

## CABINET

22<sup>nd</sup> January 2015

### JOINT SCRUTINY COMMITTEE (BUDGET)

27<sup>th</sup> January 2015

#### Report of the Leader of the Council

#### DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2015/16 to 2019/20

##### Purpose

To approve the draft package of budget proposals (**attached at Appendix A**) to consult with the Joint Scrutiny Committee (Budget) on 27<sup>th</sup> January 2015 and receive their feedback on the:

- General Fund Revenue (GF) Budget and Council Tax for 2015/16;
- Housing Revenue Account (HRA) Budget for 2015/16;
- 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 £50k.

##### Recommendations

That:

1. **Cabinet approve the draft package of budget proposals including the proposed policy changes (as detailed at Appendix B); and**
2. **As required by the Constitution of the Council, the Joint Scrutiny Committee (Budget) on 27<sup>th</sup> January 2015 be asked to consider the budget proposals contained within this report.**

## Executive Summary

Long before the current austerity measures and on-going public sector spending cuts, the Council has been proactive in the design and implementation of innovative and effective measures for driving efficiency.

It has previously been recognised by the Council's Executive Management Team (a non-decision making forum of Cabinet members and Chief Officers of the Corporate Management Team) that Members will need to focus on strategic decisions relating to high level financial issues as flexibility within future budgets will be extremely limited given the need to identify substantial savings following significant constraints in public spending (post grant reductions of 34% since 2010 and announcements from CSR 2013 of further grant reductions for District Councils of over 15% from 2015/16 – over 40% in real terms since 2010/11).

There also remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation with effect from 1st April 2013, arising from Business Rates Retention, changes in Support for Council Tax and technical reforms to Council Tax - as well as other changes arising from the Government's Welfare Reform agenda.

The Council holds sufficient funds in reserves and balances to allow it to plan its approach to budget setting, and Cabinet, on 22<sup>nd</sup> August 2013, endorsed the document 'Planning for a Sustainable Future' as the overarching strategy for meeting the challenges forecast for the Council's Medium Term Financial Strategy (MTFS) and a series of workstreams designed to deliver savings and efficiencies designed to tackle the forecast deficit long before it becomes a reality. This includes exploring new and innovative ideas and to be more commercial in our approach to business.

The proposals arising from the work streams will change the organisation and how it works; will require Members to take difficult decisions and adhere to them; 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 reduce**. Whether to implement change, react to funding reductions or simply to ensure compliance with reforms, the adoption of a "problem solving" approach to accommodating change has enabled the Council to maintain high quality public services.

Based on the draft budget assumptions contained within the report, the headline figures for 2015/16 are:

- A General Services Net Cost of Services of £8,397,240 a reduction of 8% compared to 2014/15;
- A transfer of £493,190 from General Fund balances;
- A transfer of £2,948,920 from HRA balances;
- The Band D Council Tax would be set at £158.60, an increase of £3.10 (1.99% - £0.06 per week) on the level from 2014/15 of £155.50;

- An average rent of £87.61 which represents an increase of £1.01 (1.17% on the current average rent of £86.60) in line with the Government's Guidance on rent increases of CPI plus 1% (based on a 48 week rent year), equating to £80.87 on an annualised 52 week basis;
- A General Fund Capital Programme of £2.15m for 5 years – ***excluding updated Agile Working and Assembly Rooms Scheme costs at this stage***;
- A Housing Capital Programme of £54.1m (including c.£30.87m relating to the Regeneration Projects) for 5 years.

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. The forecast grant reductions will put significant pressure on the ability of the Council to publish a balanced 5 year MTFs for the General Fund – it may have to be a 3 year MTFs, in compliance with the Prudential Code.

Currently projections identify:

1. General Fund balances of £0.874m over 3 years followed by an ongoing annual deficits of c.£2m p.a. (equating to a shortfall of c.£4m over 5 years), including the minimum approved level of £0.5m – work is currently ongoing to identify the impact on the Council's financial position from the programme of short-term and medium-term workstream reviews commissioned by Cabinet in August 2013 as part of the 'Planning for a Sustainable Future' overarching strategy to identify measures to help the Council cope with grant & income reductions in the coming years;
2. HRA balances of £1m over 3 years, and £1m over the next 5 years including the minimum recommended balances of £0.5m.

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

- a) Potential changes to future New Homes bonus levels following the announcement that the Government will be reviewing the scheme again including the potential termination of the scheme from 2015/16;
- b) Future Revenue Support Grant levels for future years following the Chancellor's Autumn Statement on 3<sup>rd</sup> December 2015. The *Local Government Finance Settlement* issued by the DCLG in December 2014 indicates a revenue support grant reduction of 31.3% in 2015/16. A review on the potential redistribution on a needs basis could also adversely impact on the grant income levels;
- c) The impact of Business Rate Reform from 1<sup>st</sup> April 2013 and the associated forecast business rates receivable in 2014/15 and future years – of which the Council's budget will receive 40% (subject to 20% levy reduction on 'excess' rates payable to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP) after deduction of the 50% central share, 9% County Council and 1% Fire & Rescue Authority share;

- d) The calculation of the level of business rate appeal costs – of which the Council has to fund 40% from its own budgets – a provision of £983k was set aside in 2013/14 (40% of which relates to the Council);
- e) Future Pension contribution levels - following the triennial review carried out by the Actuaries employed by the Pension Fund - indicative *ongoing* annual increases in Employer's contributions of c.2% p.a. for the next 3 years have been included. This now includes an ongoing lump sum (with an annual increase) relating to past liabilities and a set rate for future employer contributions of 16.5% p.a.

The Council has also made savings of c.£84k through pre-payment of pension contributions for the next 3 years;

- f) The impact of Pension Auto-Enrolment and the single tier pension from 2016/17 – no additional cost associated with auto enrolment has been included as salary budgets are prepared on a full cost basis (and then reduced by the 5% vacancy allowance);

An increase in Employer's National Insurance contributions of 3.4% p.a. have been included from 2016/17 when the single-tier pension starts as the State Second Pension scheme will close and contracting out will end;

- g) While the Government announced a pay cap for 2014/15 & 2015/16, a 2.2% increase (plus other changes) has recently been agreed from 1<sup>st</sup> January 2015. The impact of inflation on pay settlements and other contractual arrangements for future years is less certain;
- h) Proposed changes set out in the Welfare Reform Act 2012 and the introduction of Universal Credit – impact on housing benefits and associated income receipts (including Housing Rents) of the council;
- i) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management;
- j) The severity of the recession and the impact it has had and still could have on the Council's income streams (including the impact of the Local Council Tax Scheme on council tax collection levels);
- k) Due to uncertainties around the Better Care Fund, a significant risk on the current grant funding for Disabled Facilities Grants (DFG) is highlighted after 2015/16. A grant of £224k p.a. has been assumed to be redistributed – in line with the funding notified for 2015/16;
- l) Finalisation of the expected outcomes and impact on the Council's financial position from the programme of short-term and medium-term workstream reviews commissioned by Cabinet in August 2013 as part of the 'Plan for a Sustainable Future' overarching strategy to identify measures to help the Council cope with grant & income reductions in the coming years - potential savings arising from the Sustainability Plan workstreams have been included;

- m) Review and finalisation of the revised budgets/policy changes and feedback from the Scrutiny process – including the Council Tax increase for 2015/16 following confirmation of the referendum threshold.

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

### **Resource Implications**

A summary table of all the budget proposals is shown at the end of the report. The General Services summary revenue budget for 2015/16, 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 1.99% for 2015/16 (the maximum permitted under the Government set limits to avoid a referendum) followed by increases at c.1.99% p.a. thereafter & in line with statutory requirements. Surplus balances of £0.374m are reported for the General Fund budget position over 3 years with balances forecast at £0.874m. 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 c.£2m p.a. would need to be identified in 2018/19 and 2019/20 (the shortfall over 5 years is currently forecast at c.£4m).

The summary HRA Revenue Budget for 2015/16 appears at **Appendix C** (including a summary of the resulting budgets over the 5 year period). Closing balances over 3 years are estimated at £1m (£1m 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 2014, 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 2014, included at this stage are detailed within the report.

## 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 Leader's Budget Workshop for Scrutiny Committees was held on 2<sup>nd</sup> December 2014.

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 27<sup>th</sup> January 2015.

Proposed amendments to the 2014/15 base budget, approved by Council on 25<sup>th</sup> February 2014, are detailed within the report.

Key Risks to Revenue and Capital Forecasts:

<b>Risk</b>	<b>Control Measure</b>
Major variances to the level of grant / subsidy from the Government (including specific grants e.g. Benefits administration, Business Rates Section 31 funding); <b>(High)</b>	Sensitivity modelling undertaken to assess the potential impact in the estimation of future grant levels;  <b>(Medium / High)</b>
New Homes Bonus grant levels lower than estimated; Continuation of the scheme in its current form is uncertain – a further review is planned. <b>(High/Medium)</b>	Future levels included on a risk based approach in order to offset further grant reductions / uncertainty over additional property numbers; <b>(Medium)</b>
Potential 'capping' of council tax increases by the Government or local Council Tax veto / referendum; <b>(Medium)</b>	Current indications are that increases of 2% and above risk 'capping' (confirmed as 2% for 2015/16); <b>(Low)</b>
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;  <b>(High)</b>	A robust & critical review of savings proposals will be required / undertaken before inclusion within the forecast;  A minimum General Fund capital balance of £500k is a requirement – this has been financed in the past by revenue contributions (held in a revenue reserve). <b>(High/Medium)</b>
Pay awards greater than forecast; <b>(Medium)</b>	Forecast assumes a 2% increase p.a.; <b>(Medium / Low)</b>
Pension costs higher than planned / adverse performance of pension fund;  <b>(Medium)</b>	Regular update meetings with Actuary; Increases of c.2% p.a. with a new 'lump sum' element have been included with agreement made with Pension Fund following triennial review (during 2013 for 2014/15) for 3 years; <b>(Medium)</b>

<b>Risk</b>	<b>Control Measure</b>
<p>Assessment of business rates collection levels to inform the forecast / budget (NNDR1) and estimates of appeals, mandatory &amp; discretionary reliefs, cost of collection, bad debts and collection levels;</p> <p>New burdens (Section 31) grant funding for Central Government policy changes – including impact on levy calculation;</p> <p>Potential changes to the Business Rates Retention system by the DCLG in support of Town Centre Regeneration / equalisation of the scheme; <b>(High)</b></p>	<p>Robust estimates included to arrive at collection target. Ongoing proactive management &amp; monitoring will continue;</p> <p>Business Rates Collection Reserve - provision of reserve funding to mitigate impact of any changes in business rate income levels;</p> <p>Monitoring of the situation / regular reporting;</p> <p><b>(High / Medium)</b></p>
<p>Local Council Tax Reduction scheme implementation – potential yield changes and maintenance of collection levels;</p> <p><b>(High)</b></p>	<p>Robust estimates included. Ongoing proactive management &amp; monitoring (including a quarterly healthcheck on the implications on the organisation – capacity / finance) will continue;</p> <p><b>(High / Medium)</b></p>
<p>Achievement of income streams in line with targets e.g. treasury management interest, car parking, planning, commercial &amp; industrial rents etc.; <b>(High / Medium)</b></p>	<p>Robust estimates using a zero based budgeting approach have been included;</p> <p><b>(Medium)</b></p>
<p>Insurance arrangements are due for re-tendering during 2015/16 – a hardening market may see significant premium increases above inflation;</p> <p><b>(High / Medium)</b></p>	<p>The tender will include options around excess levels and further use of self insurance.</p> <p><b>(Medium)</b></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);</p> <p><b>(High / Medium)</b></p>	<p>Robust monitoring and evaluation – should funds not be available then schemes would not progress.</p> <p><b>(Medium)</b></p>
<p>Potential change in Political control – Locally and Nationally – impact on MTFS;</p> <p><b>(High)</b></p>	<p>Regular update and review of impact on MTFS.</p> <p><b>(Medium/High)</b></p>

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

<b>Background Papers:-</b>	<b>Budget &amp; Medium Term Financial Strategy 2014/15 – 2016/17, Council 25<sup>th</sup> February 2014</b>
	<b>Budget and Medium Term Financial Planning Process, Cabinet 21<sup>st</sup> August 2014</b>
	<b>Joint Scrutiny Budget Workshop, 4<sup>th</sup> December 2014</b>
	<b>Budget Consultation Report, Cabinet 23<sup>rd</sup> October 2014</b>
	<b>Draft Base Budget Forecasts 2015/16 to 2019/20, Cabinet 27<sup>th</sup> November 2014</b>

## Summary of Appendices

<b>Description</b>	<b>Appendix</b>
Detailed Considerations	A
Policy Changes Summary – GF & HRA	B
HRA Budget Summary 2015/16 – 2019/20	C
General Fund Summary Revenue Budget 2015/16	D
General Fund Technical Adjustments 2015/16 (before policy changes)	E1
HRA Technical Adjustments 2015/16 (before policy changes)	E2
General Fund 5 Year Revenue Budget Summary	F
Council Tax Levels at Each Band 2015/16	G
General Fund Capital Programme 2015/16 – 2019/20	H
Housing Capital Programme 2015/16 – 2019/20	I
Main Assumptions	J
Sensitivity Analysis	K
Contingencies	L



### 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 2015/16 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 2014/15 budget to arrive at the starting point for 2015/16. 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 2015/16 budget, aimed both to deal with a challenging financial position and to find resources to address the Council's corporate priorities. The approved package was based upon:

- The need to compensate for reduced income levels arising from the unprecedented economic / world events which led to the economic downturn / austerity measures;
- Injecting additional resources into corporate priorities;
- Increasing income from council tax and fees and charges;
- 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 will put significant pressure on the ability of the Council to publish a balanced 5 year MTFs for the General Fund – at the present point in time, in order to achieve compliance with the Prudential Code (minimum GF balance of £0.5m) it may only be possible to prepare a 3 year General Fund MTFs.

There are a number of challenges affecting the Medium Term Financial Planning process for the period from 2015/16 to 2019/20 which add a high level of uncertainty to budget projections.

- a) Potential changes to future New Homes bonus levels following the announcement that the Government will be reviewing the scheme again including the potential termination of the scheme from 2015/16;
- b) Future Revenue Support Grant levels for future years following the Chancellor's Autumn Statement on 3<sup>rd</sup> December 2015. The *Local Government Finance Settlement* issued by the DCLG in December 2014 indicates a revenue support grant reduction of 31.3% in 2015/16. A review on the potential redistribution on a needs basis could also adversely impact on the grant income levels;

- c) The impact of Business Rate Reform from 1<sup>st</sup> April 2013 and the associated forecast business rates receivable in 2014/15 and future years – of which the Council’s budget will receive 40% (subject to 20% levy reduction on ‘excess’ rates payable to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP) after deduction of the 50% central share, 9% County Council and 1% Fire & Rescue Authority share;
- d) The calculation of the level of business rate appeal costs – of which the Council has to fund 40% from its own budgets – a provision of £983k was set aside in 2013/14 (40% of which relates to the Council);
- e) Future Pension contribution levels - following the triennial review carried out by the Actuaries employed by the Pension Fund - indicative *ongoing* annual increases in Employer’s contributions of c.2% p.a. for the next 3 years have been included. This now includes an ongoing lump sum (with an annual increase) relating to past liabilities and a set rate for future employer contributions of 16.5% p.a.

The Council has also made savings of c.£84k through pre-payment of pension contributions for the next 3 years;

- f) The impact of Pension Auto-Enrolment and the single tier pension from 2016/17 – no additional cost associated with auto enrolment has been included as salary budgets are prepared on a full cost basis (and then reduced by the 5% vacancy allowance);

An increase in Employer’s National Insurance contributions of 3.4% p.a. have been included from 2016/17 when the single-tier pension starts as the State Second Pension scheme will close and contracting out will end;

- g) While the Government announced a pay cap for 2014/15 & 2015/16, a 2.2% increase (plus other changes) has recently been agreed from 1<sup>st</sup> January 2015. The impact of inflation on pay settlements and other contractual arrangements for future years is less certain;
- h) Proposed changes set out in the Welfare Reform Act 2012 and the introduction of Universal Credit – impact on housing benefits and associated income receipts (including Housing Rents) of the council;
- i) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management;
- j) The severity of the recession and the impact it has had and still could have on the Council’s income streams (including the impact of the Local Council Tax Scheme on council tax collection levels);
- k) Due to uncertainties around the Better Care Fund, a significant risk on the current grant funding for Disabled Facilities Grants (DFG) is highlighted after 2015/16. A grant of £224k p.a. has been assumed to be redistributed – in line with the funding notified for 2015/16;

- l) Finalisation of the expected outcomes and impact on the Council's financial position from the programme of short-term and medium-term workstream reviews commissioned by Cabinet in August 2013 as part of the 'Plan for a Sustainable Future' overarching strategy to identify measures to help the Council cope with grant & income reductions in the coming years - potential savings arising from the Sustainability Plan workstreams have been included;
- m) Review and finalisation of the revised budgets/policy changes and feedback from the scrutiny process – including the Council Tax increase for 2015/16 following confirmation of the referendum threshold.

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

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

Effect of x% movement:	% + / -	Impact over 1 year +/- £'000	Impact over 3 years +/- £'000	Impact over 5 years + / - £'000	Risk
Pay Award / National Insurance (GF)	0.5%	42	259	660	M/H
Pension Costs	0.5%	0	58	355	L/M
Council Tax	0.5%	33	154	244	L/M
Inflation / CPI	0.5%	39	237	604	M/H
Government Grant	1.0%	43	245	574	M/H
Investment Interest	0.5%	104	566	1354	H
Key Income Streams	0.5%	26	156	391	L/M
New Homes Bonus	10%	55	359	911	H
Business Rates	0.5%	66	402	1013	H

## GENERAL FUND

### Future Revenue Support Grant & Business Rate income

Given the current economic climate and further anticipated reductions in Central Government Grant support together with the uncertainty around the impact of the Business Rate Retention scheme, detailed modelling has been carried out in consultation with other Local Councils and with the support of LG Futures – who have also provided detailed estimates of the potential impact of further austerity cuts in Local Government funding.

#### *The 2015/16 Provisional Settlement*

The final Local Government finance settlement figures for the Council for 2014/15 and the provisional figures for 2015/16 were announced in February 2014. They showed that the Government funding assessment (Revenue Support Grant (RSG) plus the new business rates baseline retained income) totalled £4.423m for 2014/15 (£5.114m 2013/14) and £3.736m for 2015/16. The provisional Local Government finance settlement figures for the Council for 2015/16 were received on 18<sup>th</sup> December 2014 and are broadly in line with the indications announced in February 2014:

<b>External Finance</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>% Change (Increase) / Decrease</b>
Business Rates Baseline	2,083	2,122	(1.9)%
Revenue Support Grant	2,340	1,608	31.3%
<b>Total Funding Assessment</b>	<b>4,423</b>	<b>3,730</b>	<b>15.7%</b>
<b>% Change (Increase) / Decrease</b>	<b>13.5%</b>	<b>15.7%</b>	

The Council's actual reduction in combined Revenue Support Grant / assessed Business Rates baseline funding need was 13.5% for 2014/15 (which meant that Government support decreased by £0.69m over 2013/14) with a further reduction of 15.7% (£0.69m) planned in 2015/16.

For future years, in light of indications of further grant reductions, it has been assumed that there will be a reduction in Revenue Support Grant as detailed below. It is expected that should grant levels deteriorate further than anticipated, this would be mitigated as New Homes Bonus funding has been included on a risk based approach.

<b>External Finance</b>	<b>Actual 2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Revenue Support Grant	2,340	1,608	1,204	867	651	551
<b>% Change (Increase)/Decrease</b>	<b>23.8%</b>	<b>31.3%</b>	<b>25.1%</b>	<b>28.0%</b>	<b>24.9%</b>	<b>15.5%</b>

**It is anticipated that, by 2020, reliance on RSG will be minimal – key income streams will be Business Rates, Council Tax, New Homes Bonus and a commercial approach in business delivery.**

### **Business Rates**

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 2014.

The Council received additional business rates during 2013/14 (above forecast / baseline) and had to pay a levy of £386k to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP). The latest estimates indicate additional business rates receivable above the baseline in 2014/15 and future years – of which the Council will receive 40% less the Government set tariff payment of c.£11m (and a 20% levy on any surplus over the baseline to the GBSLEP) - after deduction of the 50% Central Share, 9% County & 1% Fire & Rescue Authority shares).

This is mainly due to the additional rates income generated from the warehouse site at Bitterscote – however, the future position for 2015/16 is less certain. A robust check & challenge approach has been taken of any increases on the base figure, including a risk assessed collection level.

New Burdens (Section 31) grant is receivable for additional reliefs given by the Government relating to business rates from 1<sup>st</sup> April 2014 e.g. Small Business Rate Relief – of which 50% of any in excess of the baseline will be payable in levy to the GBSLEP. 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 Local Government finance settlement figures for the Council for 2015/16 have recently been announced and show that the Government funding assessment (Revenue Support Grant (RSG) plus the new business rates baseline retained income) totals £3.73m.

This is the third local government finance settlement following the new arrangements for business rates retention that came into place on 1<sup>st</sup> April 2013. This meant that business rates were split into a central and a local share; each being 50% of the Expected Business Rates Aggregate (as predicted by the Office for Budget Responsibility); after deductions are made for expected appeals and reliefs.

The Council's actual reduction in combined Revenue Support Grant / Government assessed Business Rates baseline (based on past returns) funding need is 15.7% for 2015/16 (which means that Government support will decrease by £0.69m over last year) - after adjusting grant levels to include 'rolled in' grants i.e. local support for council tax, homelessness, council tax freeze.

The operation of the floor (which damps the results so that no Council loses significantly) means that the Council will receive £145k in 2015/16 (Efficiency Support Grant - to keep the reduction within the announced maximum spending power decrease for a Council of 6.4%), when compared with the level which would be due if floors were not in force.

Based on this Government financial support will reduce over the period as shown in the table below.

<b>External Finance</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Business Rates Baseline	2,083	2,122	2,165	2,208	2,252	2,297
Revenue Support Grant	2,339	1,608	1,204	867	651	551
<b>Total Funding Assessment</b>	<b>4,422</b>	<b>3,730</b>	<b>3,369</b>	<b>3,075</b>	<b>2,903</b>	<b>2,848</b>
<b>% Change (Increase)/Decrease</b>	<b>13.5%</b>	<b>15.7%</b>	<b>9.7%</b>	<b>8.7%</b>	<b>5.6%</b>	<b>1.9%</b>

Using local Business Rate forecasts the retained income due to the Council is shown in the table below:

<b>External Finance</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Retained Business Rates	2,373	2,682	2,848	2,655	2,493	2,349
Revenue Support Grant	2,339	1,608	1,204	867	651	551
<b>Total Funding Assessment</b>	<b>4,712</b>	<b>4,290</b>	<b>4,052</b>	<b>3,522</b>	<b>3,144</b>	<b>2,900</b>
<b>% Change (Increase)/Decrease</b>	<b>7.8%</b>	<b>9.0%</b>	<b>5.5%</b>	<b>13.1%</b>	<b>10.7%</b>	<b>7.8%</b>

No provision for a levy redistribution from the GBSLEP has been included.

Overall the Council should see an improvement of c.£50k p.a. when compared to the base budget forecast for 2015/16:

- RSG is c.£12k higher than expected in 2015/16 at £1.608m (£1.596m within the previous forecast). It represents a 31.3% reduction in RSG.
- The Business Rates tariff payment is lower than the base budget forecast for 2015/16 by £88k (however, this is explained by the Government having assumed a lower inflationary increase in 2015/16 than we have – 1.91% compared to our 2.76%).
- Overall, Government External Support (combined RSG/Baseline NNDR) is £6k lower than expected – the overall reduction in Government Support is 15.66% (compared to an assumed reduction of 15.5% - notified to us as a provisional figure last year).

However, when the reduced tariff payment and the effect on the levy payment is taken into account the Council should see an improvement of c.£50k p.a. – subject to confirmation / finalisation of our business rates forecast income.

However, it should be noted that combined RSG / Business Rates income has now fallen from £6.8m in 2010/11 to £3.7m for 2015/16. A reduction of over £3m p.a. or 45.5% p.a. with indications that the austerity will continue over the next few years.

The retained Business Rates forecast will be updated based on the NNDR1 return which was not received until late December 2014. There are still significant uncertainties - specifically the treatment of:

- The estimated level of refunds of Business Rates following the Appeal process; and
- Finalisation of the ongoing 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.

The NNDR1 forecast is due to be considered by Cabinet following these clarifications – for approval by 31<sup>st</sup> January 2015 in line with statutory requirements.

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

## Technical Adjustments

Revisions have been made to the 2014/15 base budget in order to produce an adjusted base for 2015/16 and forecast base for 2016/17 onwards. These changes, known as technical adjustments have been calculated to take account of:

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

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

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

Technical Adjustments	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Base Budget B/Fwd	9,132	8,242	8,344	8,612	8,842
Committee Decisions	(1,099)	(291)	86	65	-
Inflation	36	47	50	52	52
Other	(75)	(69)	(76)	(90)	65
Pay Adjustments (Including pay award / reduction of 5% for vacancy allowance)	192	415	208	203	207
Revised charges for non-general fund activities	56	-	-	-	-
<b>Total / Revised Base Budget</b>	<b>8,242</b>	<b>8,344</b>	<b>8,612</b>	<b>8,842</b>	<b>9,166</b>

\* ( ) denotes saving in base budget



## Policy Changes

Long before the current austerity measures and on-going public sector spending cuts, Tamworth Borough Council has been proactive in the design and implementation of innovative and effective measures for driving efficiency.

It has previously been recognised by the Council's Executive Management Team (a non-decision making forum of Cabinet members and Chief Officers of the Corporate Management Team) that Members will need to focus on strategic decisions relating to high level financial issues as flexibility within future budgets will be extremely limited given the need to identify substantial savings following significant constraints in public spending (post grant reductions of 34% since 2010 and announcements from CSR 2013 of further grant reductions for District Councils of over 15% from 2015/16 – over 40% in real terms since 2010/11).

The Council holds sufficient funds in reserves and balances to allow it to plan its approach to budget setting, and Cabinet, on 22<sup>nd</sup> August 2013, endorsed the document 'Planning for a Sustainable Future' as the overarching strategy for meeting the challenges forecast for the Council's Medium Term Financial Strategy (MTFS) and a series of workstreams designed to deliver savings and efficiencies designed to tackle the forecast deficit long before it becomes a reality. This includes exploring new and innovative ideas and to be more commercial in our approach to business.

The proposals arising from the work streams will change the organisation and how it works; will require Members to take difficult decisions and adhere to them; 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 reduce**. Whether to implement change, react to funding reductions or simply to ensure compliance with reforms, the adoption of a "problem solving" approach to accommodating change has enabled the Council to maintain high quality public services.

Potential savings arising from the Sustainability Plan workstreams (detailed below) have been identified during the Budget & Medium Term Planning Process and included within the latest forecasts.

### ***a) Removal of 1 Cabinet Member & changes to SRA payable to Chair Licensing & Chair Audit & Governance Committees from 2015/16 - saving £12k p.a.***

A review of the structure of Cabinet has been undertaken resulting in the removal of an Executive Member and a maximum Cabinet of 5 Members (including the Leader). This will result in the saving of one Special Responsibility Allowance payment (SRA) and subject to cross party agreements alter the Constitution to permanently change Cabinet to a maximum of 5 Members. Additional changes to the allowances for the Chair of Licensing Committee and Audit & Governance Committee are also included.

This will be part of a wider conversation with all members regarding savings that can be generated from Members costs to help maintain public services.

***b) Senior Management Review – savings target of £200k from 2017/18***

Following the Service Review process and in light of the significant and ongoing grant reductions, it has been identified that the Council will need to be clear on what the organisation will look like and which services will be delivered in the future. This would then inform a review of Senior Management requirements - the likely savings would not be until 2017/18, given potential termination costs.

***c) Events – Voluntary Contributions to be requested (income target of £10k p.a.)***

It has been highlighted that there is scope to generate £10k p.a. from voluntary contributions which could be received during the events programme.

***d) CPP Business Support Service Review – saving £10k p.a. from a reduction in 0.4 FTE (Business Support Admin.)***

The service review process has highlighted a proposed reduction in Business Support staffing (currently vacant) within Communities, Planning & Partnerships (CPP).

***e) Community Safety Service Review – additional funding for 2 years of £15k p.a.***

Following the Service Review, additional funding from SCC has been secured to part fund a post for 2 years.

***f) Community Development Service Review – saving £45k p.a. from a reduction in 1 FTE (Head of Service)***

Community Development / Community Safety – an option to combine management roles was identified as part of the Service Review process.

***g) Revenues & Benefits Service Review – Saving £30k p.a. from a reduction in 1 FTE (Benefits Advisor)***

The service review process has highlighted a proposed reduction in staffing (currently vacant) given reducing levels of Government Benefits Administration Grant support.

The policy changes provisionally agreed by Council in February 2014 have been included within the technical adjustments for 2015/16 onwards. **A list of the proposed new policy changes for 2015/16 is summarised below:**

<b>Policy Changes Identified</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
1) There is a requirement to increase the ICT budget (Application Software) to cover upgrade costs for Microsoft products. This requirement is for £35K p.a.	35	35	35	35	35
2) Contingency budget to allow for 'in year' decisions to be made by Cabinet & to provide for any potential further reductions in income as a result of the financial climate	100	-	-	-	-
3) Revised budgetary contribution required re Staffs Connects partnership & continued development of CRM system - as per Staffs Connects Strategic Advisory report and revised budget proposals agreed March 2014.	10	10	10	(10.5)	(12.8)
4) Agile Working Project - Deferral of receipt of projected income for Marmion House	102.3	-	-	-	-
5) Estimated increase in costs for Street Scene equipment when new contract let	30	30	30	30	30
6) Revenues & Benefits Service Review – Saving 1 FTE (Benefits Advisor) (g)	(30)	(30)	(30)	(30)	(30)
7) Community Development Service Review – saving 1 FTE (Head of Service) (f)	(45)	(45)	(45)	(45)	(45)
8) Community Safety Service Review – additional funding for 2 years (e)	(15)	(15)	-	-	-
9) CPP Business Support Service Review – saving 0.4 FTE (Business Support Admin.) (d)	(10)	(10)	(10)	(10)	(10)
10) Events – Voluntary Contributions to be requested (c)	(10)	(10)	(10)	(10)	(10)
11) Senior Management Review (b)	-	-	(200)	(200)	(200)
12) Removal of 1 Cabinet Member & changes to SRAs (a)	(12)	(12)	(12)	(12)	(12)
<b>Total New Items / Amendments</b>	<b>155.3</b>	<b>(47)</b>	<b>(232)</b>	<b>(252.5)</b>	<b>(254.8)</b>

## **Capping / Local Referendum**

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

The principles for 2015/16 are that authorities will be required to seek the approval of their local electorate in a referendum if, compared with 2014/15, they set council tax increases that are equal to or exceed 2.0% or £5.

The Government indicated that it would offer grant support for the 4 year Comprehensive Spending Review (CSR) period should the Council freeze Council tax levels for 2011/12. A similar scheme will operate for 2015/16 should the Council freeze the council tax level – with indications that a grant equivalent to a 1% Council Tax increase would be payable for 2015/16– and built into baseline funding thereafter.

Should Council Tax be frozen at the 2014/15 level for 2015/16 then this would reduce income by c.£62k p.a. – £320k over the 5 year period. This would be offset by grant income receivable of c. £36k p.a.

Consideration of the likely level of Council Tax increases over the 5-year period is needed to avoid the potential costs of holding a referendum and to ensure that balances are maintained at the minimum approved level of £500k. The indications are that a potential threshold will be 2.0% in future years (subject to confirmation by Ministers) - the impact of a c.1.99% p.a. (with a c.1.99% increase in 2015/16) is outlined below.

## **Council Tax**

Last year's medium term financial plan identified ongoing increases of c.1.99% per annum from 2015/16.

Each £1 increase in the band D Council Tax would raise approximately £21k per annum. For each 1% increase in Council Tax, the Council will receive c. £32k additional income per annum.

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

The indication is that the 'capping' threshold will be around 2% - following a freeze in 2011/12 & 2012/13 and a below 2% increase for 2013/14 & 2014/15, the impact of a lower than 2% p.a. increase (Band D) is outlined below:

**Model 1 Impact of 1.99% increase in Council tax in 2015/16 (followed by inflationary increases of c.1.99% p.a.) – built into MTFS projections**

Year:	2015/16	2016/17	2017/18	2018/19	2019/20
Forecast:	£'000	£'000	£'000	£'000	£'000
Surplus (-) /Deficit	493	882	1,633	2,020	2,395
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,389)</b>	<b>(2,507)</b>	<b>(874)</b>	<b>1,147</b>	<b>3,542</b>
£ Increase	3.10	3.15	3.20	3.25	3.35
% Increase	1.99%	1.99%	1.98%	1.97%	1.99%
Note: Resulting Band D Council Tax	158.60	161.75	164.95	168.20	171.55

Model 1 indicates a potential surplus of £0.374m over 3 years with a shortfall in balances of £2m over 5 years - further savings of approx. £0.8m per annum from 2015/16 would have to be identified.

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

**Model 1a Impact of 0% increase in Council tax in 2015/16 (followed by increases of c.1.99% p.a.)**

Year:	2015/16	2016/17	2017/18	2018/19	2019/20
Forecast:	£'000	£'000	£'000	£'000	£'000
<b>Reduction in Council Tax £</b>	<b>63</b>	<b>64</b>	<b>65</b>	<b>66</b>	<b>68</b>
Revised Surplus (-) / Deficit	556	946	1,698	2,086	2,463
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,327)</b>	<b>(2,381)</b>	<b>(683)</b>	<b>1,404</b>	<b>3,867</b>
£ Increase	-	3.10	3.15	3.20	3.25
% Increase	0.0%	1.99%	1.99%	1.98%	1.97%
Note: Resulting Band D Council Tax	155.5	158.60	161.75	164.95	168.20

Model 1a- Less £70k freeze grant - indicates a potential surplus of £0.25m over 3 years with a shortfall in balances £4.3m over 5 years - further savings of approx. £0.9m per annum from 2015/16 would have to be identified.

Further indicative models are outlined below:

**Model 2 Impact of 2.5% increase in Council tax in 2015/16 (followed by increases of 2.5% thereafter)**

Year:	2015/16	2016/17	2017/18	2018/19	2019/20
Forecast:	£'000	£'000	£'000	£'000	£'000
<b>Increase in Council Tax £</b>	(18)	(36)	(55)	(74)	(93)
Revised Surplus/(Deficit)	475	846	1,578	1,946	2,302
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,408)</b>	<b>(2,562)</b>	<b>(984)</b>	<b>963</b>	<b>3,265</b>
£ Increase	3.90	4.00	4.10	4.20	4.30
% Increase	2.5%	2.5%	2.5%	2.5%	2.5%
Note: Resulting Band D Council Tax	159.40	163.40	167.50	171.70	176.00

Model 2 indicates a potential surplus of £0.5m over 3 years with a shortfall in balances of £3.8m over 5 years - further savings of approx. £0.8m per annum from 2015/16 would have to be identified.

*However, given the announced 2% cap, a referendum would be required at this level which is not considered feasible given the risk & associated costs.*

**Model 3 Impact of 0% increase in Council tax in 2015/16 (followed by increases of 0% thereafter)**

Year:	2015/16	2016/17	2017/18	2018/19	2019/20
Forecast:	£'000	£'000	£'000	£'000	£'000
<b>Reduction in Council Tax £</b>	64	129	196	264	335
Revised Surplus/(Deficit)	557	1,011	1,829	2,284	2,730
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,325)</b>	<b>(2,314)</b>	<b>(485)</b>	<b>1,800</b>	<b>4,530</b>
£ Increase	-	-	-	-	-
% Increase	-	-	-	-	-
Note: Resulting Band D Council Tax	155.50	155.50	155.50	155.50	155.50

Model 3 - Less £70k freeze grant - indicates balances of c.£0.5m over 3 years with a shortfall in balances of £5m over 5 years - further savings of approx. £1m per annum would have to be identified.

**Model 4 Impact of 1% increase in Council tax in 2015/16 (followed by increases of 1% thereafter)**

Year:	2015/16	2016/17	2017/18	2018/19	2019/20
Forecast:	£'000	£'000	£'000	£'000	£'000
<b>Reduction in Council Tax £</b>	32	65	99	134	171
Revised Surplus/(Deficit)	525	947	1,732	2,154	2,566
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,357)</b>	<b>(2,410)</b>	<b>(678)</b>	<b>1,477</b>	<b>4,043</b>
£ Increase	1.55	1.57	1.58	1.60	1.61
% Increase	1.00%	1.00%	1.00%	1.00%	1.00%
Note: Resulting Band D Council Tax	157.05	158.62	160.20	161.80	163.41

Model 4 indicates a potential surplus of £0.2m over 3 years with a shortfall in balances of £4.5m over 5 years - further savings of approx. £0.9million per annum 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 (or deficits) within the Council Tax or Business Rates elements of the Collection Fund. Subject to finalisation of the estimated surplus, it is proposed that all available surpluses be used (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)). At this stage, no surplus has been included for the Council Tax element but it is estimated that there will be a surplus of £1.2m for business rates – this will be updated following finalisation of the estimated surplus/deficit calculations.

Year:	2015/16	2016/17	2017/18	2018/19	2019/20
Council Tax	£'000	£'000	£'000	£'000	£'000
Council Tax Income	3,272	3,354	3,448	3,544	3,642
Collection Fund Surplus (Council Tax)	-	-	-	-	-
Collection Fund Surplus (Business Rates)	<b>(493)</b>	<b>(240)</b>	-	-	-

The County Council, OPCC and Fire & Rescue Authority are due to finalise their budgets for 2015/16 during February 2015. The impact of the Borough Council tax proposals is shown for each Council Tax Band in **Appendix G**.

**Balances**

At the Council meeting on 25<sup>th</sup> February 2014 Members approved a minimum working level of balances of £0.5m. At 31<sup>st</sup> March 2015 General Fund revenue balances are estimated to be £3.9m. 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 economic downturn / recession and significant reductions in Government funding, a desire to continue to address the Council's priorities / issues identified by Members and at the same time to seek continuous improvement in service delivery.

In addition, there remains a degree of uncertainty in a number of areas including future local authority pay settlements, the potential for interest rate changes 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 2015/16, appears at **Appendix D**. A summary of the resulting budgets over the five year period appears at **Appendix F**.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Estimated Net Cost of Services</b>	<b>8,242</b>	<b>8,344</b>	<b>8,612</b>	<b>8,842</b>	<b>9,166</b>
Proposed Policy Changes / Additional Costs Identified (Detailed at Appendix B)	155	(47)	(232)	(253)	(255)
<b>Net Expenditure</b>	<b>8,397</b>	<b>8,297</b>	<b>8,380</b>	<b>8,589</b>	<b>8,911</b>
<b>Financing:</b>					
RSG	(1,608)	(1,204)	(867)	(651)	(551)
Collection Fund Surplus (Council Tax)	-	-	-	-	-
Collection Fund Surplus (Business Rates)	(493)	(240)	-	-	-
Business Rates S.31 Grants (75%, 75% then 50% p.a.)	(388)	(329)	(238)	(256)	(274)
Business Rates Levy	538	561	461	376	300
Tariff Payable	10,552	10,763	10,978	11,198	11,422
Non Domestic Ratepayers	(13,234)	(13,612)	(13,634)	(13,691)	(13,771)
Council Tax Income	(3,272)	(3,354)	(3,448)	(3,544)	(3,642)
<b>Gross Financing</b>	<b>(7,904)</b>	<b>(7,415)</b>	<b>(6,747)</b>	<b>(6,569)</b>	<b>(6,516)</b>
<b>Surplus(-) / Deficit</b>	<b>493</b>	<b>882</b>	<b>1,633</b>	<b>2,020</b>	<b>2,395</b>
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,389)</b>	<b>(2,507)</b>	<b>(874)</b>	<b>1,147</b>	<b>3,542</b>
Per Council, 25 <sup>th</sup> February 2014	(1,968)	(500)	-	-	-
<b>Council Taxbase (Band D equivalent)</b>	<b>20,628</b>	<b>20,737</b>	<b>20,904</b>	<b>21,073</b>	<b>21,229</b>



## HOUSING REVENUE ACCOUNT

### Technical Adjustments

The 2014/15 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 2015/16.

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

Technical Adjustments	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Base Budget	984	3,187	658	604	446
Committee Decisions	1,509	(3,212)	100	-	-
Inflation	127	143	148	151	156
Other	556	407	(369)	(374)	(383)
Pay Adjustments	61	133	67	65	57
Revised charges for non-general fund activities	(50)	-	-	-	-
Total / Revised Base Budget	3,187	658	604	446	276

Revisions have been made to the 2014/15 base budget in order to produce an adjusted base for 2015/16 and forecast base for 2016/17 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**.

The proposals will mean that balances will remain above the approved minimum level of £0.5m over the five year period.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Estimated Net (Surplus) / Deficit</b>	3,187	658	604	446	276
Proposed Policy Changes / Additional Costs Identified	(239)	(107)	(444)	(530)	(180)
Surplus (-) / Deficit	2,948	551	160	(84)	96
Balances Remaining (-) / Overdrawn	(1,716)	(1,165)	(1,005)	(1,089)	(993)
Per Council, 25 <sup>th</sup> February 2014	(1,394)	(1,265)	(1,285)	(1,492)	-

Indicating Housing Revenue Account (HRA) balances of £1m over the next 5 years (Minimum recommended balances are currently £0.5m).

However this includes contributions to capital spend of £5.1m over 3 years (£7.8m over 5 years) and the regeneration reserve - £6.5m over 3 years (£11.1m over 5 years)

There is still a degree of uncertainty over the future financial position of the HRA arising from:

- Finalisation of the costs / income associated with the regeneration / redevelopment schemes – to inform the likely need from the Regeneration reserve;
- The impact of restructuring following Supporting People funding reductions;
- The effect of potential service charges implementation following the ongoing review;
- Results of ongoing structural surveys e.g. High Rise;
- The impact of Welfare Benefit Reform on rent collection levels – limited so far but further measures are to be rolled out (e.g. Universal Credit);
- Future impact of the Government's increased discounts to promote right to buy sales on housing stock numbers and associated income levels – 50 sales p.a. have been assumed in future years. There is also still uncertainty over retained receipt levels (pending further Government guidance) and spending plans.

## Rent Restructuring

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.

Housing rents were increased in accordance with the Rent Restructuring Framework for 2014/15. However, from 2015/16, it is for the Council to decide locally at what level to increase rents. An increase in line with CPI plus 1% has been assumed following receipt of Government Guidance.

However, should the Council agree to vary this level, **for 2015/16 only**, the alternative increases outlined below could generate additional funding to support increased maintenance costs and the regeneration of key housing areas within the Borough.

	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
<b>Option 1: CPI + 1% (capped at Formula Rent)</b>						
Actual Rent (52 Weeks)	79.94	80.87	82.89	85.17	87.73	90.36
Actual Rent (48 Weeks)	86.60	87.61	89.80	92.27	95.04	97.89
% Increase	-	1.17%	2.50%	2.75%	3.00%	3.00%
<b>Option 2: CPI + 1% + £2 (capped at Formula Rent)</b>						
Actual Rent (52 Weeks)	79.94	81.51	83.55	85.84	88.42	91.07
Actual Rent (48 Weeks)	86.60	88.30	90.51	93.00	95.79	98.66
% Increase	-	1.96%	2.50%	2.75%	3.00%	3.00%
<b>Increased Rent compared to Option 1</b>	-	<b>144,100</b>	<b>146,030</b>	<b>148,320</b>	<b>151,000</b>	<b>153,690</b>
			<b>5 year impact</b>			<b>743,140</b>

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£	£	£	£	£	£
<b>Option 3: All at Formula Rent</b>						
Actual Rent (52 Weeks)	79.94	82.56	84.62	86.95	89.56	92.25
Actual Rent (48 Weeks)	86.60	89.44	91.68	94.20	97.02	99.93
% Increase	-	3.28%	2.50%	2.75%	3.00%	3.00%
<b>Increased Rent compared to Option 1</b>	-	<b>382,190</b>	<b>387,300</b>	<b>393,360</b>	<b>400,460</b>	<b>407,600</b>
			<b>5 year impact</b>			<b>1,970,910</b>
Inflation at CPI + 1%	3.20%	2.20%	2.50%	2.75%	3.00%	3.00%
<i>February 2014 MTFS Expected increase</i>	3.20%	3.50%	3.00%	3.00%	3.00%	3.00%

However, it should be noted that an increase to Formula Rent could mean a substantial increase in rents for individual properties – where the current rent is significantly below the formula rent level.

In addition, under Benefit regulations and circulars issued by the DWP, the Rent Rebate Subsidy Limitation scheme penalises the Council should the average rent be above the notified limit rent – for 2014/15 this was £80.85 (per circular HB S5/14 received in June 2014, after rent setting for 2014/15). The guidance on rent increases stated a CPI + 1% increase which, when applied to the 2014/15 limit rent, would give a limit rent for 2015/16 of £82.63 which would suggest that the above increases would not mean a loss of Housing Benefit subsidy grant.

It should also be noted that when the budget for 2015/16 and provisional budgets for 2016/17 onwards were set, CPI inflation was expected to be 2.5% p.a. For September 2014 (the month when the Government suggest the guideline increase) CPI was just 1.2% - a reduction of 1.3% which has impacted on forecast rent income for 2015/16 and future years.

The Tenant Consultative Group is the recognised constituted group formalised under the Landlord Co-regulatory structure and their constitution has been adopted by members and forms part of HRA decision making structures as reported to members annually.

As such they have commented on the above options contained within the Base Budget report in November 2014, as per the new social rent guidance from April 2015.

The comments made by the chair and supported by the group have been summarised as follows – based on their anecdotal feedback as some members of the group has not read the report and as such it has not been formally minuted as there has been no formal consultation or presentation as part of a set agenda item.

*“As tenant representatives we have been involved in the HRA business planning process from the start and understand that there are financial sensitivities in the early years of the business plan. Following on from the landlord prospectus issued as part of the self-financing settlement in 2012, tenants’ no.1 ambitions were to regenerate Tinkers Green and Kerria as well as build new council homes. To ensure sufficient investment and resources to realise these priorities we think that option 2 is more favourable. By having CPI + 1% + £2 (capped at formula) this provides a managed increase (tenants were used to RPI + ½ % + £2) and provides for an additional £743,140 in the business plan. However we note the caution in relation to benefit limitations and given the affordability issues of all tenants would not want to jeopardise that support for tenants. As tenants involved in planning for the future we would not want the new social rent policy to undermine our tenant ambitions”. But know this needs to be balanced to ensure it is affordable, fair and transparent”.*

## **Balances**

The forecast level of balances at 31<sup>st</sup> March 2015 is £4.67m. The impact on balances of the adjustments outlined in this report would be as follows:

<b>Balances</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Proposed Withdrawal from / Addition to (-) Balances	2,948	551	160	(84)	96
<b>Balances Remaining (-) / Overdrawn</b>	<b>(1,716)</b>	<b>(1,165)</b>	<b>(1,005)</b>	<b>(1,089)</b>	<b>(993)</b>

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.

## **CAPITAL PROGRAMME 2015/16 to 2019/20**

### **Capital Programme**

Following a review of the Capital Programme approved by Council on 25<sup>th</sup> February 2014, a revised programme has been formulated including additional schemes which have been put forward for inclusion.

Each scheme has been assessed with regard to:

- the contribution its delivery makes towards the achievement of the 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-minimus for capital expenditure is £10k per capital scheme.

### **General Fund**

It is estimated that approximately £2.2m (excluding the £0.5m approved minimum balance) will be needed during the period to 2019/20 for future capital spending (including the usable capital receipts generated from the sale of council housing) - resulting in balances of £0.85m over 3 years (£0.56m over 5 years).

This allows for the current Agile Working & Assembly Rooms commitments to be continued, subject to revised business case submissions.

Details of the proposed capital programme are shown in **Appendix I**.

The capital programme has been reviewed and updated:

**a) Technology Replacement**

A revised capital submission had been prepared for £60k p.a. from 2015/16 (the provisional programme included £70k p.a. from 2016/17);

**b) Agile Working**

The provisional programme included £80k for refurbishment and £48k for new furniture for 2015/16 (as well as £128k in 2014/15) in addition to the 7<sup>th</sup> floor scheme in 2013/14;

As the 2014/15 budget will not be spent by March 2015 it will be forecast to underspend – with a new business case to be prepared;

**c) Disabled Facilities Grants**

No changes have been made. However, due to current demand, it is likely that an increased budget will be needed – subject to the usual funding constraints.

- d) **CCTV Camera Renewals**  
Required for the rolling replacement of cameras, subject to funding constraints.
- e) **Assembly Rooms**  
The scheme business case has not been revised to reflect the current bid/s for funding from the single local growth fund, HLF, ERDF etc. An update on the Cultural Quarter is due to be presented to Cabinet in January following notification of the results of the bids. As a substantial element of the 2014/15 budget will not be spent by March 2015 it will be forecast to underspend – with, subject to a successful bid, a new business case to be prepared.
- f) **Gateways**  
The inclusion of £83k in 2013/14 followed by £50k p.a. from TBC thereafter has drawn in funding and professional support from SCC – with plans for significant capital works in 2015/16 (funded mainly by SCC through their section 106 funds) and future years.
- g) **Contingency**  
It was agreed that a £50k contingency budget would be required for 2015/16 – to be re-profiled from the unspent 2014/15 budget.

## Housing

The proposed 5 year Housing Capital Programme is attached at **Appendix J**.

It is estimated that approximately £54.1m (excluding the £0.5m approved minimum balance) will be needed during the period to 2019/20 for future capital spending (including revenue contributions from the HRA of £11.3m, Regeneration reserve balances of £11m & additional borrowing of £7.2m – the ‘headroom’ in line with the HRA Government debt cap is £11.3m) - resulting in balances of £4.2m over 3 years (£2.9m over 5 years).

The capital programme has been reviewed and updated to include the new year 5 costs – with costs then smoothed over the new 5 year planning period. In addition, certain demand led schemes have been reviewed and updated to reflect current trends:

- a) **Disabled Adaptations**  
The budget had been increased from c.£200k p.a. to c.£300k p.a. to reflect increased demand.
- b) **Structural Works**  
The budget for 2015/16 only had been increased from £100k to £200k to address the backlog.

- c) **Fire Upgrades (Sprinklers)**  
The budget of £565k had been re-profiled over 2 years.
- d) **High Rise Balconies**  
The budget had been increased from £60k p.a. to £525k p.a. for 4 years, subject to the results of the ongoing survey / confirmation of the costs.
- e) **Sheltered Schemes**  
A new budget of £250k had been included as a contingency pending the results of a review / survey.
- f) **General Estate Works**  
The budget had been reduced from c.£250k p.a. to £200k p.a.
- g) **Regeneration Schemes**  
The budgets for Tinkers Green & Kerria have not yet changed but will be updated to reflect final scheme designs.



## Policy Changes Summary

## General Fund

DIRECTORATE	Sheet No.	Budget Changes	Budget Changes	Budget Changes	Budget Changes	Budget Changes
		15/16	16/17	17/18	18/19	19/20
		£'000	£'000	£'000	£'000	£'000
Chief Executive		-	-	-	-	-
Executive Director Corporate Services	1	(30.00)	-	-	-	-
Director of Finance	2	100.00	(100.00)	(200.00)	-	-
Director of Technology & Corporate Programmes	3	35.00	-	-	-	-
Solicitor to the Council	4	(12.00)	-	-	-	-
Director of Transformation & Corporate Performance	5	10.00	-	-	(20.50)	(2.30)
Director of Communities, Planning & Partnerships	6	(80.00)	-	15.00	-	-
Director of Housing & Health		-	-	-	-	-
Director of Assets & Environment	7	132.25	(102.30)	-	-	-
<b>TOTAL</b>		<b>155.25</b>	<b>(202.30)</b>	<b>(185.00)</b>	<b>(20.50)</b>	<b>(2.30)</b>

## Housing Revenue Account

15/16 Budget Process - Policy Changes									
HOUSING REVENUE ACCOUNT									
Item No	BC Ref	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change	
				15/16 £'000	16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000	
HRA1	SAV	Service Reviews	Potential savings arising from Service Review options	(6.6)	-	-	-	-	-
HRA2	OTHER	Capital Programme	To transfer funds from PTP to Capital to fund Energy Efficiency Improvements	(50)	-	-	-	-	-
HRA3	OTHER	Capital Programme	To transfer funds from PTP to Capital to fund Energy Efficiency Improvements	50	-	-	-	-	-
HRA4	CORP	Capital Programme	Revenue impact of Capital Programme	218	131	(336)	(536)	(150)	
HRA5	CORP	Capital Programme	Reduced Revenue Contribution to Capital Regeneration Reserve	(1,450)	-	-	1,450	-	
			Additional Contribution to allow for development of acquisitions strategy	1,000	-	-	(1,000)	500	
<b>Total New Items / Amendments</b>				<b>(238.6)</b>	<b>131</b>	<b>(336)</b>	<b>(86)</b>	<b>350</b>	
<b>STAFFING IMPLICATIONS</b>									
Item No	BC Ref	Proposal/(Existing Budget)	Implications	15/16 FTE	16/17 FTE	17/18 FTE	18/19 FTE	19/20 FTE	
	SAV	Service Reviews	Potential savings arising from Service Review options	(1)					
<b>TOTAL</b>				<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2015/16 – 2019/20

<i>Figures exclude internal recharges which have no bottom line impact.</i>	<b>Budget 2015/16 £</b>	<b>Budget 2016/17 £</b>	<b>Budget 2017/18 £</b>	<b>Budget 2018/19 £</b>	<b>Budget 2019/20 £</b>
<b>Chief Executive's Office</b>					
Director of Housing & Health	4,088,800	4,241,440	4,336,080	4,430,980	4,520,390
Director of Assets & Environment	(12,100)	(5,160)	(1,320)	1,590	4,580
HRA Summary	(889,180)	(3,577,840)	(3,731,250)	(3,986,570)	(4,249,040)
Policy Changes	(238,600)	(107,600)	(443,600)	(529,600)	(179,600)
<b>Grand Total</b>	<b>2,948,920</b>	<b>550,840</b>	<b>159,910</b>	<b>(83,600)</b>	<b>96,330</b>

## General Fund Summary Revenue Budget for 2015/16

<i>Figures exclude internal recharges which have no bottom line impact.</i>	<b>Base Budget 2014/15</b> £	<b>Technical Adjustments</b> £ *	<b>Policy Changes</b> £	<b>Budget 2015/16</b> £
Chief Executive	156,670	3,080	-	<b>159,750</b>
Executive Director Corporate Services	340,230	39,940	(30,000)	<b>350,170</b>
Director of Finance	79,890	(1,012,820)	100,000	<b>(832,930)</b>
Director of Technology & Corporate Programmes	894,600	(38,350)	35,000	<b>891,250</b>
Solicitor to the Council	554,590	8,640	(12,000)	<b>551,230</b>
Director of Transformation & Corporate Performance	939,450	(45,190)	10,000	<b>904,260</b>
Director of Communities, Planning & Partnerships	2,337,020	(42,320)	(80,000)	<b>2,214,700</b>
Director of Housing & Health	1,033,190	(90,440)	-	<b>942,750</b>
Director of Assets & Environment	2,796,650	287,160	132,250	<b>3,216,060</b>
<b>Total Cost of Services</b>	<b>9,132,290</b>	<b>(890,300)</b>	<b>155,250</b>	<b>8,397,240</b>
Transfer to / (from) Balances	(1,195,653)	702,463	-	(493,190)
Revenue Support Grant	(2,339,798)	732,244	-	(1,607,554)
Retained Business Rates	(12,727,008)	(507,154)	-	(13,234,162)
Less: Tariff payable	10,354,168	197,851	-	10,552,019
Business Rates S.31 Grants	-	(387,523)	-	(387,523)
Business Rates Levy (GBSLEP)	-	538,183	-	538,183
Collection Fund Surplus (Council Tax)	(53,509)	53,509	-	-
Collection Fund Surplus (Business Rates)	-	(493,412)	-	(493,412)
<b>Council Tax Requirement</b>	<b>(3,170,490)</b>	<b>54,139</b>	<b>(155,250)</b>	<b>(3,271,601)</b>

\* As detailed in Appendix E1

## General Fund Technical Adjustments

<i>Figures exclude internal recharges which have no bottom line impact</i>	Budget 2014/15	Technical Adjustments						Total Adjusted Base 2015/16 £	
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	External Recharge Changes (non-GF Activities) £		Total Adjustments £
Chief Executive	156,670	-	-	160	(650)	5,780	(2,210)	3,080	<b>159,750</b>
Executive Director Corporate Services	340,230	-	73,710	(640)	(51,720)	16,360	2,230	39,940	<b>380,170</b>
Director of Finance	79,920	-	(324,300)	3,050	(696,820)	20,950	(15,700)	(1,012,820)	<b>(932,900)</b>
Director of Technology & Corporate Programmes	894,590	-	-	11,720	(85,750)	17,990	17,690	(38,350)	<b>856,240</b>
Solicitor to the Council	554,580	-	-	4,520	130	9,430	(5,440)	8,640	<b>563,220</b>
Director of Transformation & Corporate Performance	939,450	-	(50,380)	2,630	1,020	19,240	(17,700)	(45,190)	<b>894,260</b>
Director of Communities, Planning & Partnerships	2,337,010	-	(84,610)	(1,850)	1,340	42,800	-	(42,320)	<b>2,294,690</b>
Director of Housing & Health	1,033,190	-	(183,710)	1,010	11,390	4,370	76,500	(90,440)	<b>942,750</b>
Director of Assets & Environment	2,796,590	-	(530,140)	15,190	746,420	54,780	910	287,160	<b>3,083,750</b>
<b>Grand Total</b>	<b>9,132,230</b>	-	<b>(1,099,430)</b>	<b>35,790</b>	<b>(74,640)</b>	<b>191,700</b>	<b>56,280</b>	<b>(890,300)</b>	<b>8,241,930</b>

## HRA Technical Adjustments

	Budget 2014/15	Technical Adjustments						Total Adjusted Base 2015/16 £	
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	External Recharge Changes (non-HRA Activities) £		Total Adjustments £
<i>Figures exclude internal recharges which have no bottom line impact</i>									
Director of Housing & Health	4,052,290	-	(10,450)	31,770	(7,600)	57,610	(59,210)	12,120	<b>4,064,410</b>
Director of Assets & Environment	12,280	-	(13,510)	190	520	3,730	9,080	10	<b>12,290</b>
HRA Summary	(3,080,310)	-	1,533,170	94,680	563,280	-	-	2,191,130	<b>(889,180)</b>
<b>Grand Total</b>	<b>984,260</b>	-	<b>1,509,210</b>	<b>126,640</b>	<b>556,200</b>	<b>61,340</b>	<b>(50,130)</b>	<b>2,203,260</b>	<b>3,187,520</b>

## General Fund Five Year Revenue Budget Summary

<i>Figures exclude internal recharges which have no bottom line impact.</i>	<b>Budget 2015/16 £</b>	<b>Budget 2016/17 £</b>	<b>Budget 2017/18 £</b>	<b>Budget 2018/19 £</b>	<b>Budget 2019/20 £</b>
Chief Executive	159,750	168,100	171,830	175,630	179,500
Executive Director Corporate Services	380,170	394,930	406,730	418,300	430,110
Director of Finance	(932,930)	(1,106,930)	(1,058,900)	(1,041,980)	(936,100)
Director of Technology & Corporate Programmes	856,250	892,840	917,770	943,300	968,400
Solicitor to the Council	563,230	583,840	598,210	611,880	625,840
Director of Transformation & Corporate Performance	894,260	893,660	916,340	939,710	963,900
Director of Communities, Planning & Partnerships	2,294,700	2,328,090	2,367,290	2,400,800	2,442,670
Director of Housing & Health	942,750	953,320	958,810	964,470	970,290
Director of Assets & Environment	3,083,760	3,235,950	3,333,760	3,429,570	3,521,480
Policy Changes	155,250	(47,000)	(232,000)	(252,500)	(254,800)
<b>Total Cost of Services</b>	<b>8,397,240</b>	<b>8,296,800</b>	<b>8,379,840</b>	<b>8,589,180</b>	<b>8,911,290</b>
Transfer to / (from) Balances	(493,190)	(882,315)	(1,633,431)	(2,020,466)	(2,395,384)
Revenue Support Grant	(1,607,554)	(1,204,322)	(866,893)	(651,444)	(550,714)
Retained Business Rates	(13,234,162)	(13,611,032)	(13,632,892)	(13,691,074)	(13,771,117)
Less: Tariff payable	10,552,019	10,763,050	10,978,311	11,197,878	11,421,835
Business Rates S.31 Grants	(387,523)	(328,742)	(237,577)	(256,018)	(274,483)
Business Rates Levy	538,183	560,690	460,757	376,423	300,407
Collection Fund Surplus (Council Tax)	-	-	-	-	-
Collection Fund Surplus (Business Rates)	(493,412)	(239,920)	-	-	-
<b>Council Tax Requirement</b>	<b>(3,271,601)</b>	<b>(3,354,210)</b>	<b>(3,448,115)</b>	<b>(3,544,479)</b>	<b>(3,641,835)</b>

## Appendix G

### Council Tax levels at each band for 2015/16

Authority:	Tamworth Council Tax 2014/15	Tamworth Borough Council (1.99% increase)	* Staffordshire County Council	* Office of the Police & Crime Commissioner (OPCC) Staffordshire	* Stoke on Trent and Staffordshire Fire and Rescue Authority	<b>Total 2015/16</b>	Total Council Tax 2014/15
	£	£	£	£	£	£	£
Demand/Precept on Collection Fund		3,271,601	21,190,113	3,663,739	1,395,278	<b>29,520,731</b>	
Council Tax Band							
A	103.67	105.73	684.83	118.41	45.09	<b>954.06</b>	952.00
B	120.94	123.36	798.97	138.14	52.61	<b>1,113.08</b>	1,110.66
C	138.22	140.98	913.11	157.88	60.12	<b>1,272.09</b>	1,269.33
<b>D</b>	<b>155.50</b>	<b>158.60</b>	<b>1,027.25</b>	<b>177.61</b>	<b>67.64</b>	<b>1,431.10</b>	1,428.00
E	190.06	193.84	1,255.53	217.08	82.67	<b>1,749.12</b>	1,745.34
F	224.61	229.09	1,483.81	256.55	97.70	<b>2,067.15</b>	2,062.67
G	259.17	264.33	1,712.08	296.02	112.73	<b>2,385.16</b>	2,380.00
H	311.00	317.20	2,054.50	355.22	135.28	<b>2,862.20</b>	2,856.00

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



## General Fund Capital Programme

<u>General Fund Capital Programme</u>	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£	£	£	£	£	£
Technology Replacement	60,000	60,000	60,000	60,000	60,000	300,000
Agile Working - Floor Refurbishment	80,000	-	-	-	-	80,000
Agile Working - Furniture	48,000	-	-	-	-	48,000
<b>Subtotal</b>	<b>188,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>428,000</b>
Private Sector Grants - Disabled Facilities Grants	300,000	250,000	250,000	250,000	250,000	1,300,000
CCTV Camera Renewals	15,000	15,000	15,000	15,000	15,000	75,000
Assembly rooms development	100,000	-	-	-	-	100,000
Gateways	50,000	50,000	50,000	50,000	50,000	250,000
Contingency*	-	-	-	-	-	-
<b>Subtotal</b>	<b>465,000</b>	<b>315,000</b>	<b>315,000</b>	<b>315,000</b>	<b>315,000</b>	<b>1,725,000</b>
<b>Total General Fund Capital</b>	<b>653,000</b>	<b>375,000</b>	<b>375,000</b>	<b>375,000</b>	<b>375,000</b>	<b>2,153,000</b>
<b><u>Proposed Financing:</u></b>						
Supported Capital Expenditure	-	-	-	-	-	-
Grants - Disabled Facilities	224,000	224,000	224,000	224,000	224,000	1,120,000
General Fund Capital Receipts	100,000	146,900	73,500	4,400	-	324,800
Sale of Council House Receipts	190,000	4,100	57,300	146,600	151,000	549,000
General Fund Capital Reserve	81,000	-	20,200	-	-	101,200
Revenue Contribution to Capital Outlay in Year	58,000	-	-	-	-	58,000
<b>Total</b>	<b>653,000</b>	<b>375,000</b>	<b>375,000</b>	<b>375,000</b>	<b>375,000</b>	<b>2,153,000</b>

\* The 2014/15 Contingency budget of £50k is to be reprofiled to 2015/16.

## Appendix I Housing Capital Programme

<u>Housing Revenue Account</u>	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	TOTAL £
<b><u>Capital Programme</u></b>						
Bathroom Renewals	755,370	774,250	795,540	817,420	839,900	<b>3,982,480</b>
Disabled Facilities Adaptations	300,000	307,500	315,960	324,650	333,580	<b>1,581,690</b>
Gas Central Heating Upgrades and Renewals	557,560	569,830	582,360	595,170	608,260	<b>2,913,180</b>
Kitchen Renewals	897,000	919,430	944,710	970,690	997,380	<b>4,729,210</b>
High Rise Lift Renewal	335,090	342,460	349,990	-	-	<b>1,027,540</b>
Major Roofing Overhaul and Renewals	152,950	156,770	161,080	165,510	170,060	<b>806,370</b>
Fencing/Boundary Walls	30,000	30,000	30,000	30,000	30,660	<b>150,660</b>
Fire Upgrades to Flats	300,000	265,460	-	-	-	<b>565,460</b>
Structural Works	200,000	100,000	100,000	100,000	100,000	<b>600,000</b>
High Rise Balconies	525,000	525,000	525,000	525,000	-	<b>2,100,000</b>
Sheltered Schemes	250,000	-	-	-	-	<b>250,000</b>
General Estate Works	200,000	200,000	200,000	200,000	200,000	<b>1,000,000</b>
Energy Efficiency Improvements	50,000	50,000	50,000	50,000	50,000	<b>250,000</b>
Window and Door Renewals	292,310	298,740	305,310	312,030	318,900	<b>1,527,290</b>
Gas Heating at Belgrave	284,820	-	-	-	-	<b>284,820</b>
Capital Salaries	165,670	169,310	173,040	176,840	180,730	<b>865,590</b>
CDM Fees	9,950	10,170	10,390	10,620	10,850	<b>51,980</b>
Contingency	100,000	100,000	100,000	100,000	100,000	<b>500,000</b>
Regeneration Schemes						-
Kerria	240,000	848,150	1,810,640	3,805,250	-	<b>6,704,040</b>
Tinkers Green	1,314,340	2,162,050	6,640,000	1,634,000	-	<b>11,750,390</b>
Redevelopment of Garage sites and other acquisitions	3,420,000	2,500,000	2,500,000	2,000,000	2,000,000	<b>12,420,000</b>
<b>Total HRA Capital</b>	<b>10,380,060</b>	<b>10,329,120</b>	<b>15,594,020</b>	<b>11,817,180</b>	<b>5,940,320</b>	<b>54,060,700</b>

<b><u>Housing Revenue Account</u></b>	<b>2015/16</b> £	<b>2016/17</b> £	<b>2017/18</b> £	<b>2018/19</b> £	<b>2019/20</b> £	<b>TOTAL</b> £
<b><u>Proposed Financing:</u></b>						
Major Repairs Reserve	4,482,060	4,482,060	4,482,060	4,327,930	3,890,320	<b>21,664,430</b>
Revenue Contribution to Capital Outlay in Year	923,660	336,860	161,320	50,000	50,000	<b>1,271,840</b>
Capital Receipts from add Council House Sales	750,000	1,668,200	250,000	175,000	-	<b>2,843,200</b>
Regeneration Revenue Reserves	3,043,340	1,600,000	1,325,000	3,047,950	2,000,000	<b>11,016,290</b>
Revenue Contribution to Capital Outlay in Year	1,181,000	-	4,403,640	4,216,300	-	<b>9,800,940</b>
Unsupported Borrowing	-	2,242,000	4,972,000	-	-	<b>7,214,000</b>
						-
<b>Total</b>	<b>10,380,060</b>	<b>10,329,120</b>	<b>15,594,020</b>	<b>11,817,180</b>	<b>5,940,320</b>	<b>54,060,700</b>

## Main Assumptions

Inflationary Factors	2015/16	2016/17	2017/18	2018/19	2019/20
Inflation Rate - Pay Awards	2.20%	2.00%	2.00%	2.00%	2.00%
National Insurance	7.10%	10.50%	10.50%	10.50%	10.50%
Superannuation	16.50%	16.50%	16.50%	16.50%	16.50%
Inflation Rate (RPI)	2.50%	2.75%	2.75%	2.75%	2.75%
Inflation Rate (CPI)	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Rates	1.25%	2.25%	2.75%	3.25%	3.25%
Base Interest Rates	1.00%	1.75%	2.25%	2.75%	2.75%

1. Pay award – it has been assumed that public sector pay will rise in line with the latest consultation for 2014/15 & 2015/16 (generally 2.2% from 1<sup>st</sup> January 2015 plus other one-off payments) and is estimated to mirror the Government's inflation target of 2% thereafter.
2. Overall Fees and Charges will rise generally by 2.5% annually except where a proposal has otherwise been made (car parking charges, corporate & industrial property rental income, statutory set planning fees, leisure fees);
3. No effect of any Prudential Borrowing has been included;
4. Revised estimates for rent allowance / rent rebate subsidy levels have been included;
5. Changes to the level of recharges between funds has been included;
6. Within the provisional settlement for 2015/16 announced in December 2014, the Government proposed cuts of 15.7% to the Council's funding streams for 2015/16 – revised annual grant reductions have been included.
7. The Government has indicated its policy regarding council tax bills being frozen for the next year. It has been announced that a grant will be available to authorities that agree to freeze or reduce Council Tax in 2015/16;
8. The major changes to the previously approved policy changes are included within this forecast – Directors were issued with the provisional information in August to review, confirm & resubmit by the end of September;
9. Annual year-on-year increases of c.2% in the pension lump sum element for past liabilities have been included (for 3 years following SCC Triennial review).
10. Increases in rent levels are restricted by the Government guidelines & current indications that sales of council houses will be approximately 50 per annum.

## Sensitivity Analysis

	Risk	Potential Budgetary Effect				
		2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Pay Award / National Insurance (GF)</b>						
Impact +/- 0.5% Variance £'000	L	42	86	131	177	224
Budget Impact over 1 year	L	42				
Budget Impact over 3 years	L/M	259				
Budget Impact over 5 years	H	660				
<b>Pay Award / National Insurance (HRA)</b>						
Impact +/- 0.5% Variance £'000	L	13	26	40	54	68
Budget Impact over 1 years	L	13				
Budget Impact over 3 years	L	79				
Budget Impact over 5 years	M	201				
Subject to negotiation for Local Government pay (including any protection for low paid employees)						
<b>Pension Costs</b>						
Impact +/- 0.5% Variance £'000	L	0	0	58	118	179
Budget Impact over 1 year	L	0				
Budget Impact over 3 years	L	58				
Budget Impact over 5 years	M	355				
3 year agreement in place from 2014/15 - subject to stock market & membership changes						
<b>Council Tax</b>						
Impact on Council Tax income £'000		33	51	70	90	0
Budget Impact over 1 year	L	33				
Budget Impact over 3 years	L	154				
Budget Impact over 5 years	M	244				
<b>Inflation / CPI</b>						
Impact +/- 0.5% Variance £'000	L	39	79	119	162	205
Budget Impact over 1 year	L	39				
Budget Impact over 3 years	M	237				
Budget Impact over 5 years	H	604				
<b>Government Grant</b>						
Impact +/- 1.0% Variance £'000	L	43	83	119	150	179
Budget Impact over 1 year	L	43				
Budget Impact over 3 years	M	245				
Budget Impact over 5 years	H	574				

	Risk	Potential Budgetary Effect				
		2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Investment Interest</b>						
Impact +/- 0.5% Variance £'000	L	104	190	272	353	435
Budget Impact over 1 year	L	104				
Budget Impact over 3 years	H	566				
Budget Impact over 5 years	H	1354				
<b>Key Income Streams (GF)</b>						
Impact +/- 0.5% Variance £'000	L	26	52	78	104	131
Budget Impact over 1 year	L	26				
Budget Impact over 3 years	L/M	156				
Budget Impact over 5 years	H	391				
<b>Key Income Streams (HRA)</b>						
Impact +/- 0.5% Variance £'000	L	92	184	280	378	478
Budget Impact over 1 years	L	92				
Budget Impact over 3 years	H	556				
Budget Impact over 5 years	H	1412				
<b>New Homes Bonus</b>						
Impact +/- 10% Variance £'000	L	55	120	184	246	306
Budget Impact over 1 year	L	55				
Budget Impact over 3 years	M	359				
Budget Impact over 5 years	H	911				
<b>Business Rates</b>						
Impact +/- 10% Variance £'000	L	66	134	202	271	340
Budget Impact over 1 year	L	66				
Budget Impact over 3 years	M	402				
Budget Impact over 5 years	H	1013				

**Contingencies 2015/16 - 2019/20**

<b>Revenue</b>	2015/16	2016/17	2017/18	2018/19	2019/20
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
<b>General</b>					
<b>General Fund</b>					
<b>Specific Contingencies</b>					
Vacancy Allowance	50	50	50	50	50
<i>General Contingency</i>	100	-	-	-	-
<b>Total General Fund Revenue</b>	<b>150</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>
<b>Housing Revenue Account</b>					
<i>HRA - General Contingency</i>	100	100	100	100	100
<b>Total HRA Revenue</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

<b>Capital</b>	2015/16	2016/17	2017/18	2018/19	2019/20
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
<b>General</b>					
<b>General Fund</b>					
<b>Specific Contingencies</b>	-	-	-	-	-
<i>General Capital Contingency*</i>	-	-	-	-	-
<b>Total General Fund Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Housing Revenue Account</b>					
<i>HRA - General Capital Contingency</i>	100	100	100	100	100
<b>Total HRA Capital</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

\* The 2014/15 Contingency budget of £50k is to be reprofiled to 2015/16.

