

AGENDA

and

MINUTES of BOARDS and COMMITTEES

to be considered at the meeting of
the Council to be held at

**THE COUNCIL HOUSE
ATHERSTONE**

on

29 SEPTEMBER 2021

at

6.30pm



North Warwickshire Borough Council

Steve Maxey BA (Hons) Dip LG Solicitor
Chief Executive

The Council House
South Street
Atherstone
Warwickshire
CV9 1DE

E Mail : democraticservices@northwarks.gov.uk
Website : www.northwarks.gov.uk
Direct Dial : (01827) 719221/719226
Date : 21 September 2021

To: All Members of the Council

Dear Sir / Madam

You are hereby summoned to attend a meeting of the Council, to be held in the Council Chamber, The Council House, South Street, Atherstone on Wednesday, 29 September 2021 at 6.30pm.

The following business will be transacted:

- 1 Evacuation Procedure.
- 2 Apologies for absence / Members away on official Council business.
- 3 Declarations of Personal or Prejudicial Interest.
- 4 The Mayor to move, in accordance with Standing Order No 6(1):
“That the minutes of the Meeting of the Council held on 28 July 2021 be approved as a correct record”.
- 5 To receive the Mayor’s announcements.
- 6 To answer Questions from members and the Public pursuant to Standing Order No 7.
- 7 To receive and consider recommendations of Executive Board circulated herewith and to make the necessary decisions thereon:
 - a To receive the recommendation in relation to the detailed budget approach for the 2022/23 General Fund Budget (Pages 30 to 46).

- b To receive the recommendation to adopt the Local Plan (Pages 47 to 280).
- 8 To receive and consider minutes, recommendations and notes of the following meetings circulated herewith and to make the necessary Orders thereon:
- a **Planning and Development Board** – 14 July and 2 August 2021 (Pages 281 to 293).
 - b **Special Sub-Group** – 10 August and 14 September 2021 (Pages 294 to 296).
 - c **Executive Board** – 20 September 2021 (Page 297) (to be circulated).
 - d **Resources Board** – 21 September 2021 (Page 298) (to be circulated after the meeting has been held).
- 9 **Exclusion of the Public and Press**
- To consider whether, in accordance with Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by Schedule 12A to the Act.**
- 10 To receive and consider the confidential extract of the minutes of the Meeting of the Council held on 28 July 2021 (Page 300 to 301).
 - 11 To receive and consider the confidential extract of the minutes of the Special Sub-Group held on 14 September 2021 (Page 302).
 - 12 To receive and consider the confidential extract of the minutes of the Executive Board held on 20 September 2021 (Page 303) (to be circulated).
 - 13 To authorise the Chief Executive, in accordance with Article 13.05 of the Articles of the Constitution, to Sign and Seal, on behalf of the Council, any Orders, Deeds and Documents necessary to give effect to any resolution of the Council.

Yours faithfully



Chief Executive

**MINUTES OF THE ANNUAL MEETING OF THE
NORTH WARWICKSHIRE BOROUGH COUNCIL
HELD AT THERSTONE MEMORIAL HALL, LONG STREET, ATHERSTONE
ON WEDNESDAY 28 JULY 2021**

Present: Councillor A Clews in the Chair.

Councillors Bell, Chambers, D Clews, Davey, Deakin, Dirveiks, Farrow, Hancocks, Hayfield, D Humphreys, M Humphreys, Jenns, Jordan, Morson, Moss, Osborne, Parker, Parsons, H Phillips, O Phillips, Reilly, Rose, Singh, S Smith, Symonds, A Wright and D Wright.

Apologies for absence were received from Councillors Gosling, Jarvis, Lees, Macdonald, McLauchlan, Parker, Simpson and L Smith.

12 Disclosable Pecuniary and Non-Pecuniary Interests

None were declared at the meeting.

13 Minutes of the Annual Meeting of Council held on 24 May 2021

The minutes of the Annual Meeting of the Council held on 24 May 2021 were approved as a correct record and signed by the Deputy Mayor.

14 Mayor's Announcements

There were no reports on recent Mayoral events.

15 Questions Pursuant to Standing Order No. 7

The following question was received from Councillor Chambers pursuant to Standing Order No 7:-

“In view of the very high rates of COVID 19 infection in this Borough, does the Council intend to update and reissue the public health guidance on face coverings and other public health measures sent to Members on May 21st?

In particular, will the Borough Council continue to encourage the wearing of face coverings by everyone moving around the Council house or any other venues where Borough Council meetings are being held?

Will the Council encourage and actively promote these simple public health measures by placing clear notices at the Council House entrances and within main circulation areas in council offices with the message “ for the safety of our staff , Councillors and the public please wear a face- covering if you can “ ?

The response from Councillor D Wright was as follows:

“By way of context, I am pleased to advise that at the moment the cases of infection in the country and North Warwickshire are falling significantly.

We will need to see if this is sustained but it is very welcome news. As of last evening North Warwickshire cases rate was 403 per 100,000 which is high but significantly down from the 822 per 100,000 this time last week.

Hospital cases locally remain low as well thanks mainly to the excellent vaccine roll out in our Borough. As of last evening 86.1% of adults had received the first dose, with 72.5% having had both doses. I would like to take this opportunity to thank our GP network and health colleagues for this fantastic performance and also urge anyone who has not yet received the vaccine to do so as soon as possible.

Officers have asked Public Health for the updated guidance Councillor Chambers refers to and we will circulate this as soon as it is received
As we have throughout the outbreak we are in the process of revising our risk assessments and will ensure they are in accordance with the latest Government guidance.

With regard to face coverings Members will be aware that these are no longer legally required. For our workplaces we will follow the advice that the government expects and recommends that people continue to wear face coverings in crowded, enclosed spaces where people will come into contact with people they do not normally meet”.

16 Minutes of Boards/Committees

a) Resources Board – 22 March and 14 June 2021

It was proposed by Councillor Symonds, seconded by Councillor D Clews and

Resolved:

That the minutes of the meetings of the Resources Board held on 22 March and 14 June 2021, be approved and adopted.

b) Planning and Development Board - 12 April and 23 June 2021

It was proposed by Councillor T Clews, seconded by Councillor D Humphreys and

Resolved:

That the minutes of the meeting of the Planning and Development held on 12 April and 23 June 2021, be approved and adopted.

c) Special Sub-Group – 8 June 2021

It was proposed by Councillor D Clews and seconded by Councillor D Wright and

Resolved:

That the minutes of the meeting of the Special Sub-Group held on 8 June 2021, be approved and adopted.

d) Executive Board – 21 July 2021

It was then proposed by Councillor D Wright and seconded by Councillor Symonds and

Resolved:

That the minutes of the meeting of Executive Board held on 21 July 2021, be approved and adopted.

In relation to the recommendation for Allocation of Seats on Boards to Political Groups it was moved by Councillor Jack Deakin and seconded by Councillor Hayden Phillips that the allocations be amended to allocate 65.77% of the seats to the Conservative Group, 31.53% of the seats to the Labour Group and 2.70% of the seats to the Independent Member. On being put to the vote the amendment was not carried.

It was then further suggested by Councillor Deakin that the recommendation was altered so that the number of members of Executive was increased to 12, comprising 8 members of the Conservative Group and 4 members of the Labour Group. Councillors D. Wright and Symonds agreed to the alteration and, on being put to the vote, the Appointments to Boards was agreed subject to that amendment.

e) Community and Environment Board – 26 July 2021

It was proposed by Councillor Bell and seconded by Councillor Jenns and

Resolved:

That the minutes of the meeting of Community and Environment held on 26 July 2021, be approved and adopted.

17 Amendment of Constitution – urgent business and moving reports at Council meetings

The report proposed amendments to the Constitution to make provision for consideration of urgent items of business and for clarifying the procedure to be followed in moving recommendations in reports.

Recommended:

- a That Standing Orders are amended to incorporate the provision set out in paragraph 3.3 of the report in relation to urgent items of business; and**

- b That Standing Orders are amended to incorporate the provisions set out in paragraph 3.6 of the report in relation to moving recommendations in reports.**

18 Exclusion of the Public and Press

Resolved:

That under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business, on the grounds that it involves the likely disclosure of exempt information as defined by Schedule 12A to the Act.

19 To Receive and Consider the Confidential Extract of the minutes of the Resources Board – 22 March 2021

It was proposed by Councillor Symonds, seconded by Councillor D Clews and

Resolved:

That the confidential extract of the minutes of the Resources Board held on 22 March 2021, in which it was resolved that a further report be brought back to a future meeting of the Board for final determination of any action to be taken in relation to High Street Coleshill together with the recommendations therein, be approved and adopted.

20 To Receive and Consider the Confidential Extract of the minutes of the Special Sub-Group – 8 June 2021

It was proposed by Councillor D Clews and Councillor D Wright and

Resolved:

That the confidential extract of the minutes of the Special Sub Group held on 8 June 2021, which resolved to restructure the Environmental Health Team, together with the recommendations therein, be approved and adopted.

21 To Receive and Consider the Confidential Extract of the minutes of the Community and Environment Board – 26 July 2021

It was proposed by Councillor Bell and seconded by Councillor Jenns and

Resolved:

That the confidential extract of the minutes of the Community and Environment Board held on 26 July 2021, which resolved that the expenditure as set out in the report of the Director of Leisure and Community Development be met from the New Initiatives reserve, together with the recommendations therein, be approved and adopted.

22 **Common Seal**

It was proposed by Councillor D Wright and seconded by Councillor Morson.

Resolved:

That the Chief Executive be authorised to affix the Common Seal to any document as necessary to give effect to the decisions of the Council, in accordance with Article 13.05 of the Articles of the Constitution.

**Chairman of the next ensuing meeting
of the Council**

Agenda Item No 6

Executive Board

20 September 2021

Report of the
Corporate Director – Resources

Financial Strategy 2021 - 2026

1 Summary

- 1.1 This report summarises the Authority's Financial Strategy, projects forward the Authority's General Fund budgets to 2025/26, and suggests a detailed budget approach for the 2022/23 General Fund Budget.

Recommendation to Council

- a That the Financial Strategy shown as Appendix A is approved;
- b That the General Fund budget projections for 2022/23 to 2025/26 be noted; and
- c That the budget approach, set out in section 8 of this report, be adopted.

2 Introduction

- 2.1 The Council has adopted a clear financial strategy over a number of years, and this is attached as Appendix A to this report. There have been some major changes to the financial environment nationally in recent years, with the local retention of business rates, major reductions in Revenue Support Grant, the introduction of a local Council Tax Support scheme in place of a national Council Tax Benefit scheme and changes to the New Homes Bonus Scheme.
- 2.2 A forecast of the General Fund Revenue Estimates has been completed for 2022/23 and the following three years and is set out within the report. The figures are intended to indicate the position in broad terms only. More accurate ones will be produced during the forthcoming estimate process. Updated forecasts for Capital and the Housing Revenue Account will be reported separately, at a later date.
- 2.3 This update to the financial strategy includes some anticipated ongoing effects of the Covid 19 pandemic, reflecting the main current financial pressures facing the Council. Economic uncertainty still exists, with the recovery of both the country and the Council unknown, making forecasting difficult.

3 Review of 2021/22

- 3.1 In order to update the strategy, a number of areas have been revisited. The 2021/22 original budget has been adjusted for the following changes:

| | £000 |
|--|-----------------|
| Reduced legal cost income - CT | 42,500 |
| Reduced recovery of housing benefit overpayments | 138,000 |
| Part year running costs - Borough Care | 88,270 |
| Reduction in investment income | 10,000 |
| Greater take up of the green waste service | (152,000) |
| Reduced financing charges | (151,480) |
| Total | (24,710) |

- 3.2 The anticipated amount to be taken from balances is expected to reduce to £544,490, with the adjustments given in the table above. The anticipated opening General Fund balance for 1 April 2022 is projected at £1,572,000 at 1 April 2022. This has been used as the revised starting point for the updated forecast.

4 Budget Projections 2022/23 to 2025/26

- 4.1 The 2022/23, 2023/24 and 2024/25 years have been reviewed and a further year, 2025/26, has been forecast. In completing the forecast, a number of detailed assumptions have been made, which are set out in Appendix A.
- 4.2 Pay awards of 2% have been included for each year. This is lower than the last settlement but is based on the current level of inflation.
- 4.3 Premise and supplies and services costs have only been given an increase in alternate years in this strategy, in order to encourage efficiencies in procurement. These areas will be revisited in the more detailed work carried out as part of the budget process. Provision has been made for the Borough elections to be held in 2023/24.
- 4.4 Growth has been included in 2022/23 and 2023/24 for additional refuse and recycling costs, as the current service will have insufficient capacity to accommodate all of the anticipated new properties in the Borough. The recently announced 1.25% increase in national insurance has also been included from 2022/23, adding around £115,000 to the budget.
- 4.5 Planned reductions included in the 2021/22 budget have either been achieved or are in the process of being implemented. Borough Care ceased at the end of June and the review of administration services is nearing completion.
- 4.6 The forecast has been summarised and is shown in the table below.

| | 2021/22 Revised £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 |
|----------------------|-------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Spending Requirement | 8,423 | 9,031 | 9,525 | 9,728 | 10,085 |

Annual spending is expected to increase over the strategy period by £1.662 million.

5 Sources of Funding

5.1 Settlement Funding Assessment / Core Spending Power

5.1.1 The Settlement Funding Assessment is made up of two elements: Revenue Support Grant and Business Rates. An authority's settlement funding assessment is added to their Council Tax and then reduced by a given percentage to keep within the national control total. From this total the council's business rates baseline and council tax income are deducted to arrive at the level of RSG. In years where an authority's entitlement to RSG is zero, increases to business rates tariffs were planned in order to reduce the amount of income retained by an authority.

5.1.2 The government includes the Settlement Funding Assessment in calculating an authority's Core Spending Power. Our figures for 2021/22 are shown below:

| | 2021/22 |
|------------------------|----------------|
| NDR Baseline Funding | 1.921 |
| Tariff Adjustment | - |
| Revenue Support Grant | - |
| Sub-total - SFA | 1.921 |
| Council Tax | 4.628 |
| Other Grants | 0.760 |
| Total | 7.309 |

The Council had previously been informed of a negative RSG sum from 2019/20 onwards. However there have been government decisions not to deduct negative RSG in 2019/20 and both subsequent years. In calculating the Council's core spending power, the government assumed a £5 increase in Council Tax each year.

5.1.3 The government previously stated its intention to hold a new Spending Review in 2019, covering the period 2020/21 to 2022/23. However, with the political turbulence around Brexit, it was decided that a one-year Spending Round would be provided, covering the 2020/21 financial year; and that this would be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets.

5.1.4 The Spending Review has not progressed as expected due to the Coronavirus pandemic. Indicative figures are not yet available for 2022/23, so an inflationary increase in the 2021/22 level of SFA has been assumed for 2022/23 onwards.

5.2 Business Rates

5.2.1 The 2021/22 business rates baseline has been used as a starting point for each year of the strategy, with an inflationary increase applied in each year.

5.2.3 Business rates of £0.5 million above the baseline have been included in 2021/22, and for each following year of the strategy. A national re-set of business rates was planned in 2020/21 but has not yet taken place. It is currently expected for 2023/24. The £500,000 has been left in the budget for all years, as there is sufficient in the Volatility Reserve to allow this.

5.3 New Homes Bonus

5.3.1 The New Homes Bonus figures included in the forecast are unchanged from those estimated in February. These reflect the current understanding that the New Homes Bonus scheme will be wound down, with final payments received in 2022/23.

5.3.2 Any alternative funding is likely to be considered as part of the Spending Review.

5.4 Council Tax

5.4.1 In looking at the potential income from Council Tax, the likelihood of growth in the tax base is considered. It has been assumed that a proportion of new build will be achieved each year and a growth rate of 1% in the tax base has been included for 2022/23, with 1.5% used for subsequent years when projecting the income from Council Tax.

5.4.2 In recent years, the government has assumed an inflationary increase when taking resource allocation decisions and calculating each authority's ability to spend. Going forward a £5 increase has been used in 2022/23 and in each following year.

5.4.3 Previous decisions to freeze Council Tax have an on-going and cumulative effect on the Council's financial position, and the impact of the decisions to freeze Council Tax in each year between 2011/12 and 2019/20 has been calculated. The annual income loss from 2022/23 onwards amounts to £967,244 per annum. Further freezes in Council Tax are not financially viable.

5.4.4 A Collection Fund surplus or deficit arises where there are a different number of properties coming into the tax base than estimated, where collection rates vary from the assumed rate, or as a result of changes to reliefs awarded throughout the year. Any surplus is paid over the following year, with deficits recovered in the following year. The estimated surplus was reduced to reflect the expected impact of Covid, as more reliefs were awarded and collection rates fell during 2020/21. Whilst collection remains a challenge the position is expected to improve.

5.5 Expected Resources

5.5.1 Expected Resources from the sources covered above are set out in the table below:

| | 2021/22 Revised £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 |
|-----------------------------|-------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Council Tax | (4,579) | (4,731) | (4,910) | (5,093) | (5,281) |
| New Homes Bonus | (578) | (208) | - | - | - |
| RSG | - | - | - | - | - |
| Business Rates | (1,931) | (1,950) | (1,980) | (2,010) | (2,039) |
| Business Rates - Additional | (500) | (500) | (500) | (500) | (500) |
| Collection Fund Surplus | 9 | (41) | (66) | (100) | (104) |
| Total | (7,579) | (7,430) | (7,456) | (7,703) | (7,924) |

5.5.2 Even with Council Tax increases in line with government assumptions, overall resources are only expected to increase by £345,000 over the life of the strategy (see table above), due to uncertainties around business rates income and new homes bonus. This is significantly less than the expected increase in spending requirement of £1.662 million over the same period (see paragraph 4.6).

5.5.3 This level of income would require the use of balances set out in the table below. As this level of use is unsustainable, a plan to reduce expenditure or increase income is required, and this is shown in the table. Reductions will need to be found in line with the plan to ensure there are sufficient balances at the end of 2025/26.

| | 2021/22 Revised £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 |
|--------------------------------|-------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Use of Balances | 844 | 1,601 | 2,069 | 2,025 | 2,161 |
| Budget reductions 22/23 | | (1,500) | (1,500) | (1,500) | (1,500) |
| Budget Reductions 23/24 | | | (500) | (500) | (500) |
| Budget Reductions 24/25 | | | | (100) | (100) |
| Use of earmarked reserves | (300) | | | | |
| Revised Use of Balances | 544 | 101 | 69 | (75) | 61 |

| | | | | | |
|-----------------------|--------------|--------------|--------------|--------------|--------------|
| Balances C/fwd | 1,572 | 1,471 | 1,402 | 1,477 | 1,416 |
|-----------------------|--------------|--------------|--------------|--------------|--------------|

5.5.4 Given the uncertainties that existed in February, it was proposed to use some earmarked reserves in 2021/22 to allow the situation to settle, so there is more certainty around the Council's ongoing revenue position. The use in 2021/22 was to help manage the need to reduce the budget rather than removing the need. Removal of the need would require additional funding.

6 Required Budget Reduction

- 6.1 In February, an additional budget reduction target was not added for 2024/25, as the budget reductions were required in prior years. The revised forecast indicates that whilst the same level of reductions are needed in total, a small proportion of the 2023/24 reduction could be delayed until 2024/25. This would still leave sufficient balances of £1.416 million at the end of 2025/26. The budget reduction target of £2.1 million over the life of the strategy previously identified, is still required and equates to around 5.5% of the net budget per annum.
- 6.2 The authority has already made significant reductions in its budget over recent years, taking out £6.2 million since 2011/12. Increased efficiency, streamlining the provision of services and some income generation has significantly reduced the impact on front line services to date. Taking out a further £2.1 million will be extremely challenging and will undoubtedly impact on the range and level of services that the Council is able to offer. Work is already in hand for identifying options for reducing net expenditure for both 2022/23 and subsequent years.
- 6.3 Keeping to the strategy is dependent on budget reductions being achieved to target in each of the years covered. The difficulty in finding reductions has become greater over time, and this will only increase in the future. However reductions are needed in line with the strategy to ensure the Council remains financially viable.

7 Potential Risk Areas

- 7.1 In preparing this forecast, a number of assumptions have been made and these have been set out in sections 4 and 5 of this report. Clearly, should these assumptions not materialise, there will be an impact on the figures. The main risk areas for this forecast are:
- **Settlement Funding Assessments** – no indicative figures have been provided for 2022/23 onwards. If resources in those years vary in any significant way from resources in 2021/22, then there will be an impact on the current forecast.
 - **Business Rates** – the local retention of business rates brought uncertainty around the level of funding to be received on an annual basis. However, it has allowed some additional business rates to be retained by the Council. Although successful rating appeals are an ongoing risk, the greater risk is the expected re-set which is likely to remove the growth the Council has been able to retain.
 - **New Homes Bonus** – The strategy assumes the final year of the scheme will be 2022/23, so future risks relate only to the next year.
 - **Investment Income** – current low interest rates have been used to project investment income. Unless they continue for longer than expected, further reductions will be a limited risk.
 - **Salary Increases** – union pressure is for a higher pay award to address the erosion of real pay. Higher pay awards than included in the forecast would have an impact, given the relative size of the payroll.
 - **Council Tax Support** – increases in take up will directly increase the costs of the Council. There are also risks around the non-collection of

- Council Tax, from those who have not previously been required to contribute.
- **Reduced Income** –the risk of an increased loss of service income is a possibility in the current economic climate.
- **Growth in the Borough** – if new homes and estates are delivered in line with expectations, there will be a significant impact on some Council services. Some funding has been included in the forecast for refuse and recycling, but the impact on services such as grounds maintenance has not yet been considered.
- **Council Tax Income** – a decision to freeze Council Tax will reduce the resources available to the Council on a permanent basis.

7.2 The potential impact of an improved or worse position for all four years of the forecast are shown in Appendix B (budget reductions of £2.1 million are included in each of the options). The increased use of balances / contribution to balances are summarised below:

| Year | Worse Case £000 | Most Likely Case £000 | Best Case £000 |
|---------|--------------------|-----------------------------|-------------------|
| 2021/22 | 654 | 544 | 544 |
| 2022/23 | 821 | 101 | (151) |
| 2023/24 | 820 | 69 | (241) |
| 2024/25 | 709 | (75) | (399) |
| 2025/26 | 877 | 61 | (313) |

Changes in a small number of areas can materially impact on the expected use of balances in all of the years covered. These could affect the level of reductions required either favourably or adversely.

7.3 If the best case scenario occurred, the Council would be able to reduce the budget reduction target currently included within the strategy from £2.1 million to £1.8 million and achieve the same level of balances at the end of 2025/26.

7.4 If the worst-case scenario occurred there would be an additional call on balances. As the balances at 1 April 2022 are expected to be £1,462,000, the Council could only manage the worst case in 2022/23 with the use of 800,000 from earmarked reserves. Further budget reductions of £0.8 million would be needed in the following years to ensure that balances were at an acceptable level at the end of 2025/26. Finding budget reductions earlier is beneficial to the Council's financial position.

8 Budget Approach 2022/23

8.1 As mentioned earlier, a number of areas have already been identified as potential reductions, and these are in the process of being reviewed. Any delay in finding reductions will put pressure on the financial viability of the Council.

8.2 A firm stance should be taken in order to limit the level of growth approved in 2022/23, as any further expenditure will increase the need to draw from balances. Only growth that cannot be statutorily avoided, makes a significant contribution to moving forward the Council's priorities, or would expose the

Council to an unacceptable level of risk should the expenditure not be incurred, should be approved. A prioritisation exercise on growth based around these three main criteria should be used.

- 8.3 Whilst the use of earmarked reserves is a temporary solution, the previously approved use of some earmarked reserves in 2021/22 will only allow the financial position to settle further. It still leaves the Council with a significant budget reduction target of £1.5 million to meet in 2022/23.

9 Conclusion

- 9.1 The Council could be faced with budget reductions ranging from £1.8 million to £2.9 million. The updated strategy includes a budget reduction requirement of £2.1 million over the next four years. Given the reductions already made over recent years, the Council will not be able to achieve the further reductions required without impacting on current service provision.
- 9.2 It is unlikely that all of the main risk areas will materialise at the same time, in any of the years highlighted above. The main areas of concern included in the risks around the financial position of the Council, are that of Council Tax, Business Rates and Service Income.

10 Report Implications

10.1 Finance and Value for Money Implications

10.1.1 As detailed in the body of the report.

10.2 Environment and Sustainability Implications

10.2.1 Continuing the budget strategy will allow the Council to manage its expected shortfall in resources, without disruption of essential services.

10.3 Equality Implications

10.3.1 Any proposed changes or reductions in services will be subject to equality impact assessments to identify if there is any scope for adverse impacts.

The Contact Officer for this report is Sue Garner (719374).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

| Background Paper No | Author | Nature of Background Paper | Date |
|----------------------------------|------------------------------|--|------------------|
| Executive Board – Agenda Item 10 | Corporate Director Resources | General Fund Revenue Estimates 2021/22 and Setting the Council Tax 2021/22 | 15 February 2021 |

MEDIUM TERM FINANCIAL STRATEGY 2022/23 – 2025/26

1 Introduction

- 1.1 The purpose of the Financial Strategy is to set out the broad financial framework that the Council will operate within, during the next four financial years. A four-year period has been used, as this permits reasonably robust financial forecasts to be produced. A longer period would require more speculative forecasts. However the effects of the pandemic and expected changes to the external funding regime have increased the uncertainty over the resources available to the Council during the strategy period.
- 1.2 By using a medium term approach, the Council can ensure that financial and service decisions can be taken in a structured and proportionate way. Short-term policies are not adopted without identifying what the medium term implications of those decisions are.
- 1.3 The strategy covers all revenue and capital activity, although some individual sections may be specific to a particular type of spending only. Areas covered are:
- **General Fund Activities** – these are the majority of the day to day activities carried out by the Council, such as refuse collection and the payment of benefits
 - **Housing Revenue Account Activities** – these relate to the management and maintenance of the Council's housing portfolio
 - **Capital Spending** – this is spending that provides benefits over a period of 12 months, such as the purchase of vehicles or equipment

2 Linking Resources With Corporate Priorities

- 2.1 The Council has identified a number of priorities and these are given in its Corporate Plan. In arriving at the priorities, external influences are taken into account. Other factors such as legislative changes and reward incentives are also considered.
- 2.2 The Corporate Plan and associated Financial Strategy are reviewed and updated on an annual basis, before the start of each new financial year. A further review of the Financial Strategy is also carried out part way through the year, to ensure that changing circumstances are taken into account in carrying out the full review.
- 2.3 As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add known unavoidable spending pressures. This is then measured against the projection of available funding to determine affordability. The package of measures required to balance the two form the financial strategy for the budget year.

3 Economic Forecast

3.1 Both general inflation and specific areas of increase affect the spending of the Council. There are two main indices for measuring household inflation: the Consumer Price Index (CPI) and the Retail Price Index (RPI). The Council reviews these indices when it is assessing the level of inflation to be included in its financial strategy. However the Council may choose to use a lower general rate in some areas, where it wishes to encourage efficiencies.

3.2 Specific areas of increase are considered separately and individual rates of increase used to reflect prevailing market conditions, where they are significantly different to the general rate of inflation. These are assessed on an annual basis and depending on economic conditions, may include:

- Employee costs – pay awards and pension costs;
- fuel and energy costs;
- investment rates.

3.3 The assumptions used in the latest forecasts are given below:

| Cost / Income Type | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--------------------------------------|----------------|----------------|----------------|----------------|
| Pay awards | 2% | 2% | 2% | 2% |
| Superannuation rates | 20.1% | 20.85% | 21.6% | 22.35% |
| Agency staff | 2% | 2% | 2% | 2% |
| Business Rates | 2% | 2% | 2% | 2% |
| Utilities | 2% | 2% | 2% | 2% |
| Other premise costs | 0% | 2% | 0% | 2% |
| Supplies and services | 0% | 2% | 0% | 2% |
| Housing Benefits | 0% | 0% | 0% | 0% |
| Housing Benefit Administration Grant | 0% | 0% | 0% | 0% |
| Increase in NDR | 1% | 1.5% | 1.5% | 1.5% |
| Council Tax | £5 | £5 | £5 | £5 |
| Income | 2% | 2% | 2% | 2% |

4 Demographic Factors

4.1 Demographic factors can affect the Council's planning in a number of ways:

- Changes in the number and value of households can affect the tax base used in calculating Council Tax
- The characteristics of the population, and households, influences the type of services provided
- The level of demand for services can be affected by changes in either of the above.

4.2 The population of the Borough currently stands at 65,452 and has been subject to limited change over recent years. The Financial Strategy has assumed only limited impact as a result of changes, around the collection of domestic refuse and recycling.

- 4.3 The Council Tax Base has remained fairly consistent over a number of years, with only small increases. Following a review of the potential new build in the area, the Financial Strategy has assumed an increase of 1% in 2022/23, with increases of 1.5% in the tax base in following years, although there will be some movement depending on the Council Tax Support scheme adopted.

5 General Fund Activities

5.1 Settlement Funding Assessment

- 5.1.1 The government decides on the level of funding to be allocated to local authorities for their General Fund activities, and then allocates this funding between authorities using a formula calculation called the Settlement Funding Assessment.
- 5.1.2 The Settlement Funding Assessment is made up of two elements: Revenue Support Grant and Business Rates. As the Business Rates element is fixed, other than for inflationary increases, any reduction in the Settlement Funding Assessment is taken out of Revenue Support Grant.
- 5.1.3 Figures are not yet available for 2022/23 onwards, so our latest projection has assumed the same assessment as that for 2021/22, with an inflationary increase. A Fair Funding Review is currently in progress, so the position going forward may change.

5.2 Business Rates

- 5.2.1 From April 2013, local authorities retain a proportion of the business rates they collect. The Secretary of State announced a baseline funding level of £1.921 million for North Warwickshire for 2021/22. As we are required to pay a business rate tariff of £15.346 million in 2021/22, we need our local share of business rates to come to £17.267 million, in order to achieve this level of funding. No announcement has been made on the baseline funding level for 2022/23, so 2021/22 levels have been assumed going forward, with an annual increase for inflation.
- 5.2.2 Business rates, including the tariff payable, will be increased by inflation each year. If the business rates in our area fall due to business closures or rating appeals, we may not achieve our baseline funding level. This would impact on our financial forecasts, reducing the level of balances we hold. The operation of a national safety net system would provide provision when the Authority's baseline funding fell by 7.5%. If additional business rates are collected, they are allocated 50% to the government, 10% to Warwickshire County Council, and 40% to this Council. We are required to pay a levy of 50% on the additional rates retained by this Council.
- 5.2.3 The Council chose to become a member of the Coventry and Warwickshire Business Rates Pool. This Local Pool agreed a safety net provision at a 5% loss of baseline funding, which would benefit the Council in the event that business rates fall. If business rates increase, the Pool will have a lower levy rate than the Council, of around 10%, allowing the Pool to keep more of the increase.

5.3 Council Tax Base

- 5.3.1 The Council's tax base reduced significantly in 2013/14, following the introduction of a local Council Tax Support scheme, in place of the previous national Council Tax Benefit system. The scheme requires some residents to pay council tax, who previously had no liability. The Government offered councils a transitional grant in 2013/14, if they restricted the maximum payment by previous Council Tax Benefit claimants to 8.5% of their council tax bill. The Council opted to take the transitional grant and also revisited the collection rate, which was revised downwards to 98%.
- 5.3.2 The transitional grant was for 2013/14 only, so the Council needed to agree a Council Tax Support scheme for 2014/15 onwards. The decision was taken to retain the maximum payment required at 8.5% in 2014/15 although there was no grant to offset the cost to the Council. This decision has been revisited on an annual basis since then and has remained at 8.5%.
- 5.3.3 Although the Council usually exceeds its target collection rate, a small margin for non-collection allows some room for other variations during the year. Any additional funds are then distributed in the following year. Additional funds reduced due to the impact of Covid, but this position is expected to improve provided the economic recovery continues.

5.4 Council Tax

- 5.4.1 The Council attempts to balance the need for retaining an affordable council tax, with the retention of services. This is increasingly difficult with current financial constraints, including the pressures of government funding levels, limited income raising opportunities, economic pressures and rising expectations.
- 5.4.2 Decisions to freeze council tax between 2010/11 and 2019/20 had an on going and cumulative effect on the Council's financial position. Grant funding received towards tax freezes have generally been time limited, whereas the tax base is reduced permanently.
- 5.4.3 In 2019/20 the government brought in a requirement for proposed increases above the maximum increase of 2% (or £5 for District Councils) to be subject to a local referendum. This level is still to be confirmed for 2022/23. The current forecast has assumed a council tax increase of £5 per annum in 22/22 and the following three years.

5.5 Fees and Charges

- 5.5.1 The Council has tended to increase fees and charges for inflation, on an annual basis. Any other changes have tended to be on an ad hoc basis. Demand for some services is expected to change going forward, as a result of changes in the economic situation. This will be taken into consideration in the review of fees and charges during the detailed work in the 2022/23 budget.
- 5.5.2 The ability to generate income from other areas continues to be reviewed as part of the ongoing exercise to reduce the Council's required budget.

5.6 Growth Areas

5.6.1 Given the Council's existing financial constraints, a strong approach is taken with growth areas. In general terms, growth will be allowed if one of the following conditions is met:

- **Statutory Need.** Where the Council needs to spend resources in order to comply with statutory requirements
- **Invest to Save.** Where services can demonstrate that an initial outlay will generate additional income or reduced costs in the future, an advance from an earmarked reserve held for this purpose will be made.
- **External Funding.** Services are encouraged to look for external funding to support service development and enhancement. However the impact of ongoing costs against potential one off funding is always considered.
- **Efficiencies.** The Council looks for efficiencies in service provision, to contribute to savings targets, or reallocate resources to other priorities.

5.6.2 The Council may use financial savings identified to fund general growth areas, where these are not needed to maintain balances. Growth bids are assessed according to their contribution to Council priorities, the ability to obtain external funding and their contribution to the management of risk.

5.7 Approach to Budget Reductions

5.7.1 The Authority includes the requirement to find budget reductions in its financial strategy. However whilst unidentified reductions are built into financial projections over the medium term, only identified reductions are included in the detailed budget put forward for approval for the coming financial year. This is part of the management of financial risks, and gives greater assurance around the approved budget, and the medium term position.

5.7.2 As the council looks for specific reductions in advance of setting the budget for the following year, work on finding savings for 2022/23 will be carried out in 2021 during the production of that budget. Only those found will be included. Where possible the reductions will be brought in earlier, during 2021/22, as this will give a beneficial impact on balances. The reduction target for 2022/23 is £1.5 million. If this target is not found, it will need to be reflected in the financial strategy for future years.

5.7.3 Any proposed changes or reductions in services will be subject to equality impact assessments to identify if there is any scope for adverse impacts.

5.8 General Fund Balances

5.8.1 One of the Council's aims is to have a balanced budget. However this does not require a balanced budget in each financial year, the aim is to ensure that services are adequately funded over the medium term.

5.8.2 The current policy for general balances is to retain minimum working balances of £1.4 million on the General Fund. The risk assessments, which support these requirements, are updated on an annual basis as part of the budget process. This allows detailed consideration of changing economic conditions and other potential high risks.

5.9 Budget Process

- 5.9.1 The budget process operates throughout the year, with the budget strategy updated twice per year. The financial forecast produced in September provides the context for the more detailed four year budget approved in February, as part of the Council Tax Setting process.
- 5.9.2 In the event of potentially significant changes to the Council's financial position, the Corporate Director - Resources will assess whether additional updates of the financial strategy are needed.

5.10 Budget Consultation

- 5.10.1 The Council consults on how it spends its resources on an annual basis. A meeting with business ratepayers is held every year, whilst other ad hoc consultation is carried out as required.

6 Housing Revenue Account

6.1 General Balances on the Housing Revenue Account

- 6.1.1 The Council aims to have a balanced budget on the Housing Revenue Account. Again this does not require a balanced budget in each financial year; the aim is to ensure that services are adequately funded over the medium term.
- 6.1.2 The current policy for general balances is to retain minimum working balances of £750,000 on the Housing Revenue Account. The risk assessment, which supports this requirement, is updated annually as part of the budget process. This allows detailed consideration of changing economic conditions and other potential high risks. Given the greater risks that will be faced by the council as a result of welfare reform, an increased requirement to hold general balances may be needed.

6.2 Housing Business Plan

- 6.2.1 To ensure the continued management and maintenance of North Warwickshire's housing stock, both Members and officers need to take decisions on a long term basis. For example, we need to build up surpluses to fund the capital expenditure needed later in the Business Plan. The impact of decisions taken is fundamental to the sustainability of the Business Plan.
- 6.2.2 The Business Plan currently assumes that the authority continues to increase rents in line with government policy. This includes the return of national rent policy to assumed rent increases of CPI + 1% per annum.
- 6.2.3 Further detail around the management and maintenance of the Council's housing stock is given in the Housing Business Plan.

7 Capital Programme

7.1 Capital Funding

- 7.1.1 The Council projects its expected resources over both a three and ten-year period. These include receipts from the sale of council assets, revenue funding used to support capital expenditure and anticipated contributions from third parties. Funding from the government is also considered. Specific grant is received towards the cost of Disabled Facility Grants.
- 7.1.2 Given its restricted resources, the council prioritises capital schemes, to enable it to carry out all essential spending.
- 7.1.3 There are a number of funding issues which need to be addressed moving forward and these will be considered in future updates of the Capital Strategy. The Capital Strategy gives further detail on the allocation of capital funding.

7.2 Interaction between Revenue and Capital Spending

- 7.2.1 Many capital schemes will impact on the revenue budget. This may be due to ongoing maintenance costs which are incurred following the acquisition of an asset or may be related to the cost of repaying loans taken out to finance capital expenditure, or the loss of investment income if internal loans are used.
- 7.2.2 In assessing bids put forward for inclusion in the capital programme, the impact of capital spending on the revenue budget is examined.

8 Efficiency Agenda

- 8.1 All councils are required to demonstrate Value for Money. The Council doesn't set targets for individual services, as it recognises that efficiency savings can take longer to generate in some services.
- 8.2 Officers look for efficiencies in order to assist in achieving the budget reductions required as part of the financial strategy. In addition systems thinking reviews are carried out on individual services and procurement activity is monitored.

9 Treasury Management

- 9.1 This is the management of the Local Authority's cash flows: its banking, money market and capital market transactions. The Council has adopted a Treasury Management and Annual Investment Strategy, which sets out a framework for its activity in these areas. The current Strategy aims to minimise risk by putting greater emphasis on security and liquidity. Once risk has been minimised, the Council will maximise performance wherever possible, within existing controls.
- 9.2 As highlighted in the Treasury Management Strategy, the Council has a borrowing requirement of £59.975 million. The HRA has external borrowing of £46.291 million, whilst the General Fund has internal borrowing of £13.054 million. Internally borrowed funds come from earmarked reserves held for future revenue and capital spending. As these resources are used, there will be a need for further external borrowing.

- 9.3 The government previously imposed a cap on an authority's total housing borrowing, which has now been removed. The Authority was below the cap, so investment and borrowing decisions were based on affordability within the HRA. This approach remains unchanged.
- 9.4 The Council has internal funds in excess of those needed to cover the internal loans. These are invested on the money market and generate investment income for both the General Fund and the Housing Revenue Account. The cash fund portfolio is managed internally, with advice from Link Treasury Services, the Council's treasury management consultants.

10 Earmarked Reserves

- 10.1 The Council holds a number of reserves that have been earmarked for specific revenue and capital purposes. Earmarked reserves are used to hold:
- Funding received in advance for specific initiatives;
 - Funding set aside for specific services, where the timing of demand can vary;
 - Funding set aside for the future replacement of assets or other capital expenditure;
 - Funding held to enable the Council to manage specific risks; and
 - Funding where work has been delayed.
- 10.2 For the majority of earmarked reserves, there is little or no risk to the financial standing of the Council. Reserves set up to manage timing differences or hold funding received in advance match expenditure to the income available. Reserves held to allow risks to the base budget to be managed are estimated using the best available information. A review of earmarked reserves is planned, so that previous priorities can be reassessed in light of the current financial position.

11 Risk Management

- 11.1 The Council has a Risk Management strategy in place which it uses to manage all of its risks, including financial risks.
- 11.2 A system of risk management has been established, which is operated by all services. This ensures that if there are significant changes in the level of risk to the Council from new legislation, or policy changes, they are considered and reported to Board. Any significant increase in financial risks will therefore be addressed during the year, if this is necessary.
- 11.3 In addition, the financial risks of individual services are considered during the budget preparation process by Service Boards, along with the related budgets. Annual risk assessments are undertaken on the level of balances for the General Fund and the Housing Revenue Account and considered at the same time as the budgets. This ensures that all current issues are included.
- 11.4 To assist with highlighting the impact of the potential risks, the major risks are assessed on differing risk levels, and these are included in reports to Board.

Agenda Item 7a Appendix B

Potential Use of Balances

Best Case

| | 2021/22 Revised £000 | 2022/23 Estimate £000 | 2023/24 Estimate £000 | 2024/25 Estimate £000 | 2025/26 Estimate £000 |
|--|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Estimated Use of Balance | 544 | 101 | 69 | (75) | 61 |
| The introduction of a replacement scheme for New Homes bonus | | (100) | (100) | (100) | (100) |
| Increased tax base (new homes) (0.5%) | | (22) | (45) | (69) | (94) |
| Increase in investment income | | | (50) | (75) | (100) |
| Sustained improvement in planning income | | (50) | (50) | (50) | (50) |
| Collection Fund Surplus doesn't fall as expected | | (50) | (35) | | |
| Additional staff vacancies | | (30) | (30) | (30) | (30) |
| Potential Use of / (Cont to) Balances | 544 | (151) | (241) | (399) | (313) |
| Balances at Year End | 1,572 | 1,723 | 1,964 | 2,363 | 2,676 |

Worst Case

| | 2021/22 Revised £000 | 2022/23 Estimate £000 | 2023/24 Estimate £000 | 2024/25 Estimate £000 | 2025/26 Estimate £000 |
|--|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Estimated Use of Balance | 544 | 101 | 69 | (75) | 61 |
| Business rate income at safety net | | 144 | 147 | 150 | 153 |
| Reduction in tax base (0.5%) | | 22 | 45 | 69 | 94 |
| Additional 1% on the pay award in 2021/22 | 110 | 112 | 114 | 117 | 120 |
| Additional recycling costs | | 50 | 50 | 50 | 50 |
| Planning income is not sustained | | 100 | 100 | 100 | 100 |
| Reduction in service income | | 200 | 200 | 200 | 200 |
| Inflation is 1% higher than assumed | | 92 | 95 | 98 | 99 |
| Potential Use of / (Cont to) Balances | 654 | 821 | 820 | 709 | 877 |
| Balances at Year End | 1,462 | 641 | (179) | (888) | (1,765) |