Volatility Reserve	750,000				750,000
Early Retirement Reserve	147,064				147,064
Equipment Renewals Reserve		76,300	123,700		200,000
Contingency		75,400		124,600	200,000
Service Transformation Reserve (from 2016/17 surplus)				23,100	23,100
Total	**2,257,564**	**151,700**	**123,700**	**147,700**	

In addition the Capital Programme included the following new schemes and budget allocations:

- Royal Spa Centre Operational Works – Motors and Stage Lighting Dimmers £350,000
- St Johns Warwick Flood Alleviation Scheme £100,000
- Rural and Urban Initiatives Grants – extension from 2018/19 £150,000 per annum
- Recycling and Refuse Containers - £165,000 per annum

Appendix 1, to the report, summarised the latest 2015/16 Budgets. These were reported to the Executive in December 2015 showing net expenditure of £14.42m and a surplus of £189,800.

The following changes were now proposed to the 2015/16 Budget.

Increased expenditure:
- Increased Leisure Centre salary costs +£50,000;
- Business Rates consultant's fees +£25,000;
- Digital Transformation setup costs (net of reserve funding) +£9,500;

Reduced expenditure:
- Environmental Health & Community Protection staff vacancies -£28,100;
- Earmarked Reserves no longer required -£18,300.

Within the 2015/16 budgets there were still various unallocated contingencies totalling £123,700:
- Office Cleaning Contract £51,000;
- General Contingency Budget £38,800;
- Price Inflation £17,000;
- National Living Wage £16,900.

These budgets were not likely to be used within 2015/16 and so £123,700 was proposed to be appropriated to the Equipment Renewals Reserve.

Taking into account the above budget changes, the 2015/16 Budgets showed a projected surplus of £151,700. It was proposed that this surplus was allocated £76,300 to the Equipment Renewals Reserve (giving a total contribution to this reserve of £200,000) and £75,400 ring-fenced for the 2016/17 Contingency Budget.

The 2016/17 Base Budgets was agreed in December 2015 and since then, further recurrent changes had been identified. Inclusion in next year's Budgets at this point ensured both the 2016/17 Budget and Financial Projections would contain the most realistic figures as at the beginning of April 2016. These changes were:
- Customer Service Centre Review/Digital by Default;
- Announcement of the Government Settlement;
- Updated Business Rates income based upon the January NNDR1 return;
- Latest Investment Interest Income forecasts;

Specific changes to 2016/17 budgets had been allowed for within service expenditure estimates that were agreed in December, these included energy supplies, civic support, travel tokens, waste containers, Local Enterprise Partnership and employment initiatives.

Within the Fit For the Future savings agreed in September 2015 was £320,000 phased in over 2017/18 and 2018/19 from the re-procurement of gas and electricity. The gas contract had now been re-procured to come into force in April 2016, generating savings of 28.62%, this being ahead of the dates previously reported. Similar savings were expected for electricity from October 2016. Together, these would present savings of £136,000 for 2016/17, with the full year effect of the electricity contract providing an additional £83,000 savings in 2017/18, with annual savings of £219,000.

Whilst these savings were being generated earlier (so benefiting the 2016/17 Budget), the level of these savings was estimated to be lower than earlier anticipated so presenting an additional £100,000 to be included in the Council's Medium Term Financial Strategy. The fuel market could be volatile, with oil prices currently being very low. When the contracts were to be re-procured in two years, the market could be very different with the Council having to fund additional costs for fuel above that currently being budgeted.

The Fit For the Future report included £20,000 savings related to changes to the Civic Support in respect of the Chairman. The Corporate Management Team had given this further consideration and had concluded that these savings would not be achievable without significantly altering the role of the Chairman, which was not considered appropriate at this time.

It had been custom and practice for the last 15 years that any remaining money on the "Chairman's allowance" budget (cost code 2280 4650) to be transferred to the Chairman's account for them to donate to their charities. This had varied from £500 to over £10,000 in recent years. It was recommended that this should not continue due to the financial pressures on the Council. It was highlighted that this made up a significant proportion of the Chairman's Charity donations each year and therefore any future donations, by the Chairman, to charities were likely to be significantly lower. This budget was also used to pay for the Chairman to attend events and costs associated with events the Chairman hosts. Therefore revised budgeting arrangements would be put in place to clearly define what costs were being incurred by the Chairman of the Council. This would be achieved by reallocating this money across appropriate budget lines.

The Council operated a transport scheme which enabled qualifying individuals to use Council-issued travel tokens when travelling by train, taxi or (flexi) bus if the relevant transport operator agreed to accept the tokens in lieu of cash.

Following payment of a £5.00 administration charge, those eligible individuals would receive either £25.00 or £50.00 in tokens. The purpose behind the scheme is to enable elderly (in the rural areas) and disabled residents, who may not have easy access to bus services, to access transport, predominantly through the use of taxis. The allocations involved were so small that, as the table below demonstrated, a limited number of journeys can be made:

Using the calculator for Hackney Carriage Vehicles and deducting the £5 administration charge, residents were able to travel the follow distances:

	Tariff 1	Tariff 2	Tariff 3
	4 or less passengers (Day*)	4 or less passengers (evening**) 5+ passengers (day*)	5+ passengers (evening**)
£45	21 & 5/10th miles	13 miles	9 & 2/10th miles
£20	9 miles	5 & 7/10th miles	4 miles

Whilst it is the case that a resident may be able to achieve better value through private hire, the table gives Members a sense of the poor value the Council is receiving for its investment in the service. For example, using the calculator above, a resident travelling five miles into Leamington from a rural area would be able to make two return journeys over the course of 52 weeks.

Given the unprecedented financial position the Council is facing, officers do not consider that the scheme offers value for money, however, although this is a discretionary scheme it is recommended that a six week public consultation is undertaken to determine whether there would be any adverse equality impacts and if there are for these to be considered by the Leader and Deputy Leader.

As discussed in Minute 103 it had been recommended to Council to introduce a proposed to charge for waste containers. The anticipated net additional income of £78,000 per annum had been factored in to the proposed 2016/17 Budget. The Medium Term Financial Strategy and Capital Programme had also been altered to reflect this income and the additional on-going cost of the containers.

As part of agreeing the 2015/16 Budget members agreed a contribution to the Local Enterprise Partnership (LEP) of £20,000. Further discussions with the LEP had confirmed that funding was required from the local authorities within the LEP on an on-going basis. Accordingly, £20,000 per annum had been included in the 2016/17 Budget and the Medium Term Financial Strategy.

£50,000 was agreed as part of the 2014/15 Budget a one off sum of £50,000 for Employment Initiatives, of which £26,900 remains. The balance of this funding was proposed to be used as matched funding over the three years (from 16/17 financial year onwards) to support the Coventry and Warwickshire SME Growth Programme of the European Skills Initiative Funding (ESIF). The Chief Executive, using his powers, had previously agreed this re-allocation, and this would ensure a consistent delivery of business support start up advice, business readiness assistance across Warwick District as matched funding in a £3.35m three year programme for Coventry and Warwickshire. There was a shortfall in funding for the third and final year and this would be filled utilising additional monies raised through the Local Labour Agreements over that three year period.

The 2016/17 Budget proposed allowed for the creation of a Contingency Budget to the total of £200,000, including the £75,400 ring-fenced from 2015/16. In recent years the use of a Contingency Budget had been invaluable to allow the Council to deal with un-budgeted demands. These demands were agreed by the Executive or delegations as allowed for within the Code of Financial Practice. Full details of the use of the Contingency were reported to members.

The projected Collection Fund Balance, 2015/16, was calculated to be in surplus by £501,574 on 31 March 2016. Warwickshire County Council and the Warwickshire Police and Crime Commissioner were duly notified of their shares on the 15 January 2016. This Council's share was £55,000. This had been factored into the 2016/17 Budgets presented in this Report.

When the 2015/16 Government Grant Settlement was announced in December 2014 and January of 2015, the Government had not provided indicative settlement figures for future years. Hence the Medium Term Financial Strategy was prudently based upon the latest intelligence (Chancellor's Budget Statements, LGFutures, the Economy). The Government had now provided the proposed Settlement Funding Assessment (SFA) for 2016/17 alongside indicative amounts for the subsequent 3 years. Whilst the Financial Strategy had been based upon Revenue Support Grant for 2016/17 estimated at £1.835 million, the actual amount announced by Government was £1.586 million, a reduction of some £0.25m (and a reduction of over £900k from the 2015/16 £2.5m RSG) . This reduced funding with implications for the future years discussed of the Medium Term Financial Strategy.

The SFA for 2016/17 introduced the concept of Core Spending Power. This comprised of Revenue Support Grant, New Homes Bonus and projected Council Tax and business rates income. In coming to the projection of Council Tax income, the Government had assumed increases in the Council Tax base and that local authorities would increase their council tax up to the referendum limits. Based on these assumptions, the Government figures showed that the Council's Spending Power would decrease by 0.4% for 2016/17.

A response had been issued to the Grant Consultation from the Council, which had stressed the inequity of the Council Tax increase limitation facing the Council.

The final Grant Settlement was expected in early February and updated figures would be provided to Council when available. Any change in the Revenue Support Grant was proposed to be compensated by the use of the Service Transformation Reserve.

The Council was required to agree its Business Rates estimates by the end of January (the form "NNDR1"). The Head of Finance had delegated authority to agree this. In estimating the business rates, account needed to be taken of prior year adjustments in respect of the net amounts estimated to be received.

As reported previously, there were still many business rates appeals outstanding for which a provision was required. This had the impact of dampening the Retained Business Rates for 2016/17. Funds had previously been set aside for this in the Business Rates Volatility Reserve, the use of which had been factored into the proposed 2016/7 Budget. For 2016/17, it was currently estimated that the Council would retain business rates of £3.6m, but this was reduced by a prior year adjustment of £2.7m, of which £2.5m was being met using the balance on the Business Rate Volatility Reserve.

In recent weeks, case law had agreed that NHS Foundation Trusts had acceptable charitable status to enable them to qualify for mandatory business rate relief. Whilst the Council had not had any applications for this relief, any applications received could be able to be backdated to 2010. The Council's share of this backdated relief could be approaching £1m, with £150,000 recurrent cost. This had not been factored into the proposed Budget. This was a risk facing the Council, although due to the significance of the implications facing many local authorities, this was something that would need to be addressed at a national level.

Whilst the potential cost of mandatory business rate relief for foundation trusts had not been factored into the budget, the Council should seek to ensure it had some provision to meet this potential cost. Hence within the allocation of the 2016/17 New Homes Bonus, £750,000 was proposed to be allocated to the Business Rate Retention Volatility Reserve.

If there was any variance between the business rates retention included within the proposed Budget and the figures within the NNDR1 for 2016/17, it was proposed that the difference should be accommodated with appropriate transfers to/from the Business Rate Retention Volatility Reserve.

In setting these Budgets, Council needed to be aware of the impact on their local Council Tax Payers. 2016/17 was the first time in five years that this Council had increased its share of the Council Tax. The recent zero tax increases had been partially compensated by a Council Tax freeze grant from central government.

The Council Tax referendum limit remained at 2%. Whilst a referendum would have one-off costs relating to its administration, if the electorate agreed to an increase above 2%, this would help to protect the Council's funding and services into the future.

The provisional Grant Settlement, referendum principles were:

- A 2% limit on all Council Tax increases;
- Authorities with responsibility for social care may increase their Council Tax by an additional 2% for adult social;
- District Councils whose' current band D council tax in in the bottom quartile may increase their Council Tax by up to £5; and
- No referendum principles had been proposed for parish or town councils.

Warwick District Council was just outside the bottom quartile for its level of Council Tax (57 out of 201 district councils). Accordingly it was limited to the 2% council tax increase, with the proposed increase being 1.99% to ensure of not being within the referendum parameters. The 1.99% proposed increase was the equivalent of an extra £2.92 at Band D and would generate an additional £151,000. This was well below the £5 that authorities in the bottom quartile could raise their tax. A £5 increase in tax would generate a further £108,000 in Council Tax income. By being just outside the bottom quartile, Warwick District Council was limited to one of the lowest increases in Council Tax, in cash and real terms, nationally.

The Council Tax Base was calculated in November of last year, with the Council's preceptors being notified accordingly. The Tax Base for 2016/17 was 51,879.20 Band D Equivalents, an increase of 534 above that previously projected in the Strategy and built into the 2016/17 Base Budget reported to Executive in December.

The Council's element of the Council Tax was calculated by taking its total budget requirement, subtracting the total funding from Central Government in respect of Revenue Support Grant (RSG) and Retained Business Rates and the collection fund balance of £55,000. This figure was divided by the 2016/17 tax base to derive the District Council Band D Council Tax Charge.

The recommendations within this report produce a Band D Council Tax for Warwick District (excluding parish/town council precepts) for 2016/17 of £149.78, this being a 1.99% increase on that of 2015/16. Based on this increase the Council Tax levels for each of the respective bands would be:

Band	**£**
A	99.85
B	116.50
C	133.14
D	149.78
E	183.06
F	216.35
G	249.63
H	299.56

Parish and town councils throughout the district were asked to submit their precepts for 2016/17 when informed of their Tax Bases. At the time of writing this report, not all precepts had been confirmed. It was estimated that the precepts would total around £1,300,000 based on prior years. This figure did not take into account the Grants that this Council would award in respect of the Council Tax Support adjustments to the Tax Base (as detailed within the December 2013 Base Budget report).

At the time of writing the report, neither the County Council nor the Police and Crime Commissioner had set their 2016/17 budgets and element of the Council Tax. The meeting of the County Council was scheduled for the 23 February 20162016 and the Police & Crime Commissioner was due to seek approval from their Panel on the morning of 3 February 2016. Should the Commissioner's proposal be rejected, there would be a subsequent submission on the 17 February 2016.

The Council Tax was set by aggregating the Council Tax levels calculated by the major precepting authorities (the County Council and the Police and Crime Commissioner) and the parish/town councils for their purposes with those for this Council. The report to the Council Meeting on the 24 February, 2016 would provide all the required details. This would be e-mailed to Council as soon as possible following the County Council Meeting on the 23 February 2016. This Council would then be in a position to:

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

Councillors had fiduciary duty to the Council Taxpayers of Warwick District Council. Council had a duty to ensure that the Council acted lawfully. They were under an obligation to produce a balanced budget and must not knowingly budget for a deficit. Council 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.

If any Councillor wished to propose additions or reductions to the budget, on which no information was given in this, they must present sufficient information on the justification for and consequences of their proposals to enable the Executive (or the Council) to arrive at a reasonable decision. This report sets out relevant consideration during deliberations, including the statement at Appendix 10, to the report, from the Chief Financial Officer.

Section 106 of the Local Government Finance Act 1992, stated that any Councillor who had not paid their Council Tax or any instalment for at least two months after it was due and which remained unpaid at the time of the meeting, must declare that at the meeting and not vote on any matter relating to setting the budget or making of the Council Tax and related calculations.

This Council's provisional New Homes Bonus allocation for 2016/17 was £2,257,564. This represented £576,000 for its overall increase in new properties over the last 12 months, a further £350 per new affordable home (£59,000), plus the previous 5 year's allocations (£1.623m).

At present, the funding was based upon a 6 year rolling programme whereby each year's allocation was funded for 6 years. However, in December 2015 the Government issued a consultation paper alongside announcing the 2016/17 provisional allocations. This suggested that from 2017/18 the allocations could reduce to a 4 year period.

This consultation paper sought views on the existing method of calculating the award on Band D equivalents and restricting the award to authorities with a local plan in place. It invited a response on proposals to exclude houses allowed under appeal and those that could be built irrespective of any incentive from New Homes Bonus. Responses were due by the 10 March 2016. It was proposed that the Head of Finance and Head of Development Services send a suitable response, following consultation with the relevant Portfolio Holders.

Of the £2,257,564 allocation for 2016/17 it was proposed this was allocated as follows:

- The Waterloo Housing joint venture, £178,500; in line with the amount of affordable housing delivered from the partnership with the Council, as previously agreed by the Members;
- Corporate Assets Reserve £486,000;
- Business Rate Retention Volatility Reserve £750,000;
- King George Playing Fields in Barford (capital) £71,000 as agreed by Executive in July 2015;
- Creation of a new Leisure Options Reserve with £625,000 transferring to it. This provision is to manage the net reduction in income during the Leisure Centre refurbishment project and initial debt repayments, as detailed in the report to November 2015 Executive;
- Early Retirement Reserve £147,064. Further demands upon this reserve are expected in future years.

Whilst the Government had stated that New Homes Bonus would remain for future years, it was clear that the allocations were likely to reduce. Knowing the uncertain nature of NHB, the Council had sought not to rely on this funding to sustain mainstream service provision, unlike many authorities. This had enabled the Council to use this funding towards other projects. Potential projects expected to come forward for 2017/18 include the Whitnash Community Hub. However, any commitment to this or any other project should not be agreed until there was more certainty over the future levels of NHB, and other potential demands for the use of this funding.

In 2014 the Council agreed all of its employees should receive at least the National Living Wage. Each year the Council needed to review its commitment to paying the National Living Wage from the subsequent April of each year as part of the Budget process.

For 2015/16 this was being paid at the rate of £7.85 per hour. The rate determined by the National Living Wage Foundation for the new year was £8.25.

In July 2015 the Chancellor of the Exchequer announced that the UK Government would introduce a compulsory minimum wage premium for all staff over 25 years of age, and referred to it as the 'national living wage' (NLW). The government rate was separate to the Living Wage rate calculated by the Living Wage Foundation. The government rate was based on median earnings while the Living Wage Foundation rate was calculated according to the cost of living. The government Living Wage was to be introduced from April 2016 at the rate of £7.20 per hour. This was due to increase to £9 by 2020.

The government's Living Wage increases would in due course impact not only on more of the Council's employees, but also on the wage bill of contractors. It was expected that as contracts were re-tendered in future years, the cost of the Living Wage would be reflected in higher contract prices. £50,000 has been factored into the Medium Term Financial Strategy for the additional cost of the NLW falling on the Council for its own employees from 2019/20. No allowance had been factored in for the costs falling on contractors; these were not expected to be a cost for the Council until the major contracts were retendered until after 2021.

From April 2016 it was proposed that the Council would continue to pay the National Living Wage Foundations rate of £8.25.

Taking into account all the budget changes and proposals detailed above, the 2016/17 budget would present a surplus of £23,100. It was proposed that this surplus was transferred to the Service Transformation Reserve.

The Strategy presented to Members in February 2015, when the 2015/16 Budgets were approved, forecast that there would be a £980,000 deficit by 2019/20 unless ongoing savings were identified and delivered within the same period.

The July Budget Review Report indicated that this had now gone up to £1.087 million. This increased primarily due to the Strategy being updated to incorporate a further 5th financial year.

In September 2015 the latest Fit For the Future Programme Report to the Executive, identified various savings, which if achieved would enable the Council to meet the shortfall of £1.087m. These savings totalled a recurrent £1.735 million net of appropriations to Reserves. In addition, the savings would be sufficient to enable annual contributions in respect of:-

- Rural and Urban Capital Initiatives Scheme £150,000 from 2018/19.
- Historic Building Grants £50,000 from 2017/18. However, following the agreement of the Executive in January, this scheme and budget will cease from April 2017, with the funding retuning to the General Fund.
- ICT Reserve £250,000 from 2019/20.
- Equipment Renewals Reserve £100,000 from 2019/20. Recent consideration of forthcoming demands upon this reserve has highlighted a need for a further one-off contribution to this reserve to ensure the commitments over the next five years can be met. Accordingly, within paragraphs 3.2.3 and 3.2.4, additional one off contributions totalling £200,000 have been proposed.

Other significant changes to the Financial Strategy are detailed below:-

- Additional Income above that previously factored into the Financial Strategy, £67,000, as reported in the Fees and Charges Report of September 2015.
- Investment Income has been updated to reflect latest interest rate forecasts informed by Capita, the Council's Treasury Management consultants and changes in the levels of Reserves. Investment Interest is forecast to increase to £1,760,000, of which £760,000 will benefit the General Fund. Whilst the General Fund Balances have diminished over this 5 year Period, interest returns themselves are forecast to increase from 0.7% to 2.02%.
- Reductions in projected Revenue Support Grant (RSG). As discussed in section 3.4.above, the lower level of Government Support continues into future years, falling to just below £800,000 in 2017/18, £300,000 the following year, after which, from 2019/20 there will not be any Revenue Support Grant at all. The Council's main sources of income will be Business Rates, Council Tax and any monies the Council can raise from its own Fees and Charges. It should also be noted that from 2019/20, this Authority's Business Rates Baseline has been deflated by a "Tariff adjustment" of some £240,000. This effectively represents negative RSG in that as the Council is no longer receiving any RSG, it cannot be reduced further.
- Revisions to Business Rates forecasts, £431,000 decrease, as discussed in section 3.5.
- When the Council Tax Base was calculated in November of last year, there was an increase in the numbers of 600 Band D Equivalents above that previously forecast. The additional Band D's will see some £100,000 per annum in income by 2020/21.
- The Government announced that Public Sector Pay Awards are to be frozen at 1% for the next four years. This will save £555,000 on the previously assumed 2% per annum for that period.
- The National Living Wage will increase to a minimum payment of £9.00 per hour by 2020. Provision has been made for this of £50,000 from 2019/20 onwards. The NLW is discussed in more detail in section 3.8.1.
- It was expected that a further £50,000 needed to be added to the Inflation Contingency Budget for 2016/17. However, at present, this Budget is not being fully utilised and in light of low inflation factors, (RPI 1.10% and CPI 0.1% in November 2015), which is only expected to rise to averages of 2.6% and 1.6% respectively during 2016/17, the additional budget requirement has been removed. The general inflation provision remaining within the 2016/17 Budget is £24,500.
- 2014/15 was the first year of a deflation factor to be applied to Discretionary Expenditure Budgets (10% over a 4 year period, 2.5% per annum) Members subsequently agreed that year 4 (2017/18) of the reduction be brought forward to 2016/17 i.e. a total of 5% being factored into 2016/17. However, during the last 2 years, Managers have found it increasingly difficult to identify and then deliver these savings, alongside other changes being made during the same period. In finalising these budget reductions for 2016/17

the actual savings have proven £69,000 less than originally forecast within the strategy.

- In the Base Budget Report (December 2015), Members were informed that the new state pension arrangements remove the "opt-out" reduction in respect of employers' National Insurance contributions from April 2016. This is now estimated to cost £214,000 per annum, slightly more than the £200,000 that had previously been allowed for within the projections in respect of this.
- Responsibility for Benefits Fraud has transferred to the Department of Work and Pensions. This has resulted in a recurrent saving on the demand for Legal Services from Warwickshire County Council, which has now been factored into the 2015/16 and 2016/17 Budgets. (£58,000 per annum).
- Income at the Council's Leisure Centres has seen an increase (£61,000) as memberships have increased. It is believed this may have been in part due to some extra promotions, however, officers believe there is an underlying uptake anyway.
- The Apprenticeship Levy becomes payable from 2017/18 of 0.5% of the pay bill over £3m, costing an estimated £42,000.
- A £20,000 recurrent payment to the Local Enterprise Partnership, following on from the one-off sum agreed for 2015/16 as part of the February 2015 Budget report (see paragraph 3.3.2 v).
- Staffing Review – CMT. The Fit For the Future report included £70,000 savings from 2019 related to a future review of CMT. In discussion with the Executive, it is believed that with the significant challenges facing the Council over the forthcoming years, it would imprudent to assume that these savings will be achievable. Accordingly, this saving has been removed from the updated Medium Term Financial Strategy, although it is still expected that a future senior management review will be necessary.
- A net recurrent transfer, £87,000 (after allowing for the anticipated income as discussed in section 3.3.2 iv) to Capital to fund the costs of Waste Containers. These are currently provided free of charge, with the exception of additional green bins. The original budget for the supply and delivery of waste containers was set at £120,000 pa for 5 years (April 2013 – March 2018). Due to an increase in demand, there is a budget shortfall of £93k for 2016/17. Levying a modest charge of £25.00 per bin will partly offset these costs.

Taking all of these changes, plus many minor ones into account, the Medium Term Financial Strategy now indicates that £591,000 of recurrent savings still need to be found outside of those built into the Strategy. This is replicated in the table below-

	£'000's
Ongoing 5 year Deficit February 2015 Executive	**980**
Addition of an extra Year	99
Fees and Charges	-67
Investment Interest	-273
Council Tax Base	-97
Allocations/Savings (September Fit for the Future Report)	-1,145
Adjusted Energy Savings from New Contracts	100
Pay Award	-555

National Living Wage	50
Inflation Provision	-50
Discretionary Savings Target Reduced to acual	69
Additional costs of one state pension (NI contributions)	214
Fraud Legal savings now under DWP	-58
Leisure Centre membership	-61
Apprenticeship Levy	51
Recycling Cannisters (net)	87
net other smaller adjustments	-15
Business Rates Updated	431
Government Grant reductions	833
Ongoing 5 year Deficit February 2016 Executive	**593**

The Table below breaks down these savings into financial years;-

	2017/18 £'000	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**
Cumulative ongoing Deficit/Savings Required(+)/Surplus(-)	225	217	607	591
In year Additional Savings(+)/Surplus(-)	225	-8	390	-16

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

The Medium Term Financial Strategy savings from several significant projects had been included. If these savings were not made, the Council would need to agree how further savings could be made. It should be noted, that in seeking to identify further savings, there was the possibility of further savings having to impact upon the level of service provided and service delivery. The saving from projects currently included in the Medium Term Financial Strategy were:-

- Office relocation - £300,000 from 2018/19.
- Staff Terms and Conditions - £145,000 from 2016/17
- Leisure Options - £500,000 from October 2018
- Town Hall Transfer - £85,000 from 2018/19
- Members Allowances - £80,000 from 2019/20.

Officers would continue to monitor and update the 5 year forecast during 2016/17, with Members regularly updated as part of the Budget Review process.

Council had agreed that a £1.5m should be the minimum level for the core General Fund Balance. This Reserve supported the Council for future unforeseen demands upon its resources. In order to consider a reasonable level of general reserves, a risk assessment had been done and was contained at Appendix 11, to the report. This showed the requirement for the General Fund balance of over £1.5 million against the risks identified above. It had been agreed that £1.5m should be the minimum level for the core General Fund Balance.

The General Fund had had many specific Earmarked Reserves. These were attached, at Appendix 3 to the report, showing the actual and projected balances from April 2015, along with the purposes for which each reserve was held. The Finance and Audit Scrutiny Committee had been asked to scrutinise this element and pass comment to Executive.

Those reserves which showed a significant change in the overall balance in the period 1 April 2015 to 31 March 2020 were detailed in Appendix 3 and summarised below.

A reduction of £2,652k, within the Business Rates Retention Volatility Reserve, allowing for a contribution of £750k from the New Homes Bonus. This reserve was used to smooth the retained income from the Business Rates retained income scheme, with some allowance towards the cost of future appeals.

A decrease of £2,196k in the balance of the Capital Investment Reserve mainly due to the use of the reserve in financing projected General Fund capital expenditure, offset by contributions from the General Fund in respect of previous capital expenditure financed by this reserve. The reserve would receive top ups of £150,000 per annum from 2018/19 in order to ensure the on-going funding of the RUCIS scheme. In the past the Council has had a policy of maintaining a minimum balance of £2m in this reserve for unforeseen demands. However, it had proven to be unrealistic to maintain this level of minimum balance. Also, with the reduced number of capital schemes within the Capital Programme, and the other reserves that the Council holds, it was believed to be acceptable for this nominal balance to be reduced to £1m. This was reflected within the Financial Strategy, as set out in Appendix 9 to the report.

An increase of £122,000, within the Car Parking Repairs and Maintenance Reserve, as a result of £40k per annum contributions being made from the General Fund arising from increased parking fees.

The Community Forums Reserve would make contributions of £136,000 to the General Fund in respect of financing Community Forum grants and would effectively be extinguished at the end of 2017/18, with the cost of these grants then needing to be funded from core General Fund funding.

An increase of £312,000, in the Corporate Assets Reserve, in the balance due to top ups of £570k and £486k from the 2015/16 and 2016/17 New Home Bonuses respectively. The reserve would make a contribution to the General Fund of £744k in 2015/16. The contribution to fund works in 2016/17 would be subject to a report to March Executive. However, it was anticipated that this reserve should now be sufficiently funded for the next three years, although this would be considered in more detail in the March report.

Mangers and Service Area Managers had been tasked with regularly reviewing their forecast future requirements from the Equipment Renewal Reserve and looking to see whether they could reduce their demands on this Reserve by providing services by an alternative method in a more cost effective manner. This was paramount, as if all the future demands on this Reserve were needed, the Reserve was scheduled to run out during 2018/19 even after allowing for a £174k top up from the 2015/16 New Homes Bonus. Additional annual top ups of £100,000 per annum from 2019/20 were scheduled, in addition to the £200,000 contribution to this reserve detailed elsewhere in this report. Councillors would receive further information later in the year as part of the budget review as to how the anticipated shortfall could be financed. The latest Schedule was attached at Appendix 4 to the report.

An increase of £189,000, in the General Fund Early Retirements Reserve, arising as a result of top ups of £100k and £147k from the 2015/16 and 2016/17 New Homes Bonuses respectively offset by contributions from the reserve to the General fund in 2015/16 to fund various redundancies and early retirement costs.

A decrease of £899,000, in the ICT Reserve, arising from the funding of ICT capital expenditure 2015/16 to 2019/20. The reserve would receive annual top ups of £250k from 2019/20, as detailed in Appendix 5.

The Leisure Options Reserve was to be a new reserve initially funded from £625k New Homes Bonus in 2016/17. This reserve had been created to manage the loss of income arising during the Leisure Centre refurbishment project and also pay for the first year and a half's debt charges.

A decrease of £491,000, in the Public Amenity Reserve, arising from the funding of play equipment capital expenditure in the 2015/16 to 2019/20 capital programme.

An increase of £398,000, in the Public Open Spaces Planning Gain Reserve, arising from S106 contributions received in 2015/16 for which there was, as yet, no planned expenditure.

A decrease of £1,549,000 from the Service Transformation Reserve mainly due to various approvals for Fit For the Future projects. Excluding those approved in previous years which were slipped to 2015/16. The reserve will receive a top up of £23k from the 2016/17 budget surplus.

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

The latest programme for both the General Fund and the HRA capital programme were shown at Appendix 6, of the report, along with the proposed financing of these schemes

The General Fund Capital Programme shown in Appendix 6, to the report, included the additional projects listed below and detailed within the capital variations in Appendix 7, to the report. This appendix contained details of other movements in the capital programme e.g. slippage from 2015/16 to 2016/17 and savings.

Project	**Amount**	**Comments**
SCHEMES ALREADY APPROVED		
Voice Over IP Telephony System	£75,000	Approved November 2015 by Head of Finance in conjunction with ICT Services Manager under delegated authority and funded from ICT Reserve
King George's Playing Fields, Barford	£166,000	Approved July 2015 Executive and funded from S106 contributions and New Homes Bonus (see paragraph 3.7.6)
Racing Club Warwick – match funding towards ground improvements	£50,000	Approved December 2015 Executive and funded from Capital Investment Reserve
Leisure Options – works to progress to RIBA Stage 4	£550,000	Approved December 2015 Executive and funded by internal borrowing
NEW SCHEMES REQUIRING APPROVAL		
Royal Spa Centre Operational Works – Motors and Stage Lighting Dimmers	£350,000	Schemes originally included in Equipment Reserve Renewal Schedule but now removed and to be funded from Capital Investment Reserve in 2016/17
St Johns Warwick Flood Alleviation Scheme	£100,000	New scheme identified and to be funded from Capital Investment Reserve in 2017/18
Rural and Urban Initiatives Grants – extension from 2018/19 (as agreed by Executive September 2015)	£150,000 per annum	Additional allocations re existing schemes to enable them to continue. Will be funded from Capital Investment Reserve using planned revenue savings
Recycling and Refuse Containers, subject to separate report to this Executive meeting	£165,000 per annum	Additional allocations re existing schemes to enable them to continue from 2017/18 onwards. Will be funded from Revenue Contributions

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

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

- Leisure Centre Investment
- Investment in replacement multi storey car parks
- Office relocation

Slippage items to 2016/17 in the Programme since last reported to were:

- St Mary's Lands Business Strategy £50,000
- Bishops Tachbrook Community Centre £200,000
- 2nd Warwick Sea Scouts' Headquarters £49,825
- Conservation Action Programme £40,409
- Play Area Improvement Programme £223,125

The latest Housing Investment Programme (HIP) was shown at Appendix6 to the report. Changes to the Programme since last reported were:

- Virement of £20,000 from the 2015/16 Kitchen Fittings and Sanitaryware Replacements programme to Structural improvements; and
- An examination of the salary costs relating to staff carrying out the Council's programme of Disabled Facilities Grants has revealed a case for charging capital salaries to the Mandatory Disabled Facilities Grants capital budget thus alleviating pressure on revenue resources. Accordingly, £35,000 had been added to the Mandatory Disabled Facilities Grants budget within the 2016/17 Housing Investment Programme which would be financed by usable capital receipts. 2017/18 onwards would be reviewed once the outcome of the South Housing Assessment Team joint project pilot was known.

  The RUCIS scheme was now funded on an on-going basis at £150,000 per annum, financed from planned revenue savings (which were passed through the Capital investment Reserve). It should be noted from the regular RUCIS reports that in addition to the annual £150,000 budget, the scheme carried forward significant unspent balances. It was proposed that from the end of 2015/16, the practice of slipping the unallocated budget should cease.

  The Council was required to determine an authorised borrowing limit in accordance with The Local Government Act 2004, Section 3, and to agree prudential indicators in accordance with the CIPFA Code for Capital Finance in Local Authorities. The Prudential Borrowing Indicators were shown at Appendix 8, to the report.

  The Finance & Audit Scrutiny Committee supported the recommendations in the report. In addition, having received the late information contained in the addendum the Committee recommended that Warwick District Council could take advantage of the increased ability to raise Council Tax for 2016/17 by £5, to place the Council's finances in a stronger position.

The Leader of the Executive highlighted the addendum from officers that had been circulated prior to the meeting. This informed the Council that the Government had amended its position following the publication of the report to the Executive. This would enable all Shire Districts and Boroughs to increase Council Tax by the equivalent of £5 or 2%, depending on which was the higher increase per band D property.

Councillor Barrott outlined the comments from the Finance & Audit Scrutiny Committee and also highlighted concerns over the Chairman's budget and the need to review the accounting practice with a view to reducing the overall allocation to the Chairman's Allowance.

Councillor Boad welcomed the removal of the travel tokens scheme because of the minimal benefit it provided to residents.

Councillor Whiting responded agreeing with Councillor Barrotts concerns about the Chairman's budget and recognised these should be addressed as outlined in the report. On a positive note he thanked the Head of Finance and his team for navigating this Council through a jungle of regulations that the Council had to comply with and in doing ensured we had a robust budget. He reminded Councillors that while a balanced revenue budget was good there was still a need to finance the capital liabilities which the Council had and until these were met the Council did not have a truly balanced budget.

Councillor Whiting, proposed the recommendations as laid out subject to amending recommendation 2.7, 2.9 and 2.10 to incorporate a £5 increase in Council tax rather than a 1.99% increase, with the extra council tax income being allocated to the Service transformation Reserve in 216/17.. This was duly seconded and:

Recommended that Council

(1) the proposed changes to 2015/16 Budgets detailed in paragraphs 3.2.2 and 3.2.3, of the report, be approved;

(2) the revised 2015/16 Budget of Net Expenditure of £14,609,500, as set out at Appendix 1 to the report, after allocating a surplus of £151,700 be approved;

(3) the 2015/16 surplus is allocated as follows:
- £76,300 to the Equipment Renewals Reserve; and

- £75,400 to the General Fund ringfenced towards the 2016/17 Contingency Budget (para 3.2.4);

(4) the proposed changes to 2016/17 Base Budgets detailed in paragraphs 3.3.1 to 3.3.4 be approved;

(5) with effect from this financial year (2015/16) any money that remains within the cost code 2280 4650 (Chairman's Allowance) at the end of the financial year is declared as an underspend and not transferred to the Chairman's Charities accounts as set out in paragraph 3.3.2 ii of the report;

(6) approves ending the Council's Travel Token Scheme with effect from 1 June 2016 noting that there will be a six week public consultation about the proposal to determine whether there would be any adverse equality impact and should this appear to be the case the matter would be considered by the Leader and Deputy Leader to determine next steps, as set out in paragraph 3.3.2.iii of the report;

(7) the proposed Budget for 2016/17 with Net Expenditure of £12,556,300 taking into account the changes detailed in section 3.3 of the report and summarised at Appendix 1 and the additional the £107,000 from the increased council tax income is allocated to the Service Transformation Reserve be approved;

(8) note the Grant Settlement for 2016/17 as discussed in paragraph 3.4.1 of the report. Should there be any changes between the indicative Revenue Support Grant and the final amount, the changes will be managed through the Service Transformation Reserve as set out para graph 3.4.4 of the report, and any change in the Business Rate Retention figures is reflected in the use of the Business Rate Retention Volatility Reserve set out in paragraph 3.5.4 of the report;

(9) the Council Tax of a Band D property for Warwick District Council for 2016/17 before the addition of parish/town council, Warwickshire County Council and

Warwickshire Police and Crime Commissioner precepts is agreed at £151.86 representing a £5 increase on 2015/16 with a further £107,000 allocated to the Service Transformation Reserve;

(10) Subject to approval of the above Budget 2016/17, the Council Tax charges for Warwick District Council for 2016/17 before the addition of parish/town council, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts, for each band is agreed by Council as follows:

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Band	£
A	101.24
B	118.11
C	134.99
D	151.86
E	185.61
F	219.35
G	253.10
H	303.72

(11) The 2016/17 proposed New Homes Bonus of £2,257,564, be noted and the allocation of the 2016/17 monies as follows, be approved as detailed in paragraph 3.7.6 of the report

	£
Waterloo Housing Association	178,500
St Georges Playing Field, Barford	71,000
Corporate Assets Reserve	486,000
Leisure Options Reserve	625,000
Business Rate Retention Volatility Reserve	750,000
Early Retirement Reserve	147,064

(12) the Head of Finance and Head of Development Services respond to the consultation on New Homes Bonus, following consultation with the relevant portfolio holders as set out in paragraph 3.7.5 of the report;

(13) the Council should continue to pay the National Living Wage to its employees, with the rate increased to £8.25 from April 2016 as detailed in paragraph 3.8.1 of the report;

(14) the General Fund budgeted surplus of £23,100 be allocated to the Service Transformation Reserve as detailed in paragraph 3.8.2 of the report;

(15) approve the Medium Terms financial projections as shown in the Strategy at Appendix 2, to the report Note the underlying deficit approaching some £600,000 unless this can be addressed by savings of the same magnitude delivered by 2020/21 (paragraph 3.9.6 of the report. An update to the Fit For the Future programme to be brought forward which considers ways to deal with this underlying deficit.

(16) Approve the creation of a new reserve entitled "Leisure Options" in order to cover the reduced income expected during the refurbishment of two leisure centres and the initial debt charges on the prudential borrowing taken out to finance the refurbishments paragraph 3.10.3.ix of the report. The management and control of the reserve to be as stated in the Reserves schedule in Appendix 3, of the report.

(17) notes the Reserves Schedule as at 1 April 2017 and projected balances at Appendix 3 of the report and paragraph 3.10.2 of the report.

(18) the Equipment Renewal Schedule Appendix 4 and ICT Schedule Appendix 5 be financed by the respective reserves and note with concern that neither reserve is fully funded in the long term unless further sources of finance in addition to the recurrent allocations as approved in the September Fit for the Future Report as set out in paragraph 3.10.3 vi, viii of the report;

(19) the General Fund Capital Programme including the new schemes described in the table in paragraph 3.11.2, of the report, and the Housing Investment Programme, paragraph 3.11.7 of the report, and the funding of both programmes as detailed in Appendices 6 and 7, to the report;

(20) approve that the practice of slipping the unallocated RUCIS budget should cease from

the end of 2015/16 as set out in para 3.11.8 of the report;

(21) approve the Prudential indicators as set out in paragraph 3.12 of the report and Appendix 8 to the report;

(22) Approve the Financial Strategy as set out in paragraph 4.2 of the report and Appendix 9 t the minutes; and

(23) notes the mitigations and controls in place to alleviate the financial risks as detailed in section 6 of the report..

(The Portfolio Holder for this item was Councillor Whiting)
(Forward Plan reference number 754)

(The meeting ended at 6.55pm)