



Borough of Tamworth

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JOINT SCRUTINY (BUDGETS)

18 January 2022

Dear Councillor

A meeting of the Joint Scrutiny (Budgets) will be held in **Online Meeting on Wednesday, 26th January, 2022 at 6.00 pm.** Members of the Committee are requested to attend.

Yours faithfully

A handwritten signature in black ink, consisting of a stylized 'A' followed by a long horizontal line that tapers to a point on the right.

Chief Executive

A G E N D A

NON CONFIDENTIAL

- 1 Appointment of Chair
- 2 Apologies for Absence
- 3 Minutes of the Previous Meeting (Pages 3 - 4)
- 4 Declarations of Interest

To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.

When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.

5 Draft Budget and Medium Term Financial Strategy 2022/23 to 2026/27
(Pages 5 - 110)
(Report of the Cabinet)

Access arrangements

If you have any particular access requirements when attending the meeting, please contact Democratic Services on 01827 709267 or e-mail democratic-services@tamworth.gov.uk. We can then endeavour to ensure that any particular requirements you may have are catered for.

Filming of Meetings

The public part of this meeting may be filmed and broadcast. Please refer to the Council's Protocol on Filming, Videoing, Photography and Audio Recording at Council meetings which can be found [here](#) for further information.

If a member of the public is particularly concerned about being filmed, please contact a member of Democratic Services before selecting a seat.

FAQs

For further information about the Council's Committee arrangements please see the FAQ page [here](#)

To Councillors: D Box, J Chesworth, R Claymore, T Clements, D Cook, M Cook, A Cooper, R Ford, S Goodall, M J Greatorex, J Harper, J Jones, T Jay, D Maycock, K Norchi, M Oates, S Peale, Dr S Peale, B Price, S Pritchard, R Rogers, M Summers, P Thurgood and J Wade.



**MINUTES OF A MEETING OF THE
JOINT SCRUTINY (BUDGETS)
HELD ON 27th JANUARY 2021**

PRESENT: Councillor , Councillors M Bailey, R Bilcliff, D Box, P Brindley, R Claymore, T Clements, C Cooke, A Farrell, J Faulkner, R Ford, S Goodall, R Kingstone, K Norchi, M Oates, S Peale, Dr S Peale, R Rogers, P Standen, M Summers and P Thurgood

CABINET Councillors J Chesworth, D Cook, M Cook, S Doyle, J Oates and R Pritchard

The following officers were present: Stefan Garner (Executive Director Finance), Lynne Pugh (Assistant Director Finance), Tracey Pointon (Legal Admin & Democratic Services Manager), Jodie Small (Legal, Democratic and Corporate Support Assistant) and Adam Deakin (Technical Infrastructure Engineer)

16 APPOINTMENT OF CHAIR

RESOLVED: that Councillor S Goodall be appointed as Chair.

(Moved by Councillor M Summers and seconded by Councillor A Farrell).

17 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors M Greatorex, T Jay, B Price and S Pritchard

18 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 29th January 2020 were approved and signed as a correct record.

(Moved by Councillor M Summers and seconded by Councillor T Clements)

19 DECLARATIONS OF INTEREST

There were no Declarations of Interest.

20 DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2021/22 TO 2025/26

The Leader of the Council presented the report of the Cabinet regarding the budget proposals and medium term financial strategy for General Fund (GF) Revenue, the Housing Revenue Account (HRA) and the Capital Programme

RESOLVED

That Members;

- 1 **Approved the budget proposals previously approved by Cabinet at the meeting on 21st January 2021;**
- 2 **Provided views on the budget proposals and council tax strategy, taking into account the prioritisation of resources**

(Moved by Councillor S Goodall and seconded by Councillor M Oates)

Councillor R Kingstone left the meeting at 18.46.

Chair

JOINT SCRUTINY COMMITTEE (BUDGET)

26th January 2022

Report of the Cabinet

DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2022/23 to 2026/27

Purpose

To consider the budget proposals and medium term financial strategy for General Fund (GF) Revenue, the Housing Revenue Account (HRA) and the Capital Programme.

Recommendations

That Members:

- 1. Consider the budget proposals due to be approved by Cabinet at the meeting on 20th January 2022;**
- 2. Provide views on the budget proposals and council tax strategy, taking into account the prioritisation of resources.**

Executive Summary

At its meeting on 20th January 2022, the Cabinet is due to consider a package of budget proposals for the period 2022/23 to 2026/27 and, as required by the Constitution of the Council, approved that the Scrutiny Committees be asked to consider the budget proposals contained within the report.

A copy of the report detailing the budget proposals is attached at **Annex 1**.

Resource Implications

As contained within the report.

Legal / Risk Implications

As contained within the report.

Report Author

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

Background Papers:-	Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2021/22, Council 23rd February 2021
	Budget and Medium Term Financial Planning Process, Cabinet 19th August 2021
	Budget Consultation Report, Cabinet 2nd December 2021
	Leaders Budget Workshop, 1st December 2021
	Draft Base Budget Forecasts 2022/23 to 2026/27, Cabinet 2nd December 2021
	Draft Budget and Medium Term Financial Strategy 2022/23 to 2026/27, Cabinet 20th January 2022

CABINET

20th January 2022

JOINT SCRUTINY COMMITTEE (BUDGET)

26th January 2022

Report of the Leader of the Council

DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2022/23 to 2026/27

Purpose

To approve the draft package of budget proposals (**attached at Appendix A**) to consult with the Joint Scrutiny Committee (Budget) on 26th January 2022 and receive their feedback on the:

- General Fund Revenue (GF) Budget and Council Tax for 2022/23;
- Housing Revenue Account (HRA) Budget for 2022/23;
- Capital Programme – General Fund & HRA;
- Medium Term Financial Strategy (MTFS).

This is a key decision as it affects two or more wards and involves expenditure over £100k.

Recommendations

That:

- 3. Cabinet approve the draft package of budget proposals including the proposed policy changes (as detailed at Appendix B); and**
- 4. As required by the Constitution of the Council, the Joint Scrutiny Committee (Budget) on 26th January 2022 be requested to consider the budget proposals contained within this report.**

Executive Summary

Based on the draft budget assumptions contained within the report, the headline figures for 2022/23 are:

- A General Fund Net Cost of Services of £9,277,930;
- A transfer of £453,953 from General Fund balances;
- The Band D Council Tax would be set at £191.89, an increase of £5 (2.68% - c.£0.10 per week) on the level from 2021/22 of £186.89;
- A transfer of £1,931,620 from HRA balances;
- Rents will be set in line with the approved Rent Setting Policy including a 4.1% increase in average rent (on the 2021/22 average rent of £89.21 based on a 48 week rent year) in line with Government confirmation that social housing rents can increase to include 'up to' a factor of the consumer price index (CPI) measure of inflation plus 1% for five years from 2020, following the conclusion of a consultation on the new rent standard – equating to an average rent of £92.87 based on a 48 week rent year;
- A General Fund Capital Programme of £18.6m for 5 years;
- A Housing Capital Programme of £46.5m for 5 years.

Currently projections identify:

1. General Fund balances of £2.7m over 3 years (with a shortfall of £4.4m over 5 years), including the minimum approved level of £0.5m;

Further savings of around £0.9m p.a. will be required over the next 5 years (based on annual £5 increases in Council Tax). On an annualised basis this would equate to a year on year ongoing saving of £0.3m over 5 years.

2. HRA balances of £2.7m over 3 years (with balances of £2.3m over 5 years) including the minimum recommended balances of £0.5m.

Key Risks

- The effect of the Covid-19 crisis on the economy and ultimately the impact for the Council's finances – including any lasting effects for individual businesses and their employees. Social distancing measures have continued impacting mainly on the Council's ongoing income receipts.

There are further uncertainties arising from the finalisation of the Brexit process following the transition period. The national shortage of HGV drivers has not had a direct impact on services but it is likely that it could compound the likely price increases for supplies that are required for building or construction/maintenance works – which both the Government and the Bank of England consider to be a temporary issue.

There are also likely to be price rises for the Council's energy supplies. This will not have an immediate effect as supplies are bought in market price 'baskets' negotiated between Oct and March for units rates charged for the year commencing April. It is likely that the basket rates next year will experience a significant increase unless the current situation changes.

- For two years, the government has only held single-year Spending Reviews, with 2019 being a single year due to the political turbulence around Brexit, and 2020 being a single year, given the COVID-19 pandemic. However, on 7th September 2021, the Chancellor wrote to Secretaries of State to confirm the government's intention to complete a multi-year Spending Review (SR2021), setting revenue and capital budgets for 2022/23 to 2024/25.

As part of the recent Spending Review, no announcement was made about the government's plans for funding reform or a reset of the Business Rates Retention (BRR) system, both of which were originally expected to be implemented in 2019/20, but which have been delayed a number of times.

The 2022/23 local government finance settlement has now been published, for one year only and is based on the Spending Review 2021 (SR21) funding levels. This is the first time since 2015 that, in the context of a multi-year Spending Review, the government has only provided local authorities with a single-year settlement.

No detailed announcements are made on funding reform, though the following statement is made:

Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

As part of this we will look at options to support local authorities through transitional protection. Councils should note the one-off 2022/23 Services Grant provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections.

While this means the Council will be able to retain its business rate growth for 2022/23, it also means that the uncertainty continues and potentially the Council still faces losing this growth from 2023/24 as, over the coming months, the Government have stated that they will work with the sector before consulting on funding reform.

There is a high risk that these reforms will have a significant effect on the Council's funding level from 2023/24.

- Uncertainty over the ongoing funding for the **New Homes Bonus scheme**, as it has been 'rolled over' for another year, with allocations made and the final 2019/20 legacy payment honoured. There is no planned legacy payment for 2022/23 (as in 2020/21 and 2021/22).

The Government consulted on the future of the New Homes Bonus in 2021 and plan to publish their response early in 2022. The Government remains committed to reform and will use the additional year to carefully consider how to ensure the incentive is more focused and targeted on ambitious housing delivery and which complements wider Government priorities.

- Challenge to continue to achieve high collection rates for council tax, business rates and housing rents – in light of the welfare benefit reforms and the impact of the pandemic on economic conditions and uncertainty.

Background

The Medium Term Financial Planning process is being challenged by the ongoing uncertain economic conditions. The attached forecast is based on a 5 year period, but does contain a number of uncertainties.

For two years, the government has only held single-year Spending Reviews, with 2019 being a single year due to the political turbulence around Brexit, and 2020 being a single year, given the COVID-19 pandemic. However, on 7th September 2021, the Chancellor wrote to Secretaries of State to confirm the government's intention to complete a multi-year Spending Review (SR2021), setting revenue and capital budgets for 2022/23 to 2024/25.

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There is a high risk that these reforms will have a significant effect on the Council's funding level from 2023/24.

Financial resilience is and has been the key requirement for local authorities at any time, but in the current crisis it has assumed unprecedented importance.

In light of the ongoing impact of Covid-19 on the Council's Medium Term Financial Strategy, Managers were again asked to review their budgets and identify all non-essential spending for 2021/22 as part of the quarter 2 projections at 30th September 2021 – as part of a managed underspend plan.

Cabinet on 22nd October 2020 approved the Recovery and Reset programme which aims to consider how we can tackle the financial challenges facing the council as a result of the coronavirus pandemic. This will include reviewing services, reducing waste demand on services (basically this is any action or step in a process that does not add value to the customer), exploring opportunities for income generation and identifying any further savings.

An update including recommendations for the next steps was approved at Cabinet 29th July 2021 including the continuing work the agreed actions to address the financial position in future years:

1. Financial Management and Commerciality – Seeking to remove historic underspends and adopt an in-service approach to rigorous and controlled spending.
2. Smart Working – Exploration of the business impacts around current levels of home working and what the future is for AGILE working.
3. Building Requirements and Utilisation – Consideration of the best use of all our property assets to ensure the council's resources are focused on front line service delivery.
4. Front Reception and Customer Service Offer – Exploration of customer service models to assess the impact of front reception closing during the pandemic and how acceleration of digitising services can be delivered whilst ensuring our most vulnerable customers retain face to face services.
5. Service Re-design and Review – An organisational wide review of each service to identify short, medium and longer-term opportunities to improve delivery of services central to the council's core purpose and strategic aims.
6. Third Sector Support and Vulnerability Strategy – Recognising that one of the most positive outcomes to the Pandemic is the overwhelming ability of 'anchor organisations and communities' to mobilise and support each other, this project will explore how the Council's commissioning framework can be aligned to build on these foundations going forward and how we define and develop our vulnerability strategy, building on the baseline assessment commissioned over the summer.
7. Economy and Regeneration - Work has continued on the future of our high street and alongside this the economic recovery and regeneration of Tamworth is central to our future Recovery and Reset.

Together with any opportunities arising from the response to the Covid-19 pandemic, for Member consideration during the budget process.

The overriding goal is to make sure our organisation remains fit for the future, while protecting services to the most vulnerable in our community.

The Council remains committed to promoting and stimulating economic growth and regeneration; meeting our housing needs; creating a vibrant town centre economy and protecting those most vulnerable in our communities. The Council is responding to these challenges by considering the opportunities to make further savings and /or grow our income. We are ambitious with our commercial view and will continue to work hard to identify income streams that enable us to continue to meet the needs of our residents. More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation.

This approach will change the organisation and how it works; will require Members to put evidence and insight at the heart of our decision making to ensure that we are transparent about the rationale for our decisions and plans; will involve managed risks and will sustain essential services critical in supporting the most vulnerable in our communities at a time when demand is increasing and resources reducing.

Accurate forecasting, strong leadership and an innovative, risk aware approach have resulted in the organisation being able, in the main, to sustain a full suite of essential services albeit not without implications for the public, local politicians and the entire workforce.

By adopting this approach, supporting its implementation and measuring its progress, it will enable the Council to achieve its Vision and Priorities and fulfil its obligations.

- We will target resources upon those in most need and those most vulnerable.
- We will commission services that will both intervene/prevent future demand and reduce levels of vulnerability.
- We will, as a consequence, meet the Council's stated intention to ensure that the vulnerable are a priority (Motion to Council on 26th November, 2014 refers).

As part of the budget process Policy Changes are required in order to amend base budget provision. As grant and other income levels are reducing, where increased costs are unavoidable then managers should identify compensatory savings. Where savings are identified they must be accompanied by a robust implementation plan.

Robust business case templates are submitted to Cabinet and CMT for all Policy Change submissions (Revenue and Capital).

The attached forecast is based on a 5 year period, but does contain a number of uncertainties. It is suggested that, given the uncertainty, there should be no knee jerk reactions – with a clear plan to focus on balancing the next 3 years' budget position, in compliance with the Prudential Code, by which time the impact should be clearer.

The key uncertainties which will inform further budget considerations before the final budget proposals are developed are:

- Future Revenue Support Grant levels for future years - the budget setting process has faced significant constraints in Government funding in recent years - over 50% reduction since 2010.

When Council approved the 2021/22 Budget and Medium Term Financial Strategy on 23rd February 2021, the impact of the Covid-19 pandemic on the economy and ultimately the impact for the Council's finances was uncertain - including any lasting effects for individual businesses and their employees. Social distancing measures have continued impacting mainly on the Council's ongoing income receipts.

In addition, future levels of funding for the Council were uncertain pending the Government's planned reforms to Local Government funding. The Government has confirmed that the longer-term reforms for the local government finance system (including the move to 75% Business Rates Retention and Fairer Funding Review of Relative Needs and Resources) will be deferred again as a result of the pandemic, although no timescales have been released. In addition, the next planned national Business Rates Revaluation, planned for 2021 will take effect from 2023.

The 2022/23 local government finance settlement has now been published, for one year only and is based on the Spending Review 2021 (SR21) funding levels. This is the first time since 2015 that, in the context of a multi-year Spending Review, the government has only provided local authorities with a single-year settlement.

While this means the Council will be able to retain its business rate growth for 2022/23, it also means that the uncertainty continues and potentially the Council still faces losing this growth from 2023/24 as, over the coming months, the Government have stated that they will work with the sector before consulting on funding reform.

In addition, there is continued uncertainty over the ongoing funding for the **New Homes Bonus scheme**, as it has been 'rolled over' for another year, with allocations made and the final 2019/20 legacy payment honoured. There is no planned legacy payment for 2022/23 (as in 2020/21 and 2021/22).

The Government consulted on the future of the New Homes Bonus in 2021 and plan to publish their response early in 2022. The Government remains committed to reform and will use the additional year to carefully consider how to ensure the incentive is more focused and targeted on ambitious housing delivery and which complements wider Government priorities.

- In 2016/17, at the start of the four-year offer made to local government, the Government introduced a separate council tax referendum principle for shire districts, to address particular pressures on these authorities. This principle meant that districts could increase council tax by the core principle (now announced as 2% for 2022/23) or £5, whichever is greater.

- For 2019/20 a 2% increase in Local Government pay was agreed and included the introduction of a new pay spine on 1st April 2019 based on a bottom rate of £17,364 with additions, deletions and changes to other spinal column points. An offer of a 1.75% increase is subject to union ballot and is still to be agreed for 2021/22 and future years also remain uncertain. A 2.5% p.a. increase from 2022/23 has been assumed.
- The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management.
- No one can know what the effect of the Covid-19 crisis will have on the economy and ultimately the impact for the Council's finances. It will be many months before we have a clearer idea on how the economy has responded to the recovery process – including any lasting effects for individual businesses and their employees. Social distancing measures have continued impacting mainly on the Council's ongoing income receipts.
- There are further uncertainties arising from the finalisation of the Brexit process following the transition period. The national shortage of HGV drivers has not had a direct impact on services but it is likely that it could compound the likely price increases for supplies that are required for building or construction/maintenance works – which both the Government and the Bank of England consider to be a temporary issue.
- There are also likely to be price rises for the Council's energy supplies. This will not have an immediate effect as supplies are bought in market price 'baskets' negotiated between Oct and March for units rates charged for the year commencing April. It is likely that the basket rates next year will experience a significant increase unless the current situation changes.
- Energy efficiency is likely to be a significant future across all of our property portfolio including Council Housing. The commitment to achieve zero carbon within our own operations will present difficulties when considering our historic buildings like the Assembly Rooms, Castle and Town Hall. It is likely that investment in the property portfolio will be needed which has not yet been quantified and will need to be considered in future, in line with the Corporate Capital Strategy objectives.

It is anticipated that amendments to the Decent Homes Standard will look at building safety and energy efficiency for Council Housing. The cost is likely to be significant and could mean exploration of new ways of funding such as the application of service charges and as included within the 2022/23 capital programme, through grants available.

There is also likely to be a significant demand for the installation (& ongoing maintenance) of electric vehicle (EV) charging points in car parking areas and at places such as the sheltered schemes and individual residential properties (some work has started for former garage sites).

- Budgets for remedial works associated with the Building Safety Bill have been included within the Capital Programme for higher risk properties, however, it is likely that the requirements will extend to other buildings such as the low and medium rise blocks along with sheltered schemes. A Building Safety Manager as required by the Building Safety Bill is included in the budget but if the requirement extends then additional resource is likely to be needed, including for more frequent building inspections and it is likely that these inspections will result in an increase in the number of repairs being identified.
- Although the volume of repairs has remained fairly consistent during the pandemic as it has been in previous years we know that the average job cost is lower than previous years and is lower than industry average. It could well be that this is the new normal position and that the investment made in property over the years means has resulted in lower repair costs. However, there is a risk that fewer repairs are being reported due to the pandemic and that at some point in the future a backlog of unidentified repairs will present itself. At the moment this is considered a low risk as it would appear that our tenants are reporting repairs as and when they occur.
- An increase in the cost of repairs has been included due to the current market cost pressures. The RICS through their BCIS cost indicator service are predicting increasing tender prices over the next 5 years so this is likely to impact on existing contracts. There is the risk that if costs continue to increase in excess of CPI contractors will seek further uplifts. The impact on planned work is that less work will be done, this will extend the renewal period for key components which will increase demand on responsive. The volume of responsive repairs is unlikely to change.
- Income from the commercial/industrial portfolio has held up during the pandemic, but underlying market issues and the increase in online shopping (increased by the pandemic) mean that there is an immediate risk in relation to the income achievable from the Council's commercial property portfolio including the Ankerside Shopping Centre and NCP car park, while not known at present, could result in a significant loss of income.

Without investment our commercial/industrial property could become unlettable. In addition future management costs of the portfolio could be as high as 15% of the annual rental value which would have a significant impact on rental income.

- It was hoped that the current ongoing costs associated with Covid-19 could be reduced as we returned to pre-Covid normality but as the current Omicron issue has shown we don't yet know when this will be. It is likely that these costs will continue until the pandemic ends, or attitudes change and policy makers accept that additional precautions are no longer required.

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**).

Options Considered

As part of the budget setting process a number of options for the council tax increase levels for 2022/23 and future years have been modelled / considered.

Council Tax	Option Modelled / Considered
Model 1	£5.00 increase in Council tax in 2022/23 (followed by increases of £5.00 p.a.)
Model 2	2.99% increase in Council tax in 2022/23 (followed by increases of c.2.99% p.a.)
Model 3	£1 increase in Council tax in 2022/23 (followed by increases of £1 p.a.)
Model 4	2.5% increase in Council tax in 2022/23 (followed by increases of 2.5% thereafter)
Model 5	0% increase in Council tax in 2022/23 (followed by increases of 0% thereafter)
Model 6	1.99% increase in Council tax in 2022/23 (followed by increases of 1.99% thereafter)

Rent	Option Modelled / Considered
CPI plus 1%	The Government has now confirmed that social housing rents can increase to include 'up to' a factor of the consumer price index (CPI) measure of inflation plus 1% for five years from 2020, following the conclusion of a consultation on the new rent standard
CPI	General increase in line with CPI
No increase	No general increase in annual rent

Resource Implications

A summary table of all the budget proposals is shown at the end of the report. The General Fund summary revenue budget for 2022/23 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 increase of £5 (2.68%) for 2022/23 (the maximum permitted under the Government set limits to avoid a referendum) followed by increases at £5 p.a. thereafter & in line with statutory requirements. The Forecast projects General Fund balances of £2.7m over 3 years (with a shortfall of £4.4m over 5 years), including the minimum approved level of £0.5m.

It should be noted that in order to ensure General Fund balances remain above the minimum approved level of £0.5m over 5 years **further savings of around £0.9m p.a. will be required** (based on annual £5 increases in Council Tax). On an annualised basis this would equate to a year on year ongoing saving of £0.3m over 5 years.

The summary HRA Revenue Budget for 2022/23 appears at **Appendix C** (including a summary of the resulting budgets over the 5 year period). Closing balances over 3 years are estimated at £2.7m (£2.3m over 5 years) – in excess of the minimum approved level of £0.5m.

The proposed 5-year General Fund Capital Programme is included at **Appendix H** – the main changes, since the programme was provisionally approved in February 2021, included at this stage are detailed within the report.

The proposed 5-year Housing Capital Programme is included at **Appendix I** – the main changes, since the programme was provisionally approved in February 2021, included at this stage are detailed within the report.

Options

In light of the ongoing impact of Covid-19 on the Council's Medium Term Financial Strategy, Managers were again been asked to review their budgets and identify all non-essential spending for 2021/22 as part of the quarter 2 projections at 30th September 2021 – as part of a managed underspend plan.

Cabinet on 22nd October 2020 approved the Recovery and Reset programme which aims to consider how we can tackle the financial challenges facing the council as a result of the coronavirus pandemic. This will include reviewing services, reducing waste demand on services (basically this is any action or step in a process that does not add value to the customer), exploring opportunities for income generation and identifying any further savings.

An update including recommendations for the next steps was approved at Cabinet 29th July 2021 including the continuing work the agreed actions to address the financial position in future years:

1. Financial Management and Commerciality – Seeking to remove historic underspends and adopt an in-service approach to rigorous and controlled spending.
2. Smart Working – Exploration of the business impacts around current levels of home working and what the future is for AGILE working.
3. Building Requirements and Utilisation – Consideration of the best use of all our property assets to ensure the council's resources are focused on front line service delivery.
4. Front Reception and Customer Service Offer – Exploration of customer service models to assess the impact of front reception closing during the pandemic and how acceleration of digitising services can be delivered whilst ensuring our most vulnerable customers retain face to face services.
5. Service Re-design and Review – An organisational wide review of each service to identify short, medium and longer-term opportunities to improve delivery of services central to the council's core purpose and strategic aims.
6. Third Sector Support and Vulnerability Strategy – Recognising that one of the most positive outcomes to the Pandemic is the overwhelming ability of 'anchor organisations and communities' to mobilise and support each other, this project will explore how the Council's commissioning framework can be aligned to build on these foundations going forward and how we define and develop our vulnerability strategy, building on the baseline assessment commissioned over the summer.

7. Economy and Regeneration - Work has continued on the future of our high street and alongside this the economic recovery and regeneration of Tamworth is central to our future Recovery and Reset.

Together with any opportunities arising from the response to the Covid-19 pandemic, for Member consideration during the budget process.

In addition, the following areas will need to be completed / agreed to inform the Council decision:

- Completion of the Business Rates forecast / NNDR1 statutory return including the impact for the Staffordshire wide Business Rates pool arrangement for 2022/23; and
- Finalisation of the Policy changes.

Consideration of the level of Council tax increases over the 5-year period is also needed to account for potential 'capping' by the Government or a local referendum / veto and to ensure that balances are maintained at the minimum approved level of £0.5m.

Decisions on future funding will need to be made with reference to the Council's Corporate Priorities together with the feedback & issues raised by the budget consultation exercise. There is a need to consider how the limited resources can be 'prioritised' (& whether service improvements in a priority area should be met from service reductions elsewhere).

Responses / indications from Scrutiny Committees on priority areas for the future allocation of resources will be sought, as part of the consultation required by the constitution.

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 Leaders Budget Workshop was held on 1st December 2021.

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 26th January 2022.

Risks to Capital and Revenue Forecasts:

Risk	Control Measure
Major variances to the level of grant / subsidy from the Government (including specific grants e.g. Benefits administration, Business Rates Section 31 funding); (High)	Sensitivity modelling undertaken to assess the potential impact in the estimation of future Government support levels; (High / Medium)
New Homes Bonus grant levels lower than estimated; Continuation of the scheme for 2022/23 has been confirmed – doubt over its continuation in future years; (High/Medium)	Future levels included based on legacy payments only; (Medium/Low)
Potential ‘capping’ of council tax increases by the Government or local Council Tax veto / referendum; (Medium)	Confirmed that increases of over 2% or £5 risk ‘capping’ (was 2% or £5 for District Councils in 2021/22); (Low)
The achievement / delivery of substantial savings / efficiencies will be needed to ensure sufficient resources will be available to deliver the Council’s objectives through years 4 to 5. Ongoing; (High)	A robust & critical review of savings proposals will be required / undertaken before inclusion within the forecast; (High/Medium)
Pay awards greater than forecast; (Medium)	Public sector pay cap was lifted from 2018/19 with pay awards of 2% p.a. for 2 years & 2.75% in 2020/21. An offer of 1.75% for 2021/22 has not yet been agreed. Increases of 2.5% p.a. assumed from 2022/23; (Medium / Low)
Pension costs higher than planned / adverse performance of pension fund; (Medium)	Regular update meetings with Actuary; Following an option to ‘freeze’ the ‘lump sum’ element for the 3 years from 2020/21 (after the triennial review during 2019), 2% p.a. year on year increases have been included from 2023/24; (Medium/Low)
Assessment of business rates collection levels to inform the forecast / budget (NNDR1) and estimates of appeals, mandatory & discretionary reliefs, cost of collection, bad debts and collection levels; New burdens (Section 31) grant funding for Central Government policy changes – including impact on levy calculation; Potential changes to the Business Rates Retention system following the announcement for Councils to keep 75% (previously up to 100%) of the business rates collected; (High)	Robust estimates included to arrive at collection target. Ongoing proactive management & monitoring will continue; Business Rates Collection Reserve - provision of reserve funding to mitigate impact of any changes in business rate income levels; Monitoring of the situation / regular reporting; (High / Medium)

Risk	Control Measure
<p>Local Council Tax Reduction scheme potential yield changes and maintenance of collection levels due to increases in unemployment caused by the pandemic; (High)</p>	<p>Robust estimates included. Ongoing proactive management & monitoring (including a quarterly healthcheck on the implications on the organisation – capacity / finance) will continue; (High / Medium)</p>
<p>Achievement of income streams in line with targets in light of the economic conditions e.g. treasury management interest, car parking, planning, commercial & industrial rents etc.; (High / Medium)</p>	<p>Robust estimates using a zero based budgeting approach have been included; (Medium)</p>
<p>Delivery of the capital programme (GF / HRA – including Regeneration schemes) dependent on funding through capital receipts and grants (including DFG funding through the Better Care Fund); (High / Medium)</p>	<p>Robust monitoring and evaluation – should funds not be available then schemes would not progress; (Medium)</p>
<p>Dependency on partner organisation arrangements and contributions e.g. Waste Management (SCC/LDC). (High / Medium)</p>	<p>Memorandum of Understanding in place with LDC. (Medium)</p>
<p>Delivery of the planned Commercial Investment Strategy actions - recent review of the Treasury Management Investment Guidance / Minimum Revenue Provision Guidance carried out - with a potential restriction of investments by Councils given increased risk exposure. (High/Medium)</p>	<p>The main issue seems to be the increased risks associated with those Councils who are borrowing large sums to invest in commercial property activities. Property Fund investment review carried out 2021. (Medium)</p>
<p>Maintenance and repairs backlog for corporate assets – and planned development of long term strategic plan to address such. (High / Medium)</p>	<p>Planned development of long term strategic corporate capital strategy and asset management plan to consider the requirements and associated potential funding streams. (Medium)</p>
<p>Significant financial penalties arising from the implementation of the General Data Protection Regulations (GDPR). (High / Medium)</p>	<p>Implementation plan in place with corporate commitment and good progress. (Medium)</p>
<p>Property funds are not risk free - as such a risk based approach will need to be adopted – to balance risk against potential yield or return. Based on past performance there is the potential for returns of c.4% p.a. but this is not guaranteed.</p>	<p>Any investment in funds which are deemed as capital expenditure will require the necessary capital programme budgets to be approved by full Council. Risk is inherent in Treasury Management and as such a risk based approach will need to be adopted – to balance risk against potential yield or return.</p>

Risk	Control Measure
<p>The value of the funds are also subject to fluctuation – which could mean a capital loss in one year (as well as expected gains).</p> <p>The initial cost associated with the purchase of the investment in the funds is expected to be in the region of 5% - which would have to be recovered over the life of the investment (either from annual returns or capital appreciation). There is a real risk of a revenue loss therefore in the first year.</p> <p>(High/Medium)</p>	<p>It is suggested that risk be mitigated (although not eliminated) through investment in a diversified portfolio using a range of property funds.</p> <p>The Council used the secondary market for purchases to potentially gain access to a fund at a lower level of cost than via the primary route.</p> <p>Mitigation regulations are in place to defer any potential principal loss for 5 years.</p> <p>Property Fund investment review carried out 2021.</p> <p>(Medium)</p>

Report Author

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

<p>Background Papers:-</p>	<p>Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2021/22, Council 23rd February 2021</p>
	<p>Budget and Medium Term Financial Planning Process, Cabinet 19th August 2021</p>
	<p>Budget Consultation Report, Cabinet 2nd December 2021</p>
	<p>Leaders Budget Workshop, 1st December 2021</p>
	<p>Draft Base Budget Forecasts 2022/23 to 2026/27, Cabinet 2nd December 2021</p>

Summary of Appendices

Description	Appendix
Detailed Considerations	A
Policy Changes Summary – GF & HRA	B
HRA Budget Summary 2022/23 – 2026/27	C
General Fund Summary Revenue Budget 2022/23	D
General Fund Technical Adjustments 2022/23 (before policy changes)	E1
HRA Technical Adjustments 2022/23 (before policy changes)	E2
General Fund 5 Year Revenue Budget Summary	F
Council Tax Levels at Each Band 2022/23	G
General Fund Capital Programme 2022/23 – 2026/27	H
Housing Capital Programme 2022/23 – 2026/27	I
Main Assumptions	J
Sensitivity Analysis	K
Contingencies	L
Corporate Capital Strategy	M

Detailed Considerations

The Council's approach to medium term planning aims to integrate the Council's Corporate and financial planning processes. In accordance with that approach this report contains firm proposals for 2022/23 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 2021/22 budget to arrive at the starting point for 2022/23. 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 2022/23 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 continuing economic uncertainty and austerity measures;
- Injecting additional resources into corporate priorities;
- Increasing income from council tax and fees and charges; and
- Making other savings and efficiencies.

Financial Background

The medium term financial planning process is being challenged by the uncertain economic conditions. The attached forecast is based on a 5 year period, but does contain a number of uncertainties. The forecast grant reductions and uncertainty over future Local Government funding arrangements will put significant pressure on the ability of the Council to publish a balanced 5 year MTFS.

It is suggested that, given the uncertainty, there should be no knee jerk reactions – with a clear plan to focus on balancing the next 3 years' budget position, in compliance with the Prudential Code (minimum balances of £0.5m) by which time the impact should be clearer.

There are a number of challenges affecting the Medium Term Financial Planning process for the period from 2022/23 to 2026/27 which add a high level of uncertainty to budget projections.

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 +/-	Impact over 3 years +/-	Impact over 5 years + / -	Risk
		£'000	£'000	£'000	
Pay Award / National Insurance (GF)	0.5%	46	283	721	M
Pension Costs	0.5%	0	188	640	L
Council Tax	0.5%	42	203	477	L
Inflation / CPI	0.5%	66	379	943	H
Government Grant	1.0%	47	216	486	L
Investment Interest	0.5%	203	810	1,625	H
Key Income Streams	10%	192	1,228	3,177	H
Business Rates	0.5%	75	454	1,149	H

GENERAL FUND

Future Revenue Support Grant & Business Rate income

On 16th December 2021, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC), Rt. Hon. Michael Gove MP, released a written statement to Parliament on the provisional local government finance settlement 2022/23.

With the 2022/23 figures being for a single year only and the deferral on the Fair Funding Review, New Homes Bonus reform and the Business Rates Reset for a further year, the 2022/23 settlement is similar to the 2021/22 settlement; albeit, with an additional £1.8bn of funding (including the grant increase of £1.6bn and the Adult Social Care Reform funding of £0.2bn, as announced at Spending Review).

The updated National Core Spending Power figures are detailed below and include the Settlement Funding Assessment (SFA); Council Tax; the Improved Better Care Fund; New Homes Bonus (NHB); Transitional Grant; Rural Services Delivery Grant; the new Lower Tier Services Grant and the Adult Social Care Support Grant. The table shows the national changes to Core Spending Power between 2015/16 and 2022/23. It shows an increase of 6.9% for 2022/23 and an overall increase for the period 2015/16 to 2022/23 of 20.6%.

Core Spending Power	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
National Position	£m	£m	£m	£m	£m	£m	£m	£m
Settlement Funding Assessment	21,250	18,602	16,633	15,574	14,560	14,797	14,810	14,882
Under-indexing business rates multiplier	165	165	175	275	400	500	650	1,025
Council Tax	22,036	23,247	24,666	26,332	27,768	29,227	30,327	31,728
Improved Better Care Fund	-	-	1,115	1,499	1,837	2,077	2,077	2,140
New Homes Bonus	1,200	1,485	1,252	947	918	907	622	554
Rural Services Delivery Grant	16	81	65	81	81	81	85	85
Lower Tier Services Grant	-	-	-	-	-	-	111	111
2022/23 Services Grant	-	-	-	-	-	-	-	822
Transition Grant	-	150	150	-	-	-	-	-
Adult Social Care Support Grant	-	-	241	150	-	-	-	-
Winter pressures Grant	-	-	-	240	240	-	-	-
Social Care (Support) Grant	-	-	-	-	410	1,410	1,710	2,346
Market Sustainability & Fair Cost of Care	-	-	-	-	-	-	-	162
Core Spending Power	44,666	43,730	44,296	45,098	46,213	48,999	50,392	53,856
Change %		(2.1)%	1.3%	1.8%	2.5%	6.0%	2.8%	6.9%
Cumulative change %		(2.1)%	(0.8)%	1.0%	3.5%	9.7%	12.8%	20.6%

However, there remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation. The planned reforms were due to be in place by 2022/23 (after the deferral from 2021/22) but were deferred again.

Given the pandemic, the work on the review of local government funding, fair funding review, future of new homes bonus and business rates retention was deferred again, although no timescales were been released.

It has now been announced that the business rates multiplier will be frozen again for 2022/23. Therefore the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) remains at 2020/21 levels. However, the under-indexing multiplier grant has been increased, in order that local authorities do not lose what would have been the increase to the multiplier (as per previous years when a cap was applied) – reflected in additional section 31 grant. The business rates tariff for Tamworth was left unchanged at £10.4m – which means that due to the retention of business rates growth since 2013 of £2m, the Council benefits from net additional funds for 2022/23.

As part of the 2021 Spending Review, no announcement was made about the government's plans for funding reform or a **reset** of the Business Rates Retention (BRR) system, both of which were originally expected to be implemented in 2019/20, but which have been delayed a number of times.

The following statement is made:

Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

As part of this we will look at options to support local authorities through transitional protection. Councils should note the one-off 2022/23 Services Grant provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections.

While this means the Council will be able to retain its business rate growth for 2022/23, it also means that the uncertainty continues and potentially the Council still faces losing this growth from 2023/24 as, over the coming months, the Government have stated that they will work with the sector before consulting on funding reform.

There is a high risk that these reforms will have a significant effect on the Council's funding level from 2023/24.

For future years (post 2022/23), it has been assumed that there will be a reduction in Revenue Support Grant to nil following the planned reforms, as detailed below.

BASE BUDGET	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£	£	£	£	£	£
Revenue Support Grant	188,572	194,648	-	-	-	-
% Increase / (Reduction)	0.6%	3.2%	(100)%	-	-	-

Business Rates

The 2022/23 finance settlement represents the tenth year in which the Business Rates Retention (BRR) scheme is the principal form of local government funding. As in the previous years, the provisional settlement provides authorities with a combination of provisional grant allocations and their baseline figures within the BRR scheme.

Additional monthly monitoring has been implemented since the implementation of business rate retention from 2013/14 – following approval of the NNDR1 form (Business Rates estimates) by Cabinet in January each year.

The Council received additional business rates during 2013/14 (above forecast / baseline) and had to pay a levy of £356k to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP). No levy was payable for 2014/15 due to the significant increase in appeals during March 2015 – which meant an increase in the provision from £1m to almost £4m. The Council received additional business rates during 2015/16, 2016/17, 2017/18 and 2018/19 (above forecast / baseline) and had to pay a levy of £534k, £612k, £1.17m and £992k respectively. For 2019/20, due to the pilot arrangement, no levy was payable although growth over baseline was £1.97m. For 2020/21, this level was reduced due to the pandemic – with a levy payable of £495k.

The latest estimates for 2021/22 indicate additional business rates receivable above the baseline – of which the Council will receive 40% less the Government set tariff payment of c.£10m (plus an agreed share of the surplus from the Staffordshire pool arrangement - after deduction of the 25% Central Share, 9% County & 1% Fire & Rescue Authority shares). It should be noted that c.£3m in additional relief has been granted in 2021/22 due to the pandemic – meaning that retail, leisure and hospitality businesses will pay reduced levels of business rates in 2021/22.

The Government said it will keep an open dialogue with the local authorities about the best approach to the next financial year, including how to treat accumulated business rates growth (pending the planned business rates baseline reset) – the Government have confirmed that the reset will be deferred which means District Councils keep the accumulated growth in business rates (as they did last year) – subject to the effect of the pandemic on future business rate income.

For future years, it has been assumed that the retained growth will be redistributed as part of the business rates reset and therefore business rates received will be equivalent to the tariff payable – meaning the Council will retain the Government assessed Business Rates Baseline.

New Burdens (Section 31) Grant is receivable for additional reliefs given by the Government relating to business rates from 1st April 2013 e.g. Small Business Rate Relief – of which 50% of any in excess of the baseline will be payable in levy to the pool. A prudent approach has been taken in respect of any new burdens funding – and, due to uncertainties & risk, the creation of an associated Business Rates Collection reserve to mitigate fluctuation in income. The forecast Section 31 Grants and levy payments included within the base budget forecasts are detailed below – and will be updated following finalisation of the business rates forecast for 2022/23 during January.

Levy / Section 31 Grant	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
NNDR Levy payment	1,087,260	-	-	-	-
Section 31 Grant income	-	-	-	-	-

For future years, the Government assessed Business Rates Baseline is detailed below:

BASELINE	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Base Budget Forecast (November 2021):					
Retained Business Rates	14,918,867	15,217,244	15,521,589	15,832,021	16,148,661
Less: Tariff payable	(12,518,660)	(12,769,033)	(13,024,414)	(13,284,902)	(13,550,600)
Total SFA	2,400,207	2,448,211	2,497,175	2,547,119	2,598,061
% Increase	2.6%	2.0%	2.0%	2.0%	2.0%
Provisional LGFS (December 2021):					
Retained Business Rates	12,744,347	15,217,244	15,521,589	15,832,021	16,148,661
Less: Tariff payable	(10,405,841)	(12,769,033)	(13,024,414)	(13,284,902)	(13,550,600)
Total SFA	2,338,506	2,448,211	2,497,175	2,547,119	2,598,061
% Increase	-	4.7%	2.0%	2.0%	2.0%
Increase / (Decrease)	-	-	-	-	-

Due to the variable nature of the BRR element of local authority funding, the provisional settlement no longer provides the absolute funding level for authorities. The Government's assessed Business Rates Baseline for the authority is only based on an adjusted average income figure, and therefore is not representative of the actual Business Rates Baseline.

The business rates forecast income is subject to confirmation / finalisation over the next few weeks – the latest estimates are detailed below:

DRAFT MTFS	2022/23	2023/24	2024/25	2025/26	2026/27
	£	£	£	£	£
Base Budget Forecast (November 2021):					
Retained Business Rates	14,918,867	15,217,244	15,521,589	15,832,021	16,148,661
Less: Tariff payable	(12,518,660)	(12,769,033)	(13,024,414)	(13,284,902)	(13,550,600)
Total	2,400,207	2,448,211	2,497,175	2,547,119	2,598,061
% Increase	(13.0)%	2.0%	2.0%	2.0%	2.0%
Provisional LGFS (December 2021):					
Retained Business Rates	14,918,867	15,217,244	15,521,589	15,832,021	16,148,661
Less: Tariff payable	(10,405,841)	(12,769,033)	(13,024,414)	(13,284,902)	(13,550,600)
Total	4,513,026	2,448,211	2,497,175	2,547,119	2,598,061
% Increase	63.5%	(45.8)%	2.0%	2.0%	2.0%
Increase / (Decrease)	2,112,819	-	-	-	-

Based on this Government financial support will change as shown below:

DRAFT MTFS	2022/23	2023/24	2024/25	2025/26	2026/27
	£	£	£	£	£
Base Budget Forecast (November 2021):					
Revenue Support Grant	-	-	-	-	-
Retained Business Rates	14,918,867	15,217,244	15,521,589	15,832,021	16,148,661
Less: Tariff payable	(12,518,660)	(12,769,033)	(13,024,414)	(13,284,902)	(13,550,600)
Total	2,400,207	2,448,211	2,497,175	2,547,119	2,598,061
% Increase	(18.6)%	2.0%	2.0%	2.0%	2.0%
% RSG Increase / (Decrease)	(100.0)%	0.0%	0.0%	0.0%	0.0%
Provisional LGFS (December 2021):					
Revenue Support Grant	194,648	-	-	-	-
Retained Business Rates	14,918,867	15,217,244	15,521,589	15,832,021	16,148,661
Less: Tariff payable	(10,405,841)	(12,769,033)	(13,024,414)	(13,284,902)	(13,550,600)
Total	4,707,674	2,448,211	2,497,175	2,547,119	2,598,061
% Increase	59.6%	(48.0)%	2.0%	2.0%	2.0%
% RSG Increase / (Decrease)	3.2%	(100.0)%	0.0%	0.0%	0.0%
Increase / (Decrease)	2,307,467	-	-	-	-

The table shows that overall funding should be c.£2.3m higher than expected in 2022/23.

The retained Business Rates forecast will be updated based on the NNDR1 return which was not received until late December 2021. A separate report on this agenda is due to consider the latest forecast for Business Rates (the statutory NNDR1 return) once finalised – prior to final sign off by the statutory deadline of 31st January 2022.

There are still significant uncertainties - specifically the treatment of:

- Forecast levels of growth / contraction in business rates – including the level of void properties and unpaid business rates for 2022/23 following the impact of the pandemic on local businesses;
- The estimated level of mandatory and discretionary reliefs;
- The estimated level of refunds of Business Rates following the Appeal process – especially following the pandemic;
- the treatment of Section 31 grant funding (including Small Business Rate Relief Grant) – which could affect the calculation of any levy payment and thereby reduce retained Business Rate income; and
- The impact of the Business Rates Retention scheme review, Baseline reset (the Council's baseline need level), the Fair Funding Review and the Spending Review on the likely tariff levels for future years.

In addition, the next planned national Business Rates Revaluation will take effect from 2023 – with latest indications that the Government will also aim to introduce a centralised system for business rate appeals at the same time to cover future changes arising from the 2023 valuation list.

While we are aware of these forthcoming changes, little to no information is available on the potential impact for individual Councils' finances.

The revised estimates for Business Rates arising from NNDR1 will feed into the next stage of the budget process.

New Homes Bonus (NHB)

There remains significant uncertainty over the ongoing funding for the New Homes Bonus scheme, as it has been 'rolled over' for another year, with allocations made and the final 2019/20 legacy payment honoured. There is no planned legacy payment for 2022/23 (as in 2020/21 and 2021/22).

The Government consulted on the future of the New Homes Bonus in 2021 and plan to publish their response early in 2022. The Government remains committed to reform and will use the additional year to carefully consider how to ensure the incentive is more focused and targeted on ambitious housing delivery and which complements wider Government priorities.

New Homes Bonus income forecasts had been included within the base budget as follows – with future levels included based on legacy payments only. However, following the announcement of additional funding for 2022/23, forecasts have subsequently been updated:

BASE BUDGET NHB	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Base Budget Forecast (November 2021)	212,700	-	-	-	-
Revised MTFS forecast (December 2021)	917,070	-	-	-	-
Increased / (Reduced) income	704,370	-	-	-	-

This results in an overall gain to the MTFS of £0.7m for 2022/23, resulting from the growth in new homes in the borough to October 2021.

The national baseline for housing growth below which New Homes Bonus will not be paid was unchanged at 0.4% (reflecting a percentage of housing that would have been built anyway).

Technical Adjustments

Revisions have been made to the 2021/22 base budget in order to produce an adjusted base for 2022/23 and forecast base for 2023/24 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; and
- 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	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Base Budget B/Fwd	258	9,024	9,604	10,191	10,809
Committee Decisions	8,788	(88)	2	59	0
Inflation	25	19	18	20	21
Other	(295)	340	267	255	230
Pay Adjustments (Including pay award / 7.5% reduction for vacancy allowance)	248	309	300	284	282
Revised charges for non-general fund activities	-	-	-	-	-
Virements	-	-	-	-	-
Total / Revised Base Budget	9,024	9,604	10,191	10,809	11,342

* () denotes saving in base budget

Policy Changes

The policy changes provisionally agreed by Council in February 2021 have been included within the technical adjustments for 2022/23 onwards. **A list of the proposed new policy changes for 2022/23 is summarised below:**

Item No	Policy Changes Identified – General Fund	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
OR1	Increased cost Legal Shared Service (less ongoing underspend on current budget plus use of retained funds in years 1 and 2)	-	8.5	11.0	-	-
PE1	HR - Increase in long service award budget to meet profiled expenditure for the next three years	4.9	(1.3)	2.6	(3.9)	-
PE2	Customer Services - Extension of temporary contracts for CSA staff due to finish 31st March 2022 for a further year	74.4	(74.4)	-	-	-
PE3	Move of iTrent to MHR Cloud services. The current iTrent on premise environment requires a complete reinstall due to end of life version of Windows and SQL server.	15.0	-	-	-	-
PE4	Customer Services - Hire of Security - extension of contract to December 2022 (also impact on HRA)	12.3	(12.3)	-	-	-
PE5	Communications & Marketing – Make temporary contract post permanent	19.1	-	-	-	-
OPS1	Pleasure Grounds - remove income streams from the activity centre	27.0	-	(25.8)	-	-
OPS2	To reinstate the full budget of £30k for the purchase of flowers for Tamworth. The budget was reduced to £15k during the pandemic as only selected sites were planted. A further £10k is requested for 2022/23 so as to enable additional floral displays to enhance the Queens Platinum Jubilee celebrations throughout the town	25.0	(10.0)	-	-	-
OPS3	A budget of £15k be created to provide each member with £500 per annum to use to aid environmental improvements in their ward.	15.0	-	-	-	-
OPS4	Additional revenue budgets for the purchase of vehicles and mechanical sweepers for the authority	56.2	27.6	-	-	-
OPS5	Assembly Rooms - costed maintenance plan for 2022/23 is £35k, however with the current supply chain and market forces it is recommended that this be increased by 20% to ensure all costs are covered, bringing the figure to £42k	33.0	-	-	-	-
OPS6	The reopening of the Assembly Rooms in 2021 commenced in July and phased the return of staff building as the Covid restrictions lifted. In the report that went to Cabinet and Appointments and Staffing, (6th April 2021) it was identified that c.£98k would be need to fully support this structure from 2022/23.	101.0	(101.0)	-	-	-

Item No	Policy Changes Identified – General Fund	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
OPS7	Reduced income - the Council have undertaken 8 annual cuts of SCC grass verges and associated green spaces for many years. In 2018 they indicated that the funding for the service was to be reduced and it was agreed that the fee would now relate to 6 annual cuts plus some new developments.	28.3	-	-	-	-
FIN1	Revised New Homes Bonus	(704.4)	704.4	-	-	-
FIN2	Business Rates Levy payment	1,087.3	(1,087.3)	-	-	-
FIN3	Lower Tier Grant	(104.9)	104.9	-	-	-
FIN4	Business Rates Relief Section 31 Grant	TBA	-	-	-	-
FIN5	Local Government Services grant	(161.2)	161.2	-	-	-
FIN6	Revenue Implications of Capital Programme	2.0	1.0	1.0	2.0	5.0
PAR1	To maintain the level of potential income on car park enforcement at pandemic levels	57.8	(57.8)			
AST1	Valuation of General Fund Assets - auditors have identified some key areas of improvement which will require additional investment	50.0	-	-	-	-
AST2	Increase in BRF to reflect market cost changes - Upward price pressures from the construction market has forced an increase in contractor costs	65.6	-	-	-	-
AST3	Servicing of castle grounds toilet facilities - reflects the increase ongoing cost of servicing and cleansing	1.5	-	-	-	-
G&R1	A c.30% drop in planned revenue in car parking revenue for financial year 2022/23 compared to 2019/20	256.6	(256.6)	-	-	-
G&R2	Providing additional salary to budget to underpin the costs of a new post Heritage and Facilities Officer, approved earlier in the year. The Castle is required to provide 25% of the costs.	10.0	(10.0)	-	-	-
G&R3	The proposal is to permanently extend the hours of our Public Health Officer post from 30 hours per week to 37 hours per week. This change is currently being funded through reserve budgets and it is requested that a Policy change be agreed to make this permanent.	7.2	-	-	-	-
G&R4	The proposal is to remove the predicted reduction in general admission income at the castle as we emerge from pandemic restrictions. Given the positive indications in 2021/22 it is recommended that the full budget be reinstated for 2022/23.	(54.6)	54.6	-	-	-
	Total New Items / Amendments	923.8	(548.4)	(11.2)	(1.8)	5.0
	Cumulative	923.8	375.4	364.2	362.3	367.3
	Cumulative 5 years					2,393.1

In addition, the following savings are proposed arising from Phase 1 of the Recovery and Reset programme:

Item No	Proposal/(Existing Budget)	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
R&R1	Digitalisation of CST service savings from use of portal (10% salary savings)	-	-	(50.0)	-	-
R&R2	Corporate review of Postage - Targeted saving	(20.0)	-	-	-	-
R&R3	Shopmobility - Cease funding	(10.0)	-	-	-	-
R&R4	Mobile Phone contract review	(8.0)	-	-	-	-
R&R5	Review of all IT software contacts	(5.0)	-	-	-	-
R&R6	Health Insurance, Occupational Health and Listening Service – targeted saving from re-procurement	(10.0)	-	-	-	-
R&R7	Highways Reverse Agency Agreement – budget review	(86.0)	-	-	-	-
R&R8	Expand street scene Service to cover all Corporate properties - castle outside	(3.0)	-	-	-	-
R&R9	Treasury Management income – targeted saving	(30.0)	-	-	-	-
R&R10	Review of Cross subsidy- Charge removed whilst under review (max of 2 years)	(229.6)	-	200.0	-	-
R&R11	Private Sector Leasing (PSL) savings from cessation of scheme	(30.0)	-	-	-	-
R&R12	Flexible Housing Support Grant - Saving on Reserve Account	(80.0)	80.0	-	-	-
R&R13	Voluntary Sector Grants to be reduced from £140k to £100k	(40.0)	-	-	-	-
R&R14	Review of Income - Planning fees and enforcement	(20.0)	-	-	-	-
R&R15	Increase service offer - planning advice , site appraisals and TPOs	(10.0)	-	-	-	-
R&R16	Review of planning Income - Re-active service at present need to scope and review	(10.0)	-	-	-	-
R&R17	Street trading - Reduction in income budget	15.0	-	-	-	-
R&R18	Corporate Management - Targeted savings from Ph.2 R&R service review	(100.0)	-	(90.0)	-	-
	Total New Items / Amendments	(676.6)	80.0	60.0	-	-
	Cumulative	(676.6)	(596.6)	(536.6)	(536.6)	(536.6)
	Cumulative 5 years					(2,882.8)

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.

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.

Council Tax

Last year's medium term financial plan identified ongoing increases of £5 per annum from 2022/23. The indication is that the 'capping' threshold for District Councils will be the higher of £5 or 2.0% - following a freeze in 2011/12 & 2012/13 and a below 2% increase from 2013/14 to 2016/17 (followed by c.3% or £5 p.a. to 2021/22).

Each £1 increase in the band D Council Tax would raise approximately £22k per annum. For each 1% increase in Council Tax, the Council will receive c. £40k additional income per annum.

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

Model 1 Impact of £5 increase in Council Tax in 2022/23 (followed by £5 p.a.)

Year:	2022/23	2023/24	2024/25	2025/26	2026/27
Forecast:	£'000	£'000	£'000	£'000	£'000
Surplus (-) /Deficit	453	2,659	2,767	3,178	3,508
Balances Remaining (-) / Overdrawn	(8,178)	(5,519)	(2,752)	426	3,934
£ Increase	5.00	5.00	5.00	5.00	5.00
% Increase	2.68%	2.61%	2.54%	2.48%	2.42%
Note: Resulting Band D Council Tax	191.89	196.89	201.89	206.89	211.89

Indicating potential General fund balances of approx. £2.7m over 3 years (with a shortfall of £0.9m over 4 years & £4.4m over the 5 year period) - including the minimum approved level of £0.5m. Further savings of approx. £0.9m per annum over 5 years would have to be identified.

In order to consider alternative options, the following scenarios have been modelled:

Model 2 Impact of 2.99% increase in Council Tax in 2022/23 (followed by increases of 2.99% p.a. thereafter)

Year:	2022/23	2023/24	2024/25	2025/26	2026/27
Forecast:	£'000	£'000	£'000	£'000	£'000
(Increase) in Council Tax £	(14)	(32)	(54)	(80)	(111)
Revised Surplus (-) /Deficit	439	2,627	2,713	3,098	3,397
Balances Remaining (-) / Overdrawn	(8,192)	(5,565)	(2,852)	246	3,643
£ Increase	5.59	5.76	5.93	6.11	6.28
% Increase	2.99%	2.99%	2.99%	2.99%	2.99%
Note: Resulting Band D Council Tax	192.48	198.24	204.17	210.28	216.56

Indicating potential General fund balances of approx. £2.8m over 3 years (with a shortfall of £0.7m over 4 years & £4.1m over the 5 year period) - including the minimum approved level of £0.5m. Further savings of approx. £0.8m per annum over 5 years would have to be identified.

Model 3 Impact of £1 increase in Council Tax in 2022/23 (followed by increases of £1 p.a. thereafter)

Year:	2022/23	2023/24	2024/25	2025/26	2026/27
Forecast:	£'000	£'000	£'000	£'000	£'000
Reduction in Council Tax £	92	185	279	374	469
Revised Surplus (-) /Deficit	545	2,844	3,046	3,552	3,977
Balances Remaining (-) / Overdrawn	(8,086)	(5,242)	(2,196)	1,356	5,333
£ Increase	1.00	1.00	1.00	1.00	1.00
% Increase	0.54%	0.53%	0.53%	0.53%	0.52%
Note: Resulting Band D Council Tax	187.89	188.89	189.89	190.89	191.89

Indicating potential General fund balances of approx. £2.2m over 3 years (with a shortfall of £1.9m over 4 years & £5.8m over the 5 year period) - including the minimum approved level of £0.5m. Further savings of approx. £1.2m per annum over 5 years would have to be identified.

Model 4 Impact of 2.5% increase in Council Tax in 2022/23 (followed by increases of 2.5% p.a. thereafter)

Year:	2022/23	2023/24	2024/25	2025/26	2026/27
Forecast:	£'000	£'000	£'000	£'000	£'000
Reduction in Council Tax £	7	12	14	13	9
Revised Surplus (-) /Deficit	460	2,671	2,781	3,191	3,517
Balances Remaining (-) / Overdrawn	(8,171)	(5,500)	(2,719)	472	3,989
£ Increase	4.68	4.79	4.90	5.03	5.16
% Increase	2.5%	2.5%	2.5%	2.5%	2.5%
Note: Resulting Band D Council Tax	191.57	196.36	201.26	206.29	211.45

Indicating potential General fund balances of approx. £2.7m over 3 years (with a shortfall of £1m over 4 years & £4.5m over the 5 year period) - including the minimum approved level of £0.5m. Further savings of approx. £0.9m per annum over 5 years would have to be identified.

Model 5 Impact of 0% increase in Council Tax in 2022/23 (followed by increases of 0% thereafter)

Year:	2022/23	2023/24	2024/25	2025/26	2026/27
Forecast:	£'000	£'000	£'000	£'000	£'000
Reduction in Council Tax £	115	231	348	466	585
Revised Surplus (-) /Deficit	568	2,890	3,115	3,644	4,093
Balances Remaining (-) / Overdrawn	(8,063)	(5,173)	(2,058)	1,586	5,679
£ Increase	0.00	0.00	0.00	0.00	0.00
% Increase	0.00%	0.00%	0.00%	0.00%	0.00%
Note: Resulting Band D Council Tax	186.89	186.89	186.89	186.89	186.89

Indicating potential General fund balances of approx. £2.1m over 3 years (with a shortfall of £2.1m over 4 years & £6.2m over the 5 year period) - including the minimum approved level of £0.5m. Further savings of approx. £1.2m per annum over 5 years would have to be identified.

Model 6 Impact of 1.99% increase in Council Tax in 2022/23 (followed by increases of 1.99% p.a. thereafter)

Year:	2022/23	2023/24	2024/25	2025/26	2026/27
Forecast:	£'000	£'000	£'000	£'000	£'000
Reduction in Council Tax £	29	57	84	109	132
Revised Surplus (-) /Deficit	482	2,716	2,851	3,287	3,640
Balances Remaining (-) / Overdrawn	(8,149)	(5,433)	(2,582)	705	4,345
£ Increase	3.72	3.79	3.86	3.94	4.02
% Increase	1.99%	1.99%	1.99%	1.99%	1.99%
Note: Resulting Band D Council Tax	190.61	194.40	198.26	202.20	206.22

Indicating a potential shortfall in General fund balances of approx. £2.6m over 3 years (with a shortfall of £1.2m over 4 years & £4.8m over the 5 year period) - including the minimum approved level of £0.5m. Further savings of approx. £1m per annum over 5 years would have to be identified.

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 or Business Rates elements of the Collection Fund – subject to the projected impact of the pandemic these may be significantly reduced or could mean a deficit position which would have to be funded in 2022/23 by the preceptors (subject to the Government commitment to allow any deficit arising from the pandemic to be spread over 3 years).

Subject to finalisation of the estimated surplus or deficit, it is proposed that any available surpluses be used to support the budget (and that the relevant sums be made available to the other precepting authorities – the County Council, Fire & Rescue and Office of the Police & Crime Commissioner (OPCC)).

However, these were impacted in 2020/21 by the effect of the pandemic resulting in a deficit position which was funded in 2021/22 by the preceptors (& subject to the Government requirement to allow any deficit arising from the pandemic to be spread over 3 years). At this stage, the forecast Collection Fund deficits arising from the 2020/21 pandemic have not been updated and are included in line with the requirement to spread the deficit over 3 years – these will be updated following finalisation of the estimated surplus/deficit calculations in January 2022.

Year:	2022/23	2023/24	2024/25	2025/26	2026/27
Council Tax	£'000	£'000	£'000	£'000	£'000
Council Tax Income	(4,407)	(4,577)	(4,734)	(4,892)	(5,053)
Collection Fund Surplus (Council Tax)	30	30	(33)	(33)	(33)
Collection Fund Surplus (Business Rates)	261	261	-	-	-

The County Council, OPCC and Fire & Rescue Authority are due to finalise their budgets for 2022/23 during February 2022. The impact of the Borough Council tax proposals is shown for each Council Tax Band in **Appendix G**.

Balances

At the Council meeting on 23rd February 2016 Members approved a minimum working level of balances of £0.5m. At 31st March 2022 General Fund revenue balances are estimated to be £8.6m. The minimum level of balances for planning purposes will remain at around £0.5m.

Summary and Conclusions

These budget proposals reflect the need to compensate for reduced income levels arising from the uncertain economic conditions (arising from the pandemic) and potential 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 income levels following the pandemic, local authority pay settlements, the potential for interest rate changes and the future local government finance settlements. A summary of all the budget proposals is shown in the table below. The summary revenue budget for 2022/23 appears at **Appendix D**.

A summary of the resulting budgets over the five year period appears at **Appendix F**.

Using the funding forecast and assuming increases in Council Tax of £5 per annum for 2022/23 onwards, the five year base budget forecast is as follows:

GF Summary	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Estimated Net Cost of Services	9,024	9,604	10,191	10,809	11,342
Proposed Policy Changes	247	(221)	(172)	(174)	(169)
Change in Recharges	6	7	6	7	6
Inflationary impact of policy changes	-	3	7	10	13
Net Expenditure	9,277	9,393	10,032	10,651	11,192
Financing:					
RSG	(195)	-	-	-	-
Collection Fund (Surplus) / Deficit – Council Tax	30	30	(33)	(33)	(33)
Collection Fund Surplus / Deficit – Business Rates	261	261	-	-	-
Non Domestic Ratepayers	(14,919)	(15,217)	(15,522)	(15,832)	(16,149)
Tariff Payable	10,406	12,769	13,024	13,285	13,551
Council Tax Income (Model 1)	(4,407)	(4,577)	(4,734)	(4,893)	(5,053)
Gross Financing	(8,824)	(6,734)	(7,265)	(7,473)	(7,684)
Surplus(-)/Deficit	453	2,659	2,767	3,178	3,508
Balances Remaining (-) / Overdrawn	(8,178)	(5,519)	(2,752)	426	3,934
Per Council, 23 rd February 2021	(3,845)	(526)	-	-	-
Band D Equivalents	22,968	23,247	23,447	23,647	23,847

Indicating potential General fund balances of approx. £2.7m over 3 years (with a shortfall of £0.9m over 4 years & £4.4m over the 5 year period) - including the minimum approved level of £0.5m.

HOUSING REVENUE ACCOUNT

Technical Adjustments

The 2021/22 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 2022/23.

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

Technical Adjustments	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Base Budget B/Fwd	343	1,212	(133)	51	(122)
Committee Decisions	1,198	(1,121)	335	0	0
Inflation	201	178	181	187	193
Other	(605)	(493)	(421)	(444)	(487)
Pay Adjustments (Including pay award / reduction of 7.5% for vacancy allowance)	75	91	89	84	84
Revised charges for non-general fund activities	0	0	0	0	0
Virements	0	0	0	0	0
Total / Revised Base Budget	1,212	(133)	51	(122)	(332)

Revisions have been made to the 2021/22 base budget in order to produce an adjusted base for 2022/23 and forecast base for 2023/24 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 policy changes proposed for inclusion in the base budget for the next five years are detailed at **Appendix B** and are highlighted below:

Item No	Policy Changes Identified – Housing Revenue Account	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000
HRA1	Increase in response repairs budget to reflect upward price pressures from the construction market	292.6	-	-	-	-
HRA2	Add cost of cleaners van to HRA Estates budget - used across the HRA estates	2.0	2.0	-	-	-
HRA3	Valuation of Housing Revenue Account Assets - auditors have identified some key areas of improvement which will require additional investment	25.0	-	-	-	-
HRA4	Servicing of specialist disabled equipment installed as part of Disabled Facilities Adaptation - Failure to service and maintain equipment installed as party of a DFA will result in increased costs of renewals	15.0	-	-	-	-
NEI1	Former Tenancy Arrears Officer - extending the temporary full-time post `Former Tenancy Arrears Officer` to address the recovery of HRA's wide range of former arrears until March 2023	14.6	(14.6)	-	-	-
NEI2	Resident Support Worker – Eringden Block - extending the temporary post `Resident Support Worker` for a further year until March 2023	34.4	(34.4)	-	-	-
NEI3	Budget provision to cover the cost of a wide range of neighbourhood works required; eviction storage of items, contaminated rubbish removals, clean following estate incidents etc.	15.0	(15.0)	-	-	-
NEI4	Customer Services - Hire of Security - extension of contract to December 2022	12.3	(12.3)	-	-	-
NEI5	Extending the temporary post `Housing Regulatory & High Rise Co-ordinator` a further year until March 2023	33.7	(33.7)	-	-	-
NEI6	Required annually to provide ongoing additional waste collections to HRA flatted areas, to be facilitated by the Councils waste provider	20	-	-	-	-
HOPS1	Create 3.5 FTE positions within housing maintenance operatives	95.0	-	-	-	-
HOPS2	Increased cost of HMO van to HRA budget	3.0	3.0	-	-	-
HPE1	Customer Services Housing Repairs - Extension of temporary contract for temporary member of staff due to finish 31 st March 2022 for a further 2 years	27.0	-	(27.0)	-	-
	Total New Items / Amendments	589.6	(105.0)	(27.0)	-	-
	Cumulative	589.6	484.6	457.6	457.6	457.6
	Cumulative 5 years					2,447.0

In addition, there is the following cost arising Phase 1 of the Recovery and Reset programme:

Item No	Proposal/(Existing Budget)	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
R&R10	Review of Cross subsidy- Charge removed whilst under review (max of 2 years)	229.6	-	(200.0)	-	-

Assuming increases in Rent in line with the maximum allowed by the Government's Rent Standard (CPI plus 1% p.a.) in order to support investment in the housing stock, the proposals will mean that balances will remain above the approved minimum level of £0.5m over the five year period.

Summary	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Estimated Net (Surplus) / Deficit	1,212	(133)	51	(122)	(332)
Proposed Policy Changes	819	714	487	487	487
Change in Recharges / inflationary impact	(99)	(91)	(83)	(75)	(66)
Surplus (-) / Deficit	1,932	490	455	290	89
Balances Remaining (-) / Overdrawn	(3,648)	(3,158)	(2,703)	(2,413)	(2,324)
Per Council, 23 rd February 2021	(3,160)	(3,069)	(2,790)	(2,665)	-

Indicating Housing Revenue Account (HRA) balances of £2.7m over 3 years (with balances of £2.3m over 5 years) including the minimum recommended balances of £0.5m.

Rent Setting Policy

The introduction of rent restructuring in April 2003 required 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.

This framework removed the flexibility to independently set rent levels from Social Landlords and replaced it with a fixed formula (RPI plus 0.5% plus £2.00) based on the value of the property and local incomes.

The aim of the framework was 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 were also annually set a "limit rent" which restricted the level of rent increase in any one year.

From 2015/16, Councils could decide locally at what level to increase rents. Government Guidance suggested an increase of CPI plus 1%, however, the Council agreed to vary this level, and applied the formula CPI plus 1% plus £2 (capped at formula rent) **for 2015/16 only**, to generate additional funding to support increased maintenance costs and the regeneration of key housing areas within the Borough.

The effect of the reduction in Social Housing Rents announced in the Summer Budget 2015 means that rents were reduced by 1% a year for the four years from 2016/17.

The Government has now confirmed that social housing rents can increase to include 'up to' a factor of the consumer price index (CPI) measure of inflation plus 1% for five years from 2020, following the conclusion of a consultation on the new rent standard.

On 30th November 2017, Cabinet considered and approved amendments to the Council's Rent Setting Policy to include arrangements to charge affordable rents on new and affordable housing.

The policy provides a framework within which Tamworth Borough Council will set rents and service charges and draws on the Department for Communities and Local Government Guidance on Rent Setting for Social Housing.

In setting the rent setting policy the Council had full regard to legislation, regulations and associated rent setting guidance including the Welfare Reform and Work Act 2016 which gave effect to the Government's 1% rent reduction for four years up to 2020/21.

For 2022/23 (and in the medium term), rents will be set in line with the approved policy including a general increase of the consumer price index (CPI) measure of inflation of plus 1% - equating to a 4.1% increase (followed by forecast increases of 3% p.a.), due to the increased cost pressures currently being experienced (although they may be temporary). The MTFs included a forecast increase of 3% p.a. based on the formula allowed under the Rent Setting Guidance of CPI plus 1%.

Given the current level of CPI of 3.1% (September 2021), the forecast increase for 2022/23 will be 4.1% in line with the maximum allowed by the Government's Rent Standard (that social housing rents can increase to include 'up to' a factor of the consumer price index (CPI) measure of inflation (for September of the preceding year) plus 1% for five years from 2020) - in order to support the continued investment in the housing stock. Each 1% increase would equate to additional income of c.£200k p.a. (£1m over 5 years).

The following options have been modelled:

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£	£	£	£	£	£
Option 1: CPI + 1%						
Rent (52 Weeks)	82.35	85.72	88.30	91.09	93.67	96.48
Rent (48 Weeks)	89.21	92.87	95.65	98.52	101.48	104.52
% Increase	1.5%	4.1%	3.0%	3.0%	3.0%	3.0%
	0	0	0	0	0	0
Option 2: CPI						
Rent (52 Weeks)	82.35	84.90	86.60	88.47	90.10	91.90
Rent (48 Weeks)	89.21	91.98	93.82	95.69	97.61	99.56
% Increase	1.5%	3.1%	2.0%	2.0%	2.0%	2.0%
Reduced Rent compared to Option 1	-	187,670	384,780	601,910	802,380	1,023,300
		5 year impact				3,000,040
Option 3: No increase						
Rent (52 Weeks)	82.35	82.35	82.35	82.48	82.35	82.35
Rent (48 Weeks)	89.21	89.21	89.21	89.21	89.21	89.21
% Increase	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Reduced Rent compared to Option 1	-	769,400	1,348,520	431,640	2,541,280	3,155,410
		5 year impact				8,246,250
Inflation at CPI + 1%	1.5%	4.1%	3.0%	3.0%	3.0%	3.0%

Balances

The forecast level of balances at 31st March 2022 is £5.6m. The impact on balances of the adjustments outlined in this report would be as follows:

Balances	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Proposed Withdrawal from / Addition to (-) Balances	1,932	490	455	290	89
Balances Remaining (-) / Overdrawn	(3,648)	(3,158)	(2,703)	(2,413)	(2,324)

This would mean that closing balances, over the five year period, would be over the approved minimum level of £0.5m. The analysis at **Appendix C** details the overall Housing Revenue Account budget resulting from the recommendations contained within this report.

Corporate Capital Strategy

The Council has an ongoing capital programme of over £52m for 2021/22 and an asset base valued at £252m (as at 31st March 2021).

The strategy sets out the Council's approach to capital investment and the approach that will be followed in making decisions in respect of the Council's Capital assets.

Capital investment is an important ingredient in ensuring the Council's vision is achieved and given that capital resources are limited it is critical that the Council makes best use of these resources.

This Strategy sets the policy framework for the development, management and monitoring of this investment and forms a key component of the Council's planning alongside the Medium Term Financial Strategy.

The Capital Strategy will:

- Reflect Members' priorities as set out in the Corporate Plan;
- Balance the need to maintain the Council's existing asset base against its future ambition and associated long term asset needs and consolidate assets where appropriate;
- Recognise that growth is the strategic driver for financial self-sufficiency;
- Be affordable in the context of the Council's MTFS;
- Seek to ensure value for money through achieving a return on investment or by supporting service efficiency and effectiveness;
- Be flexible to respond to evolving service delivery needs;
- Seek to maximise investment levels through the leveraging of external investment;
- Recognise the value of assets for delivering long-term growth as opposed to being sold to finance capital expenditure;
- Recognise the financial benefits and risks from growth generated through investment to support investment decisions; and
- Reflect the service delivery costs associated with growth when assessing the level of resources available for prudential borrowing.

The capital strategy feeds into the annual revenue budget and MTFS by informing the revenue implications of capital funding decisions. The implications for the MTFS are fully considered before any capital funding decisions are confirmed.

Equally, the availability of prudential borrowing means that capital and revenue solutions to service delivery can be considered, and ranked, alongside each other as part of an integrated revenue and capital financial strategy.

The Capital Strategy further sets out the Council's approach to the allocation of its capital resources and how this links to its priorities at a corporate and service level. It describes how the Council has responded to the opportunities provided by prudential borrowing and other new sources of finance.

All proposed schemes requiring capital investment should have as a minimum the following information:

- A description of the scheme;
- The estimated financial implications, both capital and revenue;
- The expected outputs, outcomes and contribution to corporate objectives;
- The nature and outcome of consultation with stakeholders and customers (as applicable);
- Any impacts on efficiency and value for money;
- Risk assessment implications and potential mitigations; and
- Any urgency considerations (e.g. statutory requirements or health and safety issues).

All capital bids should be prepared in light of the following list of criteria, and the proposed investment should address and be assessed with regard to:

- the contribution its delivery makes towards the achievement of the Council's Corporate Priorities;
- the achievement of Government priorities and grant or other funding availability;
- the benefits in terms of the contribution to the Council's 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-minimis for capital expenditure is £10k per capital scheme.

It is important that capital investment decisions are not made in isolation and instead are considered in the round through the annual budget setting process.

Corporate Management Team and Service Managers identify the potential need for capital investment. This will take account of issues including the condition of council owned assets (including reference to the Council's Asset Management Plan), health and safety requirements, statutory obligations of the Council, operational considerations and emerging opportunities for investment including possible sources of external financing.

Corporate Management Team (CMT) and the Asset Strategy Steering Group (ASSG) review capital bids. Once capital bids have been prioritised, Executive Management Team will review the outcome of the deliberations of CMT / ASSG and will make recommendations to Cabinet through an updated Medium Term Financial Strategy (MTFS) report on a proposed budget package which will include capital budget proposals.

The MTFS report (including capital budget proposals) will ultimately be considered by Budget Setting Council each year.

Following a review of the Capital Programme approved by Council on 23rd February 2021, a revised programme has been formulated including additional schemes which have been put forward for inclusion.

A schedule of the capital scheme appraisals for the General Fund (GF) & Housing Revenue Account (HRA) received for consideration is attached at **Appendix I – General Fund Services (GF) and Appendix J – Housing (HRA)**, together with the likely available sources of funding (capital receipts / grants / supported borrowing etc).

The minimum approved level of GF capital balances is £0.5million and, should the programme progress without amendment, would mean additional borrowing of £0.2m over the next 5 years (£60k over 3 years). There has been an increase of £3m over 5 years since the provisional programme was approved (including new year 5 costs of c.£0.77m, Balancing Ponds £0.85m, ICT £0.15m and Recovery & Reset costs of £1.27m). The current GF Capital Financing Requirement (CFR) stands at £3.6m with planned borrowing in 2021/22 of £1.5m.

There has been some significant changes in the Housing capital programme from that provisionally approved – with a number of new schemes proposed. It has also been updated to include the new year 5 costs for 2026/27.

Work is progressing on the updated forecast resources but given the significant changes in spend over the 4 years of c.£12.3m then there will be a significant funding gap for the HRA capital programme of c.£5m.

It should be noted that there are no debt repayment costs for the HRA and the Government has now lifted the previous debt cap (of £79.407m). The current HRA Capital Financing Requirement (CFR) stands at £69.893m with planned borrowing in 2021/22 of £703k.

With regard to the contingency schemes/allocation **£340k** remains in current year contingency funds (£240k GF/ £100k HRA) - which will be re-profiled into 2022/23 to provide General Contingency funding.

Policy Changes Summary

SERVICE AREA	Sheet No.	Budget Changes 22/23 £'000	Budget Changes 23/24 £'000	Budget Changes 24/25 £'000	Budget Changes 25/26 £'000	Budget Changes 26/27 £'000
EXECUTIVE DIRECTOR ORGANISATION	1	-	8.5	11.0	-	-
PEOPLE	2	125.6	(87.9)	2.6	(3.8)	-
OPERATIONS AND LEISURE	3	299.9	(83.4)	(25.8)	-	-
EXECUTIVE DIRECTOR FINANCE		-	-	-	-	-
FINANCE	4	118.8	(115.8)	1.0	2.0	5.0
EXECUTIVE DIRECTOR COMMUNITIES		-	-	-	-	-
NEIGHBOURHOODS		-	-	-	-	-
PARTNERSHIPS	5	57.8	(57.8)	-	-	-
ASSETS	6	95.8	-	-	-	-
CHIEF EXECUTIVE		-	-	-	-	-
GROWTH & REGENERATION	7	226.0	(212.0)	-	-	-
TOTAL		923.8	(548.4)	(11.2)	(1.8)	5.0
Cumulative Cost / (Saving)		923.8	375.4	364.2	362.3	367.3
HOUSING REVENUE ACCOUNT	Sheet No.	Budget Changes 22/23 £'000	Budget Changes 23/24 £'000	Budget Changes 24/25 £'000	Budget Changes 25/26 £'000	Budget Changes 26/27 £'000
HRA - ASSETS	8	334.6	2.0	-	-	-
HRA - NEIGHBOURHOODS	9	228.0	(107.0)	-	-	-
HRA - PEOPLE	10	27.0	-	(27.0)	-	-
TOTAL		589.6	(105.0)	(27.0)	-	-
Cumulative Cost / (Saving)		589.6	484.6	457.6	457.6	457.6

Policy Changes Summary Staffing Implications

SERVICE AREA	Sheet No.	Budget Changes 22/23 FTE	Budget Changes 23/24 FTE	Budget Changes 24/25 FTE	Budget Changes 25/26 FTE	Budget Changes 26/27 FTE
EXECUTIVE DIRECTOR ORGANISATION	1	-	-	-	-	-
PEOPLE	2	4.0	(3.0)	-	-	-
OPERATIONS AND LEISURE	3	2.6	(2.6)	-	-	-
EXECUTIVE DIRECTOR FINANCE		-	-	-	-	-
FINANCE	4	-	-	-	-	-
EXECUTIVE DIRECTOR COMMUNITIES		-	-	-	-	-
NEIGHBOURHOODS		-	-	-	-	-
PARTNERSHIPS	5	-	-	-	-	-
ASSETS	6	-	-	-	-	-
CHIEF EXECUTIVE		-	-	-	-	-
GROWTH & REGENERATION	7	0.5	(0.3)	-	-	-
TOTAL		7.1	(5.9)	-	-	-

HOUSING REVENUE ACCOUNT - ASSETS	Sheet No.	Budget Changes 22/23 FTE	Budget Changes 23/24 FTE	Budget Changes 24/25 FTE	Budget Changes 25/26 FTE	Budget Changes 26/27 FTE
HRA - ASSETS	8	-	-	-	-	-
HRA - NEIGHBOURHOODS	9	6.5	(3.0)	-	-	-
HRA - PEOPLE	10	1.0	-	(1.0)	-	-
TOTAL		7.5	(3.0)	(1.0)	-	-

EXECUTIVE DIRECTOR ORGANISATION

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			22/23	23/24	24/25	25/26	26/27
			£'000	£'000	£'000	£'000	£'000
OR1	Increased cost Legal Shared Service (less ongoing underspend on current budget plus use of retained funds in years 1 and 2)		-	8.5	11.0	-	-
Total New Items / Amendments			-	8.5	11.0	-	-

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	22/23	23/24	24/25	25/26	26/27
			FTE	FTE	FTE	FTE	FTE
TOTAL			-	-	-	-	-

2022/23 Budget Process - Policy Changes				Sheet	2			
PEOPLE								
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change	
			22/23	23/24	24/25	25/26	26/27	
			£'000	£'000	£'000	£'000	£'000	
PE1	HR - Increase in long service award budget to meet profiled expenditure for the next three years		4.9	(1.3)	2.6	(3.8)	-	
PE2	Customer Services - Extension of temporary contracts for CSA staff due to finish 31st March 2022 for a further year		74.4	(74.4)				
PE3	Move of iTrent to MHR Cloud services. The current iTrent on premise environment requires a complete reinstall due to end of life version of Windows and SQL server. Ongoing hosting costs are £15k pa est.	Move to utilising more cloud-based services in line with approved ICT Strategy, improved business continuity of essential system, reduce resource required for application upgrades/patches/maintenance, reduce resources required maintain iTrent server environment and databases – both allowing ICT to focus on delivery of other projects/Strategy related value-add activities. MHR Cloud services will also give greater flexibility of access/availability for iTrent.	15.0					
PE4	Customer Services - Hire of Security - extension of contract to December 2022 (also impact on HRA)		12.3	(12.3)				
PE5	Communications & Marketing - Permanent extension of existing temporary contract		19.1					
Total New Items / Amendments			125.6	(87.9)	2.6	(3.8)	-	
STAFFING IMPLICATIONS								
Item No	Proposal/(Existing Budget)	Implications	22/23	23/24	24/25	25/26	26/27	
			FTE	FTE	FTE	FTE	FTE	
PE2	Five temporary Gr B staff to be retained to 31st March 2023 (112.2 hours in total)		3.03	(3.03)				
PE5	Communications & Marketing - Permanent extension of existing temporary contract		1.00					
TOTAL			4.03	(3.03)	-	-	-	

2022/23 Budget Process - Policy Changes				Sheet 3			
OPERATIONS AND LEISURE							
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000
OPS 1	Remove income streams from the activity centre	To remove the income lines for both the crazy golf and the gym within the activity centre. Which will increase bottom line costs	0.6				
			26.4		(25.8)		
OPS 2	Increase purchase of plants budget	To reinstate the full budget of £30k for the purchase of flowers for Tamworth. The budget was reduced to £15k during the pandemic as only selected sites were planted	15.0				
		A further £10k is requested for 2022/23 so as to enable additional floral displays to enhance the Queens Platinum Jubilee celebrations throughout the town	10.0	(10.0)			
OPS 3	A budget of £15k be created to provide Members Environmental Improvement Grants.	To provide each member with £500 per annum to use to aid environmental improvements in their ward. The grant can be pooled with other ward members and can be rolled over for up to four financial years to enable larger improvements to be made.	15.0				
OPS 4	An additional revenue budgets required for the purchase of vehicles and mechanical sweepers for the authority.	An additional £50k for the revenue budget for the purchase of vehicles and mechanical sweepers for the authority.	56.2	27.6			
OPS 5	Assembly Rooms - Increase maintenance revenue budget by £33k	The costed maintenance plan for 2022/23 is £35k, however with the current supply chain and market forces it is recommended that this be increased by 20% to ensure all costs are covered, bringing the figure to £42k. Existing budget is £9k, therefore the increase required is £33k	33.0				

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000
OPS 6	Create additional budget of £98k for salaries at the Assembly Rooms.	The reopening of the Assembly Rooms in 2021 commenced in July and phased the return of staff building as the Covid restrictions lifted. In the report that went to Cabinet and Appointments and Staffing, (6 th April 2021) it was identified that £98k would be need to fully support this structure from 2022/23. It was agreed at that point that this would be considered within the budget process	101.0	(101.0)			
OPS 7	Reduction in Income from Staffs County Council	The Council have undertaken 8 annual cuts of SCC grass verges and associated green spaces for many years. In 2018 they indicated that the funding for the service was to be dramatically reduced to the equivalent of two cuts pa. The Council rejected this as not sustainable or safe and after lengthy negotiation it was agreed that the fee would now relate for 6 annual cuts plus payment for the grass cutting of some additional spaces from new developments.	28.3				
AST2	Increase in BRF to reflect market cost changes	Upward price pressures from the construction market has forced an increase in contractor costs. This will be reviewed bi-annually	14.5				
Total New Items / Amendments			299.9	(83.4)	(25.8)	-	-
STAFFING IMPLICATIONS							
			22/23 FTE	23/24 FTE	24/25 FTE	25/26 FTE	26/27 FTE
OPS 6	4 posts at assembly rooms, 3 duty managers 1.84 FTE and 0.75 FTE of leisure services post		2.60	(2.60)			
TOTAL			2.60	(2.60)	-	-	-

2022/23 Budget Process - Policy Changes			Sheet	4			
FINANCE							
Item	Proposal/(Existing Budget)	Implications	Budget	Budget	Budget	Budget	Budget
			22/23	23/24	24/25	25/26	26/27
			£'000	£'000	£'000	£'000	£'000
FIN1	Revised New Homes Bonus	Updated NHB grant notification following confirmation of continuation of scheme for 2022/23	(704.4)	704.37	-	-	-
FIN2	Business Rates Levy payment	Inclusion of budget for levy payment following deferral of the Business Rates reset	1,087.3	(1,087.3)	-	-	-
FIN3	Lower Tier Grant	Inclusion of income budget for Lower Tier grant notified for 2022/23	(104.9)	104.90	-	-	-
FIN4	Business Rates Relief Section 31 Grant	New Burdens funding for Government scheme to reduce business rates charges following deferral of the reset	TBA	-	-	-	-
FIN5	Local Government Services grant	Inclusion of income budget for new, one-off Services grant notified for 2022/23	(161.2)	161.2	-	-	-
FIN6	Revenue Implications of Capital Programme	Repayment of debt (4%) on unsupported borrowing / lost investment income	2.0	1.0	1.0	2.0	5.0
Total New Items / Amendments			118.8	(115.8)	1.0	2.0	5.0
STAFFING IMPLICATIONS							
Item No	Proposal/(Existing Budget)	Implications	22/23	23/24	24/25	25/26	26/27
			FTE	FTE	FTE	FTE	FTE
	TOTAL		-	-	-	-	-

PARTNERSHIPS

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			22/23	23/24	24/25	25/26	26/27
			£'000	£'000	£'000	£'000	£'000
PAR1	To maintain the level of potential income on car park enforcement at agreed pandemic level of £57,750 plus inflation for 2022/23		57.8	(57.8)	-	-	-
Total New Items / Amendments			57.8	(57.8)	-	-	-

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	22/23	23/24	24/25	25/26	26/27
			FTE	FTE	FTE	FTE	FTE
TOTAL			-	-	-	-	-

ASSETS

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000
AST1	Valuation of General Fund Assets	There is a requirement to value assets on an annual basis for the accounts. Our auditors have identified some key areas of improvement which will require additional investment.	50.0	-	-	-	-
AST2	Increase in BRF to reflect market cost changes	Upward price pressures from the construction market has forced an increase in contractor costs. This will be reviewed bi-annually	44.3				
AST3	Servicing of castle grounds toilet facilities	This reflects the increase ongoing cost of servicing and cleansing of the castle ground toilets in order to keep them operational.	1.5				
Total New Items / Amendments			95.8	-	-	-	-

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	22/23	23/24	24/25	25/26	26/27
			FTE	FTE	FTE	FTE	FTE
	TOTAL		-	-	-	-	-

GROWTH & REGENERATION

Item	Proposal/(Existing Budget)	Implications	Budget	Budget	Budget	Budget	Budget
			22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000
G&R1	A c 30% drop in planned revenue in car parking revenue for financial year 2022 / 2023 compared to 2019/2020.	The COVID-19 pandemic has closed significant portions of the economy and as such in 2020/2021 and parts of 2021/ 2022 has had a significant impact on car park income to date. Wider projects across the Town Centre, indicate that usage and footfall is still only at best 70% of pre pandemic levels. At this time it is difficult to predict likely impact on car parking revenue throughout 2022 / 2023. It is thought high likely that revenue will be still be impacted as people swap habits as a result of the pandemic and the affects construction in the Town centre as a result of FHSF projects is unclear. The budget for the current financial year, expects a 40% decrease in anticipated revenue against pre pandemic levels. Estimates for fy 2022 / 2023 are a c 70% return based on 2019 / 2020 income projections.	240.0	(240.0)			
			16.6	(16.6)			
G&R2	Providing additional salary to budget to underpin the costs of a new post, approved earlier in the year. The Castle is required to provide 25% of the salary plus on costs which for the next financial year is £10,065. The request is for ongoing budget to support the position ofss Heritage and Facilities Officer.	A new post of Heritage and Leisure Facilities Officer was approved at the April 2021 Appointment and Staffing Committee. The post ensures that venues such as the Assembly Rooms, Castle, Town Hall and Activity centre are well maintained and fit for audiences, removing the duties from the Arts & Events staff and Castle Manager thus enabling these roles to fully concentrate on delivering their specific agendas.	10.0	(10.0)			
G&R3	The proposal is to permanently extend the hours of our Public Health Officer post from 30 hours per week to 37 hours per week. This change is currently being funded through reserve budgets and it is requested that a Policy change be agreed to make this permanent.	The previous post holder had previously reduced their hours to 30 hours per week and retired in 2021. This post is essential to the Environmental Health service and is heavily involved in dealing with infectious diseases, Covid-19 outbreaks, dealing with Illegal Traveller Encampments and Licensing Applications. When we recruited a replacement it was essential for the team that this be a full time post and a business case was agreed to fulfil this need using reserve budgets. It is essential that sufficient Officer capacity is maintained in the Environmental Health Service and if approved, this Policy change will be make a big difference.	7.2				
G&R4	The proposal is to remove the predicted reduction in general admission income at the castle as we emerge from pandemic restrictions. Adjustment to 2021/22 policy change	When the policy change recommendations were made in respect of visitor admissions the recovery of this aspect of the service was anticipated to take several years. Given the positive indications in 21/22 it is recommended that the full budget be reinstated for 22/23.	(54.6)	54.6			

Item	Proposal/(Existing Budget)	Implications	Budget	Budget	Budget	Budget	Budget
			22/23	23/24	24/25	25/26	26/27
			£'000	£'000	£'000	£'000	£'000
AST2	Increase in BRF to reflect market cost changes	Upward price pressures from the construction market has forced an increase in contractor costs. This will be reviewed bi-annually	6.9				
Total New Items / Amendments			226.0	(212.0)	-	-	-
STAFFING IMPLICATIONS							
			22/23	23/24	24/25	25/26	26/27
			FTE	FTE	FTE	FTE	FTE
G&R2	0.25 FTE towards leisure services officer under the Assembly rooms		0.3	(0.3)			
G&R3	0.2 FTE on environmental health		0.2				
TOTAL			0.5	(0.3)	-	-	-

HOUSING REVENUE ACCOUNT - ASSETS

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000
HRA1	Increase in response repairs budget to reflect market cost changes	Upward price pressures from the construction market has forced an increase in contractor costs. This Cleaners vans is not being used for corporate assets but is being used across the HRA estates There is a requirement to value assets on an annula basis for the accounts. Our auditors have identified some key areas of improvement which will require additional investment. Failure to service and maintain equipment installed as part of a DFA will result in increased costs of renewals	292.61	-	-	-	-
HRA2	Add cost of cleaners van to HRA Estates budget		2.00	2.00	-	-	-
HRA3	Valuation of Housing Revenue Account Assets		25.00	-	-	-	-
HRA4	Servicing of specialist disabled equipment installed as part of Disabled Facilities Adaptation		15.00	-	-	-	-
Total New Items / Amendments			334.61	2.00	-	-	-

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	22/23 FTE	23/24 FTE	24/25 FTE	25/26 FTE	26/27 FTE
TOTAL			-	-	-	-	-

2022/23 Budget Process - Policy Changes			Sheet	9			
HOUSING REVENUE ACCOUNT - NEIGHBOURHOODS							
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000
NEI1	Former Tenancy Arrears Officer - Budget provision to cover the cost of extending the temporary full-time post 'Former Tenancy Arrears Officer' within Mike Buckland's department to address the recovery of HRA's wide range of former arrears until March 2023 on a Grade D.		14.65	(14.65)	-	-	-
NEI2	Resident Support Worker – Eringden Block - Budget provision to cover the cost of extending the temporary post 'Resident Support Worker' at Eringden Block for a further year until March 2023 on a Grade D.		34.40	(34.40)			
NEI3	Budget provision to cover the cost of a wide range of neighbourhood works required; eviction storage of items, contaminated rubbish removals, clean following estate incidents etc.		15.00	(15.00)			
NEI4	Customer Services - Hire of Security - extension of contract to December 2022		12.25	(12.25)			
NEI5	Extending the temporary post 'Housing Regulatory & High Rise Co-ordinator' a further year until March 2023 on a Grade E.		33.68	(33.68)			
NEI6	Required annually to provide ongoing additional waste collections to HRA flatted areas, to be facilitated by the Councils waste provider		20.00				
HOPS1	Create 3.5 FTE positions within housing maintenance operatives	circa £95k to fund three additional Housing maintenance operatives - 3 full time positions, together with a 50% share in the funding of the Waste and Environmental Officer to oversee the coordination of works within Streetscene.	95.00				
HOPS2	Add cost of HMO van to HRA budget	Increased costs of vans following tender exercise	3.00	3.00			
Total New Items / Amendments			227.98	(106.98)	-	-	-
STAFFING IMPLICATIONS							
Item No	Proposal/(Existing Budget)	Implications	22/23 FTE	23/24 FTE	24/25 FTE	25/26 FTE	26/27 FTE
NEI1	Former Tenancy Arrears Officer - extending the temporary full-time post to address the recovery of HRA's wide range of former arrears until March 2023 on a Grade D		1.0	(1.0)			
NEI2	Resident Support Worker – Eringden Block - Extending the temporary post 'Resident Support Worker' at Eringden Block for a further year until March 2023 on a Grade D		1.0	(1.0)			
NEI5	Extending the temporary post 'Housing Regulatory & High Rise Co-ordinator' a further year until March 2023 on a Grade E.		1.0	(1.0)			
HOPS1	Create 3.5 FTE positions within housing maintenance operatives		3.5				
TOTAL			6.5	(3.0)	-	-	-

2022/23 Budget Process - Policy Changes				Sheet	10			
HRA - PEOPLE								
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change	
			22/23	23/24	24/25	25/26	26/27	
			£'000	£'000	£'000	£'000	£'000	
HPE1	Customer Services Housing Repairs - Extension of temporary contract for temporary member of staff due to finish 31st March 2022 for a further 2 years		27.0		(27.0)			
Total New Items / Amendments			27.00	-	(27.00)	-	-	
STAFFING IMPLICATIONS								
Item No	Proposal/(Existing Budget)	Implications	22/23	23/24	24/25	25/26	26/27	
			FTE	FTE	FTE	FTE	FTE	
HPE1	One temporary full time post to be retained to 31st March 2024		1.00		(1.00)			
TOTAL			1.00	-	(1.00)	-	-	

HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2022/23 – 2026/27

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Budget 2022/23 £	Budget 2023/24 £	Budget 2024/25 £	Budget 2025/26 £	Budget 2026/27 £
HRA Summary	(2,306,580)	(3,756,620)	(3,883,500)	(4,165,120)	(4,486,640)
ED Communities	53,170	56,020	58,940	61,920	64,990
AD People	262,820	267,020	244,380	248,180	251,510
AD Operations & Leisure	279,780	270,720	273,830	276,480	279,200
AD Assets	58,240	85,430	111,680	138,280	164,620
AD Neighbourhoods	3,584,190	3,567,150	3,649,840	3,731,070	3,815,030
Grand Total	1,931,620	489,720	455,170	290,810	88,710

Figures include proposed Policy Changes

General Fund Summary Budgets – 2022/23

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Base Budget 2021/22 £	Technical Adjustments £	Policy Changes £	Budget 2022/23 £
Chief Executive	1,716,140	434,550	-	2,150,690
AD Growth & Regeneration	765,070	(219,940)	197,950	743,080
ED Organisation	474,480	21,680	-	496,160
AD People	1,866,050	(62,960)	72,640	1,875,730
AD Operations & Leisure	2,708,480	(1,980)	213,880	2,920,380
ED Finance	86,670	(1,340)	-	85,330
AD Finance	(1,821,470)	1,933,650	(11,220)	100,960
ED Communities	-	-	-	-
AD Assets	(588,150)	(87,000)	95,750	(579,400)
AD Neighbourhoods	968,580	(94,190)	(110,000)	764,390
AD Partnerships	958,770	(26,430)	(211,730)	720,610
Total Cost of Services	7,134,620	1,896,040	247,270	9,277,930
Transfer from Business Rates Reserve	(6,876,350)	6,876,350	-	-
Net Cost	258,270	8,772,390	247,270	9,277,930
Transfer to / (from) Balances	(206,157)	(247,796)	-	(453,953)
Revenue Support Grant	(188,572)	(6,076)	-	(194,648)
Retained Business Rates	(13,166,215)	(1,752,651)	-	(14,918,867)
Less: Tariff payable	10,405,841	-	-	10,405,841
Collection Fund Surplus (Council Tax)	(60,376)	90,564	-	30,188
Collection Fund Surplus (Business Rates)	7,137,191	(6,876,352)	-	260,839
Council Tax Requirement	(4,179,982)	19,921	(247,270)	(4,407,330)

General Fund – Technical Adjustments 2022/23

	Budget 2021/22	Technical Adjustments						Total Adjusted Base 2022/23	
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	Changes in Recharges £		Total Adjustments £
Chief Executive	1,716,140	-	450,790	(22,250)	(5,860)	13,440	-	436,120	2,152,260
AD Growth & Regeneration	765,070	-	(180,100)	(4,370)	(82,560)	67,480	-	(199,550)	565,520
ED Organisation	474,480	(3,000)	1,100	12,100	(17,480)	6,860	-	(420)	474,060
AD People	1,866,050	-	(147,400)	15,250	38,710	33,660	-	(59,780)	1,806,270
AD Operations & Leisure	2,708,480	(21,390)	(31,230)	4,390	(23,120)	68,640	-	(2,710)	2,705,770
ED Finance	86,670	-	-	110	(2,610)	2,770	-	270	86,940
AD Finance	(8,697,820)	-	8,735,880	5,730	5,180	34,490	-	8,781,280	83,460
ED Communities	-	-	-	-	-	-	-	-	-
AD Assets	(588,150)	-	900	15,070	(101,450)	6,350	-	(79,130)	(667,280)
AD Neighbourhoods	968,580	-	-	1,650	(98,700)	14,870	-	(82,180)	886,400
AD Partnerships	958,770	24,390	(41,980)	(2,810)	(7,100)	(310)	-	(27,810)	930,960
Grand Total	258,270	-	8,787,960	24,870	(294,990)	248,250	-	8,766,090	9,024,360

Housing Revenue Account – Technical Adjustments 2022/23

	Budget 2021/22	Technical Adjustments						Total Adjustments £	Total Adjusted Base 2022/23
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	Changes in Recharges £		
HRA Summary	(3,619,920)	-	1,188,850	158,350	(571,020)	-	-	776,180	(2,843,740)
ED Communities	72,720	-	-	50	(210)	2,770	-	2,610	75,330
AD People	232,950	-	(27,310)	220	2,670	6,530	-	(17,890)	215,060
AD Operations & Leisure	144,630	-	-	310	760	2,540	-	3,610	148,240
AD Assets	68,030	-	36,670	2,980	(9,750)	21,660	-	51,560	119,590
AD Neighbourhoods	3,444,200	-	(500)	39,370	(27,530)	41,520	-	52,860	3,497,060
Housing Repairs	-	-	-	-	-	-	-	-	-
Grand Total	342,610	-	1,197,710	201,280	(605,080)	75,020	-	868,930	1,211,540

General Fund Five Year Revenue Budget Summary

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
	£	£	£	£	£
Chief Executive	2,150,690	2,170,230	2,133,120	2,178,490	2,164,610
AD Growth & Regeneration	743,080	388,460	423,780	456,670	486,680
ED Organisation	496,160	523,450	554,020	573,420	593,340
AD People	1,875,730	1,853,750	1,870,670	1,928,820	1,990,930
AD Operations & Leisure	2,920,380	2,933,800	2,987,590	3,063,300	3,139,450
ED Finance	85,330	88,230	91,210	94,250	97,380
AD Finance	100,960	643,420	915,100	1,236,700	1,536,610
ED Communities	0	0	0	0	0
AD Assets	(579,400)	(758,860)	(738,070)	(716,710)	(694,900)
AD Neighbourhoods	764,390	861,740	882,830	902,260	922,530
AD Partnerships	720,610	688,160	911,470	933,950	955,900
Recharges	0	0	0	0	0
Total Cost of Services	9,277,930	9,392,380	10,031,720	10,651,150	11,192,530
Transfer to / (from) Balances	(453,953)	(2,657,897)	(2,767,628)	(3,178,496)	(3,508,316)
Revenue Support Grant	(194,648)	-	-	-	-
Retained Business Rates	(14,918,867)	(15,217,244)	(15,521,589)	(15,832,021)	(16,148,661)
Less: Tariff payable	10,405,841	12,769,033	13,024,414	13,284,902	13,550,600
Collection Fund Surplus (Council Tax)	30,188	30,188	(33,000)	(33,000)	(33,000)
Collection Fund Surplus (Business Rates)	260,839	260,839	-	-	-
Council Tax Requirement	(4,407,330)	(4,577,299)	(4,733,917)	(4,892,535)	(5,053,153)

Figures include proposed Policy Changes

Appendix G

Council Tax levels at each band for 2022/23

Authority:	Tamworth Borough Council Tax 2021/22	Tamworth Borough Council	* Staffordshire County Council	* Office of the Police & Crime Commissioner (OPCC) Staffordshire	* Staffordshire Commissioner Fire and Rescue Authority	Total 2022/23	Total Council Tax 2020/21
	£	£	£	£	£	£	£
Demand/Precept on Collection Fund		4,407,138	32,183,715	5,708,817	1,845,346	44,145,016	
Council Tax Band							
A	121.26	127.93	934.20	165.71	53.57	1,281.41	1,186.78
B	141.47	149.25	1,089.90	193.33	62.49	1,494.97	1,384.58
C	161.68	170.57	1,245.60	220.95	71.42	1,708.54	1,582.38
D	181.89	191.89	1,401.30	248.57	80.35	1,922.11	1,780.17
E	222.31	234.53	1,712.70	303.81	98.21	2,349.25	2,175.76
F	262.73	277.17	2,024.10	359.05	116.06	2,776.38	2,571.36
G	303.15	319.82	2,335.50	414.28	133.92	3,203.52	2,966.95
H	363.78	383.78	2,802.60	497.14	160.70	3,844.22	3,560.34
% increase	2.83%	2.68%	2.99%	4.19%	1.99%	3.07%	3.78%

** Assuming increases in Council Tax levels in line with the referendum limits. At the time of writing precept information for the County Council, OPCC and the Fire & Rescue Authority is still awaited.*

Draft General Fund Capital Programme 2022/23 to 2026/27

General Fund Capital Programme	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
Future High Streets Fund	9,994,600	1,848,810	-	-	-	11,843,410
Replacement PC's, Servers and Printers	60,000	60,000	60,000	40,000	40,000	260,000
Endpoint Protection and Web-Email Filter	40,000	-	-	40,000	-	80,000
Recovery & Reset ICT requirements	523,000	-	-	-	-	523,000
Street Lighting	-	233,600	120,000	50,960	-	404,560
Balancing Ponds	-	230,000	100,000	300,000	220,000	850,000
Disabled Facilities Grant	650,000	650,000	650,000	650,000	650,000	3,250,000
Energy Efficiency Upgrades to Commercial and Industrial Units	75,000	75,000	75,000	75,000	75,000	375,000
Recovery and Reset Programme	150,000	150,000	150,000	150,000	150,000	750,000
CCTV Upgrades	45,710	45,710	45,710	45,710	45,710	228,550
Total General Fund Capital	11,538,310	3,293,120	1,200,710	1,351,670	1,180,710	18,564,520
Proposed Financing:						
Grants - Disabled Facilities	546,890	546,890	546,890	546,890	546,890	2,734,450
Capital Grants	156,710	30,000	-	-	-	186,710
General Fund Capital Receipts	4,400	204,400	4,400	4,400	59,400	277,000
Golf Course Receipts	-	1,848,810	-	-	-	1,848,810
Sale of Council House Receipts	138,710	229,020	225,420	251,420	280,420	1,124,990
General Fund Capital Reserve	673,000	380,000	370,000	474,960	170,000	2,067,960
Other Contributions	10,018,600	24,000	24,000	24,000	24,000	10,114,600
Unsupported Borrowing	-	30,000	30,000	50,000	100,000	210,000
Total	11,538,310	3,293,120	1,200,710	1,351,670	1,180,710	18,564,520

Appendix I

Draft Housing Revenue Account Capital Programme 2021/22 to 2025/26

Housing Revenue Account Capital Programme	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	TOTAL £
Structural Works	275,000	275,000	275,000	275,000	275,000	1,375,000
Bathroom Renewals	575,000	575,000	575,000	575,000	575,000	2,875,000
Gas Central Heating Upgrades and Renewals	685,500	685,500	685,500	685,500	685,500	3,427,500
Kitchen Renewals	700,000	700,000	700,000	700,000	700,000	3,500,000
Major Roofing Overhaul and Renewals	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	7,500,000
Window and Door Renewals	400,000	400,000	400,000	400,000	400,000	2,000,000
Neighbourhood Regeneration	500,000	500,000	500,000	500,000	500,000	2,500,000
Disabled Facilities Adaptations	250,000	250,000	250,000	250,000	250,000	1,250,000
Rewire	150,000	150,000	150,000	150,000	150,000	750,000
CO2 / Smoke Detectors	64,000	64,000	64,000	64,000	64,000	320,000
Sheltered Schemes	100,000	100,000	100,000	100,000	100,000	500,000
Energy Efficiency Improvements	70,000	70,000	70,000	70,000	70,000	350,000
Fire Risk Mitigation Works	300,000	300,000	300,000	-	-	900,000
Damp and Mould Works	100,000	100,000	100,000	100,000	100,000	500,000
Decarbonisation	3,200,000	-	-	-	-	3,200,000
High Rise Refuse Chute Renewals	150,000	150,000	150,000	-	-	450,000
Works to Achieve Zero Carbon	-	-	2,500,000	2,500,000	2,500,000	7,500,000
Sheltered Lifts and Stairlift Renewals	360,000	250,000	50,000	50,000	50,000	760,000
Fire Alarm Panel Renewals	50,000	-	-	-	-	50,000
Scooter Storage at High Rise	30,000	30,000	-	-	-	60,000
Upgrade Pump Rooms at High Rise	25,000	25,000	-	-	-	50,000
Retention of Garage Sites	750,000	-	-	-	-	750,000
Capital Salaries	200,000	200,000	200,000	200,000	200,000	1,000,000
Street Lighting	-	350,400	180,000	76,440	-	606,840
Telecare System Upgrades	30,000	-	-	-	-	30,000
Regeneration & Affordable Housing	250,000	250,000	250,000	1,750,000	1,750,000	4,250,000
Total HRA Capital	10,714,500	6,924,900	8,999,500	9,945,940	9,869,500	46,454,340

<u>Housing Revenue Account</u>	2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL
<u>Capital Programme</u>	£	£	£	£	£	£
<u>Proposed Financing:</u>						
Major Repairs Reserve	4,116,500	2,933,500	2,933,500	2,932,500	2,933,500	15,849,500
HRA Capital Receipts	420,000	350,400	1,250,000	-	-	2,020,400
Regeneration Revenue Reserves	2,648,000	3,341,000	3,136,000	3,811,000	3,886,000	16,822,000
Capital Receipts from Additional Council House Sales (1-4-1)	100,000	100,000	100,000	626,000	550,000	1,476,000
Regeneration Reserve Affordable Housing	2,430,000	200,000	180,000	76,440	-	2,886,440
Reserve	-	-	1,400,000	-	-	1,400,000
Other	1,000,000	-	-	-	-	1,000,000
Unsupported Borrowing	-	-	-	2,500,000	2,500,000	5,000,000
Total	10,714,500	6,924,900	8,999,500	9,945,940	9,869,500	46,454,340

Main Assumptions

Inflationary Factors	2022/23	2023/24	2024/25	2025/26	2026/27
Inflation Rate - Pay Awards	2.50%	2.50%	2.50%	2.50%	2.50%
National Insurance	10.25%	10.25%	10.25%	10.25%	10.25%
Superannuation	16.50%	16.50%	16.50%	16.50%	16.50%
Inflation Rate (RPI)	2.50%	2.50%	2.50%	2.50%	2.50%
Inflation Rate (CPI)	2.25%	2.10%	2.08%	2.00%	2.00%
Investment Rates	0.25%	0.50%	0.50%	1.00%	2.00%
Base Interest Rates	0.20%	0.40%	0.60%	1.00%	1.00%

1. For 2019/20 a 2% increase in Local Government pay was agreed and included the introduction of a new pay spine on 1st April 2019 based on a bottom rate of £17,364 with additions, deletions and changes to other spinal column points. An offer of a 1.75% increase is subject to union ballot and is still to be agreed for 2021/22 and future years also remain uncertain. A 2.5% p.a. increase from 2022/23 has been assumed.
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. Revised estimates for rent allowance / rent rebate subsidy levels have been included;
4. At this stage no changes to the level of recharges between funds has been included;
5. A reduction in Revenue Support Grant levels to zero from 2022/23 after an inflationary increase for 2021/22, following the deferral of the funding reforms. The impact for the Council will be confirmed by MHCLG as part of the *Local Government Finance Settlement* with a provisional announcement in December 2021.
6. Only continuation of the New Homes Bonus scheme legacy payments relating to 2017/18 and 2018/19 pending consultation on the future of the scheme;
7. An increase of £5 p.a. in Council Tax - current indications are that increases of 2% or £5 and above risk 'capping' (confirmed at £5 for District Councils for 2022/23);
8. The major changes to the previously approved policy changes are included within this forecast – Assistant Directors were issued with the provisional information in August to review, confirm & resubmit by the end of September;
9. Future Pension contribution levels – following an option to 'freeze' the 'lump sum' element for the 3 years from 2020/21 (after the triennial review during 2019), 2% p.a. year on year increases have been included from 2023/24;

10. Increase in rent levels by CPI plus 1% - the Government has confirmed that social housing annual rent increases can rise by up to the consumer price index (CPI) measure of inflation plus 1% for five years from 2020, following the conclusion of a consultation on the new rent standard. Current indications that sales of council houses will be approximately 30 per annum.
11. Forecasts have been informed by the Bank of England Inflation report (August 2021), HM Treasury – Forecasts for the UK Economy (August 2021), Office for Budget Responsibility Economic & Fiscal Outlook (March 2021). Any significant variances will be considered later in the budget setting process.

Sensitivity Analysis

		Potential Budgetary Effect				
	Risk	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Pay Award / National Insurance (GF)						
Impact +/- 0.5% Variance £'000	L	46	94	143	193	245
Budget Impact over 1 year	L	46				
Budget Impact over 3 years	M	283				
Budget Impact over 5 years	M	721				
Pay Award / National Insurance (HRA)						
Impact +/- 0.5% Variance £'000	L	14	28	43	59	74
Budget Impact over 1 years	L	14				
Budget Impact over 3 years	L	85				
Budget Impact over 5 years	M	218				
Subject to negotiation for Local Government pay (including any protection for low paid employees)						
Pension Costs						
Impact +/- 0.5% Variance £'000	L	0	62	126	192	260
Budget Impact over 1 year	L	0				
Budget Impact over 3 years	L	188				
Budget Impact over 5 years	M	640				
3 year agreement in place from 2020/21 - subject to stock market & membership changes						
Council Tax						
Impact on Council Tax income £'000		42	67	94	122	152
Budget Impact over 1 year	L	42				
Budget Impact over 3 years	L	203				
Budget Impact over 5 years	M	477				
Inflation / CPI						
Impact +/- 0.5% Variance £'000	L	66	126	187	250	314
Budget Impact over 1 year	L	66				
Budget Impact over 3 years	L	379				
Budget Impact over 5 years	M	943				
Government Grant						
Impact +/- 1.0% Variance £'000	L	47	72	97	122	148
Budget Impact over 1 year	L	47				
Budget Impact over 3 years	L	216				
Budget Impact over 5 years	M	486				

Investment Interest

	Risk	Potential Budgetary Effect				
		2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Impact +/- 0.5% Variance £'000	L	203	276	331	381	434
Budget Impact over 1 year	L	203				
Budget Impact over 3 years	H	810				
Budget Impact over 5 years	H	1625				
Key Income Streams (GF)						
Impact +/- 10% Variance £'000	L	192	407	629	858	1091
Budget Impact over 1 year	L	192				
Budget Impact over 3 years	H	1228				
Budget Impact over 5 years	H	3177				
Key Income Streams (HRA)						
Impact +/- 1% Variance £'000	L	195	395	600	810	1025
Budget Impact over 1 years	L	195				
Budget Impact over 3 years	H	1190				
Budget Impact over 5 years	H	3025				
Business Rates						
Impact +/- 0.5% Variance £'000	L	75	151	228	307	388
Budget Impact over 1 year	L	75				
Budget Impact over 3 years	M	454				
Budget Impact over 5 years	H	1149				

Contingencies 2022/23 - 2026/27

Revenue	2022/23	2023/24	2024/25	2025/26	2026/27
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
General Fund					
<i>General Contingency re Income Targets</i>	169	169	169	169	169
Total General Contingency	169	169	169	169	169
Total GF Revenue	169	169	169	169	169
Housing Revenue Account					
<i>HRA - General Contingency</i>	130	130	130	130	130
Total HRA Revenue	130	130	130	130	130

Capital	2022/23	2023/24	2024/25	2025/26	2026/27
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
General Fund					
General Contingency*	120	-	-	-	-
Return on Investment*	20	-	-	-	-
Plant & Equipment*	100	-	-	-	-
Total GF Capital	240	-	-	-	-
Housing Revenue Account					
General Contingency*	100	-	-	-	-
Total HRA Capital	100	-	-	-	-

* Forecast to be re-profiled from 2021/22 Capital Programme

CORPORATE CAPITAL STRATEGY

PURPOSE

This strategy sets out the Council's approach to capital investment and the approach that will be followed in making decisions in respect of the Council's Capital assets.

Capital investment is an important ingredient in ensuring the Council's vision is achieved and given that capital resources are limited it is critical that the Council makes best use of these resources.

The Strategy sets the policy framework for the development, management and monitoring of this investment and forms a key component of the Council's planning alongside the Medium Term Financial Strategy (MTFS).

It sets out the strategic influences on the Council's capital investment plan and how the Council is going to work with these influences to bring about the best advantage to meet local needs – including working with Partners:

- the Local Enterprise Partnerships (Greater Birmingham and Solihull and Staffordshire and Stoke-on-Trent) of which the council is a Member;
- the West Midlands Combined Authority as a Non-Constituent member;
- Staffordshire Commissioner for Police, Fire and Rescue and Crime;

with the aim to drive economic regeneration, deliver local plan objectives and access inward investment to support the delivery of local capital priorities.

The Council plans to update its approach to Asset Management and long term asset planning to improve the way strategic property objectives can be delivered. This will enable the development of a longer term plan for the management and maintenance of its assets, whilst identifying the funding ambition gap to maximise inward investment opportunities for funding from Partners.

It also demonstrates that the Council has regard to the Prudential Code for Capital Finance by giving a clear and concise view of how much it can afford to borrow and its risk appetite. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

Summary Capital Investment Plan

Capital Programme	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
General Fund	11,538	3,293	1,201	1,351	1,181	18,564
HRA	10,714	6,925	9,000	9,946	9,869	46,454

The General Fund capital programme will require unsupported borrowing of £0.2m over the next 5 years subject to the exploration and availability of alternative funding. Key Schemes include:

- Future High Street Fund, £11.8m;
- Disabled Facilities Grants, £650k p.a. (including £547k p.a. BCF grant);
- Balancing Ponds, £850k;
- Recovery & Reset ICT costs, £523k in 2022/23 plus programme costs £150k p.a.;
- Energy Efficiency Upgrades-Commercial and Industrial Units, £75k p.a.
- Street lighting, £405k;
- Technology upgrades, £340k;
- CCTV, £229k.

Key HRA Schemes:

- HRA Business plan works to dwellings, £21.75m;
- Neighbourhoods £2.5m;
- Disabled Facilities Adaptations £1.25m;
- Energy Efficiency works £0.35m;
- Street lighting £0.6m;
- High Rise works £0.56m;
- Retained Garage Sites, £0.75m;
- Regeneration & Affordable Housing, £4.25m;
- Sheltered schemes, including lifts & Telecare, £1.29m
- Fire Risk mitigation works, £0.9m;
- Damp & Mould works, £0.5m;
- Decarbonisation works to achieve Zero Carbon, £10.7m.

Impact on Medium Term Financial Plan

The General Fund capital programme will require unsupported borrowing of £0.2m over the next 5 years which will be funded through internal borrowing (with an associated loss of investment interest) and will require provision for debt repayment. Given the significant changes in spend over the 4 years of c.£12.3m then there will be a significant funding gap for the HRA capital programme of c.£5m.

Summary of Risk Assessment

Risks specific to the capital programme and the capital strategy are managed in accordance with the Council's Risk Management Policy and are recorded and monitored through the Pentana Performance Management system. Risks are monitored on an ongoing basis as part of routine risk management practices and are reviewed and updated where appropriate as part of the refresh of the Capital Strategy. Risks specific to the capital strategy are included in a table at **Annex C**. They align with other corporate risk registers and are informed by project/ programme level risks to ensure risks are monitored and managed from operational through to strategic level.

The Capital Strategy

The Capital Strategy is a 'live' and dynamic document, which will update and evolve as strategic influences and priorities change. The Corporate Capital Strategy will be reviewed annually and an update presented to Council in February each year as part of the MTFS report. However should a significant situation arise, whether it be a policy matter, an investment opportunity or a new risk for example, an update to the Capital Strategy will be presented to Members as part of the quarterly performance report.

The Capital Strategy will:

- Reflect Members' priorities as set out in the Corporate Plan including the approach to the allocation of its capital resources and how this links to its priorities at a corporate and service level;
- Balance the need to maintain the Council's existing asset base against its future ambition and associated long term asset needs, and consolidate assets where appropriate;
- Recognise that growth is the strategic driver for financial self-sufficiency;
- Be affordable in the context of the Council's MTFS;
- Seek to ensure value for money through achieving a return on investment or by supporting service efficiency and effectiveness;
- Be flexible to respond to evolving service delivery needs;
- Seek to maximise investment levels through the leveraging of external investment through working with regional/County partners;
- Recognise the value of assets for delivering long-term growth as opposed to being sold to finance capital expenditure;
- Recognise the financial benefits and risks from growth generated through investment to support investment decisions; and
- Reflect the service delivery costs associated with growth when assessing the level of resources available for prudential borrowing.

The capital strategy informs the strategic direction of capital investment through consideration of strategic priorities and objectives. It feeds into the annual revenue budget and MTFS by informing the revenue implications of capital funding decisions. The implications for the MTFS are fully considered before any capital funding decisions are confirmed.

The Strategy is supported by the leadership of the Council, including the Chief Executive and the Leader of the Council. The recently updated CIPFA Prudential Code now requires that 'the chief finance officer should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.' The statement below is the response of the Executive Director Finance:-

Affordability and risk are key considerations within this capital strategy. The key principles articulated are that the strategy must support the financial viability of the Council, and that payback should be a key consideration of the strategy.

The capital investments detailed within the strategy provide for a number of regeneration opportunities. Robust risk management is also a requirement of our strategy. Business cases for new schemes are required to ensure that risks are adequately considered. The most significant risks are currently capacity to deliver individual projects, and adequately identifying resources required at the commencement of projects.

Over the next five years the strategy is expected to see c.£65m of capital expenditure (both General Fund and HRA). The HRA capital programme is a key element of the 30 year HRA Business Plan. Within this financial context and considering the Council's balance sheet and asset base, and its track record in acquiring, managing and disposing of assets where required to support its objectives, the capital strategy as a whole is proportionate to the Council's overall activities and financial position.

Specialised external advice is obtained where required with regard to specific schemes, for example to support commercial acquisitions or in considering the financial implications of major schemes included within the strategy. The Council also utilises our treasury management advisors, Link Asset Services, to consider the implications of the Prudential Code and the impact on the treasury management strategy.

The strategy articulates a wide range of new and existing activities. This includes regeneration ambitions, new infrastructure and significant investment in Housing as well as smaller schemes. The strategy also leaves space for consideration of new income streams that fit with our ambitions as a Council and support areas in which we already have skills and knowledge.

Background

The Council has an ongoing capital programme of over £52m for 2021/22 and an asset base valued at £252m (as at 31st March 2021).

Traditionally the Council's capital programme has been set and approved for a five year period, with a 30 year HRA business plan setting out future plans for the Council's housing stock. In order to improve longer term strategic planning, so that the Council can better prioritise spending and align with local, regional and national priorities, it is recognised that the current capital programme needs to have a longer-term focus for the purposes of the capital strategy, ideally looking to a 20-30 year timeframe.

As a result, the following 2019/20 action plan item was implemented through the development of a 30 year whole life costing model:-

The process for the consideration of capital expenditure within the MTFs process has been reviewed and refined to ensure that there are provisional plans for expenditure out to a 10 year timeframe, with an indication of requirements out to 20-30 years.

A number of actions/improvements have been identified throughout this capital strategy, and they are summarised in an action plan, with target completion dates and responsible officers, at **Annex B**.

Influences

The following diagram illustrates some of the main internal and external influences on the Council's capital strategy, including our partners. Consideration of these plans and strategies in the context of our own capital ambitions is important because it may provide new opportunities for investment or funding.



The Council's corporate priorities are an integral influence in informing the Capital Strategy and set the scene for how capital projects and individual proposals are assessed.

The Council is committed to working with its public, peers and partners in order to:

- a) Sustain essential services at agreed standards for those in greatest need;
- b) Deliver a programme of projects, planned initiatives and work streams designed to achieve outcomes against the Corporate Priorities;
- c) Adopt a commercial approach to growth and investment designed to generate a sustainable income to support a) and b); and
- d) Continue its excellent performance in financial planning, management and investment. By being 'Risk Aware' rather than 'Risk Averse', the Council will consider all opportunities to improve and/or sustain services.

The Capital Appraisal Process

The capital appraisal process is important as it helps to prioritise schemes in order to target spending in a challenging funding climate, and to ensure that the Council is spending on projects which help to deliver its strategic priorities.

As part of the Council's business planning process, managers and Assistant Directors are required to consider the capital resources needed to deliver their services now and into the future (5 year timeframe). The asset management plan and HRA business plan also inform the capital strategy.

All capital bids should be prepared in light of the following list of criteria, and the proposed investment should address and be assessed with regard to:

- the contribution its delivery makes towards the achievement of the Council's Corporate Priorities;
- the achievement of Government priorities and grant or other funding availability;
- the benefits in terms of 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-minimis for capital expenditure is £10k per capital scheme.

It is important that capital investment decisions are not made in isolation and instead are considered in the round through the annual budget setting process.

All proposed schemes requiring capital investment should have as a minimum the following information:

- A description of the scheme;
- The expected outputs, outcomes and contribution to corporate objectives;
- The estimated financial implications, both capital and revenue;
- Any impacts on efficiency and value for money;
- The nature and outcome of consultation with stakeholders and customers (as applicable);
- Risk assessment implications and potential mitigations; and
- Any urgency considerations (e.g. statutory requirements or health and safety issues).

Corporate Management Team and Service Managers identify the potential need for capital investment, in light of external influences, internal strategies and plans, service delivery plans and, in particular, the Asset Management plan. This is seen as a core influence on the Capital Strategy, and informs the priorities and schemes considered as it takes account of issues such as the condition of council owned assets and future maintenance requirements. Other key considerations are health and safety requirements, statutory obligations of the council, operational considerations and emerging opportunities for investment including possible sources of external financing.

The Asset Strategy Steering Group (ASSG) review capital bids prior to consideration by Members. Once capital bids have been prioritised, Executive Management Team will review the outcome of the deliberations of the ASSG and will make recommendations to Cabinet through an updated Medium Term Financial Strategy (MTFS) report on a proposed budget package which will include capital budget proposals. The MTFS report (including capital budget proposals) will ultimately be considered by Budget Setting Council each year.

It was recognised last year that further action is required to fully embed the capital appraisal process, including proper consideration of options and risk, into the capital strategy and planning processes at Tamworth, and ensure that this is not just a 'tick-box' exercise. Therefore the following action plan task has been implemented:-

- 1) Consideration of service units' capital requirements now form part of the business planning process and a template has been drawn up to ensure this is properly considered and captured on Pentana, the performance management system;**
- 2) The capital appraisal process and associated documentation has been reviewed and updated to ensure proper consideration given to whole life costs of scheme. Further work is needed during 2023/23 to further improve the consideration of alternative options; risk management, etc, and to address the concerns outlined on completion of the CIPFA Property Capital Strategy Self-Assessment Checklist.**

Monitoring of Approved Capital Schemes

Each capital scheme has a budget holder/project manager who is responsible for ensuring progress against scheme in line with agreed timescales and for ensuring adherence to the approved budget. The Collaborative Planning (CP) system is used to monitor spend against budget and to inform the projected outturn position. The budget holder/project manager will hold monthly meetings with his/her Accountant to update budget monitoring information on the system and provide a brief commentary as to the progress of each project. Projected capital slippage and potential re-profiling of associated budgets is also reported. The monitoring of progress on individual schemes is reported to Corporate Management Team on a monthly basis and to Cabinet quarterly as part of Financial and Performance Healthcheck reports.

An annual Capital Outturn report is prepared for Cabinet in June each year which details the final outturn for the year, the latest project update from the Service Manager and any proposals to re-profile spend to future financial years for Cabinet approval.

A post implementation review is not appropriate or necessary for all capital projects. They should be prepared where learning is identified which could assist future projects or where there is a significant financial or political impact. Directors should encourage the collation of data during the project and identify any lessons learned which will assist in improving the process in the future.

As part of the approved Strategy for 2019/20, the following action plan tasks have been implemented:

- a) A post implementation review is completed for each scheme where learning is identified which could assist future projects or where there is a significant financial or political impact;**
- b) The Asset Strategy Steering Group now meet on a Quarterly basis to:**
 - i. scrutinise the completed post implementation reports;**
 - ii. review the management and monitoring of the capital programme; with appropriate feedback and challenge – identifying improvements to improve the future management of the capital programme.**

The full capital appraisal and monitoring process and guidance for managers can be found on the intranet at this link:-

<http://infozone.tamworth.gov.uk:901/financial-guidance>

A review of the guidance to reflect changes implemented is planned for 2022/23.

Review of Asset Management Plan

The Council's Asset Management Plan will be reviewed on an ongoing basis. This will identify any assets held by the Council that are no longer either required or fit for purpose and appropriate recommendations made regarding retention for alternative use or disposal.

The Corporate Asset Management Strategy was last updated in 2015 relating to the following assets:

Asset Description	Value (31/03/15)
Investment Properties	£14,588,052
Land and Buildings	£6,537,500
Total	£21,125,552

It details an estimated 10 year maintenance cost for each asset (**totalling c.£8m**) based on the inspections that had been undertaken.

Asset Type	Estimated Backlog Costs (10 years)
Non-Operational – Commercial	£3.288m
Non-Operational – Retail	£1.861m
Operational Properties – Direct	£0.482m
Operational Properties – Indirect	£1.052m
Non-Operational – Community spaces	£0.194m
Non-Operational – Cemetery Land	£0.179m
Operational Properties – Office & Admin.	£1.038m
Other Properties	£0.333m
Total	£8.427m

An updated survey has been carried out by Michael Dyson Associates during 2021 to determine the current condition and extent of repair and maintenance required. The overall planned maintenance cost for the assets in the next 30-year period amounts to £5,611,576, an average of £37,916 per surveyed asset (over the portfolio of 178 non-HRA properties which include a mix of commercial premises, shops and corporate properties).

It has been identified that the Council, through this strategy and through the development of a long term strategic plan, needs to take a longer-term view of the assets required to deliver its Corporate Plan priorities and to support its Medium Term Financial Strategy (MTFS), including spend required (and associated potential funding streams) to address the identified maintenance and repairs backlog for corporate assets. This could include the option to invest in or dispose of current asset holdings or make further acquisitions.

It was recognised that significant further work is required in this area in order to deliver a robust capital strategy, and the following action is to be finalised by March 2022:-

The Asset Management Plan is to be reviewed and updated, with an up to date stock condition survey. This should set out the detailed capital resources/expenditure required to maintain assets, together with the associated timeframe, to inform options appraisal and feed into the capital strategy for ASSG/CMT review of potential schemes.

HRA BUSINESS PLAN

The Local Plan to 2031 has a target of 177 units of new housing, of which only 40 units per year are likely to be delivered by private developers. This represents only 21% of the total required number of new affordable homes – leaving 79% of need unmet.

The HRA Business Plan has the potential to address some of this unmet need. However the extent to which it can make up a shortfall depends on the resources available within the HRA.

As at April 2018, the Council's stock comprised 4,269 homes, 390 leasehold properties and 1,454 garages. Of the 4,269 homes, 2,391 (56%) are houses, 1,278 (30%) flats or maisonettes, 235 (5.5%) are bungalows. A further 365 properties (8.5%) are sheltered accommodation located in 10 separate schemes and comprising a mixture of flats and bungalows. 1029 properties (24%) are of non-traditional construction. The construction type, location and mix of properties in Tamworth have implications for the Investment Programme and Business Plan.

We know that resources within the Business Plan are unlikely to allow the Council to achieve all that it wants to do. However, over the course of the next thirty years opportunities may arise and there may be scope to progress these if the Business Plan has capacity at the time.

Three areas in particular will continue to be actively considered as priorities if additional resources become available:

- New affordable housing
- Regeneration of additional estates
- Investment in early help and preventative based strategies

Where savings are achieved when delivering existing Business Plan commitments, these may be used on the priority areas above.

DEBT AND BORROWING AND TREASURY MANAGEMENT

Details of the Council's borrowing need (Capital Financing Requirement – CFR), current and forecast debt, and other prudential indicators, as required by the CIPFA Prudential Code for Capital Finance, will be set out in the Treasury Management Strategy Statement, Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2021/22.

Capital Funding Streams

Decisions on capital investment should be made in the context of limited resources. The capital programme is currently reliant on funding from capital receipts and third party contributions/external grants. Other potential funding opportunities for future consideration include external borrowing and direct revenue funding (from other sources such as revenue contribution).

External Grants – external grant allocations are received from central government, for example Disabled Facilities Grant, and also other organisations such as the Heritage Lottery Fund (currently part-funding the Assembly Rooms project).

Section 106 and External Contributions – S106 contributions from developers can support Leisure and open space programmes in the Borough.

Capital Receipts – the Council is able to generate capital receipts through the sale of surplus assets such as land and buildings and has recently benefitted from £24m as a result of the sale of the Golf Course at Amington, which is earmarked for investment under the Council's Commercial Strategy. The potential for future sales will be determined as part of the Council's Asset Management Strategy, to be refreshed as per the action plan detailed previously. Any further capital receipts generated will be reinvested in the capital programme.

Reserves – the Council has a level of reserves which are earmarked to be used to support delivery of the Corporate Plan or Invest to Save projects.

Revenue Funding – the Council can use revenue resources to fund capital projects by making a 'revenue contribution to capital,' however continuing revenue budgetary constraints mean this option is limited.

Prudential Borrowing – the introduction of the Prudential Code in 2004 allows Councils to undertake unsupported borrowing which is subject to the requirements of the Prudential Code for Capital Expenditure. The Council must ensure that unsupported borrowing is affordable, prudent and cost effective. This type of borrowing has revenue implications for the Council in the form of financing costs.

APPROACH TO RISK MANAGEMENT

The Council is committed to the culture of Risk Management ensuring that its reputation is not tarnished by an unforeseen event nor is it financially or operationally affected by the occurrence. The risks considered in the capital strategy are considered with reference to the corporate risk management policy and practices. The Risk Management Strategy and further information can be accessed at the following link:-

<http://infozone.tamworth.gov.uk:901/risk-management>

Risk Appetite

The risk appetite is “the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time” (CIPFA). The Council will manage the risks by reducing, preventing, transferring, eliminating or accepting the risk.

Whilst the Council acknowledges that it will have “severe” (red) risks from time to time, it will endeavour to reduce those to an acceptable level either through controls or ceasing the activity (if applicable). Sometimes risks are identified and even though managed, may still remain “severe” (red risk).

Risk Management Roles and Responsibilities

The importance of establishing roles and responsibilities within the risk management framework is pivotal to successful delivery. Considering risks must be embedded into corporate policy approval and operational service delivery.

The agreed roles and responsibilities within the risk management framework are outlined in the table below:

Group /Individual	Role
Corporate Management Team	<ul style="list-style-type: none">• Provide leadership for the process to manage risks effectively.• Review and revise the Risk Management Policy and Strategy in accordance with the review period.• Monitor and review the Corporate Risk Register on a quarterly basis including the identification of trends, upcoming events and potential new corporate risks.
Audit & Governance Committee	<ul style="list-style-type: none">• Monitor the effectiveness of the Authority’s risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management.• To monitor the actions being taken to mitigate the impact of potentially serious risks
Cabinet	<ul style="list-style-type: none">• To provide strategic direction with regard to risk management.
Directors / Assistant Directors	<ul style="list-style-type: none">• To provide leadership for the process of managing risks.

Group /Individual	Role
	<ul style="list-style-type: none"> • To ensure that risk management methodology is applied to all service plans, projects, partnerships and proposals. • To identify and manage business /operational risks. • To ensure that the management of risk is monitored as part of the performance management process.
Directors / Assistant Directors	<ul style="list-style-type: none"> • To ensure that all risks are identified, recorded and effectively managed in their area or responsibility. • To review and update their risk register on at least an annual basis but appropriate to the risk. • To determine the method of controlling the risk. • To delegate responsibility if appropriate for the control of the risk. • To notify the Director of new risks identified for consideration for inclusion on the corporate risk register.
All staff	<ul style="list-style-type: none"> • To ensure that risk is effectively managed in their areas. • To ensure that they notify their managers of new and emerging risks.
Assistant Director – Finance	<ul style="list-style-type: none"> • To ensure that the risk management strategy is regularly reviewed and updated. • Promote and support the risk management process throughout the Authority. • Advise and assist managers in the identification of risks.

The Audit & Governance Committee will regularly review the Risk Management Policy and Strategy to ensure their continued relevance to the Borough. They will also assess performance against the aims and objectives.

Specific capital risks are contained within a register at **Annex C** to the Capital Strategy, alongside mitigating actions.

COMMERCIAL ACTIVITY

The Council's Commercial Investment Strategy set out a number of alternative investment options to generate improved returns of c. 4 to 5% p.a. (plus asset growth) including:

- Set up of trading company to develop new income streams;
- Local investment options – Lower Gungate development including the potential to drawdown funding from the Local Growth Fund/ Local Enterprise Partnerships (GBS and Staffordshire);
- Investments in Diversified Property Funds – a savings target to return c.4% p.a. from £12m invested has already been included from 2019/20.

Note: these would represent long term investments of between 5 – 10 years (minimum) in order to make the necessary returns (after set up costs).

CIPFA defines commercial investments as those which are taken for mainly financial reasons. These may include investments arising as part of business structures, such as loans in subsidiaries or other outsourcing structures; or investments explicitly taken with the aim of making a financial surplus for the organisation. Commercial investments also include non-financial assets which are held primarily for financial benefit, such as investment properties.

The Code requires that such investments are proportional to the level of resources available, and that the same robust procedures for the consideration of risk and return are applied to investment decisions. All such investments are therefore included within the capital strategy/investment strategy, setting out the risk appetite and including specific policies and arrangements for such investments, and details of existing material investments and risk exposure.

Investment in Property Funds

As part of the Capital Programme, the Council has since 2018/19 begun to invest in Commercial Property Funds to establish a portfolio which is managed to generate a revenue return to the Council to support financial sustainability and to protect the provision of services to residents, along with maintaining and growing the capital value of the investment. A capital scheme of £12m was included within the 2018/19 capital programme to generate a target net additional income of c. £300k per annum, financed from part of the capital receipt from the sale of the former Golf Course.

A Property Fund Manager selection exercise was undertaken following the appointment of Link Asset Services to provide support and advice in the identification and selection of suitable UK-focussed property funds.

At the outset, the Council was looking to engage with funds that had a broad remit of exposures to different property types, rather than being focussed on one particular area, such as shopping centres. Link Asset Services looked to the "Balanced Fund" universe of UK property funds, as outlined in the AREF/IPD UK Quarterly Property Fund Index, for the starting point for selection. This universe is the industry accepted standard for balanced property funds and included 27 funds as at the close of September 2017.

From this initial list, a number of funds were removed in instances where the Council would not be able to invest, for example those that are solely for pension funds and others where investor types are limited, excluding Local Authorities. The Council also looked to exclude funds below a minimum size threshold of £750m. This left 10 funds from which to further shortlist, and each was sent a copy of a questionnaire to complete, which had been drawn up in conjunction with Link Asset Services and focussed on a number of key areas. Following consideration of the completed questionnaires, a shortlist of 6 funds was drawn up, and the Fund Managers were invited to attend the Council's offices and give a presentation on their fund and answer questions from the selection panel, which consisted of Council officers and Link Asset Services. Further details of the selection process were included in Link Asset Services' report presented to Members on 21st February 2018.

The result of the process was to look to consider splitting investment across the following six funds:-

BlackRock UK Property Fund
Hermes Property Unit Trust
Lothbury Property Trust
Schroder UK Real Estate Fund
The Local Authorities Property Fund (CCLA)
Threadneedle Property Unit Trust

This will provide the Council with a range of approaches to property fund investment, diversification across a number of funds, rather than a concentration in only one or two options, as well as the ability to take advantage of entering a number of funds via the secondary market, whereby the Council would be purchasing units from investors looking to exit the particular fund, and may potentially gain access to a fund at a lower level of cost than via the primary route.

The Council is able to invest in property funds under legislation contained within the Local Government Act 2003.

Members endorsed the above approach and approved investment in the above property funds, making use of both primary and secondary markets as appropriate, at full Council on 27th February 2018.

As at 30th September 2021, the Council had invested £1.85m with Schrodgers UK Real Estate Fund and £2m with Threadneedle Property Unit Trust, total investment £3.85m. Although the capital values of the funds did initially fall, mainly since 31st March 2020, they have since recovered and as at 30th September 2021 there is an overall gain of £39k. It should be noted that investments in property are subject to fluctuations in value over the economic cycle and should yield capital growth in the longer term as the economy grows.

Fund Valuations	Investment	Valuation 31/03/2021	Valuation 30/09/2021
Schroders UK Real Estate Fund	1,848,933	1,848,933	1,970,287
Valuation Increase / (reduction)		0	121,354
Threadneedle Property Unit Trust	2,000,249	1,794,439	1,917,790
Valuation Increase / (reduction)		(205,810)	(82,459)
Total	3,849,182	3,643,372	3,888,077
Gain / (loss)		(205,810)	38,895

The following table details the dividend returns achieved from the property fund investments, which support the revenue budget. The Council received £128k in dividends from its property fund investments in 2020/21 (£147k in 2019/20), and has received £67k for the current financial year as at 30th September 2021.

Investment Returns	Dividend Returns 31/03/2021	Dividend Returns 30/09/2021	Estimated Return p.a. %	
Schroders UK Real Estate Fund	52,898	28,483	3.1%	Half year only to 30/9/21 for 2021/22
Cumulative Return	157,654	186,137		
Threadneedle Property Unit Trust	75,452	38,292	3.8%	
Cumulative Return	225,781	264,073		
Total	128,350	66,775		
Cumulative Return	383,435	450,210		
Annual % Return	3.3%	3.5%	3.5%	

The funds achieved an estimated return of 3.3% in 2020/21 and 3.8% during 2019/20 compared to internal investments with banks and other Councils of less than 1%.

The MTFs includes budgeted income of £300k for 2021/22 (£420k pa from 2022/23) arising from investment of the full £12m budgeted. Following a review of the further investment in property funds (due to uncertainty around arrangements for Brexit and the associated impact on the economy, and then further uncertainty over the impact of the coronavirus on future property fund returns), Council approved the investment of the remaining £8.131m on 21st September 2021.

Further property fund investments totalling £8.113m were therefore made at the end October 2021 – an additional £4.057m with Threadneedle Property Unit Trust and £4.056m with Hermes Federated Property Unit. Both property funds are diverse across the industrial/office/warehouse/other sectors, with relatively low exposure to retail. Threadneedle's forecast revenue return is 4.2% and Hermes is 3.98%

Performance information is received from each fund on a monthly/quarterly basis and a monitoring spreadsheet has been established to track income received and growth in the funds. Income generated is reported to CMT monthly and to Members quarterly as part of regular financial healthcheck reports, as well as in the regular Treasury Management reports presented to Cabinet and Council (three each year). Performance management/monitoring is also undertaken with reference to the financial press and Link Asset Services advice.

The annual revenue return is dependent on the property fund achieving rental income returns on the commercial property portfolio which has been relatively stable in the past due to the quality of the commercial property owned by the fund. With regard to the growth (or contraction) in the overall asset value – over the longer term, growth has been consistent but can be subject to market correction (and losses) in the short term. However, it has been recognised that the funds will be a long term investment for 10-15 years and would not be redeemed to realise a loss. A budget / reserve of £600k will also be available to mitigate any losses.

Regeneration of Town Centre and Purchase of Gungate site

Council on 11th April 2018 approved the purchase of the Gungate site within Tamworth town centre, incorporating the site of the former Gungate shopping precinct; a private pay and display car park currently leased to NCP for a term of 26 years; and a Council run pay and display car park leased to the Council on a peppercorn lease until 2062. This was funded from a £4million capital budget financed from capital receipts from the sale of the Golf Course. Following the purchase of this site, the Council is now in receipt of an additional income stream in respect of the area leased to NCP.

The Council is entitled to purchase land to hold as an investment and regeneration opportunity under the Local Government Act 1972; and the Local Government Act 2003 gives the Council the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.

As part of this report, Members also approved the development of a regeneration opportunity including further site acquisition should this be beneficial; including formal negotiations with Staffordshire County Council and Staffordshire Police to look at the inclusion of land bordering the site; and to commence masterplanning works to bring the site to a commercially viable development opportunity.

The report to Council recognised that any return from future redevelopment is not guaranteed, and that it could take several years to get a major regeneration project up and running. Initial plans are for a mixed housing/leisure development.

The Council has been working with Aspinall Verdi and Altair to develop options for the site, and resources were secured from the Local Government Association (LGA) to pay for 40 days' consultancy; and an £80k grant was received from the Greater Birmingham and Solihull Local Enterprise Partnership.

A red book valuation process is jointly underway between TBC and SCC which seeks to evaluate TBC and SCC landholdings on Spinning School Lane North. The outputs of this should be available in October. The Police Station owners have meet with TBC planning to outline at a high level, their plans for the site.

Discussions held with Homes England to assist the Borough Council in unlocking the potential of regeneration sites across the town has resulted in a Heads of Terms signed off by Cabinet on the 30th September. The next step is to prepare and agree to a Memorandum of Understanding. Work on a car park demand study is underway, financed by HE, the outputs of which will be available in inform the project.

Solway (Tamworth) Ltd

In line with plans set out in the Commercial Investment Strategy, Council on 17th July 2018 approved the establishment of Solway (Tamworth) Ltd, a trading company to be wholly owned by the Council, with the Chief Executive, Leader of the Council and Executive Director Finance as Directors of the Company. The disposal of land owned by the Council at Solway Close to be purchased by the Company for the development of private housing for rent was also approved, with a budget of £4million being established from capital receipts from the sale of the Golf Course to provide a loan for the company to purchase the land.

Extensive legal advice was received from Trowers and Hamlins on potential options and governance models, and tax advice and a financial viability model was obtained from KPMG to inform decision making. A full risk assessment as part of the business case was developed and reported to Members.

It has been projected that the Council will earn a return to the General Fund from the Company from the following sources:-

- Debt interest charged to the Company on the planned loan from the Council - market interest rate will be applied to comply with state aid legislation;
- A return on equity invested (through dividends) which reflects profits back to the Council from the Company offering the properties for rent at market value; and
- The repayment of the loan over approx. 30 years.

Including projected land acquisition costs (generating a capital receipt for the Council) the projected start-up and construction cost for 20 dwellings is £3.6m which will be financed via a loan from the Council to the company of £1.7m (48%) and an equity investment as sole shareholder of £1.9m (52%).

Progress on this project has been restricted due to a number of other priorities and issues taking precedence including; purchase and master planning of the Gungate site, uncertain financial markets, the Future High Streets Fund process, Internal Corporate restructure and the ongoing COVID-19 pandemic.

Following a previous Report to Corporate Scrutiny Committee on 25th August 2020, and as recommended by the Committee, Jones Lang Lasalle were appointed during 2020 to review and update the assumptions taking into account local and regional market trends to assess continued viability and the impact of the COVID-19 pandemic as far as that could be judged at the time of writing – which it confirmed.

Corporate Scrutiny Committee on 11th March 2021 considered this report and approved exploring in more detail the viability and financial implications of a private rental scheme will allow the Council to make a fully informed decision on how to develop the site.

An update on the progress made on this work is planned for the Corporate Scrutiny Committee in March 2022. This will include updated options for the site based on latest market demand, costing information, projected returns and assessment of the risks involved.

It should be noted that the successful Future High Streets Fund bid (as well as the consultation and continuing work on the options for the Gungate site) will mean officer time will be restricted further. However, officers will benefit from the experience of procuring and managing a significant regeneration project in the coming months and years – which could benefit the future plans for the Solway site depending on the review findings.

Future High Streets Fund

The Government Future High Streets Fund was launched at the start of 2019 as part of a package of interventions aimed at improving Town Centres. Tamworth submitted its Expression of Interest (EOI) by the short deadline of March 22nd 2019. The EOI had to primarily focus on the story of the Town Centre and its need for this funding. The fund will grant between £5million and £25million to projects that will structurally transform Town Centres and meet local challenges. There was no requirement in the EOI to provide detailed projects, instead just provide short summaries of potential opportunities for which the funding could be used.

The £625 million fund had the following objectives:

- Investment in physical infrastructure
- Acquisition and assembly of land including to support new housing, workspaces and public realm.
- Improvements to transport access, traffic flow and circulation in the area.
- Supporting change of use including (where appropriate) housing delivery and densification.
- Supporting adaptation of the high street in response to changing technology.

The key challenges articulated in the EOI for Tamworth Town Centre were:

- High levels of vacant properties (predominantly retail – 14.2%)
- Unbalanced housing, retail and office accommodation offer, above average number of retail units, below average number of offices and homes.
- Limited night time economy: poor food drink and evening leisure offer.
- General perception that the Town is a dated, unsafe and unattractive environment.

During December 2020, the Government confirmed that the Council has been awarded £21.65m, from the Government's £1bn Future High Streets Fund to renew and reshape town centres, to deliver a number of projects designed to create a town centre that meets the needs of 21st century residents, shoppers and visitors.

It will bring town centre landowners, businesses, councils and other partners together, working on the common goal of reshaping the town centre into a place that Tamworth residents are proud of, that is economically successful and that draws visitors from around the country.

Throughout August 2021 the tender for the appointment of a multi-disciplinary team to move the project forwards in the enabling phase was 'live' on the CCS procurement framework. The tender deadline was 20 August. Given the size and importance of the tender, interviews were held on the 7th September and appointment was immediately made. McBains are the successful construction and consultancy team, supplemented by the College and TBC incumbent architect firms ACG and Purcell.

Various surveys have been undertaken to better understand constraints including utilities, measured building surveys and topographical surveys. Work continues on heads of Terms for the various partnerships and acquisitions that are necessary for the project to progress. Discussions are ongoing to achieve vacant possession of Middle Entry and the relocation of Julie Anne Florists.

A communications and engagement strategy has been developed including the new Transforming Tamworth webpages – to show case regeneration across Tamworth town centre and specifically the FHSF programme. This website was available ahead of a 13th October evening meeting with local businesses.

Commercial and Industrial Property

The following table details the Council's current holding of commercial and industrial property.

Non-Housing Asset Survey											
Element	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yrs 6 to 10	Yrs 11 to 15	Yrs 16 to 20	Yrs 21 to 25	Yrs 26 to 30	Total
Roof Cover	£0	£98,424	£29,600	£21,500	£254,993	£289,032	£429,453	£74,963	£51,964	£49,140	£1,299,069
Wall finish	£1,244	£19,418	£6,886	£0	£15,430	£46,099	£291,382	£331,075	£390,430	£190,765	£1,292,730
Doors	£16,000	£10,900	£28,200	£900	£67,400	£528,000	£124,350	£34,350	£900	£750	£811,750
Windows	£20,430	£15,120	£11,760	£2,100	£82,650	£299,110	£121,140	£80,250	£3,780	£0	£636,340
Flooring	£653	£7,322	£2,650	£0	£41,197	£67,445	£135,606	£44,142	£28,940	£11,700	£339,656
Kitchen	£18,000	£7,500	£2,500	£0	£75,000	£53,500	£56,000	£6,000	£0	£0	£218,500
Ceiling	£54	£18,600	£2,268	£0	£1,716	£55,823	£66,223	£33,265	£384	£0	£178,333
Hardstanding	£0	£17,640	£0	£0	£0	£0	£2,592	£83,050	£44,165	£0	£147,447
Lighting	£1,260	£120	£480	£240	£67,644	£38,290	£16,380	£5,250	£480	£0	£130,144
Shutters	£0	£0	£0	£0	£1,500	£91,500	£1,500	£3,000	£0	£0	£97,500
Gutters	£900	£588	£2,472	£605	£9,386	£42,417	£10,306	£302	£0	£8,928	£75,905
Downpipes	£2,658	£0	£432	£0	£14,795	£39,358	£13,668	£108	£0	£3,528	£74,546
Roller Shutter Doors	£1,500	£0	£0	£0	£0	£25,500	£30,000	£6,000	£0	£0	£63,000
Paving	£0	£2,336	£4,944	£0	£5,690	£21,152	£24,480	£1,916	£0	£480	£60,998
Bathroom	£0	£0	£0	£0	£0	£18,000	£9,500	£0	£0	£0	£27,500
Toilets	£4,950	£4,400	£1,100	£0	£5,500	£7,200	£3,450	£900	£0	£0	£27,500
Fascia Board	£4,254	£8,910	£3,264	£0	£3,132	£6,246	£540	£0	£0	£0	£26,346
Boiler	£0	£0	£0	£0	£0	£5,400	£12,600	£1,800	£0	£0	£19,800
Air Conditioning Unit	£0	£0	£0	£0	£0	£10,800	£3,600	£1,800	£0	£0	£16,200
Heating	£500	£300	£0	£0	£300	£0	£10,620	£0	£600	£0	£12,320
Chimney	£0	£0	£0	£0	£0	£0	£1,800	£9,000	£1,200	£0	£12,000
Items <£10k	£3,500	£0	£350	£0	£8,022	£12,520	£4,600	£13,290	£1,710	£0	£43,992
Grand Total	£75,903	£211,578	£96,906	£25,345	£654,355	£1,657,392	£1,369,790	£730,463	£524,553	£265,291	£5,611,576

INVESTMENT	VALUATION @ 31/03/20 £	ESTIMATED INCOME 2020/21 £	RETURN %	VALUATION @ 31/03/21 £	ESTIMATED INCOME 2021/22 £	RETURN %
Amington Industrial Estate (ground rents)	6,551,000	305,720	4.67	6,592,000	302,720	4.59
Lichfield Industrial Estate (ground rents plus 1 leased plot)	2,947,000	144,830	4.91	2,947,000	117,950	4.00
Local Centre Shops	2,355,800	226,292	9.61	2,421,250	222,660	9.20
Misc Corporate Property	18,752,529	1,187,905	6.33	18,641,896	1,183,425	6.35
Sandy Way Industrial Units	2,642,900	295,871	11.19	2,642,900	293,767	11.12
Tamworth Business Centre	1,130,800	120,073	10.62	1,132,900	125,848	11.11
Town Centre Shops	1,757,752	140,282	7.98	1,794,452	140,677	7.84
Total	36,137,781	2,420,972	6.70	36,172,398	2,387,047	6.60

The corporate asset management strategy report prepared by Ridge in October 2015 indicated estimated costs of maintenance over 10 years of £3.288m for non-operational commercial property and £1.861m for non-operational retail property. An updated survey has been carried out by Michael Dyson Associates during 2021 to determine the current condition and extent of repair and maintenance required. The overall planned maintenance cost for the assets in the next 30-year period amounts to £5,611,576, an average of £37,916 per surveyed asset (over the portfolio of 178 non-HRA properties which include a mix of commercial premises, shops and corporate properties).

The above assets currently deliver a return for the Council and assist in balancing the MTFs. The capital programme includes £75k p.a. to ensure Industrial properties are compliant with the Energy Act and have Energy Performance Certificates as with effect from April 2018 it will not be possible to enter into long term lease agreements for commercial and industrial units with an EPC rating of 'E' or less. Many of our units fall into this category and will require a degree of improvement once they become vacant in order to relet.

The Council also has a Building Repairs Fund of c.£400k p.a. which should be included in the planned approach to asset management.

A disposals policy is in place at the Council, however there is currently no plan or strategy to manage those assets which may be surplus to requirements/do not generate a return. It is recognised that the following actions need to be finalised in 2022/23, informed by the results of the Stock Condition survey and updated Asset Management plan:-

- 1) Corporate asset viability model to be developed, identifying whole life costs and value for money of each group of assets, with reference to demand, costs and income generated**
- 2) The Asset Strategy Steering Group to consider the results of this modelling and identify poorly performing and well performing assets, and as a result develop a plan for future maintenance and investment, and options appraisal/disposals plans as appropriate**
- 3) Risk register around corporate asset management to be developed**
- 4) Process for monitoring performance of commercial property to be established, and reporting on a routine and exception basis to be implemented**
- 5) A planned approach to be established for the use of the Building Repairs Fund for both planned maintenance & responsive repairs & Building Condition Standards.**

KNOWLEDGE AND SKILLS

Treasury Management staff are either AAT or CCAB qualified and the three CCAB qualified staff must complete the annual CPD requirements of their professional accountancy bodies. Link Asset Services are currently contracted to provide treasury management advice and guidance, and have also been engaged to provide other one-off pieces of work, eg. property funds review in early 2018 and guidance/review of the draft Capital Strategy in December 2018.

Training for Members with regard to treasury management is undertaken on a regular basis, most recently in November 2019. In February 2018, there was also a presentation to Members from Link Asset Services with regard to our investments in property funds.

With regard to non-treasury investments, the Council employs qualified and experienced staff such as accountants, solicitors and surveyors. It is fully supportive in providing access to courses both internal and external to enable those staff to complete their Continuing Professional Development (CPD) requirements.

The Council ensures that its Members are qualified to undertake their governance role by providing training opportunities and access to workshops, etc.

The Council also procures expert advice and assistance such as financial and legal advice as and when required.

CAPITAL PROGRAMME 2021/22 – 2025/26

Following a review of the Capital Programme approved by Council on 25th February 2020, a revised programme has been formulated including additional schemes which have been put forward for inclusion.

A schedule of the capital scheme appraisals for the General Fund (GF) & Housing Revenue Account (HRA) received for consideration is attached at **Appendix H – General Fund (GF) and Appendix I – Housing (HRA)**, together with the likely available sources of funding (capital receipts / grants / supported borrowing etc.).

With regard to the contingency schemes/allocation, **£135k** remains in current year GF contingency funds and **£100k** remains in current year HRA contingency funds (which will be re-profiled into 2020/21 to provide contingency funding).

To inform discussions, the proposals have been reviewed by the Asset Strategy Steering Group and Corporate Management Team with initial comments & suggestions for each of the schemes outlined below.

General Fund

The minimum approved level of GF capital balances is £0.5million and, should the programme progress without amendment, would mean additional borrowing of £0.2m over the next 5 years (£60k over 3 years). There has been an increase of £3m over 5 years since the provisional programme was approved (including new year 5 costs of c.£0.77m, Balancing Ponds £0.85m, ICT £0.15m and Recovery & Reset costs of £1.27m). The current GF Capital Financing Requirement (CFR) stands at £3.6m with planned borrowing in 2021/22 of £1.5m.

1) **Balancing ponds and sustainable drainage systems**

Project Score: 63

A new appraisal form has been prepared – together with a 30 year rolling programme of works identified for inclusion in the capital programme, with an annual spend required from 2023/24, for the 8 ponds at Stonydelph, Belgrave, Lakeside, Peelers Way.

When the A5 bypass was constructed, a network of balancing ponds and reedbeds were also constructed alongside it to take excess water from the surface of the road and prevent this water being discharged as either groundwater or surface water, hence creating a risk of flooding and also to reduce the effects of certain pollutants on the environment from the carriageway. Over time these balancing ponds which flow from Kettlebrook through to Tamworth centre become 'silted' up and have to be cleansed. A survey of the ponds has highlighted the fact that the original commuted sum set aside to maintain these ponds was insufficient and further funding is required in order to support the proposed ongoing year maintenance plan. In addition the Council is required to maintain both Stonydelph dam that connect to this watercourse and the new sustainable drainage system to support the golf course development, currently under construction in Amington. At handover the management plan will indicate the maintenance regime and indicative costs which will be added at a later date - it is not envisaged that this will be in the short term but will need to be accommodated within the 30 year life proposal].

The total cost of the programme over 30 years is £4.68m partially financed by existing reserves of £604k.

The capital appraisal details the proposed part financing from existing reserves/retained fund (£200k) and Section 106 commuted sums (£404k).

2) With regard to the provisional programme:

a) Technology Replacement – Infrastructure upgrade/Network Security/Refresh of Thin Clients

Project Score: 72

An updated capital submission **has now** been prepared for £60k for 3 years followed by £40k for 2 years (previously £60k in 2022/23 followed by £30k p.a.)

Significantly increased reliance on ICT has resulted in a commitment to *ongoing, large scale upgrade and maintenance to the TBC infrastructure, in line with technology lifecycles. The Council is also on a journey towards digital transformation and self service for customers, demand for flexible resilient and available ICT services to support this requires continued investment into the authorities hardware and associated software.* The organisation is also establishing new, more flexible and agile ways of working which requires investment into technology to support ongoing effectiveness. *External factors including legislative requirements from central government in the guise of the Public Sector Network (PSN) Code of Connection, and the increase in required investment into cyber security to keep the councils network secure and available means continued investment is essential. It should be noted that corporate applications are excluded from this schedule of planned work.*

A £60k budget was approved for 2021/22 with an expectation that budgets from 2022/23 onwards would be informed by the conclusions of the priority review and ICT Strategy (including a detailed breakdown of the proposed spend). No savings / payback from the investment have been identified.

b) Endpoint Protection and Web-Email Filter

Project Score: 60

An updated appraisal has now been prepared for spend of £40k in 2022/23 (previously 2023/24) & every 3 years thereafter, following the 3 year contracts for Endpoint Protection (covering Anti Virus, Anti Malware and Encryption and the contract for Web and Email filtering).

c) Street Lighting

An updated appraisal has been prepared – following inclusion of a rolling programme with an annual spend required from 2016/17. The Council has its own stock of street lighting across the borough, mainly in housing areas and other communal parts such as play areas and car parks. The street lighting assets are inspected and maintained by Eon on behalf of the Council under the terms of Staffordshire County Council PFI contract with Eon. Eon have produced a replacement street lighting programme which spans 40 years and include the replacement of all the lighting columns based on 'their life expectancy' and a lighting head replacement programmed based on providing more efficient low energy lighting heads. This appraisal is based on years 5-10 years of the replacement programme. The 40 year programme costed programme has been submitted as a whole life cost document.

The profile has been adjusted to reflect the HRA related element of the costs.

d) Disabled Facilities Grants (DFG)

The provisional programme included £650k p.a. part funded by redistributed Better Care Fund (BCF) grant of £400k.

The £250k p.a. net funding is be funded via capital receipts (with an associated revenue loss of investment interest), borrowing (with revenue interest/debt repayment costs) or a revenue contribution.

e) Energy Efficiency Upgrades to Commercial & Industrial Units

An updated appraisal has not been prepared following inclusion of a rolling programme with an annual spend of £75k required from 2017/18 for 5 years.

To fund a degree of improvement to industrial units when they become vacant in order to be able to re-let them – as, with effect from April 2018, it will not be possible to enter into long term lease agreements for commercial and industrial units with and EPC rating of 'E' or less.

Depending on void levels, we could expect to lose around £20k p.a. increasing by £20k p.a. for the next 5 years (c.£300k over 5 years).

If we are able to let on License or Tenancy at Will arrangements we may be able to maintain a level of income but there will be an increase in other costs such as NNDR payments, repair costs, security costs and the like.

Investment in enveloping works to improve energy efficiency will prolong the life of the estate at the current rent levels but ultimately Sandy Way phase 2 will require a more significant investment project to give a long life expectancy.

f) CCTV Upgrades

Following approval of the Shared Service, Capital budgets of £45,714 p.a. have been included – part funded by OPCC grant of £24k p.a.

3) General Fund Capital Contingency Budget

The remaining 2021/22 contingency budget of £135k will be rolled forward to 2022/23.

4) Recovery and Reset

As approved by Council in August 2021, budgets totaling £1.273m have been included – for ICT and office related costs.

Housing

There has been some significant changes in the Housing capital programme from that provisionally approved – with a number of new schemes proposed. It has also been updated to include the new year 5 costs for 2026/27.

Given the significant changes in spend over the 4 years of c.£12.3m then there will be a significant funding gap for the HRA capital programme of c.£5m.

It should be noted that there are no debt repayment costs for the HRA and the Government has now lifted the previous debt cap (of £79.407m). The current HRA Capital Financing Requirement (CFR) stands at £69.893m with planned borrowing in 2021/22 of £703k.

Housing Revenue Account

The provisional capital programme has been reviewed and updated:

a) Structural Works, Bathroom Renewals, Major Roofing Renewals and Disabled Facilities Adaptations

Structural works budgets have been increases by £75k p.a. to £275k p.a.

Bathroom renewals budgets have been increased by £7k p.a. to £575k p.a.

Major Roofing Renewals budgets have been increased by £589k p.a. to £1.5m p.a.

Disabled Facilities Adaptations budgets have been increased by £37.5k p.a. to £250k p.a.

b) Kitchen Renewals

The budget has been reduced by £337.5k p.a. to £700k p.a.

Detailed Programme Changes:

<u>Housing Revenue Account</u>	2022/23	2023/24	2024/25	2025/26	2026/27
<u>Capital Programme</u>	£	£	£	£	£
Structural Works	75,000	75,000	75,000	75,000	275,000
Bathroom Renewals	7,200	7,200	7,200	7,200	575,000
Gas Central Heating Upgrades and Renewals	-	-	-	-	685,500
Kitchen Renewals	(337,500)	(337,500)	(337,500)	(337,500)	700,000
Major Roofing Overhaul and Renewals	588,600	588,600	588,600	588,600	1,500,000
Window and Door Renewals	-	-	-	-	400,000
Neighbourhood Regeneration	-	-	-	-	500,000
Disabled Facilities Adaptations	37,500	37,500	37,500	37,500	250,000
Rewire	-	-	-	-	150,000
CO2 / Smoke Detectors	-	-	-	-	64,000
Sheltered Schemes	-	-	-	-	100,000
Energy Efficiency Improvements	-	-	-	-	70,000
Fire Risk Mitigation Works	300,000	300,000	300,000	-	-
Damp and Mould Works	100,000	100,000	100,000	100,000	100,000
Decarbonisation	3,200,000	-	-	-	-
High Rise Refuse Chute Renewals	150,000	150,000	150,000	-	-
Works to Achieve Zero Carbon	-	-	2,500,000	2,500,000	2,500,000
Sheltered Lifts and Stairlift Renewals	360,000	250,000	50,000	50,000	50,000
Fire Alarm Panel Renewals	50,000	-	-	-	-
Scooter Storage at High Rise	30,000	30,000	-	-	-
Upgrade Pump Rooms at High Rise	25,000	25,000	-	-	-
Retention of Garage Sites	-	-	-	-	-
Capital Salaries	-	-	-	-	200,000
Street Lighting	-	70	90	20	-
Telecare System Upgrades	-	-	-	-	-
Regeneration & Affordable Housing	-	-	-	-	1,750,000
Total HRA Capital	4,585,800	1,225,870	3,470,890	3,020,820	9,869,500

	New Scheme Bids
	Existing Schemes

Housing Revenue Account	2022/23	2023/24	2024/25	2025/26	2026/27
Capital Programme	£	£	£	£	£
Proposed Financing:					
Major Repairs Reserve	1,311,830	128,700	129,200	127,700	2,933,500
HRA Capital Receipts	(180,000)	(174,930)	1,075,000	-	-
Regeneration Revenue Reserves	461,070	1,481,100	841,600	215,680	3,886,000
Capital Receipts from Additional Council House Sales (1-4-1)	25,000	25,000	25,000	101,000	550,000
Regeneration Reserve	1,967,900	(234,000)	90	76,440	-
Affordable Housing Reserve	-	-	1,400,000	-	-
Other	1,000,000	-	-	-	-
Unsupported Borrowing	-	-	-	2,500,000	2,500,000
	-	-	-	-	-
Total	4,585,800	1,225,870	3,470,890	3,020,820	9,869,500

Existing Capital schemes have continued in line with the provisional programme (including capital salaries recharge of £200k p.a. for management of the programme):

1) Improvements to Retained Garage Sites

A new capital submission had been prepared in 2020 for spend of £750k in 2021/22 and 2022/23 for Improvements to garage sites identified for retention following completion of survey work during 2020.

2) Street Lighting

HRA share has been included in line with the approved 30 year programme.

3) Telecare system upgrades

A new capital submission had been prepared for potential spend of £65.5k over 2 years for the upgrade of telecare systems to sheltered schemes and high-rise to make them digitally compatible in time for the BT digital switchover in 2025.

3) Regeneration & Affordable Housing

Funding of £1.75m p.a. from 2021/22 had been provisionally approved. This was reduced to £250k for 2021/22 to 2024/25 (due to the re-profiling of £6,000,000 from years 2,3,4 & 5 into 2020/21 to allow for the acquisition of housing property [£1,500,000 from each year] with £1.75m added for 2025/26.

CAPITAL STRATEGY ACTION PLAN

ANNEX B

REF	ACTION	RESPONSIBILITY	TIMESCALE
1	The capital appraisal process and associated documentation to be reviewed and updated where appropriate to ensure proper consideration is given to whole life costs of schemes; alternative options; risk management, etc, and to address the concerns outlined on completion of the CIPFA Property Capital Strategy Self-Assessment Checklist.	L Pugh	Summer 2022
2	Following receipt of the updated Asset Management Strategy development of an Asset Management Plan for each property. This should set out the detailed capital resources/expenditure required to maintain assets, together with the associated timeframe, to inform options appraisal and feed into the capital strategy for ASSG/CMT review of potential schemes.	P Weston	Autumn 2022
3	Corporate asset viability models to be developed, identifying whole life costs and value for money of each group of assets, with reference to demand, costs and income generated	L Pugh/P Weston/J Goodfellow/Asset Strategy Steering Group	Commenced October 2019 – ongoing Autumn 2022
4	The Asset Strategy Steering Group to consider the results of this modelling and identify poorly performing and well performing assets, and as a result develop a plan for future maintenance and investment, and options appraisal/disposals plans as appropriate	Asset Strategy Steering Group	Commence October 2019 – ongoing Autumn 2022
5	Risk register around corporate asset management to be developed	P Weston	Spring 2022
6	Process for monitoring performance of commercial property to be established, and reporting on a routine and exception basis to be implemented	P Weston/L Pugh/J Goodfellow	Commence October 2019 – ongoing Summer 2022
7	A planned approach to be established for the use of the Building Repairs Fund for both planned maintenance & responsive repairs & Building Condition Standards	P Weston/L Pugh/J Goodfellow	Commence October 2019 – ongoing Summer 2022

CAPITAL STRATEGY RISK REGISTER

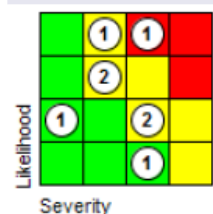
ANNEX C

Corporate Capital Strategy Risk Register



Generated on: 06 December 2021

Current Risk Matrix



Code	Title	Assessment Code and Title	Trend	Status	Date Reviewed
CSRR1920_001	Risk of not identifying capital requirements	6 serious-unlikely	▬	⚠	06-Dec-2021
CSRR1920_002	Risk of insufficient funds to meet capital needs	12 serious - very likely	⬆	🔴	06-Dec-2021
CSRR1920_003	Risk of inadequate resources to deliver capital programme	6 serious-unlikely	▬	⚠	06-Dec-2021
CSRR1920_004	Risk of significant budget re-profiling/timescales slipping	6 significant-likely	▬	⚠	06-Dec-2021
CSRR1920_005	Risk of significant overspends	3 serious-very unlikely	▬	✅	06-Dec-2021
CSRR1920_006	Risk of investment under-performing and income falling	8 significant - very likely	▬	⚠	06-Dec-2021
CSRR1920_007	Risk of inadequate PIR/required outcomes of a capital scheme not achieved	2 minor-unlikely	⬇	✅	06-Dec-2021
CSRR1920_008	Risk of legislative changes/changes in Government policy having an impact on funds available or accounting treatment	6 significant-likely	⬆	⚠	06-Dec-2021