

CABINET

19th January 2017

JOINT SCRUTINY COMMITTEE (BUDGET)

24th January 2017

Report of the Leader of the Council

DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2017/18 to 2021/22

Purpose

To approve the draft package of budget proposals (**attached at Appendix A**) to consult with the Joint Scrutiny Committee (Budget) on 24th January 2017 and receive their feedback on the:

- General Fund Revenue (GF) Budget and Council Tax for 2017/18;
- Housing Revenue Account (HRA) Budget for 2017/18;
- 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 24th January 2017 be requested to consider the budget proposals contained within this report.**

Executive Summary

Based on the draft budget assumptions contained within the report, the headline figures for 2017/18 are:

- A General Services Net Cost of Services of £9,386,450 an increase of 11% compared to 2016/17;
- A transfer of £1,953,771 from General Fund balances;
- A transfer of £335,480 from HRA balances;
- The Band D Council Tax would be set at £166.75, an increase of £5.0 (3.09% - £0.10 per week) on the level from 2016/17 of £161.75;
- A 1% reduction in average rent, (1% on the 2016/17 average rent of £87.38) in line with the Government's requirement to reduce rents by 1% p.a. for the 4 years from 2016/17 (based on a 48 week rent year);
- A General Fund Capital Programme of £4.37m for 5 years;
- A Housing Capital Programme of £50.53m (including c.£31.5m relating to the Regeneration Projects) for 5 years.

Currently projections identify:

1. a General Fund shortfall of £846k over 3 years (with a shortfall of £4.829m over 5 years), including the minimum approved level of £0.5m;

Further savings of around £0.28m p.a. will be required over the next 3 years (based on annual £5 increases in Council Tax) with savings of £1.0m p.a. required over 5 years. On an annualised basis this would equate to a year on year ongoing saving of £141k over 3 years (£322k over 5 years).

2. a HRA surplus of £3.0m over 3 years (with a surplus of £2.4m over 5 years) including the minimum recommended balances of £0.5m.

Key Risks

- Impact of uncertain economic conditions, following the decision to leave the EU – there is a higher level of uncertainty than in previous budget setting processes. It is suggested that, given the uncertainty, there should be no knee jerk reactions – with a clear plan to focus on balancing the next 3 years' budget position for the General Fund (5 years for the HRA);
- Achievement of the anticipated growth in business rates income – in line with the assumed baseline and tariff levels set;

- Uncertainty remains over the work progressing on the system for Councils to keep 100% of the business rates collected by 2020 (and the associated impact on the Council's business rates income and associated baseline and tariff levels);
- Delivery of the planned Commercial Investment Strategy actions and associated improved investment returns of 3 – 5% p.a. arising from the investment of £24m from the capital receipt due to be received over the period 2016 – 2018 from the sale of the former golf course (to support the MTFS in the long term);
- Work is continuing on a number of actions to address the GF shortfall to inform the final MTFS proposals for consideration by Council in February 2017 - **further savings of around £0.28m p.a. will be required** over the next 3 years (based on annual £5 increases in Council Tax) with savings of £1.0m p.a. required over 5 years. On an annualised basis this would equate to a year on year ongoing saving of £141k over 3 years (£322k over 5 years);
- Achievement of anticipated growth in new homes within the Borough and the associated dependency on the New Homes Bonus income to address / reduce the funding shortfall for the General Fund;
- Finalisation of the provisional Local Government Finance Settlement allocations;
- Implementation of planned £5 p.a. increase in Council tax levels;
- Challenge to continue to achieve high collection rates for council tax, business rates and housing rents – in light of further austerity, economic conditions and uncertainty.

Background

As a relatively small and primarily urban local authority, the Council has planned and managed its journey through the recession and austerity period with considerable credit to date.

The budget setting process has faced significant constraints in Government funding in recent years - over 50% in real terms since 2010 - and the last 12 months have been as challenging as previous years if not more so. The 4 year Local Government Finance Settlement confirmed in February 2016 that austerity measures are to continue with Revenue Support Grant (RSG) all but eradicated for most Councils by 2020 – and suggests that the key challenges that the Council is currently addressing are likely to become greater.

The Government has made a clear commitment to provide central funding allocations for each year of the Spending Review period by making an offer to any council that wished to take it up, of a four-year funding settlement to 2019/20 – and also said that, as part of the move to a more self-sufficient local government, these multi-year settlements can provide a degree of funding certainty and stability.

Council on 23rd February approved acceptance of this offer and as such, this was notified to the Department for Communities and Local Government (DCLG) in March 2016 – DCLG formally confirmed acceptance of the offer on 16th November 2016.

This sustained reduction in government grant and the wider constraints placed upon local government to balance their budgets are directly affecting the sustainability of services. Perhaps of even greater significance is the coincidental and unprecedented increase in demand for public services. The consequence in simple terms is that the gap between demand and the Council's ability to supply grows and the cost of meeting the growing demand becomes the deficit.

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 further proposed changes in Local Government funding arising from an ongoing review of the Business Rates Retention system - as well as other changes arising from the Government's Welfare Reform agenda (including local support for Council Tax).

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

Significantly, this is as much a testament to the skills and commitment of our workforce and our partners' collaboration as it is to the actions and decisions of the Joint Executive Management Team. This period, considered one of the most challenging in post war times, coincided with the Council recording one of its most successful periods of achievement in terms of Customer Satisfaction; measured performance; project delivery and financial management.

What makes these achievements 'special' is that they were delivered in parallel with the largest and most complex Transformation programme which in itself, resulted in multi-million pound efficiencies.

In an attempt to provide a clear 'route map' for the transition from surviving to thriving, the Council has designed and adopted a series of strategic plans, policies and processes. Cabinet, on 22nd August 2013, endorsed the overarching document '**Planning for a Sustainable Future**' as the strategy for meeting the challenges forecast for the Council's Medium Term Financial Strategy (MTFS) which, through the achievement of targets and outcomes associated with the work streams, enabled the organisation to generate significant efficiencies without there being any large scale impact upon the delivery of essential services.

The Sustainability Strategy delivered more than just 'big ticket' efficiencies, it brought about changes to working models, cultures and processes – Agile Working; Demand Management; Joint Working; Shared Services; Locality Delivery/ Commissioning all contributed to our journey.

All that said, the plans, processes and strategies that have guided the organisation to date required a review and refresh if elected members were to respond to the feedback from local people and shift the trajectory from sustainability towards sustained viability.

This meant a fundamental review of the '**Corporate Strategic Framework**' (Route Map from Surviving to Thriving) and Council at the meeting on 23rd February 2016 approved the revised Strategic Framework including the Vision, Priority Themes, Corporate Objectives and Outcomes for inclusion in the Corporate Plan; Corporate Support Plan and Medium Term Financial Strategy.

The adoption of 'Demand Management' as the primary operating model and the targeting of resources via locality based commissioning and delivery has enabled greater effectiveness in service delivery as evidenced by customer satisfaction, award winning services and of course, the management of the Council's finances.

Through its implementation, the Council will have far greater control upon the alignment of services or 'supply' to the increased needs and expectations of the public or 'demand'.

Key to this will be the application of existing and new technology to capture, collate and analyse customer insight, intelligence and data so as to understand not just the 'need' but the cause, behaviours or decisions creating the need.

Then by the application of locality based commissioning for example, it can commission services that either intervene or prevent future need thereby reducing demand. The report entitled '**Creating Opportunities from an Uncertain Future**' is available to all Members and is available to the public.

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 26th 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.

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

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

The attached forecast is based on a 5 year period, but does contain a number of uncertainties.

Since the 2016/17 MTFS was approved in February 2016, the people of the UK have taken the decision to leave the European Union.

What happens next – and the implications for businesses and organisations in the UK – is less clear. There will be a wide range of dynamic factors at play over the coming months and years that will impact on the Council.

After initial market volatility, we can expect a period of instability and uncertainty. It is important to bear in mind that very little changes immediately and so, the Council, along with businesses, charities and other public bodies, should start considering the mid to long term opportunities whilst the dust settles.

It should be noted that we are still in the early days following the EU vote and that the economic situation is still very uncertain.

The updated economic forecast shows a prolonged period of low (if not negative) interest rates – which could potentially mean a significant impact to the MTFS, given the current investment balances and the receipt of the funds from the sale of the former golf course to support the MTFS.

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

Based on the draft budget assumptions contained within the report, the headline figures for 2017/18 are:

- A General Services Net Cost of Services of £9,386,450 an increase of 11% compared to 2016/17;
- A transfer of £1,953,771 from General Fund balances;
- A transfer of £335,480 from HRA balances;
- The Band D Council Tax would be set at £166.75, an increase of £5.0 (3.09% - £0.10 per week) on the level from 2016/17 of £161.75;
- A 1% reduction in average rent, (1% on the 2016/17 average rent of £87.38) in line with the Government's requirement to reduce rents by 1% p.a. for the 4 years from 2016/17 (based on a 48 week rent year);
- A General Fund Capital Programme of £4.4m for 5 years;
- A Housing Capital Programme of £50.5m (including c.£31.5m relating to the Regeneration Projects) for 5 years.

Currently projections identify:

1. a General Fund shortfall of £0.8m over 3 years (with a shortfall of £4.8m over 5 years), including the minimum approved level of £0.5m;

Further savings of around £0.28m p.a. will be required over the next 3 years (based on annual £5 increases in Council Tax) with savings of £1.0m p.a. required over 5 years. On an annualised basis this would equate to a year on year ongoing saving of £141k over 3 years (£322k over 5 years).

2. a HRA surplus of £3.0m over 3 years (with a surplus of £2.4m over 5 years) including the minimum recommended balances of £0.5m.

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

- a) Potential further changes to future New Homes bonus levels following the recent Government announcement on the future of the scheme. The Government have confirmed as part of the Local Government Finance Settlement for 2017/18 that payments will reduce from 6 years to 5 years from 2017/18 and 4 years from 2018/19 and a 'deadweight' level of growth will be applied whereby payments will only be made should housing growth be over and above this level (confirmed as 0.4% of the Band D equivalents in an area – higher than in the proposal within the original consultation of 0.25%. However, due to the prudent risk aware approach to budgeting for new homes bonus (given the uncertainties), the prudency rates have been amended to reflect the increased certainty for the ongoing operation of the scheme which will mean a minimal overall effect of the changes;
- b) Future Revenue Support Grant levels for future years following the vote to leave the EU. The budget setting process has faced significant constraints in Government funding in recent years - over 50% reduction since 2010.

The 4 year Local Government Finance Settlement confirmed in February 2016 that austerity measures are to continue with Revenue Support Grant (RSG) all but eradicated for most Councils by 2020.

The Government made a clear commitment to provide central funding allocations for each year of the Spending Review period by making an offer to any council that wished to take it up, of a four-year funding settlement to 2019/20 – and also said that, as part of the move to a more self-sufficient local government, these multi-year settlements can provide a degree of funding certainty and stability.

Council on 23rd February approved acceptance of this offer and as such, this was notified to the Department for Communities and Local Government (DCLG) in March 2016 – DCLG formally confirmed acceptance of the offer in November 2016.

The impact for the Council will be confirmed by DCLG as part of the *Local Government Finance Settlement* in February 2017 following a provisional announcement in December 2016 in which RSG levels were unchanged;

- c) The impact of Business Rate Reform from 1st April 2013 and the associated forecast business rates receivable in 2016/17 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 revaluation in 2017 (and the associated impact on the Council's business rates income and associated baseline and tariff levels) and the work progressing on the system for Councils to keep 100% of the business rates collected by 2020.

Uncertain economic conditions within the UK economy, following the decision to leave the EU, may also lead to a suppression of business growth and investment – together with the associated impact on Business Rate growth and employment.

In addition, the calculation of the level of business rate appeal costs will impact on the forecast level of retained business rates – of which the Council has to fund 40% from its own budgets – a provision of £4.3m was set aside at the end of 2015/16 (40% of which relates to the Council);

- d) 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. £200k p.a. 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.
- e) 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 vacancy allowance);
- f) While the Government announced a pay cap for 2014/15 & 2015/16, a 2.2% increase (plus other changes) was agreed from 1st January 2015. As part of the Summer Budget announcements in 2015, a 1% pay cap for public sector workers for the next 4 years was set.
In addition, from April 2016, a new compulsory National Living Wage for the over 25s was introduced to replace the National Minimum Wage. The National Living Wage was set at £7.20 with effect from April 2016, and it will rise over the next four years to £9.00 per hour in 2020.
- g) Proposed changes set out in the Welfare Reform Act 2012 and the introduction of Universal Credit – impact on housing benefits and associated income receipts (including Housing Rents and Council Tax) of the Council;
- h) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management;

- i) Due to uncertainties around the Better Care Fund, a significant risk on the current grant funding for Disabled Facilities Grants (DFG) is highlighted after 2016/17.

A grant of £224k p.a. has been assumed to be redistributed – in line with the funding notified for 2015/16;

- j) Waste Management - reduction in recycling credit payments from Staffordshire County Council (SCC) arising from savings budgeted within their MTFS, c. £223k p.a. from 2019/20 (& potentially earlier) - subject to investigation of potential mitigating actions.

According to the SCC MTFS the current spend on Recycling credits is around £8.5m. There is already a SCC MTFS proposal around reducing this spend by £1.5m p.a. by 2019/20 in conjunction with the Districts specifically with regard to the treatment of Green Waste.

- 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);
- l) The potential 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 – the Government have confirmed that implementation of this initiative will be optional for 2017/18. 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 should it be implemented in 2017/18;
- 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 'Plan for a Sustainable Future' overarching strategy to identify measures to help the Council cope with grant & income reductions in the coming years - potential savings arising from the Sustainability Plan workstreams have been included;
- o) Inclusion of expected outcomes from development of the Commercial Investment Strategy;
- p) Review and finalisation of the revised budgets/policy changes and feedback from the scrutiny process – including the Council Tax increase for 2017/18.

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

Options Considered

As part of the budget setting process a number of options for the council tax increase levels for 2017/18 and future years have been modelled / considered.

Council Tax	Option Modelled / Considered
Model 1	£5.00 increase in Council tax in 2017/18 (followed by increases of £5.00 p.a.) (Proposed Option)
Model 2	1.99% increase in Council tax in 2017/18 (followed by increases of c.1.99% p.a.)
Model 3	0% increase in Council tax in 2017/18 (followed by increases of c.1.99% p.a.)
Model 4	2.5% increase in Council tax in 2017/18 (followed by increases of 2.5% thereafter)
Model 5	0% increase in Council tax in 2017/18 (followed by increases of 0% thereafter)
Model 6	1% increase in Council tax in 2016/17 (followed by increases of 1% thereafter)

Rent	Option Modelled / Considered
Statutory Requirement	Reduction of 1% (in line with the statutory requirement)

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 2017/18, appears at **Appendix D**. A summary of the resulting budgets over the five year period appears at **Appendix F**.

The draft Budget and Medium Term Financial Strategy is based on a council tax increase of £5 for 2017/18 (the maximum permitted under the Government set limits to avoid a referendum) followed by increases at £5 p.a. thereafter & in line with statutory requirements. The Forecast projects a General Fund shortfall of £0.8m over 3 years (£4.8m over 5 years).

It should be noted that in order to ensure General Fund balances remain above the minimum approved level of £0.5m over 5 years **Further savings of around £0.28m p.a. will be required** over the next 3 years (based on annual £5 increases in Council Tax) with savings of £1.0m p.a. required over 5 years. On an annualised basis this would equate to a year on year ongoing saving of £141k over 3 years (£322k over 5 years).

The summary HRA Revenue Budget for 2017/18 appears at **Appendix C** (including a summary of the resulting budgets over the 5 year period). Closing balances over 3 years are estimated at £3.0m (£2.4m 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 2016, 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 2016, included at this stage are detailed within the report.

Options

Work is continuing on a number of actions to address the GF shortfall to inform the final MTFS proposals for consideration by Council in February 2017:

- Delivering Quality Services project – the demand management approach to shift demand to more efficient methods of service delivery - online, automation (Interactive voice response, IVR);
- recruitment freeze – temporary 12 month appointments are now only being made; there is a robust re-justification process in place for all vacant posts with a requirement to investigate alternative options including restructuring to fill vacancies / looking at what we can stop doing;
- Spend freeze – Managers have previously been require to restrict / limit spending to essential spend only (there was a £2m underspend in 2015/16 – although the majority was windfall income, c. £0.75m was lower level underspend);
- Alternative investment options arising from the Commercial Investment Strategy (as well as the Treasury Management Investment Strategy, including any prudential borrowing opportunities) to generate improved returns of c.3 - 5% p.a. (plus asset growth) including:
 - Set up of trading company to develop new income streams;
 - Local investment options – Lower Gungate / Solway Close development;
 - Investments in a diversified Property Fund;
 - Investments in a diversified Investment Vehicle (property, shares etc.);

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

- Review of reserves / creation of fund for transformation costs (if needed), and
- Targeted Savings – Members to identify potential areas for review.

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

- Completion of the Business Rates forecast / NNDR1 statutory return;
- Finalisation of the Policy changes;
- Inclusion of potential returns from the options arising from the Commercial Investment Strategy;
- Identification of further savings options;
- Finalisation of the Pensions contributions – including a review on the potential return should the Council 'pre-pay' future contributions.

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

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

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

Legal / Risk Implications

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

In line with the constitution a Joint Scrutiny Budget Workshop was held on 1st December 2016.

In order to allow Scrutiny Committees to respond to the Cabinet on the outcome of their deliberations, a meeting of the Scrutiny Committee (Budget) has been arranged for 24th January 2017.

Proposed amendments to the 2016/17 base budget, approved by Council on 23rd February 2016, are detailed within the report.

Risks to Capital and Revenue Forecasts:

Risk	Control Measure
Major variances to the level of grant / subsidy from the Government (including specific grants e.g. Benefits administration, Business Rates Section 31 funding); (High)	Sensitivity modelling undertaken to assess the potential impact in the estimation of future grant levels; (Medium / High)
New Homes Bonus grant levels lower than estimated; Continuation of the scheme with revisions has been confirmed – further changes are possible in future years. Achievement of forecast growth in housing numbers / reduced void levels; (High/Medium)	Future levels included on a risk based approach in order to offset further grant reductions / uncertainty over additional property numbers; (Medium)
Potential ‘capping’ of council tax increases by the Government or local Council Tax veto / referendum; (Medium)	Current indications are that increases of 2% or £5 and above risk ‘capping’ (confirmed as 2% or £5 for District Councils for 2016/17); (Low)
The achievement / delivery of substantial savings / efficiencies will be needed to ensure sufficient resources will be available to deliver the Council’s objectives through years 4 to 5. Ongoing; (High)	A robust & critical review of savings proposals will be required / undertaken before inclusion within the forecast; 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). (High/Medium)
Pay awards greater than forecast; (Medium)	Public sector pay cap announced as part of the Summer Budget 2015 - 1% increase p.a. for 4 years from 2016/17; (Medium / Low)
Pension costs higher than planned / adverse performance of pension fund; (Medium)	Regular update meetings with Actuary; Increases of c.£200k p.a. with a new ‘lump sum’ element have been included following triennial review (during 2016 for 2017/18) for 3 years; (Medium)
Assessment of business rates collection levels to inform the forecast / budget (NNDR1) and estimates of appeals, mandatory & discretionary reliefs, cost of collection, bad debts and collection levels; New burdens (Section 31) grant funding for Central Government policy changes – including impact on levy calculation;	Robust estimates included to arrive at collection target. Ongoing proactive management & monitoring will continue; Business Rates Collection Reserve - provision of reserve funding to mitigate impact of any changes in business rate income levels;

Risk	Control Measure
<p>Potential changes to the Business Rates Retention system by the DCLG following the announcement for Councils to keep 100% of the business rates collected by 2020;</p> <p>(High)</p>	<p>Monitoring of the situation / regular reporting;</p> <p>(High / Medium)</p>
<p>Local Council Tax Reduction scheme implementation – potential yield changes and maintenance of collection levels;</p> <p>(High)</p>	<p>Robust estimates included. Ongoing proactive management & monitoring (including a quarterly healthcheck on the implications on the organisation – capacity / finance) will continue;</p> <p>(High / Medium)</p>
<p>Achievement of income streams in line with targets e.g. treasury management interest, car parking, planning, commercial & industrial rents etc.;</p> <p>(High / Medium)</p>	<p>Robust estimates using a zero based budgeting approach have been included;</p> <p>(Medium)</p>
<p>Achievement of increased returns (c.3 - 5% p.a.) and asset growth from the Commercial Investment Strategy:</p> <ul style="list-style-type: none"> • Set up of trading company to develop new income streams; • Local investment options – Lower Gungate / Solway Close development; • Investment in a diversified Property Fund; • Investment in a diversified Investment Vehicle (property, shares etc.); <p>(High / Medium)</p>	<p>A robust business case approach will be required and estimates included using a zero based budgeting approach;</p> <p>(Medium)</p>
<p>Delivery of the capital programme (GF / HRA – including Regeneration schemes) dependent on funding through capital receipts and grants (including DFG funding through the Better Care Fund);</p> <p>(High / Medium)</p>	<p>Robust monitoring and evaluation – should funds not be available then schemes would not progress;</p> <p>(Medium)</p>
<p>Dependency on partner organisation arrangements and contributions e.g. Waste Management (SCC/LDC). Potential cost of c.£223k p.a. should changes be made by SCC.</p> <p>(High / Medium)</p>	<p>Memorandum of Understanding in place with LDC.</p> <p>Potential mitigation options available for changes to green waste scheme.</p> <p>(Medium)</p>

Report Author

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

Background Papers:-	Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2016/17, Council 23rd February 2016
	Budget and Medium Term Financial Planning Process, Cabinet 28th July 2016
	Budget Consultation Report, Cabinet 3rd November 2016
	Leaders Budget Workshop, 1st December 2016
	Draft Base Budget Forecasts 2017/18 to 2021/22, Cabinet 24th November 2016

Summary of Appendices

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HRA Budget Summary 2017/18 – 2021/22	C
General Fund Summary Revenue Budget 2017/18	D
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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 2017/18 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 2016/17 budget to arrive at the starting point for 2017/18. 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 2017/18 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; and
- Making other savings and efficiencies.

Financial Background

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

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

There are a number of challenges affecting the Medium Term Financial Planning process for the period from 2017/18 to 2021/22 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%	44	263	663	M/H
Pension Costs	0.5%	57	345	871	M/H
Council Tax	0.5%	17	109	288	L/M
Inflation / CPI	0.5%	48	292	743	M/H
Government Grant	1.0%	38	215	512	M/H
Investment Interest	0.5%	260	1644	4141	H
Key Income Streams	0.5%	6	42	110	L
New Homes Bonus	10%	32	245	757	H
Business Rates	0.5%	64	391	991	H

GENERAL FUND

Future Revenue Support Grant & Business Rate income

On 15 December 2016, the Secretary of State for the Department for Communities and Local Government, Rt. Hon. Sajid Javid MP, made a statement to Parliament on the provisional local government finance settlement (LGFS) 2017/18.

This followed the confirmation received during November 2016 that the Government had accepted the Councils application for a four-year funding settlement to 2019/20.

The National Core Spending Power figures are detailed below and include the Settlement Funding Assessment (SFA); Council Tax; the Improved Better Care Fund; New Homes Bonus (NHB); Transitional Grant; Rural Services Delivery Grant; and the Adult Social Care Support Grant. The table shows the national changes to Core Spending Power between 2016/17 and 2019/20. It shows a reduction of 1.1% for 2017/18 and an overall increase for the period 2016/17 to 2019/20 of 0.4%.

Core Spending Power National Position	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Settlement Funding Assessment	21,250	18,601	16,632	15,599	14,584
Council Tax	22,036	23,247	24,623	26,082	27,629
Improved Better Care Fund	-	-	105	825	1,500
New Homes Bonus	1,200	1,485	1,252	938	900
Rural Services Delivery Grant	16	81	65	50	65
Transition Grant	-	150	150	-	-
Adult Social Care Support Grant	-	-	241	-	-
Core Spending Power	44,502	43,564	43,068	43,494	44,678
Change %		(2.1)%	(1.1)%	1.0%	2.7%
Cumulative change %		(2.1)%	(3.2)%	(2.3)%	0.4%

For future years, it has been assumed that there will be a reduction in Revenue Support Grant to 2019/20 in line with that notified within the Final LGFS for 2016/17, confirmed as unchanged as part of the 2017/18 LGFS, as detailed below.

BASE BUDGET	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Revenue Support Grant	770,996	493,964	184,529	-	-
% Reduction		(36)%	(63)%	(100)%	-

Business Rates

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.

The 2017/18 provisional finance settlement represents the fifth year in which the Business Rates Retention (BRR) scheme is the principal form of local government funding. As in the previous years, the provisional settlement provides authorities with a combination of provisional grant allocations and their baseline figures within the BRR scheme.

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

The Council received additional business rates during 2013/14 (above forecast / baseline) and had to pay a levy of £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 Council received additional business rates during 2015/16 (above forecast / baseline) and had to pay a levy of £534k.

The latest estimates for 2016/17 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 1st 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.

Levy / Section 31 Grant	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
NNDR Levy payment to GBSLEP (20%)	632,820	507,240	359,690	261,550	160,010
Section 31 Grant income	(314,390)	(327,380)	(339,940)	(353,670)	(367,380)

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

BASELINE	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£
Budgeted Funding:					
Retained Business Rates	13,031,478	13,415,917	13,844,714	14,176,987	14,517,235
Less: Tariff payable	(10,849,222)	(11,169,283)	(11,526,273)	(11,802,904)	(12,086,174)
Total	2,182,256	2,246,634	2,318,441	2,374,083	2,431,061
% Increase	2.0%	3.0%	3.2%	2.4%	2.4%
Provisional Settlement Funding (December 2016):					
Retained Business Rates	11,975,563	12,360,849	12,800,526	13,107,739	13,422,325
Less: Tariff payable	(9,791,708)	(10,106,733)	(10,466,231)	(10,717,421)	(10,974,639)
Total	2,183,855	2,254,116	2,334,295	2,390,318	2,447,686
% Increase	2.0%	3.2%	3.6%	2.4%	2.4%
Increase / (Decrease)	1,599	7,482	15,854	16,235	16,625

As identified above, the Business Rates Baseline for 2017/18 is marginally higher than expected at £2.18m. 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 £1.6k higher than expected in 2017/18 – the overall reduction in Government Support is 11.8% (as expected in our assumed reduction). The position over 5 years is better by £58k.

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

BASE BUDGET	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£
Budgeted Funding:					
Retained Business Rates	13,982,727	14,103,007	14,224,161	14,346,404	14,469,882
Less: Tariff payable	(10,849,222)	(11,169,283)	(11,526,273)	(11,802,904)	(12,086,174)
Total	3,133,505	2,933,724	2,697,888	2,543,500	2,383,708
% Increase / (Decrease)	19.5%	(6.4)%	(8.0)%	(5.7)%	(6.3)%
Provisional Settlement Funding (December 2016):					
Retained Business Rates	12,856,133	13,113,256	13,375,521	13,643,031	13,915,892
Less: Tariff payable	(9,791,708)	(10,106,733)	(10,466,231)	(10,717,421)	(10,974,639)
Total	3,064,425	3,006,523	2,909,290	2,925,610	2,941,253
% Increase / (Decrease)	16.9%	(1.9)%	(3.2)%	0.6%	0.5%
Increase / (Decrease) Total	(69,080)	72,799	211,402	382,110	557,545

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

BASE BUDGET	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£
Budgeted Funding:					
Revenue Support Grant	770,996	493,964	184,529	-	-
Retained Business Rates	13,982,727	14,103,007	14,224,161	14,346,404	14,469,882
Less: Tariff payable	(10,849,222)	(11,169,283)	(11,526,273)	(11,802,904)	(12,086,174)
Total	3,904,501	3,427,688	2,882,417	2,543,500	2,383,708
% Increase / (Decrease)	1.9%	(12.2)%	(15.9)%	(11.8)%	(6.3)%
Provisional Settlement Funding (December 2016):					
Revenue Support Grant	770,996	493,964	184,529	-	-
Retained Business Rates	12,856,133	13,113,256	13,375,521	13,643,031	13,915,892
Less: Tariff payable	(9,791,708)	(10,106,733)	(10,466,231)	(10,717,421)	(10,974,639)
Total	3,835,421	3,500,487	3,093,819	2,925,610	2,941,253
% Increase / (Decrease)	0.1%	(8.7)%	(11.6)%	(5.4)%	0.5%
Increase / (Decrease)	(69,080)	72,799	211,402	382,110	557,545

The table shows that overall funding should be c.£69k less than expected in 2017/18 (but £1.2m more than expected 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 2016. A separate report on this agenda is due to consider the latest forecast for Business Rates (the statutory NNDR1 return) once finalised – prior to final sign off by the statutory deadline of 31st January 2017.

There are still significant uncertainties - specifically the treatment of:

- The level of inflation affecting the future increases to the multiplier;
- Forecast levels of growth in business rates;
- The estimated level of mandatory and discretionary reliefs;
- 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;

To inform the projected business rates levels for 2017/18 and future years.

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

New Homes Bonus (NHB)

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 scheme was subject to a consultation paper in December 2015. This paper outlined a number of potential changes to the scheme, including a change in the scheme's funding. This change moved from having an open-ended funding amount (based on the number of new homes) to a finite amount that could not be exceeded. The funding for the scheme over the period 2017/18 to 2019/20 was also announced, these amounts being:

2017/18	£1,493m
2018/19	£938m
2019/20	£900m

The following modelling on the consultation proposals was undertaken and indicated a potential loss of grant funding of £0.2m over 3 years should the Government implement all aspects of the consultation proposals:

Modelling	2016/17	2017/18	2018/19
	£'000	£'000	£'000
Reduction in scheme payments from 6 to 5 Years from 2017/18:			
Revised Forecast	651	601	697
(Increase) / Decrease in grant	(2)	40	(78)
(Increase) / Decrease over 3 years			(40)
Reduction in scheme payments from 6 to 4 Years from 2017/18:			
Revised Forecast	651	493	697
(Increase) / Decrease in grant	(2)	149	(78)
(Increase) / Decrease over 3 years			69
As above plus a 'Deadweight' allowance of 0.25% of Taxbase:			
Budgeted	651	445	602
(Increase) / Decrease in grant	(2)	197	17
(Increase) / Decrease over 3 years			212

This excluded the further option to restrict scheme payments to 2 or 3 years.

The 2017/18 allocations reflect the outcome of the consultation. The government has made/proposed the following changes to the scheme:

- Funding is reduced by £241m in 2017/18 (funding remains at pre-announced levels for 2018/19 and 2019/20).
- Funding will be reduced from 6 years to 5 years in 2017/18.
- Funding will then reduce to 4 years for 2018/19 onwards.
- From 2018/19, the government will consider withholding payments from local authorities that are not *“planning effectively, by making positive decisions on planning applications and delivering housing growth”*.
- A consultation is planned regarding withholding payments for homes that are built following an appeal.

It is important to note that:

- For authorities below the 0.4% threshold for growth (like Tamworth for 2017/18), it is only the “in-year” element of funding that is not received i.e. they will still receive the historic payments. For 2017/18, this will mean that an authority will still receive payments for the four previous years.

- The allocations for 2018/19 and 2019/20 are indicative and will be reliant on any further changes to the scheme and growth locally.

New Homes Bonus income forecasts were subsequently updated (including changes in forecast new home increases) and included within the base budget as detailed in the table below.

The implementation of the proposed reforms to the scheme will mean that the length of New Homes Bonus payments will be reduced from 6 years to 5 years in 2017/18 and 4 years from 2018/19. Revised forecasts are also shown in the table below. It was assumed within the base budget that it would be 4 years from 2017/18 which means the Council will be better off by c.£53k in 2017/18.

BASE BUDGET NHB	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
MTFS Budget	641,590	618,350	602,350	602,350	602,350
Reduced / Additional (-) income	321,254	202,423	(48,778)	(154,914)	(234,880)
Base Budget	320,336	415,927	651,128	757,264	837,230
<i>Risk Weighting applied</i>	100%	75%	50%	50%	50%
Revised forecast	373,156	331,365	667,177	754,150	870,767
(Gain) / Loss	(52,820)	84,561	(16,050)	3114	(33,537)
<i>Revised Risk Weighting applied</i>	100%	75%	75%	50%	50%

However, from 2017/18 the national baseline for housing growth below which New Homes Bonus will not be paid was set at 0.4% (reflecting a percentage of housing that would have been built anyway). The Government will retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth. It had been assumed that a 'deadweight' factor of 0.25% would be implemented, in line with the consultation – but as the Government have increased this to 0.4% then the Council will be worse off in future years.

The impact on the MTFS over 3 years would be £135k loss (£345k loss over 5 years). However, due to the prudent risk aware approach to budgeting for new homes bonus (given the uncertainties), the prudency rates have been amended to reflect the increased certainty for the ongoing operation of the scheme.

This results in an overall loss to the MTFS of £16k over 3 years (but a gain of £15k over 5 years).

Technical Adjustments

Revisions have been made to the 2016/17 base budget in order to produce an adjusted base for 2017/18 and forecast base for 2018/19 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	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Base Budget B/Fwd	8,460	9,330	9,448	8,607	8,999
Committee Decisions	35	(3)	(722)	323	74
Inflation	34	32	31	49	53
Other	841	16	(268)	(215)	(167)
Pay Adjustments (Including pay award / reduction of 5% for vacancy allowance)	6	73	118	235	227
Revised charges for non-general fund activities	(46)	-	-	-	-
Total / Revised Base Budget	9,330	9,448	8,607	8,999	9,186

* () denotes saving in base budget

Policy Changes

The policy changes provisionally agreed by Council in February 2016 have been included within the technical adjustments for 2017/18 onwards. **A list of the proposed new policy changes for 2017/18 is summarised below:**

Policy Changes Identified	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
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	-	-	-	-
Apprenticeship Levy - Amount required under Government legislation (GF impact)	33.0	33.0	33.0	34.0	34.0
Deferral of savings from review of Senior Management - net of the removal of the DCPD vacant post	200.0	70.0	70.0	70.0	70.0
West Midlands Combined Authority (WMCA) - contribution towards ongoing costs	25.0	25.0	25.0	25.0	25.0
Revised New Homes Bonus Grant	(52.82)	84.56	(16.05)	3.11	(33.54)
Negotiated savings in Pensions costs arising from Advance payment	-	(120.0)	-	-	-
Interest element of Capital Receipt from sale of Former Golf Course	(166.0)	(49.0)	-	-	-
Vacancy Allowance Contingency Budget	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
Contribution from Building Repairs Fund	(53.2)	(53.2)	(53.2)	(53.2)	-
Revenue Implications of Capital Programme - Recharge of costs to Business Improvement District levy	5.0	(11.4)	(11.6)	(11.8)	(12.0)
To extend the current temporary two-year contract of the Training Officer by a year, funded by income generated by providing training courses to external organisations.	10.0	18.0	-	-	-

Policy Changes Identified	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Income budget to be established to offset additional cost of above proposal	(10.0)	(18.0)	-	-	-
Revenue Implications of Capital Programme - Efficiencies in Disaster Recovery and Hardware Maintenance costs	-	(10.0)	(10.0)	(10.0)	(10.0)
To make the post of Scrutiny & Corporate Support Officer a permanent full-time position on the establishment	13.5	13.5	13.5	13.5	13.5
To provide additional ongoing funding to support the provision of the Shopmobility service currently provided by MAP	5.0	5.0	5.0	5.0	5.0
Revenue Implications of Capital Programme - Time Recording Scheme - ongoing maintenance & development costs	-	4.0	4.0	4.0	8.0
Removal of the DCPD vacant post	(70.0)	(70.0)	(70.0)	(70.0)	(70.0)
Homelessness Prevention activity – proposals to add 2 members of staff for enhanced service delivery arrangements within the Housing Solutions Team	70.5	70.5	-	-	-
It is proposed to make the existing temporary regeneration post a permanent role	-	-	45.0	46.0	46.0
Staffing costs associated with the capital programme / disposal, creation or acquisition of assets can be capitalised	-	-	(45.0)	(46.0)	(46.0)
Revised Waste Management arrangement costs - Reflects impact of reduction in income from sale of recyclate	60.0	60.0	60.0	60.0	60.0
Replacement contract for the operational vehicle fleet	(64.0)	(64.0)	(64.0)	(64.0)	(64.0)
Total New Items / Amendments	55.98	(62.04)	(64.35)	(44.39)	(24.04)

Capping / Local Referendum

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

Consideration of the likely level of Council Tax increases over the 5-year period is needed to avoid the potential costs of holding a referendum and to ensure that balances are maintained at the minimum approved level of £500k.

Council Tax

Last year's medium term financial plan identified ongoing increases of 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.

The indication is that the 'capping' threshold will be the higher of £5 or 2.0% - following a freeze in 2011/12 & 2012/13 and a below 2% increase since then.

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

Model 1 Impact of £5 increase in Council Tax in 2017/18 (followed by £5 p.a.)

Year:	2017/18	2018/19	2019/20	2020/21	2021/22
Forecast:	£'000	£'000	£'000	£'000	£'000
Surplus (-) /Deficit	1,954	2,209	1,579	1,978	2,005
Balances Remaining (-) / Overdrawn	(3,442)	(1,233)	346	2,324	4,329
£ Increase	5.00	5.00	5.00	5.00	5.00
% Increase	3.09%	3.00%	2.91%	2.83%	2.75%
Note: Resulting Band D Council Tax	166.75	171.75	176.75	181.75	186.75

which indicates a potential shortfall in balances of £0.8m over 3 years (£4.8m over 5 years) further savings of approx. £0.3m per annum over 3 years would have to be identified.

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

Model 2 Impact of 1.99% increase in Council Tax in 2017/18 (followed by increases of 1.99% thereafter)

Year:	2017/18	2018/19	2019/20	2020/21	2021/22
Forecast:	£'000	£'000	£'000	£'000	£'000
Reduction in Council Tax £	38	75	111	146	180
Revised Surplus (-) /Deficit	1,992	2,284	1,690	2,124	2,185
Balances Remaining (-) / Overdrawn	(3,404)	(1,120)	570	2,694	4,879
£ Increase	3.22	3.29	3.35	3.41	3.49
% Increase	1.99%	1.99%	1.99%	1.99%	1.99%
Note: Resulting Band D Council Tax	164.97	168.26	171.61	175.02	178.51

which indicates a potential shortfall in balances of £1.1m over 3 years (with a shortfall of £5.4m over 5 years) further savings of approx. £0.4m per annum over 3 years would have to be identified.

Model 3 Impact of 0% increase in Council Tax in 2017/18 (followed by increases of 1.99% thereafter)

Year:	2017/18	2018/19	2019/20	2020/21	2021/22
Forecast:	£'000	£'000	£'000	£'000	£'000
Reduction in Council Tax £	105	143	181	218	254
Revised Surplus (-) /Deficit	2,059	2,352	1,760	2,196	2,259
Balances Remaining (-) / Overdrawn	(3,337)	(985)	775	2,971	5,230
£ Increase	0.00	3.22	3.28	3.35	3.42
% Increase	0.00%	1.99%	1.99%	1.99%	1.99%
Note: Resulting Band D Council Tax	161.75	164.97	168.25	171.6	175.02

which indicates a potential shortfall in balances of £1.3m over 3 years (£5.7m over 5 years) further savings of approx. £0.4m per annum over 3 years would have to be identified.

Model 4 Impact of 2.5% increase in Council Tax in 2016/17 (followed by increases of 2.5% thereafter)

Year:	2017/18	2018/19	2019/20	2020/21	2021/22
Forecast:	£'000	£'000	£'000	£'000	£'000
Reduction in Council Tax £	19	37	53	67	82
Revised Surplus (-) /Deficit	1,973	2,246	1,632	2,045	2,087
Balances Remaining (-) / Overdrawn	(3,423)	(1,177)	455	2,500	4,587
£ Increase	4.10	4.20	4.30	4.40	4.40
% Increase	2.5%	2.5%	2.5%	2.5%	2.5%
Note: Resulting Band D Council Tax	165.85	170.05	174.35	178.75	183.15

which indicates a potential shortfall in balances of £1.0m over 3 years (£5.1m over 5 years) further savings of approx. £0.3million per annum would have to be identified.

Model 5 Impact of 0% increase in Council Tax in 2016/17 (followed by increases of 0% thereafter)

Year:	2017/18	2018/19	2019/20	2020/21	2021/22
Forecast:	£'000	£'000	£'000	£'000	£'000
Reduction in Council Tax £	105	212	321	432	545
Revised Surplus (-) /Deficit	2,059	2,421	1,900	2,410	2,550
Balances Remaining (-) / Overdrawn	(3,337)	(916)	984	3,394	5,944
£ Increase	0.00	0.00	0.00	0.00	0.00
% Increase	0.0%	0.0%	0.0%	0.0%	0.0%
Note: Resulting Band D Council Tax	161.75	161.75	161.75	161.75	161.75

which indicates a potential shortfall in balances of £1.5m over 3 years (£6.4m over 5 years) further savings of approx. £0.5m per annum would have to be identified.

Model 6 Impact of 1% increase in Council Tax in 2016/17 (followed by increases of 1% thereafter)

Year:	2017/18	2018/19	2019/20	2020/21	2021/22
Forecast:	£'000	£'000	£'000	£'000	£'000
Reduction in Council Tax £	72	144	217	291	366
Revised Surplus (-) /Deficit	2,026	2,353	1,796	2,269	2,371
Balances Remaining (-) / Overdrawn	(3,370)	(1,017)	779	3,048	5,419
£ Increase	1.61	1.63	1.65	1.66	1.68
% Increase	1.00%	1.00%	1.00%	1.00%	1.00%
Note: Resulting Band D Council Tax	163.36	164.99	166.64	168.30	169.98

which indicates a potential shortfall in balances of £1.3m over 3 years (£5.9m over 5 years) further savings of approx. £0.4million 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 business rates element but it is estimated that there will be a surplus of £0.75m within the Collection Fund for Council Tax in 2017/18 – this will be updated following finalisation of the estimated surplus/deficit calculations in January 2017.

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)	(80)	-	-	-	-
Collection Fund Surplus (Business Rates)	-	-	-	-	-

The County Council, OPCC and Fire & Rescue Authority are due to finalise their budgets for 2017/18 during February 2017. The impact of the Borough Council tax proposals is shown for each Council Tax Band in **Appendix G**.

Balances

At the Council meeting on 23rd February 2016 Members approved a minimum working level of balances of £0.5m. At 31st March 2017 General Fund revenue balances are estimated to be £5.4m. 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 2017/18, appears at **Appendix D**.

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

Using the funding forecast and assuming increases in Council Tax of £5 per annum for 2017/18 onwards, the five year base budget forecast is as follows:

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Estimated Net Cost of Services	9,330	9,448	8,607	8,999	9,186
Proposed Policy Changes / Additional Costs Identified	56	(62)	(64)	(44)	(24)
Net Expenditure	9,386	9,386	8,542	8,955	9,162
Financing:					
RSG	(771)	(494)	(185)	-	-
Collection Fund Surplus (Council Tax)	(80)	-	-	-	-
Collection Fund Surplus (Business Rates)	-	-	-	-	-
Tariff Payable	9,792	10,107	10,466	10,717	10,975
Non Domestic Ratepayers	(12,856)	(13,113)	(13,376)	(13,643)	(13,916)
Council Tax Income (Model 1)	(3,517)	(3,677)	(3,870)	(4,051)	(4,215)
Gross Financing	(7,433)	(7,177)	(6,963)	(6,977)	(7,157)
Surplus(-) / Deficit	1,954	2,209	1,579	1,978	2,005
Balances Remaining (-) / Overdrawn	(3,442)	(1,233)	346	2,324	4,329
Per Council, 23 rd February 2016	(2,334)	(608)	-	-	-
Band D equivalents	20,951	21,266	21,751	22,147	22,430

Indicating a potential shortfall in General fund balances of approx. £0.8m over 3 years (£2.8m over 4 years & £4.8m over the 5 year period) - including the minimum approved level of £0.5m.

HOUSING REVENUE ACCOUNT

Technical Adjustments

The 2016/17 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 2017/18.

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

Technical Adjustments	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Base Budget	368	357	1,455	491	367
Committee Decisions	441	633	(933)	49	-
Inflation	127	131	134	153	157
Other	(650)	280	(209)	(404)	(325)
Pay Adjustments	48	54	44	78	74
Revised charges for non-general fund activities	23	-	-	-	-
Total / Revised Base Budget	357	1,455	491	367	273

Revisions have been made to the 2016/17 base budget in order to produce an adjusted base for 2017/18 and forecast base for 2018/19 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	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Apprentice Levy	10	10	10	11	11
Rents for Supported Accommodation increased by CPI + 1%	(31)	(31)	(31)	(31)	(31)
Negotiated savings in Pensions costs arising from Advance payment	-	(37)	-	-	-
Total New Items / Amendments	(21)	(58)	(21)	(20)	(20)

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

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Estimated Net (Surplus) / Deficit	357	1,455	491	367	273
Proposed Policy Changes / Additional Costs Identified	(21)	(58)	(21)	(20)	(20)
Surplus (-) / Deficit	336	1,397	470	347	253
Balances Remaining (-) / Overdrawn	(4,828)	(3,431)	(2,961)	(2,614)	(2,361)
Per Council, 23 rd February 2016	(2,330)	(1,059)	(1,045)	(875)	-

Indicating Housing Revenue Account (HRA) balances of £3.0m over 3 years (with a surplus of £2.4m over 5 years) including the minimum recommended balances of £0.5m).

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;
- Delivery of regeneration programme to planned timescales;
- The effect of service charges implementation;
- 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);
- The potential 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 – the Government have confirmed that implementation of this initiative will be optional for 2017/18. Local Authorities will have to repay the rent subsidy that they recover from high income tenants to the Exchequer;
- Any impact from the sale of high value council housing scheme should it be implemented in 2017/18; and
- 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.

Following various articles in the professional press, particularly reports from National Housing Federation (NHF) in January 2016; DCLG sent an update to Local Authorities on 8th February 2016. The Government's note set out further detail in relation to the sale of high value vacant housing (detailed in the Housing & Planning Bill) and further clarification with regard to the 1% reduction in social rents for 4 years (2016-2020).

The Government announced that it would put in place a one-year exemption for all supported accommodation whilst they review this area of supported accommodation. The exemption has subsequently been confirmed for future years.

The Government identified a range of accommodation which would benefit from the exclusion - for the Council this includes its sheltered housing and supported accommodation for young people – totalling 385 units of council owned stock.

"Specialised supported housing" means supported housing:

- (a) which is designed, structurally altered, refurbished or designated for occupation by, and made available to, residents who require specialised services or support in order to enable them to live, or to adjust to living, independently within the community,
- (b) which offers a high level of support, which approximates to the services or support which would be provided in a care home, for residents for whom the only acceptable alternative would be a care home,

- (c) which is provided by a private registered provider under an agreement or arrangement with
- (i) a local authority, or
 - (ii) the health service within the meaning of the National Health Service Act 2006(d),
- (d) in respect of which the rent charged or to be charged complies with the agreement or arrangement mentioned in paragraph (c), and
- (e) in respect of which either
- (i) there was no public assistance, or
 - (ii) if there was public assistance, it was by means of a loan secured by means of a charge or a mortgage against a property.

The Government has referred LA's to the 'Housing our Ageing population: Panel for innovation' report, as well as to rent guidance and amendments allowing for a 10% increase above social rents for supported accommodation.

The Government's expectation is that rents will not increase by more than CPI + 1% where the exemption is applied.

Rents for Supported Accommodation were frozen at 2015/16 levels.

For 2017/18 to 2019/20, it has been assumed at all rents will fall by 1% - with the exception of rents for supported accommodation where rents increase by CPI + 1% where the exemption is applied.

Balances

The forecast level of balances at 31st March 2017 is £5.2m. The impact on balances of the adjustments outlined in this report would be as follows:

Balances	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Proposed Withdrawal from / Addition to (-) Balances	336	1,397	470	347	253
Balances Remaining (-) / Overdrawn	(4,828)	(3,431)	(2,961)	(2,614)	(2,361)

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 2017/18 to 2021/22

Capital Programme

Following a review of the Capital Programme approved by Council on 23rd February 2016, 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.

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

With regard to the contingency schemes/allocation, **£50k** remains in current year GF contingency funds and **£100k** remains in current year HRA contingency funds (which will be re-profiled into 2017/18 to provide contingency funding).

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

General Fund

The forecast has highlighted that sufficient resources will be available to finance all of the GF schemes submitted – subject to use of part of the capital receipt from the Golf Course sale (c.£100k).

The minimum approved level of capital balances is £0.5million with GF capital balances of **£846k** predicted by 2021/22, **£855k** over the 3 years to 2019/20 (including £445k tranche 1 Golf Course capital receipts), **net £410k**. This excludes the further tranches of Golf Course capital receipt payments of £24.2m (less the revenue interest element).

It is estimated that approximately £4.4m (excluding the £0.5m approved minimum balance) will be needed during the period to 2021/22 for future capital spending (including the usable capital receipts generated from the sale of council housing).

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

The capital programme has been reviewed and updated:

General Fund

a) Technology Replacement

A revised capital submission had been prepared for £77k in 2017/18 (with £60k p.a. from 2018/19) for ongoing, large scale upgrade and maintenance to the TBC infrastructure, in line with agreed device lifecycles. Additional to this internal demand, external factors including legislative requirements from central government in the guise of the Public Sector Network (PSN) and Government Code of Connection, have resulted in required investment into static and mobile device management and security (the provisional programme included £60k p.a. from 2017/18). Payback through savings of c. £10k p.a. from year 2.

b) BID Software

An additional scheme for £17.4k in 2017/18 has been included following a report to Cabinet seeking Members approval to progress a Business Improvement District for Tamworth Town Centre and Ventura Park (with payback of additional income of c. £12k p.a. from year 2).

Should a BID progress (subject to further feasibility work / a ballot of local businesses) the Council will be responsible for billing, collection and recovery for the BID Levy.

There will be an initial capital requirement to set up the BID billing system, which will include a module add-on for our current Capita system and consultancy support to get this module operational.

ICT are to be consulted on the new software requirements.

c) Self service

An additional scheme for £115k in 2017/18 has been included to enable customers to self-serve routine and basic enquires via our telephony systems and via an online portal without the need for an officer's intervention.

There are 2 elements to the scheme:

- 1) automated Direct Debits (Telephony system), £65k;
- 2) automated Direct Debits for on-line portal, £50k

There are planned savings of £100k p.a. from year 2 (less £20k p.a. ongoing costs) in addition to those already included with the base budget (of which customer services had already delivered c.£50k);

-
- The additional savings (4 FTE) are expected to be delivered from Revenues, Benefits & Housing service areas – however, this is subject to further clarification / confirmation as:
 - There appears to have been a lack of consultation with those service areas;
 - Housing already have an online portal via the Orchard system;
 - Benefits already have an online e-forms;
 - The front line staff for the demand identified for Benefits and Revenues has already transferred to the Customer Services Team.
-

d) Civil Contingencies Technology

An additional scheme for £19k in 2017/18 has been included as Tamworth Borough Council is a Tier 1 Responder under the Civil Contingencies Act and as such, must provide a level of preparedness and ability to respond in the event of an incident. One of the key requirements of this service is the ability to operate Incident Control facilities which can be deployed by ourselves, or any other public body. Little investment has been made in this arena and recent multi agency activities have re-enforced the need for this investment to ensure the organisation can fulfill legislative obligations.

It was clarified that this scheme was for the technological infrastructure only and did not include for any refurbishment / furniture.

e) New Time Recording System

An additional scheme for £15k in 2017/18 has been included to source a replacement product for the current clocking system including new hardware. The current contract expires on 31st March 2017.

The new product will need to integrate with the current Itrent HR & Payroll to prevent double entry of data and provide a user friendly employee and manager experience using self service module. Solution will also need to be able to roster and predict resource levels to meet customer demand.

It was clarified that there is an option to extend given the 31st March contract expiry.

The appraisal suggests efficiencies will be made by avoiding duplication – potential non-cashable savings to be quantified / a return on the investment achieved.

f) Disabled Facilities Grants

The provisional programme included £250k p.a.

Due to uncertainties around the Better Care Fund and budgetary issues at SCC, a significant risk on the current grant funding was highlighted. An ongoing £224k p.a. has been assumed to be redistributed.

g) CCTV Camera Renewals

An updated appraisal has not been prepared – AB clarified the funding is required for the rolling replacement of cameras, subject to the results of a condition survey during 2016/17. A budget of £29k is currently available in 2016/17 following re-profiling from 2015/16.

h) Street Lighting

An updated appraisal has not been prepared – following inclusion of a rolling programme with an annual spend required from 2016/17. The Council has its own stock of street lighting across the borough, mainly in housing areas and other communal parts such as play areas and car parks. The street lighting assets are inspected and maintained by Eon on behalf of the Council under the terms of Staffordshire County Council PFI contract with Eon.

Eon have produced a replacement street lighting programme which spans 40 years and 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.

There is no requirement for 2021/22.

i) Cultural Quarter / Assembly Rooms

The scheme business case has not been revised to reflect the current situation.

Revised figures (excluding SCC spend) are being prepared for inclusion.

j) Gateways

An updated appraisal has not been prepared – the provisional programme included £70k (net cost to the Council) in 2017/18 and 2018/19 which will draw in funding and professional support from SCC – with plans for significant capital works in future years (funded mainly by SCC through the Regional Growth Fund / section 106 receipts. SCC spend removed from TBC budgets. AB to confirm S106 funding.

Housing

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

The majority of the Housing capital programme has not changed from that provisionally approved (pending updated stock conditional survey information). It has been updated to include the new year 5 costs for 2021/22 (at the same level as 2020/21) and an additional scheme for Garage refurbishments.

It is estimated that the proposed Housing capital programme can be financed from forecast usable capital receipts, the major repairs allowance and revenue contributions/reserves. It is estimated that approx. **£0.5m** will remain in housing capital resources by 2019/20 with **£1.0m** at the end of the 5 year programme.

It is estimated that approximately £50.5m (excluding the £0.5m approved minimum balance) will be needed during the period to 2021/22 for future capital spending (the 'headroom' in line with the HRA Government Debt Cap is £11.3m).

The capital programme has been reviewed and updated:

Housing Revenue Account

a) Retention of Garage Sites

An additional scheme for 3 years from 2017/18 has been included to invest in retained garages to meet demand and to provide alternative uses including parking areas.

It was agreed that a feasibility study is needed in 2017/18 to identify:

- Where there is demand for garage sites;
- Where there is demand for parking areas; and
- Alternative uses where there is no demand (new build, disposal etc.);

to inform a business case for refurbishment / demolition. A budget of £150k for 2017/18 followed by £500k for 2 the following years has been included.

b) Tinkers Green / Kerria

The budget will be updated following the tender results.

c) Development Housing on Garage Sites / Other Acquisitions

Funding of £3m p.a. from 2017/18 has been provisionally approved for Redevelopment of Garage Sites for housing with £0.5m p.a. for other housing acquisitions. It was agreed that the funding balance needs to be reviewed to reflect potential redevelopment / acquisition levels.

d) Neighbourhood Regeneration – £100k included for 2017/18 only.

Key

	Can proceed to next stage
	Further information to be provided to inform next stage
	Project request rejected

Policy Changes Summary

DIRECTORATE	Sheet No.	Budget Changes	Budget Changes	Budget Changes	Budget Changes	Budget Changes
		17/18	18/19	19/20	20/21	21/22
		£'000	£'000	£'000	£'000	£'000
Chief Executive		-	-	-	-	-
Executive Director		-	-	-	-	-
Corporate Services		-	-	-	-	-
Director of Finance	1	40.98	(112.02)	68.19	19.96	16.35
Director of Technology & Corporate Programmes	2	-	(10.00)	-	-	-
Solicitor to the Council	3	13.50	-	-	-	-
Director of Transformation & Corporate Performance	4	5.00	4.00	-	-	4.00
Director of Communities, Planning & Partnerships	5	(70.00)	-	-	-	-
Director of Communities, Partnerships & Housing	6	70.50	-	(70.50)	-	-
Director of Growth, Assets & Environment	7	(4.00)	-	-	-	-
TOTAL		55.98	(118.02)	(2.31)	19.96	20.35
Cumulative		55.98	(62.04)	(64.35)	(44.39)	(24.04)
	Sheet No.	Budget Changes	Budget Changes	Budget Changes	Budget Changes	Budget Changes
		17/18	18/19	19/20	20/21	21/22
		£'000	£'000	£'000	£'000	£'000
Housing Revenue Account	8	(21.40)	(37.00)	37.00	1.00	-
TOTAL		(21.40)	(37.00)	37.00	1.00	-
Cumulative		(21.40)	(58.40)	(21.40)	(20.40)	(20.40)

Policy Changes Summary Staffing Implications

DIRECTORATE	Sheet No.	Budget Changes	Budget Changes	Budget Changes	Budget Changes	Budget Changes
		17/18	18/19	19/20	20/21	21/22
		£'000	£'000	£'000	£'000	£'000
Chief Executive		-	-	-	-	-
Executive Director		-	-	-	-	-
Corporate Services		-	-	-	-	-
Director of Finance	1	-	-	-	-	-
Director of Technology & Corporate Programmes	2	1.0	(1.0)	-	-	-
Solicitor to the Council	3	0.5	-	-	-	-
Director of Transformation & Corporate Performance	4	-	-	-	-	-
Director of Communities, Planning & Partnerships	5	-	-	-	-	-
Director of Communities, Partnerships & Housing	6	2.0	-	(2.0)	-	-
Director of Growth, Assets & Environment	7	-	-	1.0	-	-
TOTAL		3.5	(1.0)	(1.0)	-	-

	Sheet No.	Budget Changes	Budget Changes	Budget Changes	Budget Changes	Budget Changes
		17/18	18/19	19/20	20/21	21/22
		£'000	£'000	£'000	£'000	£'000
Housing Revenue Account	8	-	-	-	-	-
TOTAL		-	-	-	-	-

17/18 Budget Process - Policy Changes				Sheet 1				
DIRECTOR OF FINANCE								
Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
				17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'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	100.00	(100.00)	-	-	-
DF2	STAT	Apprenticeship Levy	Amount required under Government legislation (GF impact)	33.00	-	-	1.00	-
DF3	SAV	Deferral of Senior Management Review	Deferral of savings from review of Senior Management - net of the removal of the DCPD vacant post (See Policy Change CPP2)	200.00	(130.00)	-	-	-
DF4	OTHER	West Midlands Combined Authority (WMCA) - contribution towards ongoing costs	At the meeting of the WMCA programme Board on 13 November 2015, it was agreed that Non-Constituent Authorities contribute £25k for 2016/17 - at the Finance Directors meeting on 29 September 2016 it was indicated that this is likely to be an ongoing commitment.	25.00	-	-	-	-
DF5	STAT	Revised New Homes Bonus Grant	Scheme changes provisionally confirmed December 2016	(52.82)	137.38	(100.61)	19.16	(36.65)
DF6	VFM	Negotiated savings in Pensions costs arising from Advance payment	Option to pay 3 years pension lump sum element in advance in April 2017 (£157k saving - £120k GF)	-	(120.00)	120.00	-	-
DF7	SAV	Interest element of Capital Receipt from sale of Former Golf Course	Due to the deferred sale receipts in September 2016, 2017 & 2018 - part of the receipt accounted for as interest	(166.00)	117.00	49.00	-	-
DF8	SAV	Vacancy Allowance Contingency Budget	Saving as budget not used	(50.00)	-	-	-	-
DF9	SAV	Contribution from Building Repairs Fund	Return of part of the fund balance over 4 years	(53.20)	-	-	-	53.20
DF10	SAV	Revenue Implications of Capital Programme	Recharge of costs to Business Improvement District levy	5.00	(16.40)	(0.20)	(0.20)	(0.20)
Total New Items / Amendments				40.98	(112.02)	68.19	19.96	16.35
STAFFING IMPLICATIONS								
Item No		Proposal/(Existing Budget)	Implications	17/18 FTE	18/19 FTE	19/20 FTE	20/21 FTE	21/22 FTE
DF3	SAV	Deferral of Senior Management Review	Deferral of savings from review of Senior Management - net of the removal of the DCPD vacant post (See Policy Change CPP2)	TBA	TBA	-	-	-
TOTAL				-	-	-	-	-

DIRECTOR TECHNOLOGY & CORPORATE PROGRAMMES

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
				17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000
TC1	VFM	To extend the current temporary two-year contract of the Training Officer by a year, funded by income generated by providing training courses to external organisations.	Budgetary funding for the current post holder ends Dec 2017. It is requested that a further year's funding for the position is provided, offset by an additional income budget to be established with a view to making the post self-financing, by providing training courses to external organisations.	10.0	8.0	(18.0)	-	-
TC2	VFM	Income budget to be established to offset additional cost of above proposal	Training courses to be provided to external organisations - if this proves successful a business case to be drawn up to retain the above post.	(10.0)	(8.0)	18.0	-	-
TC3	VFM	Revenue Implications of Capital Programme	Efficiencies in Disaster Recovery and Hardware Maintenance costs	-	(10.0)	-	-	-
Total New Items / Amendments				-	(10.0)	-	-	-

STAFFING IMPLICATIONS

				17/18 FTE	18/19 FTE	19/20 FTE	20/21 FTE	21/22 FTE
TC1		To extend the current temporary two-year contract of the IT Training Officer for a further year	The postholder's current contract is due to end Dec 2017	1.0	(1.0)	-	-	-
TOTAL				1.0	(1.0)	-	-	-

SOLICITOR TO THE COUNCIL

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
				17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000
SOL1	OTHE R	To make the post of Scrutiny & Corporate Support Officer a permanent full-time position on the establishment	The current position, which has been advertised on a temporary basis, is part-funded by the vacant 18.5 hr PA to the Chief Executive role. Budgetary funding for the remaining 18.5 hrs on an ongoing basis is requested.	13.5	-	-	-	-
Total New Items / Amendments				13.5	-	-	-	-

STAFFING IMPLICATIONS

Item No		Proposal/(Existing Budget)	Implications	17/18	18/19	19/20	20/21	21/22
				FTE	FTE	FTE	FTE	FTE
SOL1		To make the post of Scrutiny & Corporate Support Officer a permanent full-time position on the establishment	There is currently ongoing provision for 0.5 of this post (vacant Chief Exec PA 0.5) and this proposal would increase the establishment by 0.5 FTE	0.5	-	-	-	-
TOTAL				0.5	-	-	-	-

DIRECTOR OF TRANSFORMATION & CORPORATE PERFORMANCE

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
				17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000
TCP1	OTHER	To provide additional ongoing funding to support the provision of the Shopmobility service currently provided by MAP	We currently make an annual contribution of £5k to MAP for the provision of the Shopmobility service. This proposal would increase our contribution to £10k p.a.	5.0	-	-	-	-
TCP2	VFM	Revenue Implications of Capital Programme	Self Service Scheme - Maintenance Costs and support costs for both telephony and on-line portal systems to include service desk interactions, upgrades and system enhancements	TBA	-	-	-	-
TCP3	VFM	Revenue Implications of Capital Programme	Time Recording Scheme - ongoing maintenance & development costs	-	4.0	-	-	4.0
Total New Items / Amendments				5.0	4.0	-	-	4.0
STAFFING IMPLICATIONS								
				17/18 FTE	18/19 FTE	19/20 FTE	20/21 FTE	21/22 FTE
		TOTAL		-	-	-	-	-

17/18 Budget Process - Policy Changes					Sheet	5			
DIRECTOR COMMUNITIES, PLANNING & PARTNERSHIPS									
Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change	
				17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	
CPP1	CORP	Senior Management Review	Removal of the DCPD vacant post	(70.00)	-	-	-	-	
		Total New Items / Amendments		(70.00)	-	-	-	-	
STAFFING IMPLICATIONS									
Item No		Proposal/(Existing Budget)	Implications	17/18 FTE	18/19 FTE	19/20 FTE	20/21 FTE	21/22 FTE	
		TOTAL		-	-	-	-	-	

DIRECTOR COMMUNITIES, PARTNERSHIPS & HOUSING

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
				17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000
DHH1	OTHER	Homelessness Prevention activity - proposals for enhanced service delivery arrangements within the Housing Solutions Team from March 2017. Temporary posts for 2 years	To increase the capacity of the team with the addition of 2 members of staff: 1 additional Senior Housing Solutions Officer at Grade 6 (£37K) and 1 additional Housing Solutions Officer at up to Grade 5 (£33.5K)	70.5	-	(70.5)	-	-
Total New Items / Amendments				70.5	-	(70.5)	-	-

STAFFING IMPLICATIONS

No		Proposal/(Existing Budget)	Implications	17/18	18/19	19/20	20/21	21/22
				FTE	FTE	FTE	FTE	FTE
DHH1	OTHER	Homelessness Prevention activity - proposals for enhanced service delivery arrangements within the Housing Solutions Team from March 2017. Temporary posts for 2 years	To increase the capacity of the team with the addition of 2 members of staff: 1 additional Senior Housing Solutions Officer at Grade 6 (£37K) and 1 additional Housing Solutions Officer at up to Grade 5 (£33.5K)	2.0	-	(2.0)	-	-
TOTAL				2.0	-	(2.0)	-	-

17/18 Budget Process - Policy Changes				Sheet	7			
DIRECTOR GROWTH, ASSETS & ENVIRONMENT								
Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
				17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000
AE1	OTHER	It is proposed to make the existing temporary regeneration post a permanent role	In 13/14 two budgets were approved to procure specialist knowledge and skills and to fund an officer post in relation to managing projects for growth and regeneration for a period of 3 years (ending 15/16). There is a lack of officer resources to deliver on the complex and increasing agenda and wide range of projects. It is now recognised that the CIS will result in additional work and projects and therefore the need for capacity to deliver remains. It is considered that a permanent role will be necessary.	-	-	45.00	1.00	-
AE2	OTHER	Recharge to Capital Programme	Staffing costs associated with the capital programme / disposal, creation or acquisition of assets can be capitalised	-	-	(45.00)	(1.00)	-
AE3	OTHER	Revised Waste Management arrangement costs	Reflects impact of reduction in income from sale of recycle	60.00	-	-	-	-
AE4	SAV	Replacement contract for the operational vehicle fleet	Following a procurement exercise, annual saving made in contract hire costs	(64.00)	-	-	-	-
Total New Items / Amendments				(4.00)	-	-	-	-
STAFFING IMPLICATIONS								
Item No		Proposal/(Existing Budget)	Implications	17/18 FTE	18/19 FTE	19/20 FTE	20/21 FTE	21/22 FTE
AE1	OTHER	It is proposed to make the existing temporary regeneration post a permanent	Base budgets are already in place for the role until 31st March 2019.			1.0		
TOTAL				-	-	1.0	-	-

HOUSING REVENUE ACCOUNT

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
				17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000
HRA1	STAT	Apprenticeship Levy	Amount required under Government legislation (HRA impact)	10.00	-	-	1.00	-
HRA2	VFM	Negotiated savings in Pensions costs arising from Advance payment	Option to pay 3 years pension lump sum element in advance in april 2017 (£157k saving - £37k HRA)	-	(37.00)	37.00	-	-
HRA3	OTHER	Rents for Supported Accommodation increased by CPI +1%	Rent reduction exemption applied for Supported Accommodation	(31.40)				
Total New Items / Amendments				(21.40)	(37.00)	37.00	1.00	-

STAFFING IMPLICATIONS

Item No		Proposal/(Existing Budget)	Implications	17/18	18/19	19/20	20/21	21/22
				FTE	FTE	FTE	FTE	FTE
TOTAL				-	-	-	-	-

HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2017/18 – 2021/22

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £
Director of Communities, Partnerships & Housing	4,046,330	4,121,070	4,187,760	4,286,220	4,382,420
Director of Growth, Assets & Environment	(43,240)	(40,860)	(38,420)	(33,990)	(30,490)
HRA Summary	(3,667,610)	(2,683,680)	(3,679,490)	(3,905,330)	(4,099,100)
Grand Total	335,480	1,396,530	469,850	346,900	252,830

Figures include proposed Policy Changes

General Fund Summary Budgets – 2017/18

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Base Budget 2016/17 £	* Technical Adjustments £	Policy Changes £	Budget 2017/18 £
Chief Executive	165,530	3,780	-	169,310
Executive Director Corporate Services	391,940	(3,140)	-	388,800
Director of Finance	(776,910)	583,630	40,980	(152,300)
Director of Technology & Corporate Programmes	901,730	22,200	-	923,930
Solicitor to the Council	602,110	13,370	13,500	628,980
Director of Transformation & Corporate Performance	877,860	74,900	5,000	957,760
Director of Communities, Planning & Partnerships	99,200	(20,120)	(70,000)	9,080
Director of Communities, Partnerships & Housing	1,657,230	63,050	70,500	1,790,780
Director of Growth, Assets & Environment	4,541,130	132,980	(4,000)	4,670,110
Total Cost of Services	8,459,820	870,650	55,980	9,386,450
Transfer to / (from) Balances	(1,724,806)	(228,965)	-	(1,953,771)
Revenue Support Grant	(1,209,603)	438,607	-	(770,996)
Retained Business Rates	(13,262,270)	406,137	-	(12,856,133)
Less: Tariff payable	10,639,952	(848,244)	-	9,791,708
Collection Fund Surplus (Council Tax)	(81,896)	1,896	-	(80,000)
Collection Fund Surplus (Business Rates)	560,025	(560,025)	-	-
Council Tax Requirement	(3,381,222)	(80,056)	(55,980)	(3,517,258)

* As detailed in Appendix E1

General Fund – Technical Adjustments 2017/18

<i>Figures include internal recharges which have no bottom line impact</i>	Budget 2016/17	Technical Adjustments						Total Adjustments £	Total Adjusted Base 2017/18
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	External Recharge Changes (non-GF Activities) £		
Chief Executive	-	-	-	140	140	4,300	(4,580)	-	-
Executive Director Corporate Services	571,990	(31,460)	-	(2,080)	58,110	(8,360)	(15,800)	410	572,400
Director of Finance	(307,280)	(26,030)	73,730	2,460	506,790	(10,020)	8,470	555,400	248,120
Director of Technology & Corporate Programmes	16,790	-	-	11,930	42,000	(2,360)	(51,240)	330	17,120
Solicitor to the Council	789,050	-	-	4,660	4,150	3,200	25,900	37,910	826,960
Director of Transformation & Corporate Performance	268,590	57,490	-	2,860	43,700	7,690	(130,680)	(18,940)	249,650
Director of Communities, Planning & Partnerships	-	-	(20,330)	60	(40)	190	20,270	150	150
Director of Communities, Partnerships & Housing	1,744,930	-	5,780	1,590	46,980	340	8,750	63,440	1,808,370
Director of Growth, Assets & Environment	5,375,750	-	(24,500)	13,360	139,200	10,900	92,990	231,950	5,607,700
Grand Total	8,459,820	-	34,680	34,980	841,030	5,880	(45,920)	870,650	9,330,470

HRA Technical Adjustments – 2017/18

<i>Figures include internal recharges which have no bottom line impact.</i>	Budget 2016/17	Technical Adjustments						Total Adjustments £	Total Adjusted Base 2017/18
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	External Recharge Changes (non-GF Activities) £		
Director of Communities, Partnerships & Housing	3,974,460	-	-	29,860	(36,170)	47,610	24,690	65,990	4,040,450
Director of Growth, Assets & Environment	(35,730)	-	-	160	(20)	260	(2,030)	(1,630)	(37,360)
HRA Summary	(3,570,630)	-	440,710	97,280	(613,570)	-	-	(75,580)	(3,646,210)
Grand Total	368,100	-	440,710	127,300	(649,760)	47,870	22,660	(11,220)	356,880

General Fund Five Year Revenue Budget Summary

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £
Chief Executive	169,310	171,650	174,020	179,240	184,630
Executive Director Corporate Services	388,800	398,460	406,310	423,080	440,390
Director of Finance	(152,300)	(79,100)	(858,540)	(702,930)	(732,020)
Director of Technology & Corporate Programmes	923,930	918,470	938,230	965,170	992,780
Solicitor to the Council	628,980	637,860	646,410	665,150	683,530
Director of Transformation & Corporate Performance	957,760	935,390	948,210	978,800	1,012,560
Director of Communities, Planning & Partnerships	9,080	10,040	11,010	13,410	15,860
Director of Communities, Partnerships & Housing	1,790,780	1,806,890	1,749,180	1,770,070	1,780,890
Director of Growth, Assets & Environment	4,670,110	4,586,750	4,527,350	4,662,660	4,782,880
Total Cost of Services	9,386,450	9,386,410	8,542,180	8,954,650	9,161,500
Transfer to / (from) Balances	(1,953,771)	(2,209,099)	(1,578,773)	(1,978,014)	(2,004,926)
Revenue Support Grant	(770,996)	(493,964)	(184,529)	-	-
Retained Business Rates	(12,856,133)	(13,113,256)	(13,375,521)	(13,643,031)	(13,915,892)
Less: Tariff payable	9,791,708	10,106,733	10,466,231	10,717,421	10,974,639
Collection Fund Surplus (Council Tax)	(80,000)	-	-	-	-
Collection Fund Surplus (Business Rates)	-	-	-	-	-
Council Tax Requirement	(3,517,258)	(3,676,824)	(3,869,588)	(4,051,026)	(4,215,321)

Figures include proposed Policy Changes

Appendix G

Council Tax levels at each band for 2017/18

	Tamworth Council Tax 2016/17	Tamworth Borough Council	* Staffordshire County Council	* Office of the Police & Crime Commissioner (OPCC) Staffordshire	* Stoke on Trent and Staffordshire Fire and Rescue Authority	Total 2017/18	Total Council Tax 2016/17
	£	£	£	£	£	£	£
Demand/Precept on Collection Fund		3,517,258	23,869,929	3,746,328	1,512,992	32,646,506	
Council Tax Band							
A	107.83	111.17	754.43	118.41	47.82	1,031.83	998.90
B	125.81	129.69	880.17	138.14	55.79	1,203.79	1,165.38
C	143.78	148.22	1,005.91	157.88	63.76	1,375.77	1,331.87
D	161.75	166.75	1,131.65	177.61	71.73	1,547.74	1,498.34
E	197.69	203.81	1,383.13	217.08	87.67	1,891.69	1,831.30
F	233.64	240.86	1,634.61	256.55	103.61	2,235.63	2,164.27
G	269.58	277.92	1,886.08	296.02	119.55	2,579.57	2,497.24
H	323.50	333.50	2,263.30	355.22	143.46	3,095.48	2,996.68
% increase	1.99%	3.09%	3.95%	0.00%	1.99%	3.30%	3.16%

** Assuming increases in Council Tax levels in line with those for 2016/17. At the time of printing precept information for the County Council, OPCC and the Fire & Rescue Authority is still awaited.*

General Fund Capital Programme

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	Total £
Technology Replacement	77,000	60,000	60,000	60,000	60,000	317,000
Business Improvement District (BID) Software	17,400	-	-	-	-	17,400
Self Service 17/18	115,000	-	-	-	-	115,000
Civil Contingencies	19,000	-	-	-	-	19,000
Technology 17/18	15,000	-	-	-	-	15,000
New Time Recording System 17/18						
Subtotal	243,400	60,000	60,000	60,000	60,000	483,400
Private Sector Grants - Disabled Facilities Grants	250,000	250,000	250,000	250,000	250,000	1,250,000
CCTV Camera Renewals (£15k)	15,000	15,000	15,000	15,000	15,000	75,000
Street Lighting	2,600	3,100	28,200	115,300	-	149,200
Cultural Quarter - AR	1,943,790	229,040	-	-	-	2,172,830
Gateways	170,000	70,000	-	-	-	240,000
Subtotal	2,381,390	567,140	293,200	380,300	265,000	3,887,030
Total General Fund Capital	2,624,790	627,140	353,200	440,300	325,000	4,370,430
<u>Proposed Financing:</u>						
Grants - Disabled Facilities	224,000	224,000	224,000	224,000	224,000	1,120,000
Section 106 Receipts	100,000	-	-	-	-	100,000
General Fund Capital Receipts	361,800	7,500	-	-	41,000	410,300
Sale of Council House Receipts	139,700	166,600	129,200	216,300	60,000	711,800
General Fund Capital Reserve	20,200	-	-	-	-	20,200
Grants - Assembly Rooms (SLGF)	798,260	-	-	-	-	798,260
Public Contributions (Assembly Rooms)	25,000	-	-	-	-	25,000
Unsupported Borrowing	955,830	229,040	-	-	-	1,184,870
Total	2,624,790	627,140	353,200	440,300	325,000	4,370,430

Housing Capital Programme

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	TOTAL £
Structural Works	100,000	100,000	100,000	100,000	100,000	500,000
Bathroom Renewals	795,540	817,420	839,900	850,000	850,000	4,152,860
Gas Central Heating Upgrades and Renewals	514,000	420,000	550,000	460,000	460,000	2,404,000
Kitchen Renewals	944,710	970,690	997,380	900,000	900,000	4,712,780
High Rise Lift Renewal	349,990	-	-	-	-	349,990
Energy Efficiency Improvements	50,000	-	-	-	-	50,000
Major Roofing Overhaul and Renewals	161,080	165,510	170,060	174,310	174,310	845,270
Window and Door Renewals	250,000	250,000	250,000	250,000	250,000	1,250,000
Works to High Rise Flats	525,000	525,000	-	-	-	1,050,000
Neighbourhood Regeneration	100,000	-	-	-	-	100,000
Disabled Facilities Adaptations	315,960	324,650	333,580	341,920	341,920	1,658,030
Retention of Garage Sites	150,000	500,000	500,000			1,150,000
Capital Salaries	173,040	176,840	180,730	180,000	180,000	890,610
CDM Fees	5,000	5,000	5,000	5,000	5,000	25,000
Regeneration Schemes						
Tinkers Green	6,640,000	1,634,000				8,274,000
Kerria Redevelopment of Garage sites	1,810,640	3,805,250				5,615,890
	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	15,000,000
Other acquisitions	500,000	500,000	500,000	500,000	500,000	2,500,000
Total HRA Capital	16,384,960	13,194,360	7,426,650	6,761,230	6,761,230	50,528,430
<u>Proposed Financing:</u>						
Major Repairs Reserve	4,184,320	4,855,110	4,426,650	3,466,230	5,161,230	22,093,540
HRA Capital Receipts	400,000	1,455,000	500,000	1,290,000	-	3,645,000
Regeneration Revenue Reserves	5,008,640	3,516,300	1,300,000	1,355,000	1,210,000	12,389,940
Capital Receipts from Add Council House Sales	650,000	450,000	300,000	300,000	390,000	2,090,000
Regeneration Reserve	1,170,000	2,917,950	900,000	350,000	-	5,337,950
Unsupported Borrowing	4,972,000	-	-	-	-	4,972,000
Total	16,384,960	13,194,360	7,426,650	6,761,230	6,761,230	50,528,430

Main Assumptions

Inflationary Factors	2017/18	2018/19	2019/20	2020/21	2021/22
Inflation Rate - Pay Awards	1.00%	1.00%	1.00%	2.50%	2.50%
National Insurance	9.50%	9.50%	9.50%	9.50%	9.50%
Superannuation	16.50%	16.50%	16.50%	16.50%	16.50%
Inflation Rate (RPI)	2.85%	3.03%	3.15%	3.30%	3.30%
Inflation Rate (CPI)	2.50%	2.50%	2.50%	2.75%	2.75%
Investment Rates	0.50%	0.60%	0.75%	1.00%	1.00%
Base Interest Rates	0.20%	0.25%	0.50%	1.00%	1.00%

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 the announcement in the Summer Budget 2015, and is estimated at 2.5% 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 as confirmed within the 4 year Local Government Finance Settlement in February 2016. The impact for the Council will be confirmed by DCLG as part of the *Local Government Finance Settlement* with a provisional announcement in December 2016.
6. Continuation of the New Homes Bonus scheme (at the lower payment levels outlined within the latest consultation) including additional receipts from new developments (including Anker Valley and the Former Golf Course Site);
7. Lower investment income returns due to lower interest rate forecasts;
8. An increase of £5 p.a. in Council Tax - current indications are that increases of 2% or £5 and above risk 'capping' (confirmed as 2% or £5 for District Councils for 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. £200k p.a. via the pension lump sum element for past liabilities have been included (following initial indications from the SCC triennial review in 2016).

11. Reduction in rent levels by 1% per the statutory requirement & current indications that sales of council houses will be approximately 50 per annum.
12. Forecasts have been informed by the Bank of England Inflation report (August 2016), HM Treasury – Forecasts for the UK Economy (August 2016), Office for Budget Responsibility Economic & Fiscal Outlook (March 2016). Any significant variances will be considered later in the budget setting process.

Sensitivity Analysis

	Risk	Potential Budgetary Effect				
		2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Pay Award / National Insurance (GF)						
Impact +/- 0.5% Variance £'000	L	44	87	132	177	223
Budget Impact over 1 year	L	44				
Budget Impact over 3 years	M	263				
Budget Impact over 5 years	H	663				
Pay Award / National Insurance (HRA)						
Impact +/- 0.5% Variance £'000	L	14	27	41	56	70
Budget Impact over 1 years	L	14				
Budget Impact over 3 years	L	82				
Budget Impact over 5 years	M	208				
Subject to negotiation for Local Government pay (including any protection for low paid employees)						
Pension Costs						
Impact +/- 0.5% Variance £'000	L	57	115	173	232	294
Budget Impact over 1 year	L	57				
Budget Impact over 3 years	M	345				
Budget Impact over 5 years	H	871				
3 year agreement in place from 2017/18 - subject to stock market & membership changes						
Council Tax						
Impact on Council Tax income £'000		17	36	56	78	101
Budget Impact over 1 year	L	17				
Budget Impact over 3 years	L	109				
Budget Impact over 5 years	M	288				
Inflation / CPI						
Impact +/- 0.5% Variance £'000	L	48	97	147	199	252
Budget Impact over 1 year	L	48				
Budget Impact over 3 years	M	292				
Budget Impact over 5 years	H	743				
Government Grant						
Impact +/- 1.0% Variance £'000	L	38	73	104	134	163
Budget Impact over 1 year	L	38				
Budget Impact over 3 years	M	215				
Budget Impact over 5 years	H	512				

	Risk	Potential Budgetary Effect				
		2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Investment Interest						
Impact +/- 0.5% Variance £'000	M	260	546	838	1117	1380
Budget Impact over 1 year	M	260				
Budget Impact over 3 years	H	1644				
Budget Impact over 5 years	H	4141				
Key Income Streams (GF)						
Impact +/- 0.5% Variance £'000	L	6	14	22	30	38
Budget Impact over 1 year	L	6				
Budget Impact over 3 years	L	42				
Budget Impact over 5 years	L	110				
Key Income Streams (HRA)						
Impact +/- 0.5% Variance £'000	L	88	175	260	347	435
Budget Impact over 1 years	L	88				
Budget Impact over 3 years	H	523				
Budget Impact over 5 years	H	1305				
New Homes Bonus						
Impact +/- 10% Variance £'000	L	32	74	139	214	298
Budget Impact over 1 year	L	32				
Budget Impact over 3 years	M	245				
Budget Impact over 5 years	H	757				
Business Rates						
Impact +/- 10% Variance £'000	L	64	130	197	265	335
Budget Impact over 1 year	L	64				
Budget Impact over 3 years	M	391				
Budget Impact over 5 years	H	991				

Contingencies 2017/18 - 2021/22

Revenue	2017/18	2018/19	2019/20	2020/21	2021/22
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
General Fund					
Specific Contingencies					
Waste Management	50	50	50	50	50
<i>General Contingency</i>	100	42	97	190	264
Total GF Revenue	150	92	147	240	314
Housing Revenue Account					
<i>HRA - General Contingency</i>	100	100	100	100	100
Total HRA Revenue	100	100	100	100	100

Capital	2017/18	2018/19	2019/20	2020/21	2021/22
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
General Fund					
Specific Contingencies					
<i>General Capital Contingency*</i>	50	-	-	-	-
Total GF Capital	50	-	-	-	-
Housing Revenue Account					
<i>HRA - General Capital Contingency*</i>	100	-	-	-	-
Total HRA Capital	100	-	-	-	-

* Forecast to be re-profiled from 2016/17 Capital Programme

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