



CABINET

4 January 2012

**A Meeting of the CABINET will be held on Wednesday, 11th January, 2012, 6.00 pm
in Committee Room 1 Marmion House, Lichfield Street, Tamworth**

A G E N D A

NON CONFIDENTIAL

- 6 Draft Budget & Medium Term Financial Strategy 2012/13 (Pages 1 - 40)**
(Report of the Leader of the Council)

Yours faithfully

A handwritten signature in black ink, appearing to be 'A. Oates', written over a circular stamp or mark.

Chief Executive

People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709264 or e-mail committees@tamworth.gov.uk preferably 24 hours prior to the meeting. We can then endeavour to ensure that any particular requirements you may have are catered for.

To Councillors: D Cook, R Pritchard, S Claymore, J Garner, M Greatorex and M Oates

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CABINET

11th January 2012

JOINT SCRUTINY COMMITTEE (BUDGET)

24th January 2012

Report of the Leader of the Council

BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2012/13 to 2016/17

Purpose

To approve the draft package of budget proposals (**attached at Appendix A**) to consult with the Joint Scrutiny Committee (Budget) on 24th January 2012 and receive their feedback on the:

- General Services Revenue budget and council tax for 2012/13;
- Housing Revenue Account budget for 2012/13;
- Capital Programme;
- Medium Term Financial Strategy.

This is a key decision as it affects two or more wards and involves expenditure over £50k.

Recommendations

That:

1. **Cabinet approve the draft package of budget proposals including the proposed policy changes, as detailed at Appendix B;**
2. **As required by the Constitution of the Council, the Joint Scrutiny Committee (Budget) on 24th January 2012 be asked to consider the budget proposals contained within this report.**

Executive Summary

In light of the national economic situation and the significant constraints in public spending & the pace of further grant funding reductions following the 2010 Comprehensive Spending Review (CSR) in these times of Government austerity - a measured approach to budget setting was approved by Cabinet on 21st September 2011 as any growth proposals would require compensating reductions in other budget areas & services.

A commitment was made as part of the 2011/12 budget process to protect front line services (as far as possible) together with locality working (with ongoing support for the most vulnerable and those affected by the recession).

The Council has sufficient funds held in reserves and balances which will allow it to plan its approach to budget setting in the short term following the voluntary redundancy programme and series of short-term and long-term activity reviews identified to help the Council cope with grant & income reductions in the coming years.

The headline figures for 2012/13 are:

- A General Services net revenue budget requirement of £8,111,130 a reduction of 6.9%;
- A transfer of £782k from General Fund (GF) balances;
- A transfer of £906k from Housing Revenue Account (HRA) balances;
- The Band D Council Tax would be set at £149.55, the same level as in 2011/12;
- An average rent of £76.47 which represents an increase of £5.17 (7.1% on the current average rent of £71.30) in line with the Government's Rent Restructuring rules (based on a 50 week rent year), equating to £73.53 on an annualised 52 week basis;
- A General Fund capital programme of £5.7m;
- A Housing capital programme of £29.5m.

The medium term financial planning process is being challenged by the economic downturn / recession. The attached forecast is based on a 5 year period, but does contain a number of uncertainties. The grant reductions will put significant pressure on the ability of the Council to publish a balanced 5 year MTFS – it may have to be a 3 or 4 year MTFS.

As raised at the Executive Management Team Away Day, the key uncertainties which will inform further budget considerations before the final budget proposals are developed are:

- a) Future Revenue Support Grant levels including the impact from the proposals to localise business rates and future support through New Homes Bonus grant;
- b) Proposed changes set out in the Welfare Reform Bill and the introduction of Universal Credit – potential impact on housing and council tax benefits (including support for council tax benefits) and associated income receipts of the council;
- c) The planned removal of the Housing Subsidy system, the introduction of self financing for the HRA and the level of debt allocation the Council would have to take together with the associated impact on the revenue account.

- d) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management;
- e) The severity of the recession and the impact it has had and still could have on the Council's income streams;
- f) While the Government announced a pay freeze for 2011/12 & 2012/13, the impact of inflation on pay settlements and other contractual arrangements for future years is less certain, although the Chancellor as part of the Autumn Forecast Statement announced a 1% limit for the following 2 years;
- g) Finalisation of the expected outcomes and impact on the Council's financial position from the programme of short-term and long-term workstream reviews commissioned by Cabinet to identify measures to help the Council cope with grant & income reductions in the coming years;
- h) While the Council capitalised the estimated impairment loss from the Council's investments in Icelandic Banks in 2009/10, finalisation of the financial impact is still subject to the likely impact of repayment levels in future years;
- i) Potential implications of the planned Stock condition survey & consultation with tenants on future capital investment programme requirements; and
- j) Review and finalisation of the revised budgets/policy changes and feedback from the Scrutiny process.

In light of these uncertainties and issues arising from the sensitivity analysis (attached at **Appendix K**), it is felt prudent to include within the budget a number of specific contingency budgets (aligned to the specific uncertainties, where appropriate) to ensure some stability in the financial planning process (as detailed at **Appendix L**).

Resource Implications

A summary table of all the budget proposals is shown at the end of the report. The General Services summary revenue budget for 2012/13, appears at **Appendix D**. A summary of the resulting budgets over the five year period appears at **Appendix F**.

The draft Budget and Medium Term Financial Strategy is based on a council tax freeze for 2012/13 followed by increases at 2.5% p.a. thereafter & in line with statutory requirements. A balanced General Fund budget position for 3 years is reported with balances forecast at £1.1m. It should be noted that in order to ensure General Fund balances remain above the minimum approved level of £500k over 4 years further savings of £558k need to be identified (the shortfall over 5 years is currently forecast at £1.75m). The forecast does not include the revenue implications of the capital programme at this stage.

The summary HRA Revenue Budget for 2012/13 appears at **Appendix C** (including a summary of the resulting budgets over the five year period). Closing balances over 4 years are estimated at £3.2m (£3.8m over 5 years) – in excess of the minimum approved level of £0.25m.

The draft 4-year General Fund capital programme has been formulated based on the predicted available resources. Assuming that the anticipated capital receipts will be received, this leaves a balance of £0.5m available (the minimum approved level).

The Council's uncommitted housing capital resources will effectively be reduced to £0.5m (the approved minimum level) assuming that the planned savings are realised to release the additional revenue contributions to capital spending.

Legal / Risk Implications

The Council's constitution requires Cabinet publish initial proposals for the budget, having first canvassed the views of local stakeholders as appropriate - budget proposals will be referred to the Joint Scrutiny Committee (Budget) for further advice and consideration.

In line with the constitution a Joint Scrutiny Budget Workshop was held on 19th December 2011.

In order to allow Scrutiny Committees to respond to the Cabinet on the outcome of their deliberations, a meeting of the Scrutiny Committee (Budget) has been arranged for 24th January 2012.

Proposed amendments to the 2011/12 base budget, approved by Council on 22nd February 2011, are detailed within the report.

Risks to Forecasts:

Risk	Control Measure
Major variances to the level of grant / subsidy from the Government, in light of economic downturn (including specific grants e.g. Benefits admin.);	An estimated reduction in grant levels of 5% p.a. for 2013/14 to 2015/16 has been included;
New Homes Bonus grant levels lower than estimated;	Future levels included on a risk based approach in order to offset further grant reductions / uncertainty over additional property numbers;
Potential 'capping' of council tax increases by the Government;	Council tax forecasts are included within this report (2.5% p.a. from 2013/14) – current indications are that increases above 2.5% may risk 'capping' (confirmed as 3.5% for 2012/13);

Risk	Control Measure
The achievement of substantial savings / efficiencies will be needed to ensure sufficient resources will be available to deliver the Councils objectives through the 5 year budget e.g. Transforming Tamworth & Support Services Options Appraisal workstreams;	A robust & critical risk based review of the budget proposals contained within this report has been undertaken;
The planned removal of the Housing Subsidy system, the introduction of self financing for the HRA and the level of debt allocation the Council would have to take together with the associated impact on the revenue account;	A detailed review of the consultation proposals has been undertaken & the model updated to identify the impact for the HRA;
Pay awards greater than forecast;	Forecast assumes a pay freeze for 2 years followed by a 1% limit for 2 years, in line with Government announcements, with CPI increases thereafter;
Pension costs higher than planned / Hutton review;	Increases of 0.5% pa have been included with agreement made with Pension Fund following triennial review for next 3 years;
Variation or further reduction in the sales of Council Houses;	A prudent approach has been taken in the estimation of future sales – 5 p.a.;
The potential financial impact arising from the council's investments in Icelandic banks, which have been identified 'at risk'.	The latest estimates for repayment have been included within the forecasts.

If Members would like further information or clarification prior to the meeting please contact Stefan Garner Ext. 242.

Background Papers:-	Budget & Medium Term Financial Strategy 2011/12 – 2014/15, Council 22nd February 2011
	Budget and Medium Term Financial Planning Process, Cabinet 21st September 2011
	Budget Consultation Report, Cabinet 13th October 2011
	Draft Base Budget Forecasts 2012/13 to 2016/17, Cabinet 23rd November 2011

Introduction

The Council's approach to medium term planning aims to integrate the Council's service and financial planning processes. In accordance with that approach this report contains firm proposals for 2012/13 and provisional proposals for the following years.

It is intended that all aspects of the budget should be agreed by Members and so this report details each amendment which is proposed to the 2011/12 budget to arrive at the starting point for 2012/13. The report deals in turn with each of the key elements and towards the end of each section is a summary table. Each of these tables is brought together in the summary and conclusions section at the end of the report.

The Council's medium term financial plan used as the basis for the 2012/13 budget, aimed both to deal with a challenging financial position and to find resources to address the Council's corporate priorities. The approved package was based upon:

- The need to compensate for reduced income levels arising from the unprecedented economic / world events which have lead to the economic downturn / recession;
- Injecting additional resources into corporate priorities;
- Increasing income from council tax and fees and charges;
- Reducing existing services to make way for new ones;
- Making other savings and efficiencies;

Financial Background

The medium term financial planning process is being challenged by the unprecedented economic / world events which have lead to the economic downturn / recession. The attached forecast is based on a 5 year period, but due to the uncertainties contained therein, a more realistic / reliable approach may be to forecast over the minimum period available of 3 years.

There are a number of challenges affecting the Medium Term Financial Planning process for the period from 2012/13 to 2016/17 which add a high level of uncertainty to budget projections. The current uncertainties arise from:

As raised at the Executive Management Team Away Day, the key uncertainties which will inform further budget considerations before the final budget proposals are developed are:

- a) Future Revenue Support Grant levels including the impact from the proposals to localise business rates and future support through New Homes Bonus grant;
- b) Proposed changes set out in the Welfare Reform Bill and the introduction of Universal Credit – potential impact on housing and council tax benefits (including support for council tax benefits) and associated income receipts of the council;

- c) The planned removal of the Housing Subsidy system, the introduction of self financing for the HRA and the level of debt allocation the Council would have to take together with the associated impact on the revenue account.
- d) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management;
- e) The severity of the recession and the impact it has had and still could have on the Council's income streams;
- f) While the Government announced a pay freeze for 2011/12 & 2012/13, the impact of inflation on pay settlements and other contractual arrangements for future years is less certain, although the Chancellor as part of the Autumn Forecast Statement announced a 1% limit for the following 2 years;
- g) Finalisation of the expected outcomes and impact on the Council's financial position from the programme of short-term and long-term workstream reviews commissioned by Cabinet to identify measures to help the Council cope with grant & income reductions in the coming years;
- h) While the Council capitalised the estimated impairment loss from the Council's investments in Icelandic Banks in 2009/10, finalisation of the financial impact is still subject to the likely impact of repayment levels in future years;
- i) Potential implications of the planned Stock condition survey & consultation with tenants on future capital investment programme requirements; and
- j) Review and finalisation of the revised budgets/policy changes and feedback from the Scrutiny process.

In light of these uncertainties and issues arising from the sensitivity analysis (attached at **Appendix K**), it is felt prudent to include within the budget a number of specific contingency budgets (aligned to the specific uncertainties, where appropriate) to ensure some stability in the financial planning process (as detailed at **Appendix L**).

Following review of the sensitivity of the factors within the forecasts, pay award & inflation, Interest rate movements together with changes in Government Grant support could all significantly affect the forecast as follows:

Effect of x% movement:	% + / -	Impact over 1 year +/- £'000	Impact over 3 years +/- £'000	Impact over 4 years + / - £'000	Risk
Pay Award / National Insurance (GF)	0.5	42	259	436	M
Pension Costs	0.5	0	56	170	L/M
Council Tax	0.5	18	109	184	L/M
Inflation / CPI	0.5	39	237	399	M
Government Grant	0.5	0	65	127	L/M
Investment Interest	0.5	79	414	702	M/H
Key Income Streams	0.5	26	156	260	M
New Homes Bonus	10	24	168	300	M
Total		228	1,464	2,578	

GENERAL FUND

The Local government finance settlement figures for Tamworth for 2012/13 have recently been announced and there is no change from those provisionally released in the 2-year financial settlement issued last year. The settlement for 2012/13 shows that Government financial support (revenue support grant (RSG) plus redistributed national non-domestic rate income) totals £4.605m, a reduction of 11.7%, which means that Government support will decrease by £0.6m over last year.

The operation of the floor (which damps the results so that no Council loses significantly) means that the Council will be paid additional grant of £173k in 2012/13, when compared with the level which would be due if floors were not in force.

For future years, in light of indications of further grant reductions, it has been assumed that there will be a reduction in formula grant at a year on year rate of 5.0% per annum until 2015/16. It is expected that should grant levels deteriorate further than anticipated, this would be mitigated as new homes bonus funding has been included on a risk based approach.

Based on current indications contained within the Consultation regarding the Localisation of Business Rates, the Council should not receive, from 2015/16, less grant than the 2014/15 formula grant level. However, due to the uncertainties this is under review and will be adjusted as more information becomes available.

Based on this and coupled with the anticipated growth in Tamworth's tax base, Government financial support will reduce over the period, as shown in the table below.

External Finance	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
External Finance Projections	4,605	4,375	4,156	4,156	4,156

Technical Adjustments

Revisions have been made to the 2011/12 base budget in order to produce an adjusted base for 2012/13 and forecast base for 2013/14 onwards. These changes, known as technical adjustments have been calculated to take account of:

- virements approved since the base budget was set;
- the removal of non-recurring budgets from the base;
- the effect of inflation;
- changes in payroll costs and annual payroll increments;
- changes in expenditure and income following decisions made by the Council;
- other changes outside the control of the Council such as changes in insurance costs and reduction in grant income;
- The 'Zero base budgeting' review of income levels.

They are summarised in **Appendix E** and the main assumptions made during this exercise are shown in **Appendix J**.

They have been separated from the policy changes, as they have already been approved or are largely beyond the control of the Council, and are summarised below:

Technical Adjustments	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Base Budget B/Fwd	9,416	9,064	9,543	9,783	9,903
Committee Decisions	*(270)	173	(47)	87	-
Inflation	82	89	92	89	84
Other	7	(29)	(47)	(288)	(75)
Pay Adjustments (Including pay award / 5% vacancy allowance)	(86)	246	242	232	232
Revised charges for non-general fund activities	(85)	-	-	-	-
Total / Revised Base Budget	9,064	9,543	9,783	9,903	10,144

* () denotes saving in base budget

Policy Changes

The policy changes provisionally agreed by Council in February 2011 have been included within the technical adjustments. **A list of the revised policy changes is attached at Appendix B and summarised below:**

	Policy Changes	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Chief Executives Office	Chief Executive	-	-	-	-	-
	Assistant Chief Executive	-	-	-	-	-
	Customer Services	12	40	-	-	-
	Organisational Development	-	-	-	-	-
	Performance & Corporate Relations	-	-	-	-	-
	Solicitor to the Council	19	(12)	-	-	-
Resources	Corporate Director	-	-	-	-	-
	DD Corporate Finance	(218)	(339)	(140)	(57)	(58)
	AD Business Processes	-	-	-	-	-
	Internal Audit Services	-	-	-	-	-
	Benefits	-	-	-	-	-
Community Services	Corporate Director	(100)	-	-	-	-
	DD Assets & Environmental	-	-	-	-	-
	DD Housing & Health	-	-	-	-	-
	Partnerships & Community Development	116	(161)	35	-	-
	Total Cost / (Saving)	(171)	(472)	(105)	(57)	(58)
	Cumulative Cost / (Saving)	(171)	(643)	(748)	(805)	(863)

Capping / Local Referendum

In the past, the Government had the power under the Local Government Act 1999 to require councils to set a lower budget requirement if it considered the budget requirement and council tax had gone up by too much. The Localism Act 2011 abolished the capping regime but introduced new requirements on a Council to hold a local referendum if it increases its council tax by an amount exceeding principles determined by the Secretary of State and agreed by the House of Commons.

The proposed principles for 2012/13 are that authorities will be required to seek the approval of their local electorate in a referendum if, compared with 2011/12, they set council tax increases that exceed 3.5%.

Last year the Government indicated that it would offer grant support for the 4 year Comprehensive Spending Review (CSR) period should Council freeze Council Tax levels for 2011/12. There is no mention that this arrangement would continue thereafter. A similar offer has been announced for 2012/13 but with grant support limited to one year only. Tamworth's Council tax is currently £149.55 which is £43 below the average of the Council Tax charges of similar councils (from the Cipfa nearest neighbour grouping).

Consideration of the likely level of Council Tax increases over the 5-year period is needed to avoid the potential costs of holding a referendum and to ensure that balances are maintained at the minimum approved level of £500k. The indications are that a potential threshold will be 2.5% in future years - the impact of a 2.5% p.a. (with no increase in 2012/13) is outlined below.

Council Tax

Last years medium term financial plan identified ongoing increases of 2.0% per annum from 2012/13.

For 2011/12 Tamworth's band D council tax stands at £149.55. This is the second lowest of 16 similar Councils in the Cipfa 'nearest neighbour' family group and is approx. £43 below the group average.

The Council's provision for collection losses currently stands at 1.5% and no change is proposed. In order to meet the on-going expenditure requirements the Council will have to increase the underlying income base.

Each £1 increase in the band D Council Tax would raise approximately £23k per annum.

Assuming that the band D Council Tax would remain at £149.55 for 2012/13, the projected General Fund revenue account forecast would be as follows:

Year:	2012/13	2013/14	2014/15	2015/16	2016/17
Forecast:	£'000	£'000	£'000	£'000	£'000
Surplus/(Deficit)	(782)	(916)	(1,164)	(1,118)	(1,188)

A number of scenarios for future year's increases are set out below:

Model 1 Impact of 2% p.a. increases in Council tax (in line with approved MTFs)

Year:	2012/13	2013/14	2014/15	2015/16	2016/17
Forecast:	£'000	£'000	£'000	£'000	£'000
Increase in Council Tax Band D	70	54	37	19	-
Revised Surplus/(Deficit)	(712)	(862)	(1,127)	(1,099)	(1,188)
Balances Remaining / (Overdrawn)	3,211	2,349	1,222	123	(1,065)
£ Increase	2.99	3.05	3.11	3.17	3.24
% Increase	2.0%	2.0%	2.0%	2.0%	2.0%
Note: Resulting Band D Council Tax	152.54	155.59	158.70	161.87	165.11

This indicates a shortfall of £377k over 4 years (£1.6m over the 5 year period) - including the minimum approved balances of £500k. However, the Council would not receive the anticipated council tax freeze grant of £87k which would mean a revised deficit of £464k over 4 years (£1.7m over 5 years).

Model 2 Impact of 3.5% increase in Council tax in 2012/13 (followed by increases of 2.5% thereafter)

Year:	2012/13	2013/14	2014/15	2015/16	2016/17
Forecast:	£'000	£'000	£'000	£'000	£'000
Increase in Council Tax £	122	124	126	128	130
Revised Surplus/(Deficit)	(660)	(792)	(1,038)	(990)	(1,058)
Balances Remaining / (Overdrawn)	3,263	2,471	1,433	443	(615)
£ Increase	5.20	3.85	3.95	4.05	4.15
% Increase	3.5%	2.5%	2.5%	2.5%	2.5%
Note: Resulting Band D Council Tax	154.75	158.60	162.55	166.60	170.75

This indicates a shortfall of £57k over 4 years (£1.1m over the 5 year period) - including the minimum approved balances of £500k. However, the Council would not receive the anticipated council tax freeze grant of £87k which would mean a revised deficit of £144k over 4 years (£1.2m over 5 years).

Model 3 Impact of 2.5% increase in Council tax in 2011/12 (followed 2.5%)

Year:	2012/13	2013/14	2014/15	2015/16	2016/17
Forecast:	£'000	£'000	£'000	£'000	£'000
Increase in Council Tax £	88	90	92	94	96
Revised Surplus/(Deficit)	(694)	(826)	(1,072)	(1,024)	(1,092)
Balances Remaining / (Overdrawn)	3,229	2,403	1,331	307	(785)
£ Increase	3.75	3.85	3.95	4.05	4.15
% Increase	2.5%	2.5%	2.5%	2.5%	2.5%
Note: Resulting Band D Council Tax	153.30	157.15	161.10	165.15	169.30

This indicates a shortfall of £193k over 4 years (£1.3m over the 5 year period) - including the minimum approved balances of £500k. However, the Council would not receive the anticipated council tax freeze grant of £87k which would mean a revised deficit of £280k over 4 years (£1.4m over 5 years).

In order to take advantage of the potential Council Tax Freeze grant for 2012/13, the following scenarios have been modelled:

Model 4 Impact of 0% increase in Council tax in 2012/13 (followed by inflationary increases of 2.5% p.a.)

Year:	2012/13	2013/14	2014/15	2015/16	2016/17
Forecast:	£'000	£'000	£'000	£'000	£'000
Surplus/(Deficit)	(782)	(916)	(1,164)	(1,118)	(1,188)
Balances Remaining / (Overdrawn)	3,140	2,224	1,060	(58)	(1,246)
£ Increase	0.00	3.75	3.85	3.95	4.05
% Increase	0.0%	2.5%	2.5%	2.5%	2.5%
Note: Resulting Band D Council Tax	149.55	153.30	157.15	161.10	165.15

This indicates a shortfall of £558k over 4 years (£1.7m over the 5 year period) - including the minimum approved balances of £500k.

Model 5 Impact of 0% increase in Council tax in 2012/13 (followed by increases of 2% p.a.)

Year:	2012/13	2013/14	2014/15	2015/16	2016/17
Forecast:	£'000	£'000	£'000	£'000	£'000
Increase in Council Tax £	-	(18)	(37)	(57)	(78)
Revised Surplus/(Deficit)	(782)	(934)	(1,201)	(1,175)	(1,266)
Balances Remaining / (Overdrawn)	3,140	2,206	1,005	(170)	(1,436)
£ Increase	0.00	2.99	3.05	3.11	3.17
% Increase	0.0%	2.0%	2.0%	2.0%	2.0%
Note: Resulting Band D Council Tax	149.55	152.54	155.59	158.7	161.87

This indicates a shortfall of £670k over 4 years (£1.9m over the 5 year period) - including the minimum approved balances of £500k.

Assuming that the band D Council Tax would remain at £149.55 for 2012/13, future levels of council tax & the impact on the medium term forecast would be as follows:

Year:	2012/13	2013/14	2014/15	2015/16	2016/17
Forecast:	£'000	£'000	£'000	£'000	£'000
Surplus/(Deficit)	(782)	(916)	(1,164)	(1,118)	(1,188)
Balances Remaining / (Overdrawn)	3,140	2,224	1,060	(58)	(1,246)
£ Increase	0.00	3.75	3.85	3.95	4.05
% Increase	0.0%	2.5%	2.5%	2.5%	2.5%
Note: Resulting Band D Council Tax	149.55	153.30	157.15	161.10	165.15

Also available to the Council to support expenditure otherwise funded from Council Tax are surpluses arising from the Council's share of surpluses within the Council Tax Collection Fund. It is proposed that all available surpluses be used, as shown in the table below (and that the relevant sums be made available to the other precepting authorities – the County Council, Fire & Rescue and Police Authority).

Year:	2012/13	2013/14	2014/15	2015/16	2016/17
Council Tax	£'000	£'000	£'000	£'000	£'000
Council Tax Income	3,496	3,599	3,705	3,814	3,927
Collection Fund Surplus	10	10	10	10	10

The County Council, Police Authority and Fire & Rescue Authority are due to finalise their budgets for 2012/13 during February 2012. The impact of the Borough Council tax proposals is shown for each Council Tax Band in **Appendix G**.

Balances

At the Council meeting on 29th February 2000 Members approved a minimum working level of balances of £500k. At 31 March 2012 general fund revenue balances are estimated to be £3.9m, as anticipated a year ago.

Other than in case of emergency full Council approval would be required for any expenditure that would reduce balances below £250k. Balances held above the £250k level would be designated as a general contingency, from which expenditure could be approved by Cabinet. The minimum level of balances for planning purposes will remain at around £500k.

Summary and Conclusions

These budget proposals reflect the need to compensate for reduced income levels arising from the economic downturn / recession and significant reductions in Government funding, a desire to continue to address the Council's priorities / issues identified by Members and at the same time to seek continuous improvement in service delivery.

In addition, there remains a degree of uncertainty in a number of areas including future local authority pay settlements, the potential for interest rate changes, the future local government finance settlements and the outcome of the Icelandic Banks situation.

A summary of all the budget proposals is shown in the table below. The summary revenue budget for 2012/13, appears at **Appendix D**. A summary of the resulting budgets over the five year period appears at **Appendix F**.

Summary	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Base Budget	9,064	9,543	9,783	9,903	10,144
Policy Changes	(171)	(643)	(748)	(805)	(863)
Net Expenditure	8,893	8,900	9,035	9,098	9,281
Financing:					
RSG/NNDR	4,605	4,375	4,156	4,156	4,156
Collection Fund Surplus	10	10	10	10	10
Council Tax Income	3,496	3,599	3,705	3,814	3,927
Total Financing	8,111	7,984	7,871	7,980	8,093
Net Surplus / (Deficit)	(782)	(916)	(1,164)	(1,118)	(1,188)
Balances Remaining / (Overdrawn)	3,140	2,224	1,060	(58)	(1,246)

HOUSING REVENUE ACCOUNT

Technical Adjustments

The 2011/12 approved budget has been used as a base to which amendments have been made reflecting the impact of technical adjustments. The impact of the policy led changes, will be added to this figure to produce the HRA budget for 2012/13.

The following table illustrates the current position before the effect of policy led changes:

Technical Adjustments	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Base Budget	679	(1,371)	(927)	(557)	(377)
Committee Decisions	(423)	217	135	(1)	-
Inflation	169	205	210	206	213
Other	(1,946)	(8)	8	(39)	12
Pay Adjustments	73	23	17	14	12
Revised charges for non-general fund activities	77	7	-	-	-
Total	(1,371)	(927)	(557)	(377)	(140)

Revisions have been made to the 2011/12 base budget in order to produce an adjusted base for 2012/13 and forecast base for 2013/14 onwards. These changes, known as technical adjustments, are largely beyond the control of the Council and have been calculated to take account of:

- virements approved since the base budget was set;
- the removal of non-recurring budgets from the base;
- the effect of inflation;
- changes in payroll costs and annual payroll increments;
- changes in expenditure and income following decisions made by the Council;
- other changes outside the control of the Council such as changes in insurance costs, reduction in grant income and the impact of the HRA determinations which are set annually by Central Government; and
- The 'Zero base budgeting' review of income levels.

and are summarised in **Appendix E**.

Proposals

The proposed policy changes proposed for inclusion in the base budget for the next five years are detailed at **Appendix B**.

The proposals will mean that balances will remain above the approved minimum level of £250k over the five year period.

Summary	Projected 2012/13 £'000	Projected 2013/14 £'000	Projected 2014/15 £'000	Projected 2015/16 £'000	Projected 2016/17 £'000
Net Surplus / (Deficit)	1,371	927	557	377	140
Proposed Policy Changes Income / (Cost)	(2,277)	(1,521)	(1,139)	162	539
Surplus / (Deficit)	(906)	(594)	(582)	539	679
Balances Remaining	3,802	3,208	2,626	3,165	3,844

When the budget for 2011/12, and indicative budgets for 2012/13 to 2014/15, were approved by Council in February 2011, it was highlighted that there would be a need to identify significant savings (approx £0.8m p.a. was estimated from 2011/12 onwards) over the longer term.

A number of service reviews have / are being undertaken aimed at ensuring quality and effectiveness of the service as well as the identification of potential cost savings in order to address the previously projected shortfall over 10 years. Minimum recommended balances are £250k but given the move to self financing this should be reviewed and it is recommended that this be increased to £500k - in line with the General Fund

Key issues / amendments made to the medium term financial strategy since the Base Budget Report was approved by Cabinet on 23rd November 2011 are shown below:

Housing Revenue Account	5 year effect – (saving) / costs £'000
Increased Income:	
Rents	(12,279)
Increased Expenditure / Reduced Savings:	
Inclusion of revenue contributions towards capital programme	4,102
Provision for Depreciation/Major Repairs Reserve	9,782
Additional Interest costs	256
Provision for Bad Debts	1,487
Contingency	100

Although the draft self financing determination has been received, there is a large degree of uncertainty over the future financial position of the HRA. This arises from:

- Finalisation of the self financing settlement during early 2012;
- The finalisation of the planned service review programme including the results of the planned consultation with tenants over the future capital investment needs for the housing stock;
- Impact on the budget of the results of the planned stock condition survey.

Rent Restructuring

The introduction of rent restructuring in April 2003 requires the Council to calculate rents in accordance with a formula on a property by property basis and account separately for rental payments and payments which are for services (for example grounds maintenance, upkeep of communal areas, caretaking) within the total amounts charged.

On 25th February 2003 the Council received a report detailing the implications of the rent restructure framework. This framework removes the flexibility to independently set rent levels from Social Landlords and replaces this with a fixed formula based on the value of the property and local incomes. It is the aim of the framework to ensure that by a pre-set date all social landlord rents have reached a 'target rent' for each property that will reflect the quality of accommodation and levels of local earnings. In achieving this target rent councils are annually set a "limit rent" which restricts the level of rent increase in any one year.

Housing rents have been increased in accordance with the Rent Restructuring Framework.

Balances

The forecast level of balances at 31st March 2012 is £4.7m. The impact on balances of the adjustments outlined in this report would be as follows:

Balances	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Proposed (Withdrawal from) / Addition to Balances	(906)	(594)	(582)	539	679
Balances Remaining	3,802	3,208	2,626	3,165	3,844

This would mean that closing balances, over the five year period, would be over the approved minimum level of £250k & proposed revised minimum level of £500k.

The analysis at **Appendix C** details the overall Housing Revenue Account budget resulting from the recommendations contained within this report.

CAPITAL PROGRAMME 2012/13 to 2015/16

Following a review of the four year Capital Programme approved by Council on 22nd February 2011, a revised programme has been formulated including additional schemes which have been put forward for inclusion.

Each scheme has been assessed with regard to:

- the contribution its delivery makes towards the achievement of the Councils corporate priorities;
- the achievement of Government priorities and grant or other funding availability;
- the benefits in terms of the contribution to the Councils Corporate Objectives and compliance with the Corporate Capital Strategy requirements of:
 1. Invest to save
 2. Maintenance of services and assets
 3. Protection of income streams
 4. Avoidance of cost.

The current de-minimus for capital expenditure is £10,000 per capital scheme.

General Fund

It is estimated that approximately £5.7m (excluding the £0.5m approved minimum balance) will be available during the period to 2015/16 for future capital spending (including the useable capital receipts generated from the sale of council housing).

The draft General Fund programme has been formulated based on the predicted available resources. Assuming that the anticipated capital receipts will be received, this leaves a balance of £500k (the minimum approved level).

The capital reserve / receipts value is deemed to include the value of any minor disposals up to a value of £100,000 per annum in line with the Acquisitions and Disposals Policy.

Details of the proposed capital programme is shown in **Appendix H**.

The proposed programme includes a contribution from sale of council house receipts of £0.8m over the four years.

Housing

The proposed five year Housing Capital Programme is attached at **Appendix I**.

It is estimated that approximately £29.5m (excluding the £0.5m approved minimum balance) will be needed during the period to 2015/16 for future capital spending (including revenue contributions from the HRA of £10.6m).

APPENDIX B

Policy Changes Summary

DIRECTORATE	Service	Sheet No.	Budget Changes 12/13 £'000	Budget Changes 13/14 £'000	Budget Changes 14/15 £'000	Budget Changes 15/16 £'000	Budget Changes 16/17 £'000
Chief Executive	Chief Executive	1	-	-	-	-	-
	Assistant Chief Executive	2	-	-	-	-	-
	Customer Services	3	12.0	12.0	-	-	-
	Organisational Development	4	-	-	-	-	-
	Performance & Corporate Relations	5	-	-	-	-	-
	Solicitor to the Council	6	18.9	(12.0)	-	-	-
Resources	Corporate Director Resources	7	-	-	-	-	-
	DD Finance, Exch. & Revenues	8	(218.0)	(339.0)	(140.0)	(57.0)	(58.0)
	AD Business Processes	9	-	-	-	-	-
	Internal Audit Services	10	-	-	-	-	-
	Benefits	11	-	-	-	-	-
Community Services	Corporate Director	12	(100.0)	-	-	-	-
	DD Assets and Environment	13	-	-	-	-	-
	DD Housing & Health - GF	14	-	-	-	-	-
	DD Communities, Planning & Partnerships	15	116.0	(161.0)	35.0	-	-
TOTAL			(171.1)	(472.0)	(105.0)	(57.0)	(58.0)

DIRECTORATE	Service	Sheet No.	Budget Changes 11/12 £'000	Budget Changes 12/13 £'000	Budget Changes 13/14 £'000	Budget Changes 14/15 £'000	Budget Changes 15/16 £'000
Community Services	Housing Revenue Account	16	2,277.4	(756.0)	(382.1)	(1,301.0)	(376.7)
TOTAL			2,277.4	(756.0)	(382.1)	(1,301.0)	(376.7)

Policy Changes Summary Staffing Implications

DIRECTORATE	Service	Sheet No.	Budget Changes 12/13 FTE	Budget Changes 13/14 FTE	Budget Changes 14/15 FTE	Budget Changes 15/16 FTE	Budget Changes 16/17 FTE	
Chief Executive	Chief Executive	1	-	-	-	-	-	
	Assistant Chief Executive	2	-	-	-	-	-	
	Customer Services	3	-	-	-	-	-	
	Organisational Development	4	-	-	-	-	-	
	Performance & Corporate Relations	5	-	-	-	-	-	
	Solicitor to the Council	6	-	-	-	-	-	
	Resources	Corporate Director Resources	7	-	-	-	-	-
		DD Finance, Exch. & Revenues	8	-	-	-	-	-
		AD Business Processes	9	-	-	-	-	-
		Internal Audit Services	10	-	-	-	-	-
		Benefits	11	-	-	-	-	-
	Community Services	Corporate Director	12	(1)	-	-	-	-
		DD Assets and Environment	13	-	-	-	-	-
		DD Housing & Health - GF	14	-	-	-	-	-
		DD Communities, Planning & Partnerships	15	-	-	-	-	-
TOTAL			(1)	-	-	-	-	

DIRECTORATE	Service	Sheet No.	Budget Changes 11/12 FTE	Budget Changes 12/13 FTE	Budget Changes 13/14 FTE	Budget Changes 14/15 FTE	Budget Changes 15/16 £'000
Community Services	Housing Revenue Account	16	-	-	-	-	-
TOTAL			-	-	-	-	-

Budget Process 2012/13 - Policy Changes

Sheet 3

DIRECTORATE:		Service					
	Chief Executive	Customer Services					
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	16/17 £'000
Savings / Increased Income (Reduced expenditure, increased income streams)							
CS1	Reinstatement of annual Staffs Connects Partnership Contributions to fund replacement CRM system. 'Cloud computing' system therefore revenue cost of licences required.	Costs of 2012-13 contributions to be offset with current year underspend c/f in reserve (subject to approval). Ongoing requirement approx £52k.	12.0	40.0			
Total Savings / Increased Income			12.0	40.0	-	-	-
Legislative & Statutory Requirements (not optional i.e. Concessionary Fares, Grant							
Total Legislative & Statutory Requirements			-	-	-	-	-
VFM (Investment to deliver medium/long term expenditure savings, increased income streams and/or improved service provision (max payback 3 years)							
Total VFM			-	-	-	-	-
Corporate Priorities & Objectives in line with the vision)							
Total Corporate Priorities & Objectives in line with the vision)			-	-	-	-	-
Other Expenditure (optional)							
Total Other Expenditure			-	-	-	-	-
Total New Items / Amendments			12.0	40.0	-	-	-

STAFFING IMPLICATIONS

			12/13 FTE	13/14 FTE	14/15 FTE	15/16 FTE	16/17 FTE
	TOTAL		-	-	-	-	-

Budget Process 2012/13 - Policy Changes

Sheet 6

DIRECTORATE:		Service					
	Chief Executive	Solicitor to the Council					
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	16/17 £'000
Savings / Increased Income (Reduced expenditure, increased income streams)							
Total Savings / Increased Income			-	-	-	-	-
Legislative & Statutory Requirements (not optional i.e. Concessionary Fares, Grant etc.)							
SOL1	Absent voter refresh	Need for refresh every 5 years Impact of Review following Council consideration of consultation responses	15.0	(10.0)			
SOL2	Polling Stations Review		3.9	(2.0)			
Total Legislative & Statutory Requirements			18.9	(12.0)	-	-	-
VFM (Investment to deliver medium/long term expenditure savings, increased income streams and/or improved service provision (max payback 3 years))							
Total VFM			-	-	-	-	-
Corporate Priorities & Objectives in line with the vision)							
Total Corporate Priorities & Objectives in line with the vision)			-	-	-	-	-
Other Expenditure (optional)							
Total Other Expenditure			-	-	-	-	-
Total New Items / Amendments			18.9	(12.0)	-	-	-
STAFFING IMPLICATIONS							
			12/13 FTE	13/14 FTE	14/15 FTE	15/16 FTE	16/17 FTE
	TOTAL		-	-	-	-	-

DIRECTORATE:		Service					
Resources		DD Finance, Exch. & Revenues					
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	16/17 £'000
Savings / Increased Income (Reduced expenditure, increased income streams)							
FER1	New Homes Bonus Grant income	Within the current MTFS a prudent approach had been taken to the inclusion of NHB after 2012/13 especially as formula grant levels in future years were uncertain. As part of the current process, now there is more certainty over this new funding, we have re-assessed this approach & included the potential income.		(300.0)	(58.0)	(57.0)	(58.0)
FER2	Council Tax freeze grant	Grant receivable should the Council agree to freeze the Council Tax for 2012/13 at 2011/12 levels. <i>(It should be noted that subsequently the Government have confirmed that this grant will be for one year only (2012/13)).</i>	(87.0)	87.0			
FER3	Icelandic Investment Repayment	Reduced capitalisation requirement & thereby annual repayment of sum capitalised following improvement in repayment levels after successful conclusion to challenge through Icelandic legal process.	(150.0)				
FER4	Audit Fee saving	One off saving in Audit Fees as a result of efficiencies - as advised by the Audit Commission.	(6.0)	6.0			
FER5	Support Services Review	Potential savings in support service costs identified through Support Services Options Appraisal process carried out during 2011.	(85.0)				
FER6	Pay award capping - Autumn Forecast Statement	Revised forecast pay award increase (to 1% from 2% for 2013/14 & 2014/15) arising from Autumn Forecast Statement.		(82.0)	(82.0)		
Total Savings / Increased Income			(328.0)	(289.0)	(140.0)	(57.0)	(58.0)
Legislative & Statutory Requirements (not optional i.e. Concessionary Fares, Grant etc.)							
Total Legislative & Statutory Requirements			-	-	-	-	-

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	16/17 £'000
VFM (Investment to deliver medium/long term expenditure savings, increased income streams and/or improved service provision (max payback 3 years))							
Total VFM			-	-	-	-	-
Corporate Priorities & Objectives in line with the vision)							
Total Corporate Priorities & Objectives in line with the vision)			-	-	-	-	-
Other Expenditure (optional)							
FER7	Corporate Finance - General Contingency	Inclusion of a contingency budget to allow for 'in year' decisions to be made by Cabinet & to provide for any potential further reductions in income as a result of the economic situation.	110.0	(50.0)			
Total Other Expenditure			110.0	(50.0)	-	-	-
Total New Items / Amendments			(218.0)	(339.0)	(140.0)	(57.0)	(58.0)

STAFFING IMPLICATIONS

			12/13 FTE	13/14 FTE	14/15 FTE	15/16 FTE	16/17 FTE
	TOTAL		-	-	-	-	-

Budget Process 2012/13 - Policy Changes

Sheet 12

DIRECTORATE:		Service					
	Community Services	Corporate Director					
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	16/17 £'000
Savings / Increased Income (Reduced expenditure, increased income streams)							
DCE1	Senior Mgt Restructure saving	Potential saving arising from review of Senior Management arrangements.	(100.0)				
Total Savings / Increased Income			(100.0)	-	-	-	-
Legislative & Statutory Requirements (not optional i.e. Concessionary Fares, Grant etc.)							
Total Legislative & Statutory Requirements			-	-	-	-	-
VFM (Investment to deliver medium/long term expenditure savings, increased income streams and/or improved service provision (max payback 3 years))							
Total VFM			-	-	-	-	-
Corporate Priorities & Objectives in line with the vision)							
Total Corporate Priorities & Objectives in line with the vision)			-	-	-	-	-
Other Expenditure (optional)							
Total Other Expenditure			-	-	-	-	-
Total New Items / Amendments			(100.0)	-	-	-	-

STAFFING IMPLICATIONS

			12/13 FTE	13/14 FTE	14/15 FTE	15/16 FTE	16/17 FTE
DCE1	Senior Mgt Restructure saving	Potential saving arising from review of Senior Management arrangements.	(1.0)				
TOTAL			(1.0)	-	-	-	-

Budget Process 2012/13 - Policy Changes

Sheet 15

DIRECTORATE:		Service					
	Community Services	DD Communities, Planning & Partnerships					
Item No	Proposal/(Existing Budget) (in priority order within Sections)	Implications (In terms of delivering Corp.Priorities / Continuous Improvement)	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	16/17 £'000
Savings / Increased Income (Reduced expenditure, increased income streams)							
CPP1	Reversal of policy item CPP7 2011/12 process. Budget required 12/13 rather than 13/14	Savings arising from expansion of Shared Service arrangements in line with Cabinet report.		(40.0)	40.0		
CPP2	Community Infrastructure Levy		40.0	(40.0)			
CPP3	Building Control Shared Service arrangement			(5.0)	(5.0)		
Total Savings / Increased Income			40.0	(85.0)	35.0		
Legislative & Statutory Requirements (not optional i.e. Concessionary Fares, Grant etc.)							
Total Legislative & Statutory Requirements			-	-	-	-	-
VFM (Investment to deliver medium/long term expenditure savings, increased income streams and/or improved service provision (max payback 3 years))							
Total VFM			-	-	-	-	-
Corporate Priorities & Objectives in line with the vision)							
Total Corporate Priorities & Objectives in line with the vision)			-	-	-	-	-
Other Expenditure (optional)							
CPP4	Olympic event	Events in 2012	40.0	(40.0)			
CPP5	Locality working	Additional CDO post for one year only	36.0	(36.0)			
Total Other Expenditure			76.0	(76.0)			
Total New Items / Amendments			116.0	(161.0)	35.0		
STAFFING IMPLICATIONS							
			12/13 FTE	13/14 FTE	14/15 FTE	15/16 FTE	16/17 FTE
TOTAL			-	-	-	-	-

Budget Process 2012/13 - Policy Changes

Sheet 16

DIRECTORATE:		Service					
Community Services		Housing Revenue Account					
Item No	Proposal/(Existing Budget) (in priority order within Sections)	Implications (In terms of delivering Corp.Priorities / Continuous Improvement)	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	16/17 £'000
Savings / Increased Income (Reduced expenditure, increased income streams)							
Total Savings / Increased Income			-	-	-	-	-
Legislative & Statutory Requirements (not optional i.e. Concessionary Fares, Grant etc.)							
HRA 1	Impact of Final Determination	a) Revenue Contributions to Capital b) Rents c) Provision for Depreciation/MRR d) Interest costs e) Provision for Bad Debts	1,210.8 (1,127.4) 1,737.8 47.0 119.2	(64.4) (658.3) 106.7	(106.9) (681.4) 109.2 297.0	(712.2) (704.4) 111.8 3.7	51.1 (555.7) 114.5 13.5
Total Legislative & Statutory Requirements			1,987.4	(616.0)	(382.1)	(1,301.0)	(376.7)
VFM (Investment to deliver medium/long term expenditure savings, increased income streams and/or improved service provision (max payback 3 years))							
HRA 2	Removal of Service Charges	Originally due for implementation wef 1/4/11	100.0				
Total VFM			100.0	-	-	-	-
Corporate Priorities & Objectives in line with the vision)							
HRA3	Service improvements in line with tenant priorities developed within HRA business plan	Inclusion of a contingency budget to allow for 'in year' decisions to be made by Cabinet & to provide for any potential further reductions in income as a result of the economic situation.	50.0				
HRA 4	Develop Asset Management strategy		40.0	(40)			
HRA5	General Contingency		100.0	(100)			
Total Corporate Priorities & Objectives in line with the vision)			190.0	(140)	-	-	-
Other Expenditure (optional)							
Total Other Expenditure			-	-	-	-	-
Total New Items / Amendments			2,277.4	(756.0)	(382.1)	(1,301.0)	(376.7)

STAFFING IMPLICATIONS

	12/13 FTE	13/14 FTE	14/15 FTE	15/16 FTE	16/17 FTE
TOTAL	-	-	-	-	-

HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2012/13

	Base Budget 12/13 £	Technical Adjustments £	Policy Changes £	Revised Budget 12/13 £	Revised Budget 13/14 £	Revised Budget 14/15 £	Revised Budget 15/16 £	Revised Budget 16/17 £
Income								
Dwelling Rents	(15,983,940)	-	(1,127,430)	(17,111,370)	(17,769,620)	(18,451,020)	(19,155,380)	(19,711,110)
Non-Dwelling Rents	(480,300)	29,830	-	(450,470)	(461,640)	(473,080)	(484,810)	(496,840)
Charges for Services & Facilities	(635,610)	(9,250)	-	(644,860)	(665,730)	(687,290)	(708,590)	(730,600)
Contributions Towards Expenditure	(816,250)	61,450	-	(754,800)	(755,120)	(755,450)	(755,770)	(756,100)
Subtotal	(17,916,100)	82,030	(1,127,430)	(18,961,500)	(19,652,110)	(20,366,840)	(21,104,550)	(21,694,650)
Expenditure								
Repairs & Maintenance	4,382,330	92,150	-	4,474,480	4,592,020	4,704,760	4,862,860	5,024,930
Supervision & Management	4,859,930	(208,210)	290,000	4,941,720	4,899,160	4,994,560	5,088,190	5,184,310
Rents, Rates, Taxes & Other Charges	36,450	1,250	-	37,700	38,960	40,280	41,560	42,890
Increase in Provision for Bad Debts	53,820	-	119,180	173,000	173,000	470,000	470,000	470,000
Housing Subsidy Payable	3,276,130	(3,276,130)	-	-	-	-	-	-
Depreciation	2,996,720	(88,960)	1,574,300	4,482,060	4,588,740	4,697,970	4,809,800	4,924,290
Debt Management Costs	12,570	3,080	-	15,650	16,180	16,720	18,270	18,820
Subtotal	15,617,950	(3,476,820)	1,983,480	14,124,610	14,308,060	14,924,290	15,290,680	15,665,240
Net cost of HRA Services per Authority I&E	(2,298,150)	(3,394,790)	856,050	(4,836,890)	(5,344,050)	(5,442,550)	(5,813,870)	(6,029,410)
HRA share of Corporate & Democratic Core	2,890	850	-	3,740	3,860	3,990	4,120	4,250
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	5,480	150	-	5,630	5,630	5,630	5,630	5,630
Net Cost of HRA Services	(2,289,780)	(3,393,790)	856,050	(4,827,520)	(5,334,560)	(5,432,930)	(5,804,120)	(6,019,530)
Interest Payable & Similar Charges	1,562,260	1,423,060	47,030	3,032,350	3,032,350	3,032,350	3,004,380	2,980,680
Amortisation of Premiums	32,840	(30,280)	-	2,560	-	-	-	-
Interest & Investment Income	(49,870)	(8,210)	-	(58,080)	(64,560)	(57,590)	(67,070)	(19,310)
Surplus/ Deficit for the year	(744,550)	(2,009,220)	903,080	(1,850,690)	(2,366,770)	(2,458,170)	(2,866,810)	(3,058,160)

Statement of Movement on the HRA Balance

Surplus or Deficit for the year	(744,550)	(2,009,220)	903,080	(1,850,690)	(2,366,770)	(2,458,170)	(2,866,810)	(3,058,160)
Additional Items required to be taken into account:								
Capital Expenditure funded by the HRA	1,587,260	(41,090)	1,210,800	2,756,970	2,961,230	3,040,390	2,328,240	2,379,330
Net transfer to/ (from) earmarked reserves	-	-	-	-	-	-	-	-
Transfer to/ (from) the Major Repairs Reserve	(163,530)	-	163,530	-	-	-	-	-
(Increase)/ Decrease in HRA Balances	679,180	(2,050,310)	2,277,410	906,280	594,460	582,220	(538,570)	(678,830)

General Fund Summary Revenue Budget for 2012/13

<i>figures exclude internal recharges & capital charges which have no bottom line impact.</i>	Base Budget 2011/12 £	Technical Adjustments £	Policy Changes £	Budget 2012/13 £
Chief Executive's Office				
Chief Executive	156,130	26,540	-	182,670
Assistant Chief Executive	108,020	(2,740)	12,000	117,280
Solicitor & Monitoring Officer	647,240	27,920	18,900	694,060
Head of Organisational Development	245,880	(21,490)	-	224,390
Head Performance & Corporate Relations	223,600	4,110	-	227,710
Head of Customer Services	375,980	(43,250)	-	332,730
Subtotal	1,756,850	(8,910)	30,900	1,778,840
Corporate Director Community Services				
Corporate Director Community Services	96,830	(16,420)	(100,000)	(19,590)
DD Assets & Environment	2,452,230	218,490	-	2,670,720
DD Communities, Planning & Partnerships	2,162,530	(27,200)	116,000	2,251,330
DD Housing & Health	854,930	19,470	-	874,400
Subtotal	5,566,520	194,340	16,000	5,776,860
Corporate Director Resources				
Corporate Director Resources	101,520	(10,490)	-	91,030
Head of Internal Audit Services	110,950	(1,530)	-	109,420
Head of Revenues	157,230	(7,940)	-	149,290
Head of Benefits	67,440	(71,710)	-	(4,270)
AD Business Processes	819,640	(85,910)	-	733,730
DD Corporate Finance	835,480	(359,060)	(218,000)	258,420
Subtotal	2,092,260	(536,640)	(218,000)	1,337,620
Total Cost of Services	9,415,630	(351,210)	(171,100)	8,893,320
Transfer to/ (-) from Balances	(699,350)	-	-	(782,190)
Budget Requirement	8,716,280	-	-	8,111,130
Financing				
Revenue Support Grant/Contributions from NNDR Pool	5,213,611	-	-	4,604,958
Collection Fund Surplus	17,560	-	-	10,000
Council Taxpayers	3,485,109	-	-	3,496,172
Total Financing	8,716,280	-	-	8,111,130

General Fund Technical Adjustments

	Budget 2011/12 £	Technical Adjustments						Total Adjusted Base 2012/13 £	
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	External Recharge Changes (non-GF Activities) £		Total Adjustments £
<i>figures exclude internal recharges & capital charges which have no bottom line impact.</i>									
Chief Executive's Office									
Chief Executive	156,130	23,540	-	40	1,940	1,020	-	26,540	182,670
Assistant Chief Executive	108,020	-	-	730	10	200	(3,680)	(2,740)	105,280
Solicitor & Monitoring Officer	647,240	(200)	46,000	1,400	15,400	(35,120)	440	27,920	675,160
Head of Organisational Development	245,880	1,000	15,300	1,380	(870)	(43,930)	5,630	(21,490)	224,390
Head Performance & Corporate Relations	223,600	-	10,000	220	(420)	(2,470)	(3,220)	4,110	227,710
Head of Customer Services	375,980	1,970	(100,500)	1,170	110	11,260	42,740	(43,250)	332,730
Subtotal	1,756,850	26,310	(29,200)	4,940	16,170	(69,040)	41,910	(8,910)	1,747,940
Corporate Director Community Services									
Corporate Director Community Services	96,830	(23,740)	-	110	(330)	240	7,300	(16,420)	80,410
DD Assets & Environment	2,452,230	(1,970)	12,670	47,510	142,240	42,130	(24,090)	218,490	2,670,720
DD Communities, Planning & Partnerships	2,162,530	(200)	(57,710)	9,290	4,480	16,940	-	(27,200)	2,135,330
DD Housing & Health	854,930	-	(110)	1,590	40	9,860	8,090	19,470	874,400
Subtotal	5,566,520	(25,910)	(45,150)	58,500	146,430	69,170	(8,700)	194,340	5,760,860
Corporate Director Resources									
Corporate Director Resources	101,520	-	-	10	(250)	(7,570)	(2,680)	(10,490)	91,030
Head of Internal Audit Services	110,950	-	-	670	(640)	(7,280)	5,720	(1,530)	109,420
Head of Revenues	157,230	520	(3,500)	220	1,140	(9,040)	2,720	(7,940)	149,290
Head of Benefits	67,440	0	(2,000)	130	(29,950)	(39,890)	-	(71,710)	(4,270)
AD Business Processes	819,640	(200)	(1,500)	16,860	3,740	(30,010)	(74,800)	(85,910)	733,730
DD Corporate Finance	835,480	(720)	(189,000)	750	(128,900)	7,910	(49,100)	(359,060)	476,420
Subtotal	2,092,260	(400)	(196,000)	18,640	(154,860)	(85,880)	(118,140)	(536,640)	1,555,620
Grand Total	9,415,630	-	(270,350)	82,080	7,740	(85,750)	(84,930)	(351,210)	9,064,420

HRA Technical Adjustments

	Technical Adjustments								
	Budget 2011/12	Virements	Committee Decisions	Inflation	Other	Pay Adjustments	External Recharge Changes (non-GF Activities)	Total Adjustments	Total Adjusted Base 2012/13
	£	£	£	£	£	£	£	£	£
Housing Revenue Account									
DD Assets & Environment	-	-	-	230	(580)	3,210	-2,860	-	-
DD Housing & Health	3,480,040	-	(125,830)	30,630	5,730	15,930	79,820	6,280	3,486,320
HRA Summary	(2,800,860)	-	(297,090)	138,110	(1,951,510)	53,900	-	(2,056,590)	(4,857,450)
Grand Total	679,180	-	(422,920)	168,970	(1,946,360)	73,040	76,960	(2,050,310)	(1,371,130)

General Fund Five Year Revenue Budget Summary

<i>figures exclude internal recharges & capital charges which have no bottom line impact.</i>	Budget 2012/13 £	Projected Budget 2013/14 £	Projected Budget 2014/15 £	Projected Budget 2015/16 £	Projected Budget 2016/17 £
Chief Executive's Office					
Chief Executive	182,670	186,990	191,400	195,900	200,490
Assistant Chief Executive	117,280	160,140	163,070	166,040	169,070
Solicitor & Monitoring Officer	694,060	674,350	693,480	710,670	728,330
Head of Organisational Development	224,390	227,510	236,020	241,270	246,650
Head Performance & Corporate Relations	227,710	224,840	230,750	235,820	241,020
Head of Customer Services	332,730	350,140	366,930	383,680	400,340
Subtotal	1,778,840	1,823,970	1,881,650	1,933,380	1,985,900
Corporate Director Community Services					
Corporate Director Community Services	(19,590)	(16,930)	(14,200)	(11,420)	(8,570)
DD Assets & Environment	2,670,720	2,807,270	2,933,300	3,056,170	3,179,180
DD Communities, Planning & Partnerships	2,251,330	2,142,200	2,187,890	2,209,830	2,256,290
DD Housing & Health	874,400	881,230	888,180	895,230	902,450
Subtotal	5,776,860	5,813,770	5,995,170	6,149,810	6,329,350
Corporate Director Resources					
Corporate Director Resources	91,030	93,450	95,930	98,470	101,070
Head of Internal Audit Services	109,420	113,270	117,080	120,990	125,100
Head of Revenues	149,290	157,320	168,930	180,730	192,710
Head of Benefits	(4,270)	2,940	12,220	21,180	30,330
AD Business Processes	733,730	765,400	797,650	829,870	863,290
DD Corporate Finance	258,420	130,080	(33,290)	(236,380)	(346,430)
Subtotal	1,337,620	1,262,460	1,158,520	1,014,860	966,070
Total Cost of Services	8,893,320	8,900,200	9,035,340	9,098,050	9,281,320
Transfer to/ (from) Balances	(782,190)	(916,310)	(1,164,080)	(1,117,550)	(1,188,410)
Budget Requirement	8,111,130	7,983,890	7,871,260	7,980,500	8,092,910
Financing					
Revenue Support	4,604,958	4,374,710	4,155,975	4,155,975	4,155,975
Grant/Contributions from NNDR Pool	10,000	10,000	10,000	10,000	10,000
Collection Fund Surplus	3,496,172	3,599,180	3,705,285	3,814,525	3,926,935
Council Taxpayers					
Total Financing	8,111,130	7,983,890	7,871,260	7,980,500	8,092,910

Appendix G

Council Tax levels at each band for 2012/13

	Tamworth Council Tax 2011/12	Tamworth Borough Council	Staffordshire County Council	Staffordshire Police Authority	Stoke on Trent and Staffordshire Fire and Rescue Authority	Total 2012/13	Total Council Tax 2011/12
	£	£	£	£	£	£	£
Demand/Precept on Collection Fund		3,496,172	24,051,520	4,152,167	1,581,288	33,281,147	
Council Tax Band							
A	99.70	99.70	685.87	118.41	45.09	949.07	949.07
B	116.32	116.32	800.19	138.14	52.61	1,107.26	1,107.26
C	132.93	132.93	914.50	157.88	60.12	1,265.43	1,265.43
D	149.55	149.55	1,028.81	177.61	67.64	1,423.61	1,423.61
E	182.78	182.78	1,257.43	217.08	82.67	1,739.96	1,739.96
F	216.02	216.02	1,486.06	256.55	97.70	2,056.33	2,056.33
G	249.25	249.25	1,714.68	296.02	112.73	2,372.68	2,372.68
H	299.10	299.10	2,057.62	355.22	135.28	2,847.22	2,847.22

** Assuming no increase in Council Tax levels. At the time of printing precept information for the County Council, Police Authority or the Fire Authority is still awaited.*

Proposed General Fund Capital Programme

	2012/13 £	2013/14 £	2014/15 £	2015/16 £	Total £
General Fund Capital Programme					
Resources Directorate					
Technology Replacement	70,000	70,000	70,000	70,000	280,000
Transforming Tamworth - Agile working, telephony & corporate EDRMS	30,000	30,000	10,000	-	70,000
Local Land & Property Gazetteer Website	10,000	-	-	-	10,000
HR / Payroll System	30,000	-	-	-	30,000
Replacement financial system	91,000	-	-	-	91,000
	21,000	-	-	-	21,000
Subtotal	252,000	100,000	80,000	70,000	502,000
Community Services Directorate					
Private Sector Grants - Disabled Facilities Grants	240,000	240,000	240,000	240,000	960,000
Disabled Facilities Grants	500,000	-	-	-	500,000
Home Repairs Works in Default Improvements to Marmion House	120,000	123,000	126,100	129,200	498,300
CCTV Camera Renewals (£15k)	17,000	17,400	-	-	34,400
Crime Reduction & Community Safety (£10k)	15,000	15,000	15,000	15,000	60,000
Contingency	10,000	10,000	10,000	10,000	40,000
Assembly rooms development	250,000	-	-	-	250,000
Castle Mercian Trail	50,000	2,438,500	50,000	-	2,538,500
	350,000	-	-	-	350,000
Subtotal	1,552,000	2,843,900	441,100	394,200	5,231,200
Total General Fund Capital	1,804,000	2,943,900	521,100	464,200	5,733,200
Proposed Financing:					
Supported Capital Expenditure	-	-	-	-	-
Grants - Disabled Facilities	169,000	169,000	169,000	169,000	676,000
Grants - Home Repairs Works in Default	120,000	123,000	126,100	129,200	498,300
Grants - Assembly Rooms	-	2,050,000	-	-	2,050,000
Grants - Mercian HLF	100,000	-	-	-	100,000
Grants - SCC (Mercian / Assembly Rooms)	100,000	80,000	-	-	180,000
Public Contributions (Mercian / Assembly Rooms)	50,000	8,500	-	-	58,500
General Fund Capital Receipts	272,000	-	-	-	272,000
Sale of Council House Receipts	251,000	213,400	176,000	166,000	806,400
Unsupported Borrowing	-	-	-	-	-
Revenue contribution re: Finance system	21,000	-	-	-	21,000
General Fund Capital Reserve	721,000	300,000	50,000	-	1,071,000
Total	1,804,000	2,943,900	521,100	464,200	5,733,200

Proposed Housing Capital Programme

	2012/13	2013/14	2014/15	2015/16	TOTAL
	£	£	£	£	£
<u>Housing Revenue Account</u>					
<u>Capital Programme</u>					
Decent Homes					
Asbestos Testing and Removal	-	-	-	-	-
Bathroom Renewals	678,400	695,360	712,750	730,570	2,817,080
Disabled Facilities Adaptations	500,000	512,500	525,310	538,450	2,076,260
Electrical Upgrades	797,980	817,930	838,380	859,340	3,313,630
Gas Central Heating Upgrades and Renewals	1,203,440	1,233,530	1,264,370	1,295,980	4,997,320
Kitchen Renewals	1,020,360	1,045,870	1,072,020	1,098,820	4,237,070
Roofing - High Rise	40,000	41,000	42,030	-	123,030
High Rise Lift Renewal	300,000	307,500	315,190	323,070	1,245,760
Major Roofing Overhaul and Renewals	150,000	153,750	157,590	161,530	622,870
Fencing/Boundary Walls	15,000	15,380	15,760	16,150	62,290
Fire Upgrades to Flats	200,000	205,000	210,130	215,380	830,510
Enhancements to Flats	200,000	205,000	210,130	215,380	830,510
Sheltered Schemes	230,000	235,750	241,640	247,680	955,070
General Estate Works	750,000	768,750	787,970	807,670	3,114,390
Structural Surveys and Repairs	-	-	-	-	-
Window and Door Renewals	1,159,560	1,188,550	1,218,260	-	3,566,370
Contingency	250,000	-	-	-	250,000
Capital Salaries	112,380	115,190	118,070	121,020	466,660
CDM Fees	9,060	9,280	9,510	8,140	35,990
Total HRA Capital	7,616,180	7,550,340	7,739,110	6,639,180	29,544,810
<u>Proposed Financing:</u>					
Supported Capital Expenditure	-	-	-	-	-
Grants	-	-	-	-	-
Sale of Council House Receipts	-	-	-	-	-
Major Repairs Reserve	4,482,060	4,589,110	4,698,720	4,810,940	18,580,830
Revenue Contribution to Capital Outlay in Year	2,756,970	2,961,230	3,040,390	1,828,240	10,586,830
HRA Capital Reserve	377,150	-	-	-	377,150
Unsupported Borrowing	-	-	-	-	-
Total	7,616,180	7,550,340	7,739,110	6,639,180	29,544,810

Main Assumptions

Inflationary Factors	2012/13	2013/14	2014/15	2015/16	2016/17
Inflation Rate - Pay Awards	0.00%	1.00%*	1.00%*	2.00%	2.00%
National Insurance	7.50%	7.50%	7.50%	7.50%	7.50%
Superannuation	19.10%	19.60%	20.10%	20.60%	21.10%
Inflation Rate (Headline)	3.40%	3.40%	3.40%	3.20%	3.20%
Base Interest Rates	1.00%	1.50%	2.50%	3.00%	3.00%
Investment income rate	1.50%	2.50%	3.00%	3.50%	4.00%

1. Pay award – public sector pay will be frozen for 2011/12 & 2012/13 with a 1%* limit for the following 2 years (*in line with the Autumn Forecast Statement - November 2011) and is estimated to mirror the Government's inflation target of 2% thereafter.
2. Overall Fees and Charges will rise generally by 2.5% annually except where a proposal has otherwise been made (car parking charges, corporate & industrial property rental income, statutory set planning fees, leisure fees);
3. No effect of any Prudential Borrowing has been included;
4. Revised estimated for rent allowance/rent rebate subsidy levels have been included;
5. Car Parking income has been reduced in line with current income levels for 2011/12, with charges increased in future in line with the previously approved charging strategy;
6. Changes to the level of recharges between funds has been included;
7. Within the Comprehensive Spending review released on the 20th October 2010, the Government proposed cuts of 7.25% in real terms to funding streams for each of the next four years – annual grant reductions of 5% have been included.
8. The Government has indicated its policy regarding council tax bills being frozen for the next year. It has indicated that a grant equivalent to a 2.5% increase in the basic 2010/11 Council Tax, will be available to authorities that agree to freeze or reduce Council Tax in 2011/12 – it has been assumed supplementary funding for foregone income as a result of a continued freeze for the next three years. The impact of a 2.5% pa compensatory grant is outlined within the report;
9. The major changes to the previously approved policy changes are included within this forecast – Directors / AD's were issued with the provisional information in August to review, confirm & resubmit by the end of September;
10. Following the 4 year agreement, 0.5% annual year-on-year increases (as above) in pension costs following SCC triennial review negotiations.
11. Increases in rent levels are restricted by the rent restructuring guidelines & current indications that sales of council houses will be approximately 5 per annum.

Sensitivity Analysis

	Risk	Potential Budgetary Effect			
		2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Pay Award / National Insurance (GF)					
Impact +/- 0.5% Variance £'000	L	42	86	131	177
Budget Impact over 1 year	L	42			
Budget Impact over 3 years	L/M	259			
Budget Impact over 4 years	M	436			
Pay Award / National Insurance (HRA)					
Impact +/- 0.5% Variance £'000	L	11	23	34	47
Budget Impact over 1 years	L	11			
Budget Impact over 3 years	L	68			
Budget Impact over 4 years	L/M	115			
Subject to negotiation for Local Government pay (including any protection for low paid employees)					
Pension Costs					
Impact +/- 0.5% Variance £'000	L	0	0	56	114
Budget Impact over 1 year	L	0			
Budget Impact over 3 years	L	56			
Budget Impact over 4 years	L/M	170			
6 year agreement in place - subject to stock market changes & membership Mitigation - Public Sector pension review potential for reduced liability & increased employee contributions					
Council Tax					
Impact on Council Tax income £'000		18	36	55	75
Budget Impact over 1 year	L	18			
Budget Impact over 3 years	L	109			
Budget Impact over 4 years	L/M	184			
Inflation / CPI					
Impact +/- 0.5% Variance £'000	L	39	79	119	162
Budget Impact over 1 year	L	39			
Budget Impact over 3 years	L/M	237			
Budget Impact over 4 years	M	399			
Government Grant					
Impact +/- 0.5% Variance £'000	L	0	22	43	62
Budget Impact over 1 year	L	0			
Budget Impact over 3 years	L	65			
Budget Impact over 4 years	L/M	127			
Investment Interest					
Impact +/- 0.5% Variance £'000	L	79	139	196	288
Budget Impact over 1 year	L	79			
Budget Impact over 3 years	M	414			
Budget Impact over 4 years	H	702			

	Risk	Potential Budgetary Effect			
		2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Key Income Streams (GF)					
Impact +/- 0.5% Variance £'000	L	26	52	78	104
Budget Impact over 1 year	L	26			
Budget Impact over 3 years	L/M	156			
Budget Impact over 4 years	M	260			
Key Income Streams (HRA)					
Impact +/- 0.5% Variance £'000	L	91	184	282	383
Budget Impact over 1 years	L	91			
Budget Impact over 3 years	H	557			
Budget Impact over 4 years	H	940			
New Homes Bonus					
Impact +/- 10% Variance £'000	L	24	54	90	132
Budget Impact over 1 year	L	24			
Budget Impact over 3 years	L/M	168			
Budget Impact over 4 years	M/H	300			

Appendix L

Contingencies 2012/13 - 2016/17

Revenue	2012/13	2013/14	2014/15	2015/16	2016/17
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
General Fund					
<i>Specific Contingencies</i>					
Vacancy Allowance	50	50	50	50	50
International Financial Reporting Standards (IFRS) requirements	25	25	25	25	25
<i>General Contingency</i>	110	60	60	60	60
Total GF Revenue	185	135	135	135	135
Housing Revenue Account					
<i>HRA - General Contingency</i>	100	-	-	-	-
Total HRA Revenue	100	-	-	-	-

Capital	2012/13	2013/14	2014/15	2015/16	2016/17
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
General Fund					
<i>General Contingency</i>	250	-	-	-	-
Total GF Capital	250	-	-	-	-
Housing Revenue Account					
<i>General Contingency</i>	250	-	-	-	-
Total HRA Capital	250	-	-	-	-