

## CABINET

14<sup>th</sup> January 2016

## JOINT SCRUTINY COMMITTEE (BUDGET)

26<sup>th</sup> January 2016

### Report of the Leader of the Council

#### DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2016/17 to 2020/21

##### Purpose

To approve the draft package of budget proposals (**attached at Appendix A**) to consult with the Joint Scrutiny Committee (Budget) on 26<sup>th</sup> January 2016 and receive their feedback on the:

- General Fund Revenue (GF) Budget and Council Tax for 2016/17;
- Housing Revenue Account (HRA) Budget for 2016/17;
- 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:

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 26<sup>th</sup> January 2016 be requested to consider the budget proposals contained within this report.**

## Executive Summary

The budget setting process has faced significant constraints in Government funding in recent years - over 40% in real terms since 2010 - and the last 12 months have been as challenging as previous years if not more so. The recent announcements in the Summer Budget and Autumn Statement confirm that austerity measures are to continue and would suggest that the key challenges that the Council is currently addressing are likely to become greater.

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. There also remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation arising from the Business Rates Retention system, 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. This includes exploring new and innovative ideas and to be more commercial in our approach to business.

Last year's budget report also outlined a proactive approach to the other major challenge, that of ever increasing demand. By adopting the guiding principles, tools, techniques and transformational approaches, the Council can set about **managing demand** and thereby have greater control and the ability to align or target "supply" to managed "demand".

The focus shall remain upon a Single Corporate Vision. The Strategic Priorities **To Aspire & Prosper and To be Healthier & Safer** are shared by all districts and boroughs across the County and are encapsulated by the County Council too in their stated priorities: **Regeneration & Growth; Safer more Resilient Communities and Healthier more Active Communities.**

In summary, by adopting the model, 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 26<sup>th</sup> November, 2014 refers**).

This approach 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 reducing**. 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 2016/17 are:

- A General Services Net Cost of Services of £8,346,360 a reduction of 1.4% compared to 2015/16;
- A transfer of £1,598,263 from General Fund balances;
- A transfer of £360,500 from HRA balances;
- The Band D Council Tax would be set at £161.75, an increase of £3.15 (1.99% - £0.06 per week) on the level from 2015/16 of £158.60;
- A 1% reduction in average rent, as announced in the Summer Budget 2015, (1% on the 2015/16 average rent of £88.30) in line with the Government’s requirement to reduce rents by 1% p.a. for the next 4 years (based on a 48 week rent year);
- A General Fund Capital Programme of £8.8m for 5 years;
- A Housing Capital Programme of £52.6m (including c.£33.5m 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 – it may have to be a 3 year MTFs, in compliance with the Prudential Code.

Currently projections identify:

1. General Fund balances of £1.5m over 3 years with a shortfall of £2.7m over 5 years, including the minimum approved level of £0.5m – assuming annual Council Tax increases of below 2% p.a. - in line with the 2% cap set by the Department for Communities & Local Government (DCLG) for 2016/17;
2. HRA balances of £0.8m over 3 years (£0.6m over 5 years) including the minimum recommended balances of £0.5m.

However this includes contributions to Capital Spend of £4.1m over 3 years (£6.9m over the next 5 years) and the Regeneration Reserve of £4.6m over 3 years (£5.4m over 5 years) - resulting in balances of £2.1m over 3 years (£2.5m over 5 years).

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 receipt, in late December 2015, of a Government consultation paper on changes to the scheme. No effect of this has been included at this stage – the impact of the potential options (for 2017-18 onwards) will be modelled and fed into the final budget setting report;
- b) Finalisation of Revenue Support Grant levels for future years following the Chancellor's Summer Budget in July 2015 (which indicated further £18bn cuts to Public Service spending by 2019/20) and the outcome from the Comprehensive Spending Review published on 25<sup>th</sup> November 2015. Provisional figures were received in December 2015 and included within the projections within this report;
- c) The impact of Business Rate Reform from 1<sup>st</sup> April 2013 and the associated forecast business rates receivable in 2015/16 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). Uncertainty remains over the planned revaluation in 2017 and recent Government consultation regarding proposals for Councils to keep 100% of the business rates collected by 2020;
- 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 £3.8m was set aside in 2014/15 (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.
- 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. has 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) was agreed from 1<sup>st</sup> January 2015. As part of the Summer Budget announcements, a 1% pay cap for public sector workers for the next 4 years has been set. In addition, from April 2016, a new compulsory National Living Wage for the over 25s will be introduced to replace the National Minimum Wage, currently set at £6.50 per hour.

The National Living Wage will be set at £7.20 when it comes into effect in April 2016. It will then rise over the next four years to £9.00 per hour in 2020;

- h) Proposed changes set out in the Welfare Reform Act 2012 and the introduction of Universal Credit – impact on housing benefits staffing (as a result of the transfer of Universal Credit to the Department for Work & Pensions), the Housing Benefit administration grant and associated income receipts of the council (including Housing Rents and Council Tax);
- i) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management;
- j) 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;
- k) The effect of the reduction in Social Housing Rents announced in the Summer Budget 2015 – rents are to be reduced by 1% a year for four years from 2016/17, requiring local authorities and housing associations to make savings, and this will mean a reduction in HRA rent income of c.£600k p.a. each year for 4 years (cumulative) due to the 1% reduction and as the planned inflationary increases of c.3% p.a. will also not be made;
- l) The impact that Social Tenants with household incomes of at least £40k in London and at least £30k elsewhere, will have to pay a market or near market rent. Local Authorities will have to repay the rent subsidy that they recover from high income tenants to the Exchequer;
- m) Any impact from the sale of high value council housing scheme;
- n) 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 'Planning 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;
- o) Review and finalisation of the revised budgets/policy changes and feedback from the scrutiny process – including the Council Tax increase for 2016/17 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**).

## Options Considered

As part of the budget setting process a number of options for the council tax and rent increase levels for 2016/17 and future years have been modelled / considered.

Council Tax	Option Modelled / Considered
<b>Model 1</b>	<b>1.99% increase in Council tax in 2016/17 (followed by inflationary increases of c.1.99% p.a.)</b>
Model 1a	0% increase in Council tax in 2016/17 (followed by increases of c.1.99% p.a.)
Model 2	2.5% increase in Council tax in 2016/17 (followed by increases of 2.5% thereafter)
Model 3	0% increase in Council tax in 2016/17 (followed by increases of 0% thereafter)
Model 4	1% increase in Council tax in 2016/17 (followed by increases of 1% thereafter)

Rent	Option Modelled / Considered
Option 1	CPI + 1%
<b>Option 2</b>	<b>Reduction of 1% (in line with the Summer Budget announcement)</b>

## 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 2016/17, 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 2016/17 (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 £1m are reported for the General Fund budget position over 3 years with balances forecast at £1.5m. 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 c.£1.4m p.a. would need to be identified in 2019/20 and 2020/21 (the shortfall over 5 years is currently forecast at c.£2.7m).

The summary HRA Revenue Budget for 2016/17 appears at **Appendix C** (including a summary of the resulting budgets over the 5 year period). Closing balances over 3 years are estimated at £0.8m (£0.6m 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 2015, 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 2015, 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 3<sup>rd</sup> December 2015.

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 26<sup>th</sup> January 2016.

Proposed amendments to the 2015/16 base budget, approved by Council on 24<sup>th</sup> February 2015, 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 – further changes are subject to consultation. <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 £0.5m 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>	Public sector pay cap announced as part of the Summer Budget 2015 - 1% increase p.a. for 4 years from 2016/17; <b>(Medium / Low)</b>

<b>Risk</b>	<b>Control Measure</b>
<p>Pension costs higher than planned / adverse performance of pension fund;</p> <p><b>(Medium)</b></p>	<p>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></p>
<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; 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;</p> <p><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.;</p> <p><b>(High / Medium)</b></p>	<p>Robust estimates using a zero based budgeting approach have been included;</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>Dependency on partner organisation arrangements and contributions e.g. Waste Management (SCC/LDC).</p> <p><b>(High / Medium)</b></p>	<p>Memorandum of Understanding in place.</p> <p><b>(Medium)</b></p>

## Report Author

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>Corporate Vision, Priorities Plan, Budget &amp; Medium Term Financial Strategy 2015/16, Council 24<sup>th</sup> February 2015</b>
	<b>Budget and Medium Term Financial Planning Process, Cabinet 30<sup>th</sup> July 2015</b>
	<b>Joint Scrutiny Budget Workshop, 3<sup>rd</sup> December 2015</b>
	<b>Budget Consultation Report, Cabinet 22<sup>nd</sup> October 2015</b>
	<b>Draft Base Budget Forecasts 2016/17 to 2020/21, Cabinet 26<sup>th</sup> November 2015</b>

## Summary of Appendices

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### 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 2016/17 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 2015/16 budget to arrive at the starting point for 2016/17. 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 2016/17 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 – at the present point in time, in order to achieve compliance with the Prudential Code (minimum balances of £0.5m) it may only be possible to prepare a 3 year MTFS.

There are a number of challenges affecting the Medium Term Financial Planning process for the period from 2016/17 to 2020/21 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 +/- £'000	Impact over 3 years +/- £'000	Impact over 5 years + / - £'000	Risk
Pay Award / National Insurance (GF)	0.5%	43	262	661	M/H
Pension Costs	0.0%	0	174	582	M/H
Council Tax	0.5%	33	154	244	L/M
Inflation / CPI	0.5%	46	283	723	M/H
Government Grant	1.0%	39	210	466	M/H
Investment Interest	0.5%	145	971	2552	H
Key Income Streams	0.5%	6	38	103	L
New Homes Bonus	10%	65	385	947	H
Business Rates	0.5%	67	402	1003	H

## GENERAL FUND

### Future Revenue Support Grant & Business Rate income

On 17 December 2015, the Secretary of State for the Department for Communities and Local Government, Greg Clark MP, made a statement to Parliament on the provisional local government finance settlement 2016/17.

For the period 2015/16 to 2019/20, there is a reduction to the England Settlement Funding Assessment (SFA) of 31.8% (based on the adjusted 2015/16 figure), as per the table below.

	2015-16 adjusted	2016-17	2017-18	2018-19	2019-20
	£m	£m	£m	£m	£m
SFA	21,250	18,601	16,622	15,536	14,500
Change %		(12.5)%	(10.6)%	(6.5)%	(6.7)%
Cumulative change %		(12.5)%	(21.8)%	(26.9)%	(31.8)%

In addition to SFA funding, starting in 2017/18, there will be additional funding through the “Improved Better Care Fund”. By 2019/20, this will be worth £1.5bn per annum. This funding will go to authorities with Social Care responsibilities to complement the new 2% Social Care Council Tax precept, which was previously announced in Spending Review 2015. This funding will take into account the amount that each authority can raise locally through a 2% increase in Council Tax.

Rather than all local authorities receiving the same percentage reduction in Revenue Support Grant (RSG) funding, **the government now propose to take into account the amount that can be raised locally from Council Tax, thereby increasing the reduction in RSG funding for higher taxbase authorities (in terms of the ratio of taxbase income to SFA) and lowering the reduction for lower than average taxbase authorities.**

The government has also altered the split of funding between tier of government, which would appear to favour upper tier services and lead to higher funding reductions for district councils.

The provisional figures are expected to be confirmed in late January/early February 2016 (within the final settlement announcement).

The 2016/17 announcement includes local authority allocations for 4 years up to 2019/20 – with a caveat from the Government that in order to accept the offer of the 4 year certainty, evidence of value for money in order to achieve efficiencies has to be provided.

A new methodology for determining authorities' RSG allocations has been proposed within the provisional settlement. Rather than applying the same percentage cut to all authorities, **the new approach takes into account individual authorities' council tax raising ability and the type of services provided.** This would appear to favour upper tier authorities, with significantly larger funding reductions for district councils.

The methodology adds together authorities' SFA amount and their forecast council tax income for 2016/17 (based on individual authorities' actual council tax levels), before applying a percentage reduction. **This approach means that authorities with a lower than average council taxbase like Tamworth (relative to their SFA amount) have a lower reduction in grant (and those with a higher taxbase have a higher reduction in grant).**

The methodology therefore aims to take into account the amount that an authority can raise locally/the impact on overall funding of RSG reductions. It is a similar approach to the Resources block, with the previous four-block model (last used to set the Baseline Need amounts in 2013/14). **By using actual council tax levels, rather than an assumed level, this approach also favours authorities with below average Council Tax, and disadvantages those with above average Council Tax levels.**

**Due to this approach reducing some authorities' RSG to £0 before 2019/20, it appears that the government plans to reduce top up/increase tariff amounts for these authorities, in order that the overall change in funding is consistent across all authorities.**

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 order to prepare estimated Business Rates income levels.

For future years, in light of indications of further grant reductions, it had been assumed that there will be a reduction in Revenue Support Grant as detailed below.

<b>BASE BUDGET</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Budgeted Funding:</b>				
Revenue Support Grant	954,322	541,893	251,444	75,714
% RSG Reduction	(41)%	(43)%	(54)%	(70)%
<b>Provisional Settlement Funding (December 2015):</b>				
All District Councils	265,151,084	133,211,054	52,202,688	(38,287,152)
% RSG Reduction	(37)%	(50)%	(61)%	
Tamworth Borough Council	1,209,603	770,996	493,964	184,529
% RSG Reduction	(25)%	(36)%	(36)%	(63)%
<b>Impact of change in methodology</b>				
<b>Total</b>	<b>255,281</b>	<b>229,103</b>	<b>242,520</b>	<b>108,815</b>
				<b>835,720</b>

As identified above, the reduction experienced by the Council is lower than expected / budgeted. RSG is c.£255k better in 2016/17 at £1.21m (£954m within the current forecast) - £835k over 4 years. It represents a 24.8% reduction in RSG.

However, it should be noted that the budgeted reduction is highly comparable to the average reduction for all District Councils, highlighted in the table above.

## Business Rates

The 2016/17 provisional finance settlement represents the fourth year in which the Business Rates Retention (BRR) scheme is the principal form of local government funding. As in the previous three 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 £386k 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 latest estimates indicate additional business rates receivable above the baseline in 2015/16 – 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).

However, the future position 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 forecast Section 31 Grants and levy payments included within the base budget forecasts are detailed below.

<b>Section 31 Grants / Levy</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>	<b>2020/21 £'000</b>
Section 31 Grant	429	390	408	427	446	465
Business Rates Levy	882	416	291	156	13	-

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

<b>BASELINE</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Budgeted Funding:</b>				
Retained Business Rates	£12,927,984	£13,199,472	£13,489,860	£13,800,127
Less: Tariff payable	(£10,763,060)	(£10,989,084)	(£11,230,844)	(£11,489,153)
<b>Total</b>	<b>2,164,924</b>	<b>2,210,388</b>	<b>2,259,016</b>	<b>2,310,974</b>
% Reduction	2.0%	2.1%	2.2%	2.3%
<b>Provisional Settlement Funding (December 2015):</b>				
Retained Business Rates	12,780,114	13,031,478	13,415,916	13,844,713
Less: Tariff payable	(10,639,952)	(10,849,222)	(11,169,283)	(11,526,273)
<b>Total</b>	<b>2,140,162</b>	<b>2,182,256</b>	<b>2,246,633</b>	<b>2,318,440</b>
% Reduction	0.8%	2.0%	3.0%	3.2%
<b>Increase / (Decrease)</b>	<b>(24,762)</b>	<b>(28,132)</b>	<b>(12,383)</b>	<b>7,466</b>

As identified above, the Business Rates Baseline is £25k lower than expected at £2.14m. However, 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. Overall, Government External support (combined RSG/**Baseline** NNDR) is £230k higher than expected in 2016/17 – the overall reduction in Government Support is 10.2% (compared to our assumed reduction of 16.4%). The position over 5 years is better by £786k.

The government's Business Rates Baseline for the authority is only based on an adjusted average income figure, and therefore is not representative of the Business Rates Baseline. The business rates forecast income is subject to confirmation / finalisation over the next few weeks – the base budget estimates are detailed below:

<b>BASE BUDGET</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Budgeted Funding:</b>				
Retained Business Rates	13,370,980	13,372,552	13,374,753	13,380,497
Less: Tariff payable	(10,763,060)	(10,989,084)	(11,230,844)	(11,489,153)
<b>Total</b>	<b>2,607,920</b>	<b>2,383,468</b>	<b>2,143,909</b>	<b>1,891,344</b>
% Reduction	(1)%	(9)%	(10)%	(12)%
<b>Provisional Settlement Funding (December 2015):</b>				
Retained Business Rates	13,370,980	13,372,552	13,374,753	13,380,497
Less: Tariff payable	(10,639,952)	(10,849,222)	(11,169,283)	(11,526,273)
<b>Total</b>	<b>2,731,028</b>	<b>2,523,330</b>	<b>2,205,470</b>	<b>1,854,224</b>
% Increase / (Decrease)	4%	(8)%	(13)%	(16)%
<b>Increase / (Decrease)</b>	<b>123,108</b>	<b>139,862</b>	<b>61,561</b>	<b>(37,120)</b>
<b>Total</b>				<b>287,411</b>



As identified above, the Business Rates tariff payment is lower than budgeted for in 2016/17 by £123k (£287k over 4 years).

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

<b>BASE BUDGET</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Budgeted Funding:</b>					
Revenue Support Grant	954,322	541,893	251,444	75,714	-
Retained Business Rates	13,370,980	13,372,552	13,374,753	13,380,497	13,386,955
Less: Tariff payable	<b>(10,763,060)</b>	<b>(10,989,084)</b>	<b>(11,230,844)</b>	<b>(11,489,153)</b>	<b>(11,764,893)</b>
<b>Total</b>	<b>3,562,242</b>	<b>2,925,361</b>	<b>2,395,353</b>	<b>1,967,058</b>	<b>1,622,062</b>
<b>% Reduction</b>	<b>(16)%</b>	<b>(18)%</b>	<b>(18)%</b>	<b>(18)%</b>	<b>(18)%</b>
<b>Provisional Settlement Funding (December 2015):</b>					
Revenue Support Grant	1,209,603	770,996	493,964	184,529	-
Retained Business Rates	13,370,980	13,372,552	13,374,753	13,380,497	13,386,955
Less: Tariff payable	<b>(10,639,952)</b>	<b>(10,849,222)</b>	<b>(11,169,283)</b>	<b>(11,526,273)</b>	<b>(11,802,904)</b>
<b>Total</b>	<b>3,940,631</b>	<b>3,294,326</b>	<b>2,699,434</b>	<b>2,038,753</b>	<b>1,584,051</b>
<b>% Reduction</b>	<b>(7)%</b>	<b>(16)%</b>	<b>(18)%</b>	<b>(24)%</b>	<b>(22)%</b>
<b>Increase / (Decrease)</b>	<b>378,389</b>	<b>368,965</b>	<b>304,081</b>	<b>71,695</b>	<b>(38,011)</b>

The table shows that overall funding should be c.£378k better than expected in 2016/17 (£1.085m over 5 years).

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

The retained Business Rates forecast will be updated based on the NNDR1 return which was not received until late December 2015. 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 2016 in line with statutory requirements.

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

## New Homes Bonus

When the base budget was prepared, it had been assumed that the New Homes Bonus scheme will continue with such funding included using a risk based approach.

The New Homes Bonus top-slice from RSG for 2016/17 is £1.275m. The 2016/17 forecast allocation of New Homes Bonus is £1.485m (£1.461m in allocations and £24m in returned funding). DCLG support for the scheme has fallen from £250m in 2015/16 to £210m in 2016/17.

At present, it appears that there are no changes to the scheme planned before 2018/19, with in-year allocations increasing to £1.485m in 2016/17, £1.493m in 2017/18 and then a reduction to £938m in 2018/19 and to £900m by 2019/20. The amounts for 2016/17 and 2017/18 would be consistent with authorities receiving allocations as per the current system. For example, the forecast allocation for Tamworth BC (below) shows a pattern consistent with the national allocations, with a reduction to the scheme value from 2018/19 onwards.

- 2015/16 (current)           £0.56m
- 2016/17                       £0.66m
- 2017/18                       £0.66m
- 2018/19                       £0.41m
- 2019/20                       £0.40m

Further details on this will be prepared once the consultation document has been reviewed in detail.

## Technical Adjustments

Revisions have been made to the 2015/16 base budget in order to produce an adjusted base for 2016/17 and forecast base for 2017/18 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	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Base Budget B/Fwd	8,464	8,032	8,085	7,348	7,201
Committee Decisions	(402)	298	(540)	(121)	-
Inflation	15	35	32	37	38
Other	(427)	(391)	(317)	(166)	211
Pay Adjustments (Including pay award / reduction of 5% for vacancy allowance)	319	111	88	103	182
Revised charges for non-general fund activities	63	-	-	-	-
Total / Revised Base Budget	8,032	8,085	7,348	7,201	7,632

\* ( ) denotes saving in base budget

## Policy Changes

The policy changes provisionally agreed by Council in February 2015 have been included within the technical adjustments for 2016/17 onwards. **A list of the proposed new policy changes for 2016/17 is summarised below:**

<b>Policy Changes Identified</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
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	100.0	-	-	-	-
Return of Transformation reserve funding to support revenue budget	-	(360.0)	-	-	-
Cease provision of Mayoral hampers	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Funding for a project officer (for 3 years) that would be dedicated to managing the projects for growth	44.0	44.5	45.0	-	-
Costs of Cultural Quarter Project no longer considered as Capital	124.3	-	-	-	-
HLF Funding for cost of Cultural Quarter no longer considered Capital	(124.3)	-	-	-	-
Agile Working Project - Deferral of receipt of projected income for Marmion House / Loss of income	142.7	142.7	142.7	142.7	142.7
Replacement of the aging operational fleet of Council vehicles. These vehicles cover operational areas within Streetscene, Cemeteries, Arboricultural Services and Housing Caretakers	30.0	30.0	30.0	30.0	30.0
<b>Total New Items / Amendments</b>	<b>314.7</b>	<b>(144.8)</b>	<b>215.7</b>	<b>170.7</b>	<b>170.7</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 2016/17 are that authorities will be required to seek the approval of their local electorate in a referendum if, compared with 2015/16, they set council tax increases that are equal to or exceed 2.0% or £5.

The Government have indicated in previous years that it would offer limited grant support for the previous 4 year Comprehensive Spending Review (CSR) period should the Council freeze Council tax levels. It does not appear that a similar scheme will operate for 2016/17 or future years should the Council freeze the council tax level.

Should Council Tax be frozen at the 2015/16 level for 2016/17 then this would reduce income by c.£66k p.a. – c.£340k over the 5 year period.

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 2016/17) is outlined below.

## **Council Tax**

Last year's medium term financial plan identified ongoing increases of c.1.99% per annum from 2016/17.

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 2% - following a freeze in 2011/12 & 2012/13 and a below 2% increase since then, 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 2016/17 (followed by inflationary increases of c.1.99% p.a.)**

Year:	2016/17	2017/18	2018/19	2019/20	2020/21
Forecast:	£'000	£'000	£'000	£'000	£'000
Surplus (-) / Deficit	1,598	740	952	1,408	2,286
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,193)</b>	<b>(2,453)</b>	<b>(1,501)</b>	<b>(93)</b>	<b>2,193</b>
£ Increase	3.15	3.20	3.25	3.35	3.40
% Increase	1.99%	1.98%	1.97%	1.99%	1.98%
Note: Resulting Band D Council Tax	161.75	164.95	168.20	171.55	174.95

Model 1 indicates a potential surplus in balances of £1m over 3 years, with a shortfall of £2.7m over 5 years - further savings of approx. £0.54m per annum would have to be identified.

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

**Model 1a Impact of 0% increase in Council Tax in 2016/17 (followed by increases of c.1.99% p.a.)**

Year:	2016/17	2017/18	2018/19	2019/20	2020/21
Forecast:	£'000	£'000	£'000	£'000	£'000
<b>Reduction in Council Tax £</b>	66	67	68	70	71
Revised Surplus (-) / Deficit	1,664	807	1,020	1,478	2,357
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,127)</b>	<b>(2,320)</b>	<b>(1,300)</b>	<b>178</b>	<b>2,535</b>
£ Increase	0.00	3.15	3.20	3.25	3.35
% Increase	0.00%	1.99%	1.98%	1.97%	1.99%
Note: Resulting Band D Council Tax	158.6	161.75	164.95	168.2	171.55

Model 1a - indicates a potential surplus in balances of £0.8m over 3 years, with a shortfall of £3.0m over 5 years - further savings of approx. £0.61m per annum would have to be identified.

Further indicative models are outlined below:

**Model 2 Impact of 2.5% increase in Council Tax in 2016/17 (followed by increases of 2.5% thereafter)**

Year:	2016/17	2017/18	2018/19	2019/20	2020/21
Forecast:	£'000	£'000	£'000	£'000	£'000
<b>Increase in Council Tax £</b>	(18)	(37)	(56)	(76)	(97)
Revised Surplus/(Deficit)	1,580	703	896	1,332	2,189
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,211)</b>	<b>(2,508)</b>	<b>(1,612)</b>	<b>(280)</b>	<b>1,909</b>
£ Increase	4.00	4.10	4.20	4.30	4.40
% Increase	2.5%	2.5%	2.5%	2.5%	2.5%
Note: Resulting Band D Council Tax	162.60	166.70	170.90	175.20	179.60

Model 2 indicates potential surplus balances of £1.1m over 3 years with a shortfall of £2.4m over 5 years - further savings of approx. £0.48m per annum 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 2016/17 (followed by increases of 0% thereafter)**

Year:	2016/17	2017/18	2018/19	2019/20	2020/21
Forecast:	£'000	£'000	£'000	£'000	£'000
<b>Reduction in Council Tax £</b>	66	134	204	278	354
Revised Surplus/(Deficit)	1,664	874	1,156	1,686	2,640
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,127)</b>	<b>(2,253)</b>	<b>(1,097)</b>	<b>589</b>	<b>3,229</b>
£ 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	158.60	158.60	158.60	158.60	158.60

Model 3 - indicates a potential surplus in balances of £0.6m over 3 years, with a shortfall of £3.7m over 5 years - further savings of approx. £0.75m per annum would have to be identified.

**Model 4 Impact of 1% increase in Council Tax in 2016/17 (followed by increases of 1% thereafter)**

Year:	2016/17	2017/18	2018/19	2019/20	2020/21
Forecast:	£'000	£'000	£'000	£'000	£'000
<b>Reduction in Council Tax £</b>	33	67	102	140	179
Revised Surplus/(Deficit)	1,631	807	1,054	1,548	2,465
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,160)</b>	<b>(2,353)</b>	<b>(1,299)</b>	<b>249</b>	<b>2,714</b>
£ Increase	1.58	1.60	1.61	1.63	1.65
% Increase	1.00%	1.00%	1.00%	1.00%	1.00%
Note: Resulting Band D Council Tax	160.18	161.78	163.39	165.02	166.67

Model 4 indicates a potential surplus in balances of £0.8m over 3 years, with a shortfall of £3.2m over 5 years - further savings of approx. £0.64million 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 deficit of £0.7m for business rates in 2016/17 followed by annual surpluses – this will be updated following finalisation of the estimated surplus/deficit calculations.

Year:	2016/17	2017/18	2018/19	2019/20	2020/21
Council Tax	£'000	£'000	£'000	£'000	£'000
Council Tax Income	(3,381)	(3,490)	(3,623)	(3,771)	(3,923)
Collection Fund Surplus (Council Tax)	-	-	-	-	-
Collection Fund Surplus (Business Rates)	573	(416)	(291)	(156)	(13)

The County Council, OPCC and Fire & Rescue Authority are due to finalise their budgets for 2016/17 during February 2016. The impact of the Borough Council tax proposals is shown for each Council Tax Band in **Appendix G**.

**Balances**

At the Council meeting on 24<sup>th</sup> February 2015 Members approved a minimum working level of balances of £0.5m. At 31<sup>st</sup> March 2016 General Fund revenue balances are estimated to be £4.79m. 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 2016/17, appears at **Appendix D**.

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

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>Estimated Net Cost of Services</b>	<b>8,032</b>	<b>8,085</b>	<b>7,348</b>	<b>7,201</b>	<b>7,632</b>
Proposed Policy Changes	315	(145)	216	171	171
Inflationary impact	-	1	2	2	3
<b>Net Expenditure</b>	<b>8,347</b>	<b>7,941</b>	<b>7,566</b>	<b>7,374</b>	<b>7,806</b>
<b>Financing:</b>					
RSG	(1,210)	(771)	(494)	(185)	-
Collection Fund Surplus	-	-	-	-	-
Collection Fund Surplus (Business Rates)	573	(416)	(291)	(156)	(13)
Tariff Payable	10,640	10,849	11,169	11,526	11,803
Non Domestic Ratepayers	(13,371)	(13,373)	(13,375)	(13,380)	(13,387)
Council Tax Income	(3,381)	(3,490)	(3,623)	(3,771)	(3,923)
<b>Gross Financing</b>	<b>(6,749)</b>	<b>(7,201)</b>	<b>(6,614)</b>	<b>(5,966)</b>	<b>(5,520)</b>
<b>Surplus(-) / Deficit</b>	<b>1,598</b>	<b>740</b>	<b>952</b>	<b>1,408</b>	<b>2,286</b>
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,193)</b>	<b>(2,453)</b>	<b>(1,501)</b>	<b>(93)</b>	<b>2,193</b>
<b>Per Council, 25<sup>th</sup> February 2015</b>	<b>(2,544)</b>	<b>(505)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Council Taxbase (Band D equivalent)</b>	<b>20,904</b>	<b>21,160</b>	<b>21,543</b>	<b>21,983</b>	<b>22,423</b>

## HOUSING REVENUE ACCOUNT

### Technical Adjustments

The 2015/16 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 2016/17.

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

Technical Adjustments	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Base Budget	3,072	138	(247)	(360)	(337)
Committee Decisions	(3,283)	(238)	(89)	347	-
Inflation	91	128	132	149	153
Other	197	(322)	(200)	(510)	(103)
Pay Adjustments	94	47	44	37	57
Revised charges for non-general fund activities	(33)	-	-	-	-
Total / Revised Base Budget	138	(247)	(360)	(337)	(230)

Revisions have been made to the 2015/16 base budget in order to produce an adjusted base for 2016/17 and forecast base for 2017/18 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:

Policy Changes Identified	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Reduction in Social housing rents by 1% a year for four years from 2016/17	638	1317	2039	2759	2808
Introduction of Service Charges from 1 April 2016 including appointment of a Service Charges Officer	(416)	(416)	(416)	(416)	(416)
Reduced Contribution to Regeneration Reserve necessitated by reduced rental income	-	-	-	(2,000)	(2,000)
<b>Total New Items / Amendments</b>	<b>222</b>	<b>901</b>	<b>1,623</b>	<b>343</b>	<b>392</b>

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

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>Estimated Net (Surplus) / Deficit</b>	138	(247)	(360)	(337)	(230)
Proposed Policy Changes / Additional Costs Identified	222	901	1,623	343	392
Surplus (-) / Deficit	360	654	1,263	6	162
Balances Remaining (-) / Overdrawn	(2,679)	(2,025)	(762)	(756)	(594)

Per Council, 24 <sup>th</sup> February 2015	(1,304)	(1,229)	(1,403)	(1,403)	-
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Indicating Housing Revenue Account (HRA) balances of £0.8m over 3 years (with a surplus of £0.6m over 5 years) including the minimum recommended balances of £0.5m).

However this includes contributions to Capital Spend of £4.1m over 3 years (£6.9m over the next 5 years) and the Regeneration Reserve of £4.6m over 3 years (£5.4m over 5 years) - resulting in balances of £2.1m over 3 years (£2.5m over 5 years).

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

- Finalisation of the costs (following tender) / 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 service charges implementation;
- 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);
- The effect of the reduction in Social housing rents announced in the Summer Budget 2015 – rents are to be reduced by 1% a year for four years from 2016/17, requiring local authorities and housing associations to make savings and will mean a reduction in HRA rent income of c.£600k p.a. each year for 4 years (cumulative) due to the 1% reduction and as the planned inflationary increases of c.3% p.a. will also not be made;
- The impact that Social tenants with household incomes of at least £40k in London and at least £30k elsewhere, will have to pay a market or near market rent. Local authorities will have to repay the rent subsidy that they recover from high income tenants to the Exchequer;
- Any impact of the sale of high value council housing scheme;
- 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, 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.

However, 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. The guidance on rent increases stated a CPI + 1% increase which, when applied to the 2014/15 limit rent, gave a limit rent for 2015/16 of £82.56 which when compared to the actual rent for 2015/16 of £81.51 meant no loss of Housing Benefit subsidy grant.

The effect of the reduction in Social housing rents announced in the Summer Budget 2015 means that rents are to be reduced by 1% a year for four years from 2016/17 and will mean a reduction in HRA rent income of c.£600k p.a. each year for 4 years (cumulative) due to the 1% reduction and as the planned inflationary increases of c.3% p.a. will also not be made.

## Balances

The forecast level of balances at 31<sup>st</sup> March 2016 is £3.04m. The impact on balances of the adjustments outlined in this report would be as follows:

Balances	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Proposed Withdrawal from / Addition to (-) Balances	360	654	1,263	6	162
<b>Balances Remaining (-) / Overdrawn</b>	<b>(2,679)</b>	<b>(2,025)</b>	<b>(762)</b>	<b>(756)</b>	<b>(594)</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 2016/17 to 2020/21

### Capital Programme

Following a review of the Capital Programme approved by Council on 24<sup>th</sup> February 2015, 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 £8.8m (excluding the £0.5m approved minimum balance) will be needed during the period to 2020/21 for future capital spending (including the usable capital receipts generated from the sale of council housing). Potential prudential borrowing of £1.185m for the Cultural Quarter is included (should sufficient capital receipts not be available). A surplus over 3 years of £312k is highlighted (£274k over 5 years). Details of the proposed capital programme are shown in **Appendix H**.

The capital programme has been reviewed and updated:

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**a) Technology Replacement**

Rolling annual budget of £60k has been included until 2020/21 (the provisional programme included £60k p.a. from 2016/17);

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**b) Air Conditioning**

An additional scheme has been included - £32k in 2016/17. Significantly increased reliance on ICT has resulted in a commitment to ongoing, large scale upgrade and maintenance to the TBC infrastructure, in line with agreed device lifecycles. In order to support the provision of this infrastructure, the computer suite needs continued investment, specifically the replacement of the air conditioning solution. Without a functioning system, the server infrastructure will become unstable and will impact on application availability across the organisation.

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**c) Backup Solution**

An additional scheme has been included - £15k in 2016/17. The current backup solution has been installed for 8 years and the reliability and stability of the hardware has started to degrade. The tapes used are also becoming obsolete and require replacing every twelve months to ensure good quality backups. Whilst much of the data created by the organisation is replicated off-site, the operating systems, applications and UNIX based data has a continued requirement to be backed up to tape.

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**d) Disabled Facilities Grants**

Rolling annual budget of £250k has been included. 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.

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**e) CCTV Camera Renewals**

Required for the rolling replacement of cameras, £15k p.a. - subject to funding constraints.

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**f) Street Lighting**

An additional scheme has been included – with an annual spend required. 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 includes the replacement of all the lighting columns based on 'their life expectancy' and a lighting head replacement programme based on providing more efficient low energy lighting heads. The appraisal is based on the first 5 years of the replacement programme.

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**g) Cultural Quarter**

*The scheme budgets have now been revised in line with the report to Cabinet on 14<sup>th</sup> January 2016.*

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**h) Castle Mercian Trail (Budget currently within 2015/16 Programme)**

A revised scheme, with a net cost to the Council of £125k, has been included to redevelop the top floor of the Castle to create a new exhibition focusing on Saxon Tamworth and the Staffordshire Hoard. Tamworth Castle will develop an exhibition that will include the display of more pieces from the Staffordshire Hoard along with artefacts relating to the history of Saxon Tamworth.

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**i) Gateways**

An increased budget has been included – part funded by SCC and Section 106 funds with a net cost of £70k p.a. for the Council. Phase 1A in 2016/17 of £400k (Riverdrive to Ventura Park), phase 2 over 3 years from 2016/17 of £1.034m (Train Station to Town Centre). The provisional programme included £50k p.a. from 2016/17.

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**j) Contingency**

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A £50k contingency budget will be required for 2016/17 – to be re-profiled from the unspent 2015/16 budget.

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**Housing**

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

It is estimated that approximately £52.6m (excluding the £0.5m approved minimum balance) will be needed during the period to 2020/21 for future capital spending (including revenue contributions to Capital Spend from the HRA of £4.1m over 3 years (£6.9m over the next 5 years) and the Regeneration Reserve of £4.6m over 3 years (£5.4m over 5 years) & additional borrowing of £7.2m – the ‘headroom’ in line with the HRA Government debt cap is £11.3m) - resulting in balances of £2.1m over 3 years (£2.5m over 5 years).

The capital programme has been reviewed (saving £2m over 4 years when compared to the provisional programme) 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 together with the Redevelopment of Garage Sites and Other Acquisitions have been reviewed and updated to reflect current trends:

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**a) Gas Central Heating Upgrades and Renewals**

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The budget has been reduced by £335k over 4 years in line with current demand.

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**b) Energy Efficiency Improvements**

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The programme has been reduced to the 3 years (remaining at the £50k level) needed for the ERDF funding bid.

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**c) Fencing / Boundary Walls**

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The budget of £30k p.a. has been removed with any spend to be met from the revenue budget.

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**d) Windows and Door Renewals**

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The programme has been smoothed – saving £235k over 4 years.

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**e) General Estate Works**

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The demand led budget has been reduced to £100k for 2016/17 only (previously £200k p.a.) – pending a review of requirements over the term of the Business Plan period.

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**f) Contingency**

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The £100k p.a. budget has been removed - A £100k contingency budget will be required for 2016/17 – to be re-profiled from the unspent 2015/16 budget.

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**g) Regeneration Schemes**

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The budgets for Redevelopment of garage sites and other acquisitions have not yet changed but will need to be updated to reflect available resources.

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## Policy Changes Summary

DIRECTORATE	Sheet No.	Budget Changes	Budget Changes	Budget Changes	Budget Changes	Budget Changes
		16/17	17/18	18/19	19/20	20/21
		£'000	£'000	£'000	£'000	£'000
Chief Executive		-	-	-	-	-
Executive Director		-	-	-	-	-
Corporate Services		-	-	-	-	-
Director of Finance	1	100.00	(460.00)	360.00	-	-
Director of Technology & Corporate Programmes		-	-	-	-	-
Solicitor to the Council	2	(2.00)	-	-	-	-
Director of Transformation & Corporate Performance		-	-	-	-	-
Director of Communities, Planning & Partnerships	3	44.00	0.50	0.50	(45.00)	-
Director of Housing & Health		-	-	-	-	-
Director of Assets & Environment	4	172.65	-	-	-	-
<b>TOTAL</b>		<b>314.65</b>	<b>(459.50)</b>	<b>360.50</b>	<b>(45.00)</b>	<b>-</b>
<b>Cumulative</b>		<b>314.65</b>	<b>(144.85)</b>	<b>215.65</b>	<b>170.65</b>	<b>170.65</b>

	Sheet No.	Budget Changes	Budget Changes	Budget Changes	Budget Changes	Budget Changes
		16/17	17/18	18/19	19/20	20/21
		£'000	£'000	£'000	£'000	£'000
Housing Revenue Account	5	222.0	679.0	722.0	(1,280.0)	49.0
<b>TOTAL</b>		<b>222.0</b>	<b>679.0</b>	<b>722.0</b>	<b>(1,280.0)</b>	<b>49.0</b>
<b>Cumulative</b>		<b>222.0</b>	<b>901.0</b>	<b>1,623.0</b>	<b>343.0</b>	<b>392.0</b>

**Policy Changes Summary Staffing Implications**

DIRECTORATE	Sheet No.	Budget Changes	Budget Changes	Budget Changes	Budget Changes	Budget Changes
		16/17	17/18	18/19	19/20	20/21
		£'000	£'000	£'000	£'000	£'000
Chief Executive		-	-	-	-	-
Executive Director		-	-	-	-	-
Corporate Services		-	-	-	-	-
Director of Finance	1	-	-	-	-	-
Director of Technology & Corporate Programmes		-	-	-	-	-
Solicitor to the Council	2	-	-	-	-	-
Director of Transformation & Corporate Performance		-	-	-	-	-
Director of Communities, Planning & Partnerships	3	1.0	-	-	(1.0)	-
Director of Housing & Health		-	-	-	-	-
Director of Assets & Environment	4	-	-	-	-	-
<b>TOTAL</b>		<b>1.0</b>	<b>-</b>	<b>-</b>	<b>(1.0)</b>	<b>-</b>

	Sheet No.	Budget Changes	Budget Changes	Budget Changes	Budget Changes	Budget Changes
		16/17	17/18	18/19	19/20	20/21
		£'000	£'000	£'000	£'000	£'000
Housing Revenue Account	5	1.0	-	-	-	-
<b>TOTAL</b>		<b>1.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**DIRECTOR OF FINANCE**

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
				16/17	17/18	18/19	19/20	20/21
				£'000	£'000	£'000	£'000	£'000
DF1	OTHER	Corporate Finance - General Contingency	Contingency budget to allow for 'in year' decisions to be made by Cabinet and to provide for any potential further reductions in income as a result of the financial climate	100.0	(100.0)	-		
DF2	OTHER	Contribution from Transformation Reserve	Return of Transformation reserve funding to support revenue budget	-	(360.0)	360.0		
<b>Total New Items / Amendments</b>				<b>100.0</b>	<b>(460.0)</b>	<b>360.0</b>	-	-

**STAFFING IMPLICATIONS**

Item No		Proposal/(Existing Budget)	Implications	16/17	17/18	18/19	19/20	20/21
				FTE	FTE	FTE	FTE	FTE
<b>TOTAL</b>				-	-	-	-	-

**SOLICITOR TO THE COUNCIL**

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
SOL1	Cease provision of Mayoral hampers		(2.0)				
<b>Total New Items / Amendments</b>			<b>(2.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**STAFFING IMPLICATIONS**

Item No	Proposal/(Existing Budget)	Implications	16/17	17/18	18/19	19/20	20/21
			FTE	FTE	FTE	FTE	FTE
<b>TOTAL</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**DIRECTOR ASSETS & ENVIRONMENTAL SERVICES**

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
				16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
AE1	OTHER	Agile Working Project - Deferral of receipt of projected income	Marmion House Rental Income budget - reversal of planned income from letting of space. Marketing of property has seen no interest and current markets suggest that there is unlikely to be interest in the medium term. This is despite regional marketing.	74.8	-	-	-	-
AE2	OTHER	Agile Working Project - Deferral of receipt of projected income	Reduced income from service charges 3rd floor. Inability to let vacant space will mean that additional income from service charges will not be realised.	27.5	-	-	-	-
AE3	OTHER	Loss of income at Marmion House	Marmion House Rental Income budget - SCC/SSOTP vacate premises on 2nd floor 3rd quarter 2015/16. Space has been marketed but with no interest and no prospect of interest in the medium term. Also impacts on service charges.	18.0	-	-	-	-
AE4	OTHER	Loss of income at Marmion House	Reduced income from service charges 2nd floor. Inability to let vacant space will mean that additional income from service charges will not be realised.	22.5	-	-	-	-
AE5	OTHER	Revenue savings from closing non operational floors	Reduction in various costs such as lighting costs.	(0.1)	-	-	-	-
AE6	OTHER	Proposal to investigate replacement of the aging operational fleet of Council vehicles. These vehicles cover operational areas within Streetscene, Cemeteries, Arboricultural Services and Housing Caretakers	The current vehicle contract was awarded in 2007 for 5 years with annual extension clauses and is now at its full extent. The contract provides 23 vehicles across four service areas with a full maintenance service included. In order to continue delivery of these services we need to replace all vehicles. The existing revenue budget has been sufficient to fund these vehicles for the past eight years however it is anticipated that these prices will increase due to the time period since they were last reviewed, therefore we are seeking an additional £30,000 of revenue budget to ensure that there is no shortfall which prohibits the procurement process.  Should the current revenue budget be sufficient to facilitate the procurement of these vehicles then the £30,000 will be returned	30.0	-	-	-	-
<b>Total New Items / Amendments</b>				<b>172.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**STAFFING IMPLICATIONS**

Item No		Proposal/(Existing Budget)	Implications	16/17	17/18	18/19	19/20	20/21
				FTE	FTE	FTE	FTE	FTE
<b>TOTAL</b>				<b>38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## HOUSING REVENUE ACCOUNT

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
				16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
HRA1	STAT	Reduction in Social housing rents by 1% a year for four years from 2016/17	One of the announcements made as part of the Summer Budget 2015 was that Local Authorities and Registered Providers will be required to reduce Social housing rents by 1% a year for four years from 2016/17, requiring local authorities and housing associations to make savings - initial estimates have been prepared for inclusion pending receipt of the detailed regulations and guidance from DCLG	638.0	679.0	722.0	720.0	49.0
HRA2	SAV	Introduction of Service Charges from 1 April 2016 including appointment of a Service Charges Officer	Cabinet on 9 July 2015 approved the introduction of Service Charges to tenants and leaseholders in the Council's own stock - indicative estimates have been prepared for inclusion pending final calculations of the charges to be made for 2016/17	(416)				
HRA3	CORP	Reduced Contribution to Regeneration Reserve necessitated by reduced rental income	Reduced contribution following revised estimates following from the 1% rent reduction				(2,000)	
<b>Total New Items / Amendments</b>				<b>222.0</b>	<b>679</b>	<b>722</b>	<b>(1,280)</b>	<b>49</b>
<b>STAFFING IMPLICATIONS</b>								
Item No		Proposal/(Existing Budget)	Implications	16/17 FTE	17/18 FTE	18/19 FTE	19/20 FTE	20/21 FTE
HRA2		Introduction of Service Charges from 1 April 2016 including appointment of a Service Charges Officer	Officer required to administer Service Charges	1.0	-	-	-	-
<b>TOTAL</b>				<b>1.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

APPENDIX C

HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2015/16 – 2020/21

<i>Figures exclude internal recharges which have no bottom line impact.</i>	<b>Base 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>Budget 2020/21</b> £
<b>Chief Executive's Office</b>						
Director of Housing & Health	4,150,410	4,167,320	4,241,260	4,313,400	4,382,640	4,470,960
Director of Assets & Environment	(12,800)	(427,240)	(424,850)	(422,380)	(419,870)	(417,060)
HRA Summary	(1,065,250)	(3,379,580)	(3,162,450)	(2,628,570)	(3,957,250)	(3,893,050)
<b>Grand Total</b>	<b>3,072,360</b>	<b>360,500</b>	<b>653,960</b>	<b>1,262,450</b>	<b>5,520</b>	<b>160,850</b>



## General Fund Summary Revenue Budget for 2016/17

<i>Figures exclude internal recharges which have no bottom line impact.</i>	<b>Base Budget 2015/16 £</b>	<b>Technical Adjustments * £</b>	<b>Policy Changes £</b>	<b>Budget 2016/17 £</b>
Chief Executive	161,180	4,600	-	165,780
Executive Director Corporate Services	349,940	42,230	-	392,170
Director of Finance	(703,460)	(257,890)	100,000	(861,350)
Director of Technology & Corporate Programmes	879,940	23,990	-	903,930
Solicitor to the Council	551,070	18,460	(2,000)	567,530
Director of Transformation & Corporate Performance	897,090	(15,700)	-	881,390
Director of Communities, Planning & Partnerships	2,214,690	(26,080)	44,000	2,232,610
Director of Housing & Health	912,190	18,890	-	931,080
Director of Assets & Environment	3,201,000	(240,480)	172,700	3,133,220
<b>Total Cost of Services</b>	<b>8,463,640</b>	<b>(431,980)</b>	<b>314,700</b>	<b>8,346,360</b>
Transfer to / (from) Balances	(145,682)	(1,452,581)	-	(1,598,263)
Revenue Support Grant	(1,607,554)	397,951	-	(1,209,603)
Retained Business Rates	(13,181,129)	(189,851)	-	(13,370,980)
Less: Tariff payable	10,552,019	87,933	-	10,639,952
Collection Fund Surplus (Council Tax)	(81,670)	81,670	-	-
Collection Fund Surplus (Business Rates)	(728,023)	1,301,779	-	573,756
<b>Council Tax Requirement</b>	<b>(3,271,601)</b>	<b>205,079</b>	<b>(314,700)</b>	<b>(3,381,222)</b>

\* As detailed in Appendix E1

## General Fund Technical Adjustments

<i>Figures exclude internal recharges which have no bottom line impact</i>	Budget 2015/16	Technical Adjustments						External Recharge Changes (non-GF Activities) £	Total Adjustments £	Total Adjusted Base 2016/17
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £				
Chief Executive	161,180	-	-	80	390	4,230	(100)	4,600	165,780	
Executive Director Corporate Services	349,950	-	(20,000)	(2,350)	23,040	51,960	(10,430)	42,220	392,170	
Director of Finance	(703,450)	-	(189,870)	1,860	(104,750)	34,460	400	(257,900)	(961,350)	
Director of Technology & Corporate Programmes	879,940	-	-	9,260	(15,090)	7,420	22,400	23,990	903,930	
Solicitor to the Council	551,080	-	-	4,110	4,210	13,140	(3,010)	18,450	569,530	
Director of Transformation & Corporate Performance	897,080	(3,000)	(49,760)	1,560	4,870	27,310	3,330	(15,690)	881,390	
Director of Communities, Planning & Partnerships	2,214,690	-	(5,470)	(4,200)	(73,700)	57,290	-	(26,080)	2,188,610	
Director of Housing & Health	912,190	-	-	160	(14,380)	12,190	20,920	18,890	931,080	
Director of Assets & Environment	3,200,980	3,000	(137,250)	4,730	(252,210)	111,290	29,980	(240,460)	2,960,520	
<b>Grand Total</b>	<b>8,463,640</b>	-	<b>(402,350)</b>	<b>15,210</b>	<b>(427,620)</b>	<b>319,290</b>	<b>63,490</b>	<b>(431,980)</b>	<b>8,031,660</b>	

## HRA Technical Adjustments

<i>Figures exclude internal recharges which have no bottom line impact</i>	Budget 2015/16	Technical Adjustments						Total Adjustments £	Total Adjusted Base 2016/17
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	External Recharge Changes (non-GF Activities) £		
<b>Chief Executive's Office</b>									
Director of Housing & Health	4,150,410	-	-	16,930	(60,060)	90,290	(30,250)	16,910	<b>4,167,320</b>
Director of Assets & Environment	(12,800)	-	-	110	550	3,360	(2,460)	1,560	<b>(11,240)</b>
HRA Summary	(1,065,250)	-	(3,283,080)	74,330	256,420	-	-	(2,952,330)	<b>(4,017,580)</b>
<b>Grand Total</b>	<b>3,072,360</b>	-	<b>(3,283,080)</b>	<b>91,370</b>	<b>196,910</b>	<b>93,650</b>	<b>(32,710)</b>	<b>(2,933,860)</b>	<b>138,500</b>

## General Fund Five Year Revenue Budget Summary

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Budget 2016/17 £	Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
Chief Executive	165,780	168,130	170,500	172,920	177,220
Executive Director Corporate Services	392,170	394,070	395,430	396,250	405,410
Director of Finance	(861,350)	(1,462,680)	(1,754,430)	(1,932,690)	(1,685,120)
Director of Technology & Corporate Programmes	903,930	926,230	922,230	942,790	968,330
Solicitor to the Council	567,530	577,150	585,800	594,150	604,270
Director of Transformation & Corporate Performance	881,390	896,390	891,130	904,520	929,000
Director of Communities, Planning & Partnerships	2,232,610	2,306,400	2,178,630	2,104,500	2,125,320
Director of Housing & Health	931,080	939,390	946,300	950,600	956,310
Director of Assets & Environment	3,133,220	3,196,210	3,229,700	3,241,280	3,325,240
<b>Total Cost of Services</b>	<b>8,346,360</b>	<b>7,941,290</b>	<b>7,565,290</b>	<b>7,374,320</b>	<b>7,805,980</b>
Transfer to / (from) Balances	(1,598,263)	(740,223)	(951,534)	(1,408,313)	(2,285,815)
Revenue Support Grant	(1,209,603)	(770,996)	(493,964)	(184,529)	(0)
Retained Business Rates	(13,370,980)	(13,372,552)	(13,374,753)	(13,380,497)	(13,386,955)
Less: Tariff payable	10,639,952	10,849,222	11,169,283	11,526,273	11,802,904
Collection Fund Surplus (Council Tax)	-	-	-	-	-
Collection Fund Surplus (Business Rates)	573,756	(416,399)	(290,789)	(156,070)	(13,210)
<b>Council Tax Requirement</b>	<b>(3,381,222)</b>	<b>(3,490,342)</b>	<b>(3,623,533)</b>	<b>(3,771,184)</b>	<b>(3,922,904)</b>

## Appendix G

### Council Tax levels at each band for 2016/17

	Tamworth Council Tax 2015/16	Tamworth Borough Council	* Staffordshire County Council	* Office of the Police & Crime Commissioner (OPCC) Staffordshire	* Stoke on Trent and Staffordshire Fire and Rescue Authority	<b>Total 2016/17</b>	Total Council Tax 2015/16
	£	£	£	£	£	£	£
Demand/Precept on Collection Fund		3,381,222	21,892,341	3,712,759	1,441,540	<b>30,427,862</b>	
Council Tax Band							
A	105.73	107.83	698.19	118.41	45.97	<b>970.40</b>	968.30
B	123.36	125.81	814.55	138.14	53.64	<b>1,132.14</b>	1,129.69
C	140.98	143.78	930.92	157.88	61.30	<b>1,293.88</b>	1,291.08
<b>D</b>	<b>158.60</b>	<b>161.75</b>	<b>1,047.28</b>	<b>177.61</b>	<b>68.96</b>	<b>1,455.60</b>	<b>1,452.45</b>
E	193.84	197.69	1,280.01	217.08	84.28	<b>1,779.06</b>	1,775.21
F	229.09	233.64	1,512.74	256.55	99.61	<b>2,102.54</b>	2,097.99
G	264.33	269.58	1,745.47	296.02	114.93	<b>2,426.00</b>	2,420.75
H	317.20	323.50	2,094.56	355.22	137.92	<b>2,911.20</b>	2,904.90
% increase	1.99%	1.99%	0.00%	0.00%	0.00%	0.22%	1.71%

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

## General Fund Capital Programme

<b>General Fund Capital Programme</b>	<b>2016/17 £</b>	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>Total £</b>
Technology Replacement	60,000	60,000	60,000	60,000	60,000	<b>300,000</b>
Air Conditioning	32,000	-	-	-	-	<b>32,000</b>
Backup Solution	15,000	-	-	-	-	<b>15,000</b>
<b>Subtotal</b>	<b>107,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>347,000</b>
Private Sector Grants - Disabled Facilities Grants	250,000	250,000	250,000	250,000	250,000	<b>1,250,000</b>
CCTV Camera Renewals	15,000	15,000	15,000	15,000	15,000	<b>75,000</b>
Street Lighting	52,900	2,600	3,100	28,200	115,300	<b>202,100</b>
Cultural Quarter – Assembly Rooms	2,135,300	1,943,790	-	-	-	<b>4,079,090</b>
Cultural Quarter – Business Enterprise Centre	575,900	-	-	-	-	<b>575,900</b>
Cultural Quarter – Carnegie Centre	10,000	-	-	-	-	<b>10,000</b>
Cultural Quarter – Public Realm Works	-	-	229,040	-	-	<b>229,040</b>
Castle Mercian Trail	605,250	-	-	-	-	<b>605,250</b>
Gateways	784,000	370,000	280,000	-	-	<b>1,434,000</b>
<b>Subtotal</b>	<b>4,428,350</b>	<b>2,581,390</b>	<b>777,140</b>	<b>293,200</b>	<b>380,300</b>	<b>8,460,380</b>
<b>Total General Fund Capital</b>	<b>4,535,350</b>	<b>2,641,390</b>	<b>837,140</b>	<b>353,200</b>	<b>440,300</b>	<b>8,807,380</b>

<b>General Fund Capital Programme</b>	<b>2016/17 £</b>	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>Total £</b>
<b><u>Proposed Financing:</u></b>						
Grants - Disabled Facilities	224,000	224,000	224,000	224,000	224,000	<b>1,120,000</b>
Section 106 Receipts	284,000	100,000	-	-	-	<b>384,000</b>
General Fund Capital Receipts	461,200	214,800	7,500	-	-	<b>683,500</b>
Sale of Council House Receipts	90,000	103,300	166,600	129,200	216,300	<b>705,400</b>
General Fund Capital Reserve	-	20,200	-	-	-	<b>20,200</b>
Grants - Assembly Rooms (HLF)	579,090	-	-	-	-	<b>579,090</b>
Grants - Mercian Trail (HLF)	470,250	-	-	-	-	<b>470,250</b>
Grants - Assembly Rooms (SLGF)	1,961,810	798,260	-	-	-	<b>2,760,070</b>
Grants - Gateways (SLGF)	390,000	200,000	210,000	-	-	<b>800,000</b>
Grants - SCC (Assembly Rooms / Gateways)	40,000	-	-	-	-	<b>40,000</b>
Public Contributions (Assembly Rooms)	25,000	25,000	-	-	-	<b>50,000</b>
Other Contributions	10,000	-	-	-	-	<b>10,000</b>
<b>Unsupported Borrowing</b>	-	955,830	229,040	-	-	<b>1,184,870</b>
<b>Total</b>	<b>4,535,350</b>	<b>2,641,390</b>	<b>837,140</b>	<b>353,200</b>	<b>440,300</b>	<b>8,807,380</b>

## Housing Capital Programme

<b><u>Housing Revenue Account</u></b> <b><u>Capital Programme</u></b>	<b>2016/17</b> <b>£</b>	<b>2017/18</b> <b>£</b>	<b>2018/19</b> <b>£</b>	<b>2019/20</b> <b>£</b>	<b>2020/21</b> <b>£</b>	<b>TOTAL</b> <b>£</b>
Structural Works	100,000	100,000	100,000	100,000	100,000	<b>500,000</b>
Bathroom Renewals	774,250	795,540	817,420	839,900	850,000	<b>4,077,110</b>
Gas Central Heating Upgrades and Renewals	536,250	514,000	420,000	550,000	460,000	<b>2,480,250</b>
Kitchen Renewals	919,430	944,710	970,690	997,380	900,000	<b>4,732,210</b>
High Rise Lift Renewal	342,460	349,990	-	-	-	<b>692,450</b>
Fire Upgrades to Flats	265,460	-	-	-	-	<b>265,460</b>
Energy Efficiency Improvements	50,000	50,000	-	-	-	<b>100,000</b>
Major Roofing Overhaul and Renewals	156,770	161,080	165,510	170,060	174,310	<b>827,730</b>
Window and Door Renewals	250,000	250,000	250,000	250,000	250,000	<b>1,250,000</b>
Works to High Rise Flats	525,000	525,000	525,000	-	-	<b>1,575,000</b>
General Estate Works	100,000	-	-	-	-	<b>100,000</b>
Disabled Facilities Adaptations	307,500	315,960	324,650	333,580	341,920	<b>1,623,610</b>
Capital Salaries	169,310	173,040	176,840	180,730	180,000	<b>879,920</b>
CDM Fees	10,170	5,000	5,000	5,000	5,000	<b>30,170</b>
Regeneration Schemes						
Tinkers Green	2,162,050	6,640,000	1,634,000	-	-	<b>10,436,050</b>
Kerria	848,150	1,810,640	3,805,250	-	-	<b>6,464,040</b>
Redevelopment of Garage sites	1,600,000	3,000,000	3,000,000	3,000,000	3,000,000	<b>13,600,000</b>
Other acquisitions	1,000,000	500,000	500,000	500,000	500,000	<b>3,000,000</b>
<b>Total HRA Capital</b>	<b>10,116,800</b>	<b>16,134,960</b>	<b>12,694,360</b>	<b>6,926,650</b>	<b>6,761,230</b>	<b>52,634,000</b>
<b><u>Proposed Financing:</u></b>						
Major Repairs Reserve	4,406,600	4,184,320	4,855,110	3,426,650	3,256,230	<b>20,128,910</b>
HRA Capital Receipts	868,200	250,000	955,000	1,000,000	1,500,000	<b>4,573,200</b>
Regeneration Revenue Reserves	679,000	5,008,640	3,516,300	1,300,000	1,355,000	<b>11,858,940</b>
Capital Receipts from Add Council House Sales	780,000	650,000	450,000	300,000	300,000	<b>2,480,000</b>
Regeneration Reserve	1,141,000	1,070,000	2,917,950	900,000	350,000	<b>6,378,950</b>
Unsupported Borrowing	2,242,000	4,972,000	-	-	-	<b>7,214,000</b>
<b>Total</b>	<b>10,116,800</b>	<b>16,134,960</b>	<b>12,694,360</b>	<b>6,926,650</b>	<b>6,761,230</b>	<b>52,634,000</b>



## Main Assumptions

Inflationary Factors	2016/17	2017/18	2018/19	2019/20	2020/21
Inflation Rate - Pay Awards	1.00%	1.00%	1.00%	1.00%	2.00%
National Insurance	10.50%	10.50%	10.50%	10.50%	10.50%
Superannuation	16.50%	16.50%	16.50%	16.50%	16.50%
Inflation Rate (RPI)	2.00%	2.50%	2.50%	2.75%	2.75%
Inflation Rate (CPI)	1.53%	1.93%	2.00%	2.00%	2.00%
Investment Rates	1.25%	1.75%	2.00%	2.75%	3.00%
Base Interest Rates	0.75%	1.25%	1.75%	2.00%	2.00%

1. Pay award – it has been assumed that public sector pay will be capped at 1% for 4 years from 2016/17, in line with announcement in the Summer Budget 2015, 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. Revised estimates for rent allowance / rent rebate subsidy levels have been included;
4. Changes to the level of recharges between funds has been included;
5. A reduction in Revenue Support Grant levels to zero by 2020 following the Chancellor's Summer Budget in July 2015 (which indicated further £18bn cuts to public service spending by 2019/20). The outcome from the Comprehensive Spending Review was published on 25<sup>th</sup> November 2015 with the impact for the Council confirmed by DCLG as part of the *Local Government Finance Settlement* provisional announcement in December 2015.
6. Continuation of the New Homes Bonus scheme – including additional receipts from new developments (including Anker Valley and the Former Golf Course Site);
7. Increased investment income returns due to higher balances including the anticipated capital receipt from the sale of the Former Golf Course;
8. The Government has not yet indicated its policy regarding council tax bills being frozen for the next year. It is unknown if a grant will be available to authorities that agree to freeze or reduce Council Tax in 2016/17;
9. 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;
10. Annual year-on-year pension cost increases of c.2% via the pension lump sum element for past liabilities have been included (for 3 years following SCC triennial review in 2013).
11. Reduction in rent levels by 1% due to the Summer Budget announcement & current indications that sales of council houses will be approximately 50 per annum.

## Sensitivity Analysis

	Risk	Potential Budgetary Effect				
		2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>Pay Award / National Insurance (GF)</b>						
Impact +/- 0.5% Variance £'000	L	43	87	132	177	222
Budget Impact over 1 year	L	43				
Budget Impact over 3 years	M	262				
Budget Impact over 5 years	H	661				
<b>Pay Award / National Insurance (HRA)</b>						
Impact +/- 0.5% Variance £'000	L	13	27	41	54	69
Budget Impact over 1 years	L	13				
Budget Impact over 3 years	L	81				
Budget Impact over 5 years	M	204				
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	58	116	174	234
Budget Impact over 1 year	L	0				
Budget Impact over 3 years	L	174				
Budget Impact over 5 years	H	582				
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	46	94	143	194	246
Budget Impact over 1 year	L	46				
Budget Impact over 3 years	M	283				
Budget Impact over 5 years	H	723				
<b>Government Grant</b>						
Impact +/- 1.0% Variance £'000	L	39	72	99	120	136
Budget Impact over 1 year	L	39				
Budget Impact over 3 years	M	210				
Budget Impact over 5 years	H	466				

	Risk	Potential Budgetary Effect				
		2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>Investment Interest</b>						
Impact +/- 0.5% Variance £'000	L	145	315	511	706	875
Budget Impact over 1 year	L	145				
Budget Impact over 3 years	H	971				
Budget Impact over 5 years	H	2552				
<b>Key Income Streams (GF)</b>						
Impact +/- 0.5% Variance £'000	L	6	12	20	28	37
Budget Impact over 1 year	L	6				
Budget Impact over 3 years	L	38				
Budget Impact over 5 years	L	103				
<b>Key Income Streams (HRA)</b>						
Impact +/- 0.5% Variance £'000	L	88	177	265	353	441
Budget Impact over 1 years	L	88				
Budget Impact over 3 years	H	530				
Budget Impact over 5 years	H	1324				
<b>New Homes Bonus</b>						
Impact +/- 10% Variance £'000	L	65	129	191	251	311
Budget Impact over 1 year	L	65				
Budget Impact over 3 years	M	385				
Budget Impact over 5 years	H	947				
<b>Business Rates</b>						
Impact +/- 10% Variance £'000	L	67	134	201	267	334
Budget Impact over 1 year	L	67				
Budget Impact over 3 years	M	402				
Budget Impact over 5 years	H	1003				

**Contingencies 2016/17 - 2020/21**

<b>Revenue</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Specific Earmarked &	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General					
<b>General Fund</b>					
<b>Specific Contingencies</b>					
Vacancy Allowance	50	50	50	50	50
General Contingency	100	-	42	97	190
<b>Total General Fund Revenue</b>	<b>150</b>	<b>50</b>	<b>92</b>	<b>147</b>	<b>240</b>
<b>Housing Revenue Account</b>					
HRA - General Contingency	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>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Specific Earmarked &	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General					
<b>General Fund</b>					
<b>Specific Contingencies</b>					
General Capital Contingency	-	-	-	-	-
<b>Total General Fund Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Housing Revenue Account</b>					
<b>Specific Contingencies</b>					
HRA - General Capital Contingency	-	-	-	-	-
<b>Total HRA Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>