

Introduction by the Deputy Chief Executive

General Fund Revenue Estimate

Introduction

This document provides Members with details of budgeted expenditure and income for those General Fund services that will be operated by the Council during the 2017/18 financial year.

The Council agreed the budget and set its Council Tax for the 2017/18 financial year at its meeting on 22nd February and agreed there would be no change in the Council Tax for North Warwickshire Borough Council. The process that led to this decision is set out below, together with an analysis of the funding streams provided to the Council from Central Government to enable it to provide the wide range of services on offer to the people of the Borough.

Financial Strategy 2017/18

In September 2016, the Executive Board approved the Financial Strategy for the Council for the period 2017/2021. The Strategy assumed a £5.00 increase in Council Tax and a 13.4% decrease in external funding. On this basis the strategy then set out the level of savings that would need to be identified over the forthcoming years to enable the Council to continue to provide an effective level of services within a robust budget. Limited unavoidable growth was included within the strategy.

For 2017/18 the level of savings required totalled £730,000 with further savings of £500,000 in 2018/19, £500,000 in 2019/20 and £550,000 in 2020/21.

The actual level of savings achieved through the reduction in expenditure budgets or the identification of additional income was just above the target for 2017/18, totalling £739,220. These reductions are summarised below.

Service Area	£'000 2017/18 Onwards
Resources Board – Central Budgets	141,280
Community and Environment Board	94,950
Resources Board	298,750
Planning and Development Board	30,000
Corporate	174,240
Overall Total	739,220

The savings identified and included within the 2017/18 revenue estimates are set out on page 7.

Growth totalling £75,000 was included in the 2017/18 budget and this is set out on page 8.

The General Fund Budget Requirement

The Council's overall General Fund Budget Requirement for 2017/18 totals £7,912,000, which includes both Service Budgets and other Financing Adjustments. This amount is £328,480 (4%) lower in cash terms, than the amount set for 2016/17. The reasons for the movement in the overall requirement are set out in the table below.

		£,000
	Budget Requirement 2016/17	8,240
Add	Decrease in Grants Received (inc. those on Benefits)	461
	Cost of Inflation	296
	Decrease in the Use of Balances	166
	Decrease in Interest on Investments	100
Less	Impact of Service Changes (inc. those on Benefits)	1,074
	Increase in Income	160
	Increase in Contingencies	117
	Budget Requirement 2017/18	7,912

Council Tax, Government Funding and New Homes Bonus

Central government provides funding to local authorities for their General Fund activities through the Settlement Funding Assessment system. The government decides on the funding to be allocated to Local Government on a national basis, and then allocates this funding between authorities using a formula calculation which takes into account individual authorities' tax raising abilities.

The funding allocated for this Council shows a 15.2% reduction in 2017/18 from the previous year, with further reductions of 9.6% and 11.8% indicated in 2018/19 and 2019/20. Figures for 2020/21 are not yet known so our latest projections have assumed 2019/20 funding levels in 2020/21.

In 2017/18, local authorities can retain a proportion of the business rates they collect for the year. The Secretary of State announced a baseline funding level of £1.793 million for North Warwickshire in the 2017/18 Finance Settlement. As we are required to pay a business rate tariff of £14.472 million in 2017/18, we need our local share of business rates to come to £16.265 million, in order to achieve this level of funding. In addition to this we expect to retain an additional £350,000 in business rates growth in the 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, we pay 50% of the additional rates to the government, and a further 10% to Warwickshire County Council. The remaining 40% is North Warwickshire's share, but we are required to pay a levy of 50% of the additional rates we receive to the government.

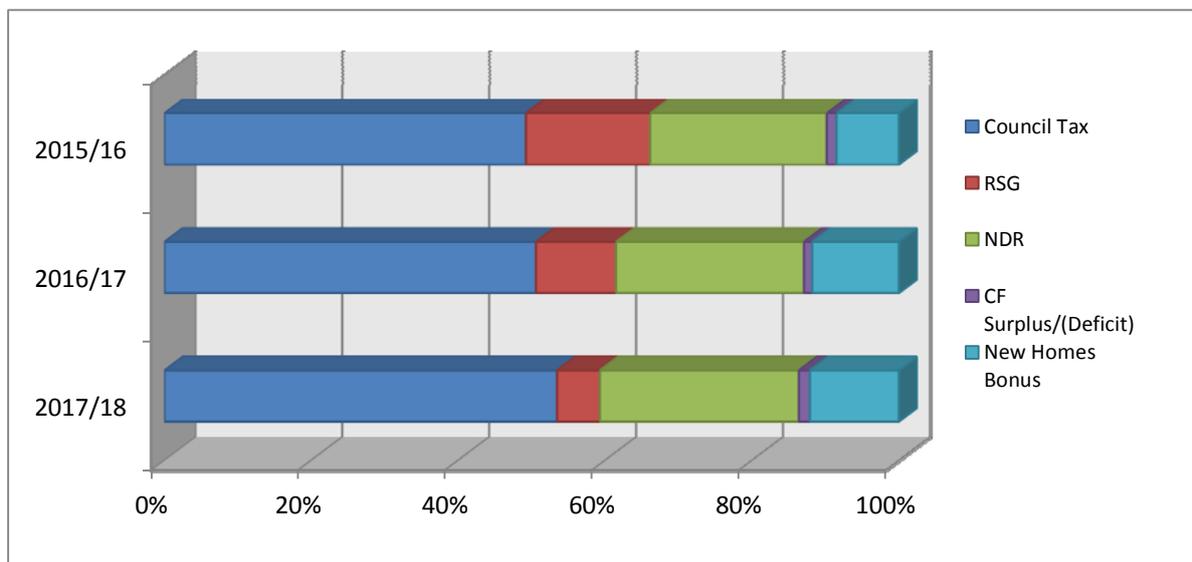
The Council is a member of the Coventry and Warwickshire Business Rates Pool. This Local Pool agreed a safety net provision at a 5% loss of baseline funding, which would benefit the Council in the event that business rates fall. If business rates increase, the Pool will have a lower levy rate than the Council, of around 17%, allowing the Pool to keep more of the increase.

The setting of the Council Tax takes into account the spending requirements of the boards, reduced by investment income, financing adjustments and expected contributions from balances to arrive at the Borough Requirement. This is then further reduced by external funding and any surplus on the collection fund to arrive at the Council Tax requirement for the Borough.

North Warwickshire Borough Council Tax for 2017/18 has remained at 2011/12 levels. However, there has been an increase in the number of properties paying Council Tax over 2016/17 so an additional £62,070 will be collected in 2017/18.

The New Homes Bonus expected for 2017/18 is £13,230 lower than in 2016/17. This revised figure has been used as a base for projecting grant income for the rest of the strategy period, following a review of the new build identified in the Core Strategy. The Government's intention to reduce the New Homes Bonus is also reflected in the strategy.

The diagram below shows the proportion that each funding source makes to the overall requirement of the Council over the last three years and highlights the difficulty in forecasting Government support on a year by year basis.



The Council Tax set by Warwickshire County Council for 2017/18 increased from 2016/17 levels by 3.99% (including a 2% increase for Social Care), whilst the council tax set by and Warwickshire Police Authority for 2017/18 remained at the 2016/17 level. These increases, taken with increases in the Parish Precepts have resulted in an overall average Council Tax increase of 3.02%. The average council tax by band for North Warwickshire Residents is set out below.

Band	A	B	C	D	E	F	G	H
Warwickshire CC	833.34	972.23	1,111.12	1,250.01	1,527.79	1,805.57	2,083.35	2,500.02
Warwickshire CC – Adult Social Care	32.58	38.01	43.44	48.87	59.73	70.59	81.45	97.74
Warwickshire Police	127.99	149.32	170.65	191.98	234.64	277.30	319.97	383.96
North Warwickshire	138.20	161.23	184.27	207.30	253.37	299.43	345.50	414.60
Parishes (Average)	31.19	36.40	41.59	46.79	57.18	67.59	77.98	93.58
Total	1,163.30	1,357.19	1,551.07	1,744.95	2,132.71	2,520.48	2,908.25	3,489.90

Further detail is given on pages 5 and 6.

Council Balances

The Council's Financial Strategy is based upon maintaining a minimum level of General Fund balances of £1.42 million over the medium-term, and growth, savings and service budget requirements are all determined taking this factor into account. The use of balances included in the agreed financial strategy have, subsequently been revised to take account of changes made in the 2017/18 budget estimates. These amounts are set out below.

Revised Budget Strategy

	2016/17 Revised £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Board Requirements	9,572	9,143	9,292	9,693	9,988
Growth	-	75	-	-	-
Contribution from earmarked reserves	-	(75)	-	-	-
Grant payments to Parish Councils	71	59	53	47	47
Investment Income	(120)	(80)	(50)	(70)	(120)
Financing Adjustment	(973)	(877)	(838)	(796)	(579)
Revenue Contribution to Capital Spending	119	119	119	119	119
External Funding	(3,008)	(2,604)	(2,387)	(2,146)	(1,896)
New Homes Bonus	(972)	(959)	(730)	(700)	(620)
CT Support Transitional Grant	(21)	(21)	-	-	-
Collection Fund Surplus	(92)	(118)	(93)	(97)	(102)
Net Expenditure	4,576	4,662	5,366	6,050	6,837
Council Tax	(4,148)	(4,209)	(4,376)	(4,546)	(4,721)
Use of Balances	428	453	990	1,504	2,116
Savings Required 2017/18	-	-	(550)	(550)	(550)
Savings Required 2018/19	-	-	-	(450)	(450)
Savings Required 2019/20	-	-	-	-	(450)
Adjusted Use of Balances	428	453	440	504	666
Level of Balances	3,656	3,203	2,763	2,259	1,593

The Council Tax 2017/18

Expenditure Requirements	£	£
North Warwickshire Borough Council Precept		7,912,000.00
Parish Council Precepts		950,150.90
		8,862,150.90
Less:		
Revenue Support Grant & NDR Distribution	(2,604,050.00)	
New Homes Bonus	(958,970.00)	
Transitional Grant	(21,020.00)	
Collection Fund surplus	(118,170.00)	(3,702,210.00)
Net Borough Council Requirement		5,159,940.90
Warwickshire County Council Precept		26,377,278.37
Warwickshire Police Authority Precept		3,898,670.00
Total Council Tax Requirement		35,435,889.27

The Council tax for 2017/18	£	£
Effective Tax Base for Whole Area (number of Band D equivalent properties)	20,307.71	
Warwickshire County Council Requirement Requirement divided by Tax Base =	26,377,278.37	1,298.88
Warwickshire Police Authority Requirement Requirement divided by Tax Base =	3,898,670.00	191.98
North Warwickshire Borough Council Requirement Requirement divided by Tax Base =	4,209,790.00	207.30
Parish Requirement (average) Requirement divided by Tax Base =	950,150.90	46.79
Total Average Band D Council Tax		1,744.95

The Council Tax 2017/18

Column No Parish Councils	1 Parish Precept	2 Tax Base (Band D)	3 Parish Prece pt per Band D	4 Add Borough Precept Band D	5 Add County Precept Band D	6 Add Police Precept Band D	7 Council Tax Band D Cols 3+4+5+6
Ansley	23,000.00	608.46	37.80	207.30	1,298.88	191.98	1,735.96
Arley	25,722.00	842.30	30.54	207.30	1,298.88	191.98	1,728.70
Astley	1,330.00	71.75	18.54	207.30	1,298.88	191.98	1,716.70
Atherstone	137,877.00	2,655.91	51.91	207.30	1,298.88	191.98	1,750.07
Austrey	15,000.00	385.22	38.94	207.30	1,298.88	191.98	1,737.10
Baddesley Ensor	49,140.00	505.64	97.18	207.30	1,298.88	191.98	1,795.34
Baxterley	10,984.38	122.80	89.45	207.30	1,298.88	191.98	1,787.61
Bentley/Merevale	740.00	52.44	14.11	207.30	1,298.88	191.98	1,712.27
Caldecote	-	76.08	-	207.30	1,298.88	191.98	1,698.16
Coleshill	235,395.68	2,405.17	97.87	207.30	1,298.88	191.98	1,796.03
Corley	14,565.00	309.98	46.99	207.30	1,298.88	191.98	1,745.15
Curdworth	27,560.00	475.72	57.93	207.30	1,298.88	191.98	1,756.09
Dordon	23,694.60	842.50	28.12	207.30	1,298.88	191.98	1,726.28
Fillongley	16,316.00	632.33	25.80	207.30	1,298.88	191.98	1,723.96
Great Packington	-	53.42	-	207.30	1,298.88	191.98	1,698.16
Grendon	17,279.00	563.65	30.66	207.30	1,298.88	191.98	1,728.82
Hartshill	92,021.34	1,050.52	87.60	207.30	1,298.88	191.98	1,785.76
Kingsbury	31,702.00	2,355.70	13.46	207.30	1,298.88	191.98	1,711.62
Lea Marston	8,588.00	136.83	62.76	207.30	1,298.88	191.98	1,760.92
Little Packington	-	19.96	-	207.30	1,298.88	191.98	1,698.16
Mancetter	24,153.00	641.97	37.62	207.30	1,298.88	191.98	1,735.78
Maxstoke	5,375.00	115.88	46.38	207.30	1,298.88	191.98	1,744.54
Middleton	12,216.00	310.84	39.30	207.30	1,298.88	191.98	1,737.46
Nether Whitacre	12,195.00	469.65	25.97	207.30	1,298.88	191.98	1,724.13
Newton Regis/Seckington	9,602.00	223.33	42.99	207.30	1,298.88	191.98	1,741.15
Over Whitacre	4,750.00	185.58	25.60	207.30	1,298.88	191.98	1,723.76
Polesworth	70,301.00	2,511.19	28.00	207.30	1,298.88	191.98	1,726.16
Shustoke	10,245.90	198.76	51.55	207.30	1,298.88	191.98	1,749.71
Shuttington	5,256.00	151.53	34.69	207.30	1,298.88	191.98	1,732.85
Water Orton	63,417.00	1,267.00	50.05	207.30	1,298.88	191.98	1,748.21
Wishaw	1,725.00	65.60	26.30	207.30	1,298.88	191.98	1,724.46
Totals	950,150.90	20,307.71					
Average Band D Council Tax			46.79	207.30	1,298.88	191.98	1,744.95

SAVINGS/ADDITIONAL INCOME INCLUDED IN 2017/18 FIGURES

Board	Description	2017/18 £
Planning	Reduced contribution to the Building Control Partnership	30,000
All	Pay Award 2016/17	85,920
All	Pay Award 2017/18	88,320
C & E	Reduced operation - Arley Sports Centre	34,950
C & E	Remove additional CAB grant	15,000
C & E	Charge for replacement bins	45,000
Resources	Shared Service Restructure	12,100
Resources	Assistant Central Services Officer post	25,370
Resources	Borough care Charges	265,040
Resources	Community Development restructure	70,640
Resources	Assistant Management Team and Civic Support Officer	5,600
Resources	Lease Car Allowance	13,850
Resources	Cost of Democratic Service – Journals & Newspapers	510
Resources	Cost of Democratic Service – Advertising and Promotion	1,000
Resources	Cost of Democratic Service – Telephones	1,100
Resources	Cost of Democratic Service – Conference Fees	150
Resources	Cost of Democratic Service – Corporate Subscriptions	2,640
Resources	Cost of Democratic Service – Members Subsistence	230
Resources	Corporate & Democratic Core - Advertising	720
Resources	Compensation and Pensions – reduced contributions on past pension payments	9,030
Resources	NDR Reduction for Council Offices/ Old Bank House	2,900
Resources	Compensation and Pensions – reduced contributions on past pension payments	3,330
Resources	IT Support Officer	25,820
	OVERALL TOTAL	739,220

GROWTH INCLUDED IN 2017/18 FIGURES

Board	Description	2017/18 £
C & E	Additional action to combat fly tipping in the Borough	50,000
Res	Action to Improve links to business in the Borough	10,000
Exec	To increase the funding for Community Partnership initiatives	10,000
C & E	To raise awareness on health and well being	5,000
	OVERALL TOTAL	75,000

GENERAL FUND REVENUE ESTIMATES
YEAR ENDING 31 MARCH 2018
GRAND SUMMARY
GENERAL FUND REQUIREMENTS

Board	2016/2017 Original Estimate	2017/2018 Original Estimate
	£	£
Community and Environment	5,283,330.00	5,200,890.00
Executive	580,330.00	569,340.00
Planning and Development	241,930.00	252,880.00
Licensing	(4,320.00)	17,950.00
Resources	3,460,460.00	3,043,160.00
Contingencies	176,710.00	59,450.00
Requirements of Boards	9,738,440.00	9,143,670.00
Interest on Investments	(180,000.00)	(80,000.00)
Financing Adjustment	(888,010.00)	(876,900.00)
Revenue Contributions to Capital Expenditure	119,000.00	119,000.00
Use of Balances	(619,570.00)	(452,770.00)
Grant Payments to Parish Councils (CTS)	70,620.00	59,000.00
Revenue Support Grant	(898,920.00)	(460,790.00)
Transitional Grant	(21,100)	(21,020.00)
Business Rates	(16,407,970.00)	(16,265,253.00)
Business Rates - Tariff	14,649,300.00	14,471,993.00
Additional Business Rates	(350,000.00)	(350,000.00)
New Homes Bonus	(972,200.00)	(958,970.00)
Surplus/(Deficit) on Collection Fund	(91,870.00)	(118,170.00)
Council Tax Requirement (NWBC)	4,147,720.00	4,209,790.00
Special Items - Parish Precepts	910,828.85	950,150.90
Council Tax Requirement (NWBC and Parishes)	5,058,548.85	5,159,940.90

Introduction by the Deputy Chief Executive

Housing Revenue Account Budget

Introduction

The Council is required, by law, to operate a separate Housing Revenue Account (HRA) to record all of the costs and income related to the management of its housing stock and other related assets such as shops, garages and land. The HRA has to be self-financing and cannot budget for an overall loss.

As of 1st April 2017 the Council will own 2,654 houses, giving a decrease of 9 properties from 1st April 2016. The expectation is that 30 properties will be sold under the Right to Buy Scheme and 10 properties will be demolished in Lister Road Atherstone and Church Walk Mancetter. These are expected to be partially covered by additional new building of 15 properties in Lister road Atherstone and 16 properties in Spon Lane Grendon.

Revenue expenditure and income

The Council spends money on the strategic and operational management of its housing stock, insurance, tenant work and sheltered accommodation. It also spends money on day-to-day repairs and maintenance of its properties, and for 2017/18 it is estimated that the HRA will contribute £3.063 million to the Housing Repairs Fund. This type of expenditure is separate from that included in the Council's Capital Programme, designed to maintain the Housing Stock at the decent homes standard.

30 year HRA Business Plan

As management of the housing stock is a long term requirement, a business plan has been put together for 30 years, although expenditure in particular is difficult to predict so far in advance. This has been updated as part of the estimates process.

The expected position on the Housing Revenue Account at the end of the 30 years is a surplus of £63.3 million. This is after funding capital expenditure of £167 million, with in excess of £22 million of that funding set aside for new build schemes or other improvement schemes. Borrowing of £55 million will also have been repaid.

Surpluses can be used on the provision of new housing or increasing the standard of maintenance on the existing stock. However, the expected surplus of £63.3 million after 30 years is not excessive, given the possible impact of the following change in legislation:

- The Housing and Planning Bill 2015 sets out legislation relating to the sale of vacant high value void properties which are not yet included in these figures.
- The Bill proposes that an annual estimate will be made of the market value of each authority's interest in any high value housing that is likely to become vacant during the year. Based on those estimates a levy will be required from each Local Authority Housing Revenue Account to pay for the Government's Right to Buy Scheme for Housing Associations. The amount of the levy for this Council is not yet known.

Income

The major source of income for the Housing Revenue Account is through rents received from tenants. The 2017/18 estimate for housing rent income is £11.494 million, a decrease in income on the revised budget for 2016/17 of £127,030, due to the 1% reduction in rent levels required by the government.

The CLG have continued the government rent setting policy and require all social rents to be decreased by 1% per annum in each of the next four years. Adherence to the policy means that properties will no longer reach their target rents. The governments suggested way for local councils to achieve target rents is to increase the rent of each property to its target rent when the property becomes vacant.

The figures included are based on the 1% reduction required by the CLG. This gives an average rent decrease of £0.93 per week (1%), although individual rent changes will vary from decreases of £0.76 to £1.62 per week in 2017/18.

The impact of the new rent policy has been built into the 30 year Business Plan.

The Council also receives income from other sources including rent income from the letting of shops and garages and from service charges from former tenants who have bought 125-year leases on their properties.

The Council makes service charges to tenants who benefit from a window cleaning service and the cleaning of communal areas in blocks of flats. The charge for window cleaning ranges from £0.54 to £1.28 per week for 2017/18. The charge for communal cleaning is £1.84 per week for 2017/18.

The Council also generates investment income from the various reserves and funds it holds, and the HRA is paid a proportion of this income.

HRA Balances

The following section sets out the HRA budget for 2017/18, and shows that the forecast levels of expenditure incurred and income received during the year are anticipated to result in a surplus of £316,740. Details of expenditure and income are shown on page 62.

The HRA is expected to generate a surplus in 2017/18 and 2018/19, turning into a small deficit in 2019/20 and 2020/21. The figures below set out the expected impact on the Housing Revenue Fund over this period.

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
HRA Expenditure	11,113	11,663	11,880	11,806	12,212
Total Expenditure	11,113	11,663	11,880	11,806	12,212
Income	12,136	11,980	11,998	11,789	12,050
Total Income	12,136	11,980	11,998	11,789	12,050
Balances (surplus)/Deficit	(1,023)	(317)	(118)	17	162
Balance at 31 March	(3,812)	(4,129)	(4,247)	(4,230)	(4,068)

Introduction by the Deputy Chief Executive

Capital Programme 2017/18 to 2019/20

Introduction

The Council owns and maintains a wide range of assets from Council Houses, Civic Buildings, Leisure Centres to Vehicles, Land and Computer Systems. In order to ensure that services continue to be provided in the most effective and appropriate manner for the people of North Warwickshire, the Council has to spend money on enhancing the existing assets that it owns, replacing those assets that have run past their economic usefulness and to acquire new assets.

However, when planning service requirements, the Council tries to look at not only what is required for the forthcoming year, but also for the subsequent two years and therefore sets a Three Year Capital Programme. This also enables the Council to determine the best way that the limited capital resources that are available can be used to meet the demands placed upon it in terms of Capital Investment.

The Council is permitted to borrow to fund capital expenditure, but no longer receives government support for any new borrowing. The Council has the ability to undertake unsupported borrowing and have forecast the use of this in order to fund the purchase of new vehicles from the vehicle renewal scheme.

The Council is able to fund housing capital spending from the revenue generated through the Housing 30 Year Business Plan.

Other sources of finance are required to enable the Council to fund the Capital Programme and we will continue to be dependent on the use of capital receipts from the sale of Council houses and land.

The General Fund and the Housing Revenue Account will make annual contributions to the financing of capital expenditure. In addition to this, included within the General Fund projections are specific capital schemes which are funded from earmarked reserve contributions.

The forecast level of capital resources available to the Council over the next three financial years is £24.975 million as set out in the table below.

	2017/18 £'000	2018/19 £'000	2019/20 £'000
Resources Brought Forward	10,032		
Capital Receipts from Council House Sales	1,394	1,390	1,387
Revenue Contributions – General Fund	119	119	119
Revenue Contributions – HRA	3,324	3,245	2,578
Borrowing	448	163	73
New Build Fund	386	-	-
Use of Earmarked Reserves	66	66	66
Total	15,769	4,983	4,223

There are a number of capital schemes that are expected to be undertaken over future years, but which have not yet been included within the Councils Capital Programme, as the costs associated with these schemes have yet to be fully determined or the method of delivering these improvements has not been decided. For example, implementation of the Green Space Strategy and works on the industrial units.

In addition, as the table on the previous page shows, there remains a reliance on asset sales for funding the planned programme. In this instance there are Right To Buy Council House sales included within the resources total which have a degree of risk associated with them.

Taking these points into account, it is prudent to leave some resources unallocated to ensure that these areas can be addressed in the future. Over the 3 years, it is expected that a balance of £6.94m will be retained by 2019/20.

Formulating the Capital Programme

The capital schemes included in the approved capital programme have all been assessed against a range of criteria to ensure that the investment of the Council's capital resources is directed effectively to meet the Council's 6 Priorities.

Due to the shortage of resources, the other key issues are meeting statutory requirements and ensuring effective service delivery. The budget has been allocated to ensure that public buildings meet Equalities legislation, that refurbishments are carried out on council buildings to meet Health and Safety legislation, that computer and leisure equipment is replaced that will allow the Council to carry on providing its services to the same level and that some investment in the Borough Care programme is on going.

The Capital Programme for 2017/18 includes a number of schemes that were included in the 2016/17 Programme. This is generally because there is a continuous programme of works required, such as the Decent Homes Standard works, computer equipment replacement and vehicle renewals.

Future revenue implications that may arise from each of the schemes have been identified and are reflected in the General Fund revenue budgets. Additional revenue costs arising from the Capital Programme are expected to be £185,410 in 2017/18, £146,150 in 2018/19 and £132,890 in 2019/20.

The figures included within the Capital Programme for 2017/18 do not include any slippage and therefore the approved programme is likely to be subject to revision early in the new financial year. This is because, by their very nature, capital projects sometimes overrun or do not progress as quickly as had been anticipated. Projects falling into this category will require resources included within the 2016/17 Capital Programme to be carried forward into the 2017/18 programme and Members will receive a report on this once the exact level of slippage has been established.

The Prudential Code

The Council needs to consider not only the affordability of its Capital Investment plans, but also prudence, sustainability, value for money, asset management planning, practicality and service objectives.

To demonstrate this, the Council has set a range of Prudential Indicators, which will be used to support capital investment decision-making, and to demonstrate that plans are affordable in both the short and long-term. There is a requirement for net borrowing in the medium-term to be for capital purposes only. Members approved the Prudential Indicators for the Council at the meeting of full council held on 22nd February 2017. The indicators approved at that meeting are set out in summary overleaf.

Council's are free to borrow, but within levels which are affordable, sustainable and prudent. In summary any decision the Council takes in respect of additional borrowing has to be taken with reference to the impact on Council Tax and Housing Rent payers.