WARWICK DISTRICT COUNCIL	**Executive – 7th August 2013**	**Agenda Item No. 4**

Title	Budget Review to 30th June 2013
For further information about this report please contact	Mike Snow Tel 01926-456800 Jenny Clayton Tel 01926 456013 Andy Crump Tel 01926 456810
Wards of the District directly affected	None
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	N/A
Background Papers	No

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	Yes
Equality & Sustainability Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive		Chris Elliott
Head of Service		Mike Snow
CMT		
Section 151 Officer		Mike Snow
Monitoring Officer		
Finance		Mike Snow
Portfolio Holder(s)		Andrew Mobbs
Consultation & Community Engagement		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

This report updates Members on the latest position for the current financial year and the financial outlook. The Council's Medium Term Financial Strategy has been updated since the 2013/14 Budget was agreed in February of this year in light of the Government's Spending Review 2013 announcements and other known changes discussed below. Various changes to 2013/14 budgets are presented, in line with the Financial Code of Practice approved in March of this year.

2. RECOMMENDATION

2.1 Executive acknowledges the budget position for the current year for the General Fund, currently £139,500 surplus. Executive also notes and approves the changes relating to the HRA.

2.2 Members agree to Budget Changes in Appendix A (General Fund and HRA), the most significant of which are discussed in this report.

2.3 Members note the updated Financial Strategy and the forecast required recurrent savings of £1.975 million to be achieved by 2018/19. Members also note the latest progress towards meeting the Fit for the Future Targets.

2.4 Members approve the slippage of £19,900 in paragraph 3.5 and note the latest General Fund Capital Programme for 2013/14 of £5,940,300. Members also approve virements for HRA Capital for a total of £200,000 as per paragraph 9.3. Details of both programmes as shown in Appendices B and B2

2.5 Members note that the £1.5m previously allocated to fund the Fit For the Future Achievement Award is no longer required for such and also the latest position in respect of all the Council's Reserves, as set out in Appendix C.

2.6 Executive note that a revised HRA business plan will be presented to the interim Housing & Property Board in August.

3. REASONS FOR THE RECOMMENDATION

3.1 To bring to Members attention the latest budget position for the current financial year. Members receive quarterly budget reports and this is the first of these reports in the current financial year. The current General Fund service expenditure position is a projected underspend of £139,500 compared to the latest 2013/14 budgets. Appendix A lists the changes identified and Member approval is sought for Budgets to be updated and retrospectively approve those already actioned under delegated powers. Section 7 below discusses the main reasons for the surplus in more depth. This enables Members to understand why these amendments are necessary.

3.2 For the Housing Revenue Account there are some changes that need approval and these too are listed in Appendix A and also discussed in Section 7.8.

3.3 It is essential for Members to be updated on the financial projections during the summer, as many factors which affect the medium term financial strategy have changed since it was last presented in February when the Council Tax was set. Full details of the changes, implications and risks are discussed below (section 8 and 11). Members need to be aware of the £1.975 million deficit, meaning that further savings and efficiencies of this amount need to be achieved by 2018/19, in addition to those already identified. Members also need to be alerted to the consequences of any future Council Tax Freezes (as discussed in paragraph 8.14). The Strategy is shown within Appendices F.

There are several significant factors which will impact upon the council's Budget for 2014/15 and the medium term financial projections, including:-

- Spending Review 2013
- Business Rates and Business Rates Retention
- Council Tax levels and Council Tax Freeze Grant
- New Homes Bonus
- Fees and charges
- Collection Fund balance
- Staff pay award (paragraph 7.3)

3.4 Appendix B updates Members on the Capital Programme Budgets and changes to the programme since it was approved at £4,565,700 in February of this year. Members have already approved the slippage from 2012/13 as part of the Final Accounts process in June, as well as other amendments since the original Budgets were set, i.e. new schemes as highlighted within Appendix B. Managers have also identified a further reduction to the Capital Programme, totalling £19,900 which is slippage within the Replacement PCs and Printers Budget to 2014/15. Appendix B2 updates Members on the HRA Capital Programme and requests virements totalling £200,000 in respect of Roof Replacements from Windows/Doors (£50,000) and Asbestos (£150,000) as part of a review of HRA capital works. More detail on both the General Fund and HRA Capital Programme is included within Section 9.

3.5 Members expressed concerns upon the closure of the 2012/13 Accounts at the level of slippage on the Capital Projects. In light of this, Members will now receive regular updates on these slipped projects.

3.6 The Council's Reserves include many which are "Ring Fenced" or "Ear-Marked" for specific projects. In the current financial climate, opportunities to replenish these from revenue are much confined. It is imperative that these are regularly monitored. Members are asked to note the forecast positions outlined in Appendix C and discussed in Section 10.

3.7 The £1.5m funding for the Fit For the Future Achievement Award for 2013/14 to 2016/17 is no longer required as discussed within paragraph 7.3. It would be prudent to "ring fence" this money within the Service Transformation Reserve until the full outcome of the asset condition survey is known, as discussed in paragraph 10.5.

3.8 The HRA Business Plan is currently being revised in light of the variances in this report and the changes in the June 2013 Spending Review. This will be reported to interim Housing & Property Board in August, as detailed in section 12.

4. POLICY FRAMEWORK

4.1 **Policy Framework**

This report is in accordance with the Council's Financial Strategy as last approved by the Executive in February. This provides the Council with the resources to deliver it's other policies and strategies.

4.2 **Fit for the Future**

One of the key elements of Fit For the Future is ensuring that the Council achieves the required savings to enable it to set a balanced budget whilst maintaining service provision. This report updates Members on the financial projections for future years, savings required to be found and some of the key issues needed to be considered in preparing the 2014/15 budget and beyond.

5. BUDGETARY FRAMEWORK

5.1 The Council needs to find financial savings of approaching £1.975 million over the next five years on a net General Fund Budget currently £16m, reducing to below £14m by 2018/19. Officers review current year Budgets on a monthly basis at the same time considering implications for the medium term. Members are updated on a quarterly basis.

5.2 The Budget Review Process provides a planning tool to ensure resources are directed to the Council's priorities. Alongside the Council's own activities, external factors influencing its finances are also taken into consideration, for example Central Government Financing, the new Business Rates Retention scheme, Changes in Legislation and the economy.

5.3 The variances indented in respect of the HRA are also factored into the latest 50 year HRA Business Plan projections, which will be reported to the Interim Housing & Property Board in August.

5.4 The Council maintains its Reserves to deliver Capital and other Projects, alongside ensuring that there are sufficient resources available to manage unforeseen demands and continue to deliver its services. Close monitoring of these Balances with plans to replenish them will preserve the Financial Stability of the organisation for future years.

6. ALTERNATIVE OPTION(S) CONSIDERED

6.1 Not reporting to Executive on a regular basis, however, in the current financial climate, it is imperative that budgets are reviewed, monitored and reported upon on a continuous basis.

6.2 From April 2012, this Council adopted the new Budget Review Process, whereby Budget amendments are brought to members throughout the year and duly updated. The Council could revert to its previous practice of deferring making such changes until December when the new-year budgets are considered. However, this would mean that the budgets were not up-to-date and these were irrelevant for managers to monitor. As demonstrated in the Final Accounts Report 9 June 2013, the new Review Process lead to more robust monitoring and Financial management than the old system.

6.3 Not slipping capital to the correct year, in which it is intended to be spent, makes monitoring of projects difficult. Members would not have relevant, up to date information from which they can make decisions about capital projects and funding.

6.4 Not monitoring the Business Rates and Council Tax Collection Fund. However, due to new changes to these from 2013/14 and the significant sums involved, it would not be good practice to wait until the end of the Financial Year to see how actual income collected compares to that forecast.

7. BACKGROUND

2013/14 General Fund Budget

7.1 Under the Budget Review process, amendments to budgets are presented to Members for their approval on a regular basis. Some of the changes leading to the £139,500 surplus have already been approved by Members. Further changes are listed in Appendix A for Member approval alongside those already implemented. The projected surplus assumes that all of the £406,800 Fit for the Future Target Savings are achieved. Section 7.7 below updates Members on the latest progress towards achieving this target.

7.2 Salaries
The following variations have been reported. Building and Development Control £42,100 F (£35,000 relates to the ring-fenced building control account and therefore cannot be declared as a usable variance), Revenues and Housing Benefit £44,000 F, totalling **£51,100.** These are not included as Budgets to be amended as it is too early in the Financial Year to determine how resources may change in future months to address any shortfall in staffing. For instance, initial savings on the establishment may later require agency staffing to deal with back logs etc. These figures exclude any variances in respect of the proposed pay award and Fit for the Future Achievement Award which are detailed below.

7.3 Fit For the Future Achievement Award
In April 2013 the Local Government National Employers Body made a 1% pay offer to the trade unions employers applicable for all staff (excluding chief executives/chief officers) from 1 April 2013. The Council's Fit for the Future Achievement Award was based on there being no annual pay award. Accordingly for 2013/14 staff locally were presented with the choice of the 1% pay award (which will be added to their salary base), or the Fit For the Achievement Award which would present a 2% one off payment if the FFF savings are made and 75% of the FFF measures are achieved for the year.

After meetings with the unions, a private ballot of all union members was held. The result of this was that staff opted to take the national pay award and reject the FFF Achievement Award. Under the terms of the Fit For the Achievement Award, the scheme will not continue.

Whilst the 1% pay award is yet to be formally accepted nationally, this needs to be reflected in the Council's financial projections for 2013/14, which will amount to an additional recurring cost of £148,000 per annum. The £148,000 adverse variance has been factored into the variations declared so far for 2013/14 as shown in Appendix A. In addition, the projections now also include 1% pay award form 2014/15 to 2016/17 in place of the Fit for the Future Achievement

Award. The impact of a recurrent pay increase, rather than non-recurrent payments from Reserves, has been factored into the Financial Projections (£600,000).

The Fit For the Future Achievement Award, as one off payments, was due to be funded from the Service Transformation Reserve. This means that the unallocated balance on this reserve will increase by £1.50m.

7.4 Other Budget Changes

- There is a favourable variation from the merger of Environmental Services and Community Protection in excess of the target savings built into the Fit for the Future Budgets.
- There are adverse impacts on the Spa Centre Cinema, which is closed whilst a new projector is being procured.
- An incorrect figure was included for the Special Repairs and Improvements budget presented to members in February. This needs amendment.
- The deferral of the Auto-Enrolment Pensions Scheme until October 2017, will still impact on the Council in the longer term.
- Business Rates refunds received for Oakley Wood Crematorium (£26,400) ongoing and (£50,500) – one off backdated to 2010/11.
- Discretionary Rate Relief is now included in the Business Rate Retention Scheme so the budget is no longer required.
- The Restructure in ICT Services has delivered a saving that had not been built into the Fit for the Future Programme.
- The Environment Agency contract was extended to July 2013. This has now terminated so there will be no further income to this Council, with no compensating reduction in expenditure.
- Non-operational Property rents will reduce when Relate vacate Pageant House on 30 September 2013 and have already been affected by WREP having left 10 Hamilton Terrace on 31 March 2013. If neither of these properties are re-let this year then income will be lost.
- There is a saving of £7,100 on the Corporate Repairs and Maintenance work for Leamington Cemetery Path Resurfacing. This will be transferred back into the 'unallocated' part of this budget.
- HMO overtime of £2,500 is necessary, this will be funded from HMO licence balances therefore there is a nil effect to the General Fund.

7.5 Revenue Slippage- Earmarked Reserves

They have been added into the 2013/14 budget, totalling £528,700, of which £119,000 was added to the Contingency Budget. They will be monitored separately and reported to Executive on a quarterly basis. As these were only approved in June only £24,400 has been spent to date.

7.6 Contingency Budget

Details are shown in Appendix D, with a balance remaining of £152,900. £31,600 has been returned to this budget as the Shades Judicial Review is no longer going ahead.

None of the 2013/14 Training Contingency Budget of £10,000 has currently been allocated.

7.7 Fit For the Future

Budgets have been updated in accordance with the June Fit for the Future report with these being managed by the Service Areas in line with their Service Plans. The target for savings for 2013/14 in £406,800 (June report on Fit For the Future). The Table below shows the latest position, whereby £272,000 of this Target has already been achieved, leaving £135,000 outstanding. Appendix E details savings achieved (and outstanding) by Service Area.

Fit for the Future Target Budget	**£'000's**
FFF Corporate Target (initial)	407
Achieved to date	-272
Outstanding Target 2012/13	**135**

Plans are in place to ensure that these savings are achieved. Should this outstanding target not be achieved in 2013/14, this would change the surplus from £139,500 (Section 7.1) to a surplus of £4,500. The projected deficit of £1.975 million assumes that these savings are achieved.

7.8 **HRA Revenue 2013/14**

Within the HRA there are a number of variances, the most significant being related to the Feed-in tariff income from photovoltaic solar panels installed (£70,900 favourable), external grant towards part of the cost of domestic Biomass installations (£35,700 favourable) and increased Supporting People Charge income due to fewer 'legacy' tenants who do not pay the charge (£14,000 favourable).

Due to significant Right To Buy (RTB) sales in the first quarter it is now projected there will be 40 RTB sales in 2013/14. This increase will reduce rental income by £68,000 in 2013/14 and, in addition, valuation fees will cost £4,700. This is partly offset by the allowance for admin costs on the additional sales of £50,800. However, it should be noted that the number of RTB sales depends upon external factors so it is very difficult to accurately predict the level of sales.

Phase 1 of Housing & Property Services restructure has been completed, giving Fit For the Future (FFF) savings to the HRA and General Fund both in 2013/14 and ongoing.

It should be noted that the available HRA Early Retirement Reserve balance is just £1,500. Therefore it should be noted that any future retirement or redundancy costs above this level will need to be funded from other HRA resources.

There will be an additional recurring cost of £22,000 in respect of the proposed National Pay Award explained in paragraph 7.3 above. This will also impact upon the 50 year Business Plan.

There is a recurring reduction of £500 on Mortgage Interest receivable due to the redemption of mortgages.

8. MEDIUM TERM FINANCIAL STRATEGY

8.1 In February 2013, when Members approved the 2013/14 Budget and were last updated on the Financial Projections, it was forecast that this Council would need to identify a further £1.34 million in savings above those already built into the Strategy. Changes to the 2013/14 budgets which are recurrent have now been built into the Medium Term Financial Strategy, alongside other future developments impacting on the Council.

8.2 The main changes being-

- The implications arising from staff voting to accept future National Pay Awards as explained in 7.3 above.
- Future Changes to the State Pension Scheme
- Savings from the Merger of Environmental and Community Protection Service above those assumed in the Fit for the Future Budgets.
- Major Contracts Increasing at "-1%" of RPI.
- A review of the lost Car Parking income from the Clarendon Arcade development.
- Reductions in Specific Discretionary Spend Budgets
- The impact of adding a further year into the Medium Term Projections
- Changes in Funding levels from the recently SR2013 announcements and the potential for future Council Tax Freezes
- The withdrawal of Small Business Rate Relief

These changes are discussed in more detail below, sections 8.5 to 8.20 below.

8.3 The Strategy now indicates that there will be an on-going deficit of £1.975 million by 2018/19 unless further on-going savings of the same magnitude can be delivered. This is an adverse change (some £600,000) to the projection in February. More efficiencies must be identified and secured to redress what is effectively a £2 million "hole" in the Council's Finances. Members are asked to note the position (Appendices F) and implications of further Council Tax Freezes with serious concern.

8.4 The Table below explains the changes since the February Budget Report.

Description of Change	**£000**	
Recurring savings 2013/14 (before Pay Award & NEST)	100	Favourable
National Pay Awards instead of FFF Award	592	Adverse
Clarendon Arcade	50	Adverse
Major Contracts	137	Favourable
Increments	30	Favourable
More efficient lights – revenue saving	23	Favourable
State Pension	200	Adverse
Events Manager (2013/14 Funded from Contingency)	31	Adverse
Environment and Community Protection Merger	73	Favourable
Specific Discretionary Budget reductions	82	Favourable
RSG (non-recurrent) change	24	Favourable
Inflation 2018/19	276	Adverse
Additional Council Tax Income 2018/19 (increased Base)	226	Favourable
Community Forums Reserve Funding ceases 2018/19	40	Adverse

Simalto (non-recurrent in 2018/19)	12	Adverse
Growth	85	Adverse
Business Rate Retention using 2% RPI increase	286	Favourable
Impact of Additional 2 Year's Council Tax Freezes	314	Adverse
Total Changes to Medium Term Forecast	**619**	**Adverse**

8.5 Earlier this year the Government published its White Paper on Reforms to the State Pension. The current basic and additional State pensions will be replaced with a single-tier pension. The potential added costs arise because Local Government Pension Scheme employers including local authorities, academies, contractors and others will pay higher National Insurance (NI) contributions. This is due to the ending of "contracting-out", a key element of the reforms relating to State pensions. The increase for employers is 3.4% of relevant earnings. The cost to this Council is estimated to be £200,000. This has been factored into the Strategy from 2016/17.

8.6 In June of this year, Employment Committee approved the Restructure of Community Protection and Environmental Services. The targets within the Fit for the Future Savings for these Service Areas were much lower than Savings actually achieved. There will be an additional £73,000 on-going recurrent saving due to the merging of the Service Areas.

8.7 Members had already approved a "minus 2.5%" reduction in budgets where managers had the discretion to determine how the monies were being spent to deliver services. This excludes budgets where there are legal requirements and contractual commitments. Managers will seek to make savings from their budgets from a variety of ways, better procurement, review what and how much is being purchased or finding alternative means of delivering the same service. In addition to these savings which were included in February, specific discretionary budgets have been identified and agreed with SMT that can either be removed or reduced. A total of further £82,000 recurrent savings have now been built into the Strategy for 2014/15.

8.8 Spending Review 2013 and Future Government Funding

In June the Chancellor announced the Spending Review (SR2013) included a number of announcements that are relevant to authorities' Medium Term Financial Planning. In respect of 2014/15, the provisional settlement had already been eroded by a further 1% in the Chancellor's Budget in March. No further changes were made to 2014/15 although it is now necessary to factor this 1% reduction into the council's financial projections.

For 2015/16 a 10% reduction in local government funding is proposed along with a 2.3% reduction in local government spending (this includes grants from government departments, business rates retention income and council tax). The council's financial projections had been prepared on a prudent basis. Consequently the update needed following on from SR2013 is not significant here.

The Spending Review also included changes in respect of council tax freeze funding (discussed in paragraph 8.14) and New Homes Bonus (discussed in paragraph 8.18)~~.~~

8.9 Business Rates

From 1 April 2013, local authorities are able to retain a proportion of business rate income above predetermined levels. For district councils this works out to retaining 20% growth above the baseline. Conversely, if business rate income declines, local authorities will receive less funding, however a safety net has been set to limit this to 7.5% of baseline. Local authorities now have a real financial incentive to grow their business rates base. Consequently this is being closely monitored.

8.10 For 2013/14 the Council's budget assumed there would be an additional £149,000 from business rate retention above the Baseline (£3.011m). The council agreed that for 2013/14 any increase above the Baseline figure would be allocated to the new Business Rate Volatility Reserve. The business rate debit has fluctuated in the year to date for such things as the cost of successful appeals and for new assessments (including one superstore, discussed more in paragraph 8.12). However, it has not seen any significant net growth as yet above the figures allowed for in the Budget agreed in February.

8.11 From 2014/15, the amount that local authorities retain from business rates should increase as the business rate multiplier is increased annually for inflation (RPI). Consequently, assuming the base does not reduce, the Council should see an annual increase in the business rate income it retains. The benefit of this increase in income has now been factored in to the financial projections.

8.12 From 2014/15, the financial projections still include growth in the business rate base of £200,000. This was anticipated to be in respect of a new superstore which has now opened. The actual additional business rates due to the Council in respect of this store have come in below this at £155,000, although this will increase with the planned petrol station. There are several large assessments expected in the short/medium term that should increase the debit. However, until these are more certain, and given the risk of reducing debit (from appeals or businesses ceasing to operate), it is felt premature to consider altering the £200,000 growth figure.

8.13 The business rate income due to be collected is depressed in the current year due to the cost of small business rate relief. When the Budget was set in February it was not clear at that point whether Small Business Rate relief would be indefinite and whether authorities would receive any grant funding from Government to compensate for the reduced income. Grant funding estimated at £375,000 is expected in 2013/14 for this. This will increase the surplus projected for the current year. However, until there is more certainty over, this needs to be treated with caution and not relied upon.

8.14 Council Tax and Council Tax Freeze Grant

The Council's financial projections agreed in February 2013 assumed that Council Tax would increase by 2% each year from 2014/15. This would follow Council Tax being retained at £146.86 (Band D) since 2010/11 assisted by Council Tax Freeze Grant from Central Government as detailed below:-

Year	Council Tax	Grant equivalent to Council Tax increase (%)	Period grant awarded for
2010/11	£146.86	N/A	N/A
2011/12	£146.86	2.5%	4 years
2012/13	£146.86	2.5%	1 year
2013/14	£146.86	1%	3 years

8.15 As part of the Spending Review 2013, the Government has announced further council tax freeze grant for 2014/15 and 2015/16. This will be the equivalent of 1% Council Tax, with it understood that for both years the funding will be up to 2015/16.

8.16 Whilst this council has continued to freeze council tax and take the grant, there has been an increasing number of local authorities that have increased council tax rather than receive the grant. This has been on the basis that when the grant ends and the council tax is still at the depressed level, the overall funding for authorities for future years is reduced. With the requirements for referendums in place for proposed council tax increases over predetermined levels (usually 2%), it is not possible for local authorities to increase council tax to make up for council tax being frozen for a period.

8.17 If this council accepts the freeze grant for 2014/15 and 2015/16, this means that the council tax moving forward will be at a lower level. In line with the council's acceptance of the freeze grant in previous years, this has been built into the financial projections. In terms of the future shortfall faced by the council, this increases it by £314,000, as shown in the table at 8.4 above. In addition, there is a loss of funding in 2014/15 and 2015/16 as the grant is only equal to 1% increase, not the 2% on-going increase in CouncilTax income built into previous the projections. Continuing to freeze Council Tax without delivering a corresponding increase in efficiencies will seriously be to the detriment of the provision of local services.

8.18 New Homes Bonus

2013/14 is the third year for local authorities to receive New Homes Bonus. This Council's receipts under the scheme have been:-

2011/12	£292,450
2012/13	£817,930
2013/14	£1,009,335

8.19 This funding has been treated as "one-off" money, and has not been used to support recurring revenue expenditure. This has been due to the uncertainty over the future individual annual sums, and to what extent the scheme is sustainable at a national level. Increasingly other local authorities have been using some or all of this funding towards supporting revenue expenditure. The arguments to support this are:-

- The NHB allocations are "top sliced" from the overall funds available as part of the Revenue Support Grant Settlement.
- There is the risk that if Central Government believe local authorities are not reliant on this funding, then it may be easier to cut or stop this funding.

8.20 As part of the Spending Review 2013 at the end of June, it was announced that £400 million from the New Homes Bonus will be pooled within Local Enterprise Partnership areas to support strategic housing and economic development priorities. The Government will continue to operate the New Homes Bonus on a payment-by-results basis in order to incentivise house building. The Government will consult on the mechanism for requiring that a proportion of this funding is pooled by LAs as part of the Single Local Growth Funds. LEPs and the member local authorities (LAs) will then agree how to spend this funding in line with their strategic economic plans as agreed through the Growth Deal process. Inclusion of a proportion of the New Homes Bonus in the SLGF in 2015/16 will ensure LEPs and LAs work together on economic development priorities, including housing, across the LEP area. Indications from BIS/CLG are that the top slice won't necessarily be retained in a particular LEP area. It is suggested that 50% of the top slice will automatically go the LEP, the remainder will be part of a competitive process.

8.21 It therefore remains unclear as to how the funding will be taken. Local authorities could therefore potentially lose 35% of their 2015/16 allocations to the fund. "The Government will consult on the mechanism for requiring that a proportion of this funding is pooled by LAs as part of the SLGF", this may be an indication that a top-slice will be made to local allocations.

8.22 Whilst the Council is not currently relying on NHB to support revenue expenditure, it does present future funding to help protect and invest in Council services and new community initiatives. If this funding is to be reduced or ceased, it will have an impact on Council services.

8.23 Fees and Charges

The effect of any income changes arising out of the Fees and Charges report to the October Executive will be incorporated into the current year's Budget Review Process as well as the Medium Term Financial Strategy. The Strategy currently assumes a 2% increase per annum in discretionary fees and charges income. Heads of Service have been asked to seek increases of 3% (broadly in line with current inflation levels) in overall income levels. Detailed proposed level of fees and charges to be implemented from 1 January 2014 will be presented to the members in October.

8.24 Collection Fund

From 1st of April this year, various changes were introduced which impact upon the Council's council tax base. Members will already be aware of these through the reports during 2012/13 on the Council Tax Reforms and also the introduction of the Council Tax Reduction Scheme. Whilst the Council agreed not to amend the Council Tax Reduction scheme for 2013/14, changes to the funding and accounting arrangements have impacted upon the tax base and consequently the Collection Fund.

8.25 When the Tax Base for 2013/14 was calculated last Autumn, prudent assumptions were incorporated to take into account these changes. The numbers of people entitled to Council Tax Reduction varies significantly due to the economy, work available and their personal circumstances. As reported within the July Executive report on Council Tax Reduction, there has been a reduction in the number of claimants and the cost of council tax reduction. Early monitoring is showing that there could potentially be a favourable variation between the amount of Council Tax due to be collected and that assumed through the Tax Base. This will result in a surplus on the collection fund which will need to be shared with the County Council and the Police in 2014/15. The total Precepts to be paid amount to some £73.1 million, of which Warwick District Council retains some 11% to fund its services and the Parish Precepts. Consequently, should there be a surplus on the collection fund in respect of council tax, the District council will benefit by 11% of it. Monitoring is continuing with the intention of more definitive figures being available for the next Budget Review report.

8.26 There are a number of other uncertainties that have not yet been built into the Strategy including-

- The Council is currently revising its Council Tax Reduction Scheme. When this has been finalised and approved, the impact of such will be factored into future projections. It is expected that there will be some savings from 2014/15, however these have yet to be quantified and will be factored into the projections when available.
- With the changes to Universal Credit, the Council will see a reduction in the Housing Benefit Admin Subsidy, possibly from 2014/15. There is a risk that this funding may reduce by more than the Council is able to reduce its expenditure on housing benefits.
- In October, the Executive will receive a report on the Asset Management Plan and how the Council's Properties (both operational and non-operational) maintenance liabilities may be funded. This could be by way of financing from Revenue or repayment on prudential borrowing.
- It is not clear at this point how Business Rate Retention Income should be reflected in the Council's Accounts and which financial year any increase may be accounted for. Similarly Pooling arrangements will affect income to the Council.
- Other organisations receiving less Government support and withdrawing monies from projects they currently fund.

8.27 Officers are closely monitoring these and will be reporting back to Members by way of the Quarterly Budget Reviews and other specific reports.

8.28 The profile of the savings now required to be found, taking into account all the items discussed above is shown in the right hand columns of the table below and Appendices F, with the left hand columns showing the projections in February.

	February 2013	**February 2013**		**July 2013**	**July 2013**
	Additional savings(-) required in year £'000's	**On-going Savings (-) required (£'000's)**		**Additional savings(-) required in year £'000's**	**On-going Savings (-) required (£'000's)**
2014/15	126	126		932	932
2015/16	-850	-724		-942	-10
2016/17	-227	-951		-796	-806
2017/18	-389	-1,340		-923	-1,729
2018/19				-246	-1,975

2014/15 now represents a significantly improved position from February. The main changes include:-

- Pensions Auto-Enrolment being deferred to 2017 (para 7.4)
- Recurring savings in 2013/14 Budgets (Appendix A)
- Discretionary Budget Reductions(para 8.7)
- Small Business Rate Relief ceasing and retained Business Rates increased for inflation (para 8.11/8.13)
- Assumed 1% pay awards have now been factored into the projections (para 7.3)
- Council Tax freeze grant at 1%, previous projections allowed for 2% council tax rise (para 8.17)

2015/16 the projections include several items that will reduce the projected surplus from 2014/15 to a £10,000 deficit. The main items here are:-

- Reduced Revenue Support Grant (para 8.8)
- Assumed 1% pay award (para 7.3)
- Council Tax freeze grant at 1%, previous projections allowed for 2% council tax rise (para 8.17)

2016/17 additional changes include:-

- Impact of further council tax freeze for 2014/15 and 2015/16 as time limited funding ceases (para 8.17)
- Reduced Revenue Support Grant (para 8.8)
- Changes to state pension/National Insurance (para 8.5)
- Assumed 1% pay award

2017/18 additional changes include:-

- Reduced Revenue Support Grant (para 8.8)
- Assumed 1% pay award
- Works commence on Clarendon Arcade with loss of car park income to WDC (loss on income now projected at £350k per annum)
- Pensions Auto-Enrolment being deferred to 2017 (para 7.4)

8.29 Based on the level of the savings required to be found and the profile of the projected shortfall, plans are required to be in place to ensure that further savings can be made from the Council's budget from 2015/16 onwards. These projections are based on various assumptions. The Council continues to face many risks (Section 11) which will invariably alter these projections in due course.

9. CAPITAL

9.1 Appendix B updates Members on the Capital Programme Budgets and changes to the programme since it was approved at £4,565,700 in February of this year. Members have already approved the slippage from 2012/13 as part of the Final Accounts process in June, as well as other amendments since the original Budgets were set, i.e. new schemes as highlighted within the Appendix. Managers have also identified a further reduction to the Capital Programme, totalling £19,900 which is slippage within the Replacement PCs and Printers Budget to 2014/15.

9.2 Members expressed concerns upon the closure of the 2012/13 Accounts at the level of slippage on the Capital Projects. In light of this, Members will now receive regular updates on these slipped projects. Below is a list of all current major General Fund Capital Schemes with progress on each:-

- **Victoria Park Bowls**- Tenders are due to be evaluated mid August with the winning bidder selected on 28th August 2013. It is expected that work will commence on 7th October 2013 with a completion of 28th February 2014. A full report will be produced for the Executive in September.
- **Chase Meadow** – Works are on schedule and completion is expected on time.
- **Acquisition of Leek Wootton Woodland** – Police expect to make their decision on the sale of the Police Estate this autumn.
- **Castle Farm Sports Centre Roof**- Project completed at the end of June on time and with a potential saving of £15,600.
- **Leamington Cemetery Extension** – Project delayed until 1st September 2013 due to birds nesting in the brambles.
- **Oakley Wood Crematorium Improvements**-After soil analysis has taken place the extent and commencement date of the car park works will be discussed. The Lodge is due to be completed end of September 2013. Works on the North Chapel are due to commence January 2014 but this depends on the car park works.
- **Cubbington Flood Alleviation** – Contract is expected to be awarded on 19th August 2013 with completion date of project by 28th March 2014.
- **Kenilworth Public Service Centre** – Officers are close to completing the detailed feasibility study for developing a new public service centre (PSC) building in Smalley Place, Kenilworth. The PSC would provide a single front door to public services currently delivered through the library and Jubilee House, as well as providing a new home for a re-located Talisman Theatre and an enhanced Tourist Information Centre.
  On behalf of the Council, Robothams Architects have developed RIBA Stage D designs to reflect the requirements of all the stakeholders who would be involved if the work goes ahead.
  Capital and revenue/ lifecycle costs projections are now being considered by the WDC project team and Talisman Theatre's executive.
  The net capital budget is projected to be above early estimates, in part because work to identify a commercial element to incorporate within the scheme has not produced a candidate.
  Once the Talisman's position in relation to its revenue budget is clear, a report will be brought to the Executive.
- **Abbey Fields Car Park** – Drainage works need to be completed before the end of July 2013 prior to planning permission being granted. It is intended to start the main works in September/October 2013.
- **Riverside House One Stop Shop**-On hold whilst the future of Riverside House is decided.

9.3 Appendix B2 updates Members on the latest position of the Capital Housing Investment Programme (HIP). It sets out the latest budgets including slippage already approved by members in June 2013 as part of the final accounts process. Managers have requested an additional £200,000 budget for Roof Covering in order to complete a larger programme of works than was originally planned at the start of the year. It is therefore requested that members approve the following virements of £150,000 from the Asbestos budget and a further £50,000 virement from the Windows and Doors budget. These virements have no effect on the bottom line. Should there be an overall variance once all programmes are complete, this will be reported to members as a variance at the earliest opportunity.

10 RESERVES

10.1 General Fund

Appendix C shows the projected uncommitted General Fund Reserves.
The Council is fortunate in that it has a history of maintaining a good level of reserves. However, it will be noted from Appendix C, that the level of reserves is forecast to reduce substantially over the next few years. Given the uncertain financial and economic future of all of the public sector, it is important that the Council continues to maintain an adequate level of reserves. This position has helped cushion the Council from the reductions in funding whilst savings are being sought without having to make reductions in service provision.

10.2 Capital Investment Reserve

Normal practice is to keep the level at around £2,000,000 to allow for any unforeseen capital demands. This reserve is shown to have an uncommitted balance of £2.049m. Of this balance £1.2m is earmarked for the consequences of the Leamington Asset Feasibility studies and £0.2m for Spencer Yard. Assuming the earmarked elements continue, this reserve will not be able to fund significant future capital projects. With this reserve being so depleted, Officers are currently assessing how this can be addressed.

10.3 Equipment Renewal Reserve

The spend projections on this reserve are based on the schedule in Appendix 6 to the 2013/14 Budget report presented to Executive and the Council in February 2013 subsequently adjusted for those items purchased since then. The Council has introduced a requirement for Options Appraisals to be carried out when items within the schedule are approved for acquisition in order to determine the most advantageous method of financing the acquisition. This may mean that not all items on the schedule will in fact be purchased using resources from the Equipment Renewal Reserve but financed by other means such as leasing. This may relieve some of the pressure on this reserve but even so, based on current demands this reserve will be exhausted during 2016/17 unless it is replenished.

10.4 Service Transformation Reserve

This reserve is providing funding for various schemes related to Fit to the Future. The current unallocated balance is £727,000.

10.5 Sport and Culture Facility Reserve

This reserve was created with £300,000 in as part of the Budget setting in February towards financing works that will be required to the Council's assets following on from the asset condition survey that is currently being undertaken. It is known that substantial sums will need to be spent on the Council's assets in future years. Full details of this survey are due to be presented to members in October. It would be prudent to "ring fence" the funding that was earmarked for the Fit for the Future Achievement Award for 2013/14 to 2016/17 of £1.5m within the service Transformation Reserve. The use of this funding, and the works required for the assets will be considered within the October report, along with the possible inclusion of some of the works within the 2014/15 Budget.

11 RISKS

11.1 Planning

The Introduction of new legislation (Section 62A-C) in the 1990 Planning Act gives the Secretary of State powers to put failing Authorities on "Special Measures". These would be assessed on a 2 year rolling average basis. Authorities who failed to determine 30% or less major applications within the statutory period or had more than 20% major decisions overturned at appeal would be put on these measures.

Whilst the Planning Fee Income would be handed over to the Planning Inspectorate, the Authority would continue to incur its existing costs (notices, planning history, provide information on previous impacts, recording). This Authority's Planning Income Budget is some £700,000.

At present, this authority is performing in the upper quartile. The table below shows performance for the last 15 months and Members will note the significant improvements in performance. Consequently, the risk of being affected by this legislative change is very low but this will continue to be closely monitored.

Quarter ending	Major	Minor	Other
30-Jun-12	56%	38%	60%
30-Sep-12	65%	82%	87%
31-Dec-12	65%	85%	95%
31-Mar-13	100%	93%	95%
30-Jun-13	90%	100%	98%

11.2 The Economy

Not only will any downturn in the economic strength of the country impact upon Investment Interest and, almost certainly, future Government Funding, it will also affect locally determined elements of the budget. For instance, if un-employment increases, Council Tax Support Claimants and arrears levels are likely to increase. There may also be a reduction in the Council's Fees and Charges income as customers have less "discretionary" income to spend. Failing Business would reduce this Council NNDR income.

11.3 Capital Projects

There are risks from any project that the project overspends or revenue (on-going) costs are not taken into full consideration. Alongside this there needs to be sufficient funding available to be able to finance the project. Prior to embarking on a Project a full Business Case should be drawn up and presented to members for their approval.

11.4 Community Infrastructure Levy (CIL)

The inability to recover all the Authority's infrastructure costs from new developments from CIL income or other sources such as S106 agreements.

11.5 Welfare Reforms

Several Welfare Reforms have been introduced in recent years, including Council Tax Reduction Scheme. Further changes are due to following, notably the introduction of Universal Credit. These changes present many risks to the Council, including:-

- Cost of Council Tax Reduction scheme increasing above budgeted cost.
- Reduction in funding when housing benefit replaced with universal credit
- Increased cost of homelessness
- Increased arrears and write-offs in respect council tax and housing rents.

These changes will undoubtedly impact upon customers. As reported previously to members, officers are seeking to work with customers so as to assist them as far as possible in coping with these changes. In addition, officers are trying to work with the DWP to plan for the introduction of Universal Credit.

11.6 Land Charges

The income from land charges has resulted in a surplus in recent years, whilst ideally the service should only be recovering its costs. The level of fees here is being reviewed with proposals to be included within the fees and charges report in October.

11.7 Changes to assumptions within Medium Term Financial Strategy

The strategy is built upon many assumptions, many of which have been discussed in this report. Officers seek to ensure that these assumptions are realistic as possible, or if in doubt will adopt a prudent stance. Some of the assumptions that may change in due course include:-

- Superannuation Fund contributions
- Fit For the Future assumptions not achieved
- Revenue Support Grant Settlement changes
- Decreases in the Business Rates Base

All of these assumptions will continue to be closely monitored.

12 HRA BUSINESS PLAN

12.1 The HRA Business Plan Financial Framework (BPFF) presented at the end of 2012/13 projected a favourable variance of £5.3m over the 50 year Business Plan period.

12.2 It is forecast that arrears and consequently bad debts will increase due to welfare changes being introduced, including underoccupancy, Universal Credit and an overall benefit cap.

12.3 It is too early to be confident about the likely effect of these changes. However despite the introduction of underoccupancy benefit changes, in the first quarter of 2013/14 (April to June 2013) the Bad Debt Provision has only increased by just 0.11% of rent due in the quarter, far less than 1.59% as per the comparable quarter last year.

12.4 In the June 2013 Spending Review Central Government announced a new social rent formula to apply for at least ten years commencing 2015. Rent

Restructuring will end one year early, and annual rent rises will be based on CPI + 1% rather than RPI + 0.5% + up to £2 towards rent restructuring.

12.5 A revised Business Plan including all variances reported here will be considered by the Interim Housing & Property board in August.