CABINET

22nd February 2018

COUNCIL

27th February 2018

Report of the Leader of the Council

Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2018/19

Purpose

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

- To approve the **Vision Statement, Priority Themes, Corporate Priorities and Outcomes** and their inclusion in the **Corporate Plan and Support Service Plan (attached at Appendix A)**.

- To approve the recommended package of budget proposals **(attached at Appendix B)** to enable the Council to agree the:
    - General Fund (GF) Revenue Budget and Council Tax for 2018/19;
    - Housing Revenue Account (HRA) Budget for 2018/19;
    - 3 Year General Fund Capital Programme (2018/21);
    - 5 Year HRA Capital Programme (2018/23);
    - 3 Year General Fund Medium Term Financial Strategy (MTFS) (2018/21); and
    - 5 Year HRA Medium Term Financial Strategy (MTFS) (2018/23).

- To comply with the requirement of the Council's Treasury Management Policy in reporting to Council the proposed strategy for the forthcoming year and the Local Government Act 2003 with the reporting of the Prudential Indicators **(attached at Appendix N)**.

Recommendations

That Council approve:

1. **the Vision Statement, Priority Themes, Corporate Priorities and Outcomes for 2018/19 (Appendix A);**
2. **the proposed revisions to Service Revenue Budgets (Policy Changes) (Appendix C);**
3. **the sum of £80,065 be applied from Council Tax Collection Fund surpluses in reducing the Council Tax demand in 2018/19 (Appendix E);**
4. **the sum of £222,336 be applied to Business Rates Collection Fund deficits in 2018/19 (Appendix E);**
5. **that on 30th November 2017, the Cabinet calculated the Council Tax Base 2018/19 for the whole Council area as 21,438 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")];**
6. **that the Council Tax requirement for the Council's own purposes for 2018/19 is £3,681,977 (Appendix E);**
7. **the following amounts as calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Act:**
   a. **£53,144,554 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act (Outgoings excluding internal GF Recharges);**
   b. **£49,462,577 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act (Income excluding internal GF Recharges);**
   c. **£3,681,977 being the amount by which the aggregate at 7(a) above exceeds the aggregate at 7(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year (Item R in the formula in Section 31A(4) of the Act);**
   d. **£171.75 being the amount at 7(c) above (Item R), all divided by Item T (at 5 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year;**
8. **the Council Tax level for the Borough Council for 2018/19 of £171.75 (an increase of £5.00 (3.0%) on the 2017/18 level of £166.75) at Band D;**
9. **an aggregate Council Tax (comprising the respective demands of the Borough Council, Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire and Stoke-on-Trent and Staffordshire Fire and Rescue Authority) of £1,648.36 at Band D for 2018/19 be noted (£1,562.01 in 2017/18) (Appendix H);**
10. **the Council Tax levels at each band for 2018/19 (Appendix H);**
11. **the sum of £3,077,541 be transferred from General Fund Revenue Balances in 2018/19 (Appendix E);**
12. **the Summary General Fund Revenue Budget for 2018/19 (Appendix E);**

13. **the Provisional Budgets for 2018/19 to 2020/21, summarised at Appendix G, as the basis for future planning;**
14. **minimum level for balances of £500k to be held for each of the General Fund, Housing Revenue Account, General Capital Fund and Housing Capital Fund;**
15. **Cabinet be authorised to release funding from the General Contingency budget and that the release of funding for Specific Contingency items be delegated to the Corporate Management Team in consultation with the Leader of the Council;**
16. **proposed HRA Expenditure level of £15,912,710 for 2018/19 (Appendix D);**
17. **rents for Council House Tenants in General Accommodation for 2018/19 be set at an average of £85.85 (2017/18 £86.72), over a 48 week rent year (including the required 1% reduction);**
18. **rents for Council House Tenants due for 52 weeks in 2018/19 be collected over 48 weeks;**
19. **the HRA deficit of £3,805,820 be financed through a transfer from Housing Revenue Account Balances in 2018/19 (Appendix D);**
20. **the proposed 3 year General Fund Capital Programme of £17.749m, as detailed in Appendix I to the report;**
21. **the proposed 5 year Housing Capital Programme of £41.940m, as detailed in Appendix J to the report;**
22. **to delegate authority to Cabinet to approve/add new capital schemes to the capital programme where grant funding is received or there is no net additional cost to the Council;**
23. **the Treasury Management Strategy Statement, the Treasury Management Policy Statement, Minimum Revenue Provision Strategy and Annual Investment Statement 2018/19 (as detailed at Appendix N);**
24. **the Prudential and Treasury Indicators and Limits for 2018/19 to 2019/20 contained within Appendix N;**
25. **adoption of the Treasury Management Practices contained within ANNEX 8;**
26. **the detailed criteria of the Investment Strategy 2018/19 contained in the Treasury Management Strategy within ANNEX 4;**
27. **the adoption of the revised CIPFA Prudential code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code);**
28. **endorse the action taken (under the MIFID II regulations) to opt up to professional status, so that we may continue to use the full range of investments; and**
29. **to endorse the approach taken in the selection of Property Funds and approve investment in those property funds, making use of both primary and secondary markets as appropriate, at the discretion of the Executive Director Corporate Services and Director of Finance.**

Executive Summary

The headline figures for 2018/19 are:

- A General Fund total cost of services of £10,270,210 an increase of £646,970 (6.7%) compared to 2017/18;

- A transfer of £3,077,541 from General Fund balances;

- The Band D Council Tax would be set at £171.75, an increase of £5 (3.0% - less than £0.10 per week) on the level from 2017/18 of £166.75;

- A General Fund Capital Programme of £17.749m for 3 years;

- a Housing Revenue Account (HRA) Expenditure level of £15,912,710 for 2018/19 (excluding interest & similar charges);

- A transfer of £3,805,820 from HRA balances;

- An average rent of £85.85 (in line with the Government's requirement to reduce rents by 1% p.a. from 2016/17 for 4 years), which represents a reduction of £0.87 (on the current average rent of £86.72) and equates to £79.25 on an annualised 52 week basis;

- A Housing Capital Programme of £41.940m (including c.£17.9m relating to the Regeneration Projects) for 5 years.

Closing balances over 3 years for the General Fund (GF) are estimated at £0.551m, at the minimum approved level of £0.5m. The draft Budget and Medium Term Financial Strategy is based on a council tax increase of £5 (3.0%) for 2018/19 (the maximum permitted under the Government set limits to trigger a referendum is the greater of £5 or 2.0%) followed by increases of £5 p.a. thereafter & in line with statutory requirements.

The Summary HRA Revenue Budget for 2018/19 appears at **Appendix D** (including a summary of the resulting budgets over the 5 year period). Closing balances over 5 years for the HRA are estimated at £0.698m (compared to the minimum approved level of £0.5m).

The 3-year General Fund Capital Programme has been formulated assuming that the anticipated capital receipts will be received, this leaves a balance of c.£0.5m available, excluding c.£12m unallocated receipts remaining from the sale of the former Golf Course (the minimum approved level is £0.5m).

The Council's uncommitted Housing Capital Resources will effectively be reduced to c.£3m over 5 years (the approved minimum level is £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 with regard to business rates retention (and the associated impact on the Council's business rates income and associated baseline and tariff levels) – it has recently been announced that Councils will be able to retain 75% of business rates collected from 2020/21 rather than 100% as previously planned. In addition, the Government are also consulting on a review of the distribution methodology, the 'Fair Funding Review' as well as the planned Business Rates Reset (when a proportion of the growth in business rates achieved since 2013/14 will be redistributed) - both of which will also take effect from 2020/21. **There is a high risk that this will have a significant effect on the Council's funding level from 2020/21**;

- Delivery of the planned Commercial Investment Strategy actions and associated improved investment returns of 4% 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);

  The DCLG recently issued revised Investment and Minimum Revenue Provision (MRP) guidance, in response to recent concerns with regard to Councils who are borrowing large sums to invest in commercial property activities. Key issues include amendments to the definition of an investment, so that it now covers all financial assets and other non-financial assets that an authority holds primarily to generate financial returns, such as investment portfolios; and the proviso that authorities should not borrow in advance of need purely to profit from the investment of extra sums borrowed. Additional disclosures are also required in terms of risk management around investments.

- 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;

- 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.

- Finalisation of the provisional Local Government Finance Settlement allocations;

Background

The ***Vision*** for *our place* and *our communities* to be "perfectly placed" in order to take full advantage of every opportunity that leads to Tamworth being a ***'better'*** place and its people having ***'better'*** lives or the Council being a ***'better'*** organisation has never been more relevant.

Many of the challenges faced by the Council in recent years have had direct consequences for all three themes: People, Place and Organisation. It will come as no surprise therefore that the 3 Thematic Priorities established in 2016 will remain the focus of our plans, actions and resources for the plan period approved last year for 2017 to 2020.

Whilst the majority of these challenges are likely to remain – reductions in government funding; increased public demand; less capacity; similar challenges facing our partners – they are balanced to a large degree by the fact that this Council's commitment and determination to succeed remains.

Tamworth Borough Council is one small but classic example of why Local Government and its partners are the only Government Department to achieve the efficiency targets set by the Treasury since 2008…We saw it coming; we planned for it and we adopted an approach based upon resilience and sustainability.

The budget setting process has faced significant constraints in Government funding in recent years - over 50% in real terms since 2010. The 4 year Local Government Finance Settlement confirmed 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 Council has also adopted a route-map designed to position the Council so it could be Perfectly Placed to take advantage of every opportunity it either created or identified.

"From Surviving To Thriving" set out a number of opportunities based upon the principle that by focusing upon the growth of the economy, both the "people" and the "place" would benefit. The Council remains committed to promoting and stimulating economic growth and regeneration; meeting our housing needs; creating a vibrant town centre economy and protecting those most vulnerable in our communities. To this end, we pledge to explore and invest in viable and sustainable methods of generating income and moving towards financial independence.

The foundations supporting these sustained successes can be attributed to strong leadership, having a detailed understanding of the issues and challenges facing our "people" and "place" and, more importantly, the plans, policies and resources with which to resolve them. The process by which the Council sets out its plans for dealing with these priorities and providing the resources and funding necessary forms the basis of the **Corporate Plan & Medium Term Financial Strategy** produced and reviewed annually.

It is this tried and tested approach that has enabled this Council to navigate its way through the recession, extended periods of austerity and the uncertainties and complexities brought about by 'devolution', elected Mayors, Combined Authorities et al.

With many of the challenges of previous years still facing the Council and the uncertainties surrounding issues such as BREXIT, NNDR retention, the future of the NHS and Care Services, our local clarity of Vision and purpose has never been so important.

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.

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).

Efficiency Statement - Sustainability Strategy

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.

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.

Work is continuing on a number of actions to address the financial position in future years:

- Delivering Quality Services project – the demand management approach to shift demand to more efficient methods of service delivery – online and automation (Interactive Voice Response). A savings target of £100k p.a. has already been included within the MTFS together with reduced CRM costs of £62k p.a. from 2019/20;

- Recruitment freeze – where possible, temporary 12 month appointments are now only being made; there is a robust challenge / 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. This means we have the opportunity to increase the vacancy allowance from 5% to 7.5% c. £45k p.a. year on year for the General Fund (£14k p.a. – HRA); It should be noted that staffing in some services e.g. planning, are key to the delivery of the Council's economic growth agenda and have significant demand from the public and local businesses but can also experience severe recruitment difficulties – which may lead to the use of market supplements to attract staff.

- Spend freeze – Managers have previously been required to restrict / limit spending to essential spend only (there was a £1.6m underspend in 2016/17 – although the majority was windfall income, c. £0.57m was lower level underspend). Savings of over £150k p.a. have been included within the proposals;

- 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. 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 including the potential to drawdown funding from the Local Growth Fund / Local Enterprise Partnerships (GBS and Staffordshire);
    - 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 – to identify potential areas for review in future years.

The savings already contained within the Base Budget forecast include:

Planned Saving area	Risk	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Delivering Quality Services project	M	100	100	100	100	100
Reduced CRM costs	M	-	62	62	62	62
Recruitment freeze – increase the vacancy allowance from 5% to 7.5% over 5 years from 2017/18 – c. £45k p.a. year on year for the General Fund (£14k p.a. – HRA);	L	46	91	140	192	192
Rental of vacant accommodation space in Marmion House;	H	-	46	92	92	92
Implementation of charge for Green Waste service	M/H	245	245	245	245	245
Senior Management Review	M	130	130	130	130	130

Vision, Thematic Priorities & Ambitions

The Council's vision is for Tamworth to be 'perfectly placed' to take full advantage of any/all opportunities to grow and sustain its economy for the benefit of 'people' and 'place'. The Corporate plan sets out our ambitions and what we plan to achieve across the period 2017 to 2020 in order to meet those ambitions. It underlines our commitment to investment and investing in the development of the borough, using the incomes generated to sustain essential services delivered to an agreed and consistent standard.

More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation. So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services.

The **Corporate Plan** has been compiled and developed with contributions, views and opinions from local residents, businesses, partners from all sectors and politicians. When combined with a range of data sets, customer insight and information, it provides a robust and trustworthy evidence base against which this plan has been produced.

Whilst progress against the 3 Thematic Priorities adopted by the council last year has been considerable, the outcome from this year's review of evidence clearly indicates that these priorities are still at the forefront of our plans and ambitions for 'people', 'place' and 'organisation'. As a result, the 3 Thematic Priorities will again form the basis of the Council's strategic framework and specific ambitions. It is these specific ambitions that serve to place the Thematic Priorities into context by setting out the Council's expectations for the plan period.

The **Vision, Thematic Priorities & Ambitions** at **Appendix A** set out how, under each Thematic priority, we plan to deliver gains or stated ambitions in order to progress against each priority.

There are a number of key challenges affecting the medium term financial planning process (as detailed within the report), which add a high level of uncertainty to budget projections.

The medium term financial planning process is being challenged by Government austerity measures as well as continued uncertainty. The accomplishment of a balanced 3 Year Medium Term Financial Strategy for the General Fund is a major achievement as the Council, like others, has planned to deliver its budget process in light of unprecedented adverse economic conditions with a great deal of uncertainty over future investment and income levels such as car parking, land charges and corporate property rents.

The Council continues to be faced with significant financial demands from Central Government following new legislation in areas such as Homelessness, Data Protection (the new General Data Protection Regulations - GDPR), planning and transparency – as well as substantial reductions in Government grant support in the future.

The Council is responding to these challenges by considering the opportunities to grow our income. We are ambitious with our commercial view and will continue to work hard to identify income streams that enable us to continue to meet the needs of our residents.

We continue to focus on supporting vulnerable people and in particular in ensuing that those facing difficulties in relation to financial hardship and housing difficulties are prioritised. We will work collaboratively with others to maximise our collective effectiveness and will seek to develop the role played by the third sector.

A fundamental review of senior management will provide us with the opportunity to significantly reduce management costs to create a management structure that is flexible and focussed to meet future needs. In addition, we will be developing our operating model to further strengthen our service delivery and strategic approaches. In particular we will further reinforce our use of knowledge and evidence in decision making, ensure that we are clear in our service offer and accountable to residents.

We continue to invest in our teams, transform our processes and ensure our technology infrastructure is fit for purpose. We have identified a number of opportunities to improve customer access to information and services as well as our engagement with our citizens and the way in which we manage our data and information.

Additional demands for services (i.e. benefits and housing) arising from these austere times have been included where possible but this is dependent on the length and depth of the austerity measures.

There is also a high degree of uncertainty arising from the work progressing with regard to business rates retention (and the associated impact on the Council's business rates income and associated baseline and tariff levels) – it has recently been announced that Councils will be able to retain 75% of business rates collected from 2020/21 rather than 100% as previously planned. In addition, the Government are also consulting on a review of the distribution methodology, the 'Fair Funding Review' as well as the planned Business Rates Reset (when a proportion of the growth in business rates achieved since 2013/14 will be redistributed) - both of which will also take effect from 2020/21. There is a high risk that this will have a significant effect on the Council's funding level from 2020/21.

In light of these uncertainties and issues arising from the sensitivity analysis (attached at **Appendix L**), 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 M**).

The assumptions made in the production of the MTFS are based on the best information available at the time and are subject to change. These will be monitored and reviewed on a Quarterly basis by CMT and Cabinet.

The Treasury Management Strategy Statement and report attached at **Appendix N** outlines the Council's Prudential Indicators for 2018/19 to 2020/21 and sets out the expected Treasury operations for this period.

The main issues for Members to note are:

1. CIPFA Prudential Code and Treasury Management Code

CIPFA issued a revised Prudential code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) in December 2017. Both these codes will be effective for the 2018/19 financial year, and are recommended to Members for adoption.

Revisions have focussed on non-treasury investments and particularly on the purchase of property to generate income, which may involve external borrowing or the use of existing cash balances. CIPFA defines the following:-

Treasury management investments – covering those investments which arise from the organisation's cash flows and debt management activity, and ultimately represent balances which need to be invested until the cash is required for use in the course of business;

Service investments – held clearly and explicitly in the course of the provision, and for the purposes, of operational services, including regeneration;

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

The Code requires that such investments are proportional to the level of resources available, and that the same robust procedures for the consideration of risk and return are applied to investment decisions. All such investments will be covered in the capital strategy/investment strategy, setting out the risk appetite and including specific policies and arrangements for such investments, with a schedule of existing material investments, subsidiaries, joint ventures and liabilities, including financial guarantees and risk exposure.

The Codes have introduced the requirement for local authorities to produce a detailed Capital Strategy, intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. The capital strategy for this Council is included within this report.

Other key changes include ‘the treasury management role of the chief financial officer’ (see Annex 7) which has been extended to include new roles in respect of the capital strategy and investment in non-financial assets. There have also been some amendments to the prudential indicators in the revised Prudential Code, including the removal of the incremental impact on Council Tax/Housing Rents.

2. DCLG Investment Guidance and MRP Guidance

The DCLG recently issued revised Investment and Minimum Revenue Provision (MRP) guidance, in response to recent concerns with regard to Councils who are borrowing large sums to invest in commercial property activities. Key issues include amendments to the definition of an investment, so that it now covers all financial assets and other non-financial assets that an authority holds primarily to generate financial returns, such as investment portfolios; and the proviso that authorities should not borrow in advance of need purely to profit from the investment of extra sums borrowed. Additional disclosures are also required in terms of risk management around investments. The guidance with regard to MRP is effective from 1st April 2019 (with the exception of changes to MRP calculations, which are effective from 1st April 2018), and the investment guidance is effective from 1st April 2018, however, strategies relating to 2018/19 but presented to Council before this date do not need to include all of the additional disclosures should it not be practical or cost effective to do so. The additional requirements impacting on this Council will be included in the next Strategy report to be presented.

3. MIFID II

MIFID II is the EU legislation that regulates firms who provide services to clients linked to financial instruments and has been revised to strengthen consumer protection and improve the functioning of markets in light of the 2008 financial crisis. Under these reforms effective 3rd January 2018, all local authorities are classified as retail counterparties and have to consider whether to opt up to professional status and for which types of investments. As this Council has over £10m in investments, and meets the criteria as a professional counterparty, we have opted up to professional status, so that we may continue to use the full range of investments, for example Money Market Funds (MMFs), which are not available to retail counterparties. Members are requested to endorse this approach.

4. Investment in Property Funds

Alternative investment options are under consideration as part of the development of the Commercial Investment and Regeneration Strategy (including any prudential borrowing opportunities) to generate improved returns of c.5% p.a. (plus asset growth) including:

- o Set up of trading company to develop new income streams;
- o Local investment options – Lower Gungate / Solway Close development including the potential to drawdown funding from the Local Growth Fund / Local

Enterprise Partnerships (GBS and Staffordshire);
- o Investments in a diversified Property Fund;
- o Investments in a diversified Investment Vehicle (property, shares etc.);

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

Utilising the capital receipt proceeds of the sale of the Golf Course, it is envisaged that approx. £12m will be available for long-term investment in a number of property funds. To this end the Council has recently undertaken a Property Fund Manager selection exercise, appointing Link Asset Services to provide support and advice in the identification and selection of suitable UK-focussed property funds.

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

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

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

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

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

These funds hold assets across a diversified range of high quality property across a range of sectors and locations within the United Kingdom – mitigating risk of exposure to one sector or area, while delivering improved returns.

Members are requested to endorse the above approach and approve investment in the above property funds, making use of both primary and secondary markets as appropriate, at the discretion of the Executive Director Corporate Services and Director of Finance.

5. The CIPFA Code of Practice and associated Guidance Notes 2017 (to be adopted by the Council as one of the recommendations within this report) requires that the following four clauses are adopted:

a) This Council will create and maintain, as the cornerstones for effective treasury management:

   A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
   Suitable treasury management practices (TMPs) setting out the manner in which the organization will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

b) This Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close

c) This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Executive Director Corporate Services, who will act in accordance with the organisation's policy statement and TMPs

d) This Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Options Considered

As part of the budget setting process a number of options for the council tax increase levels for 2018/19 and future years have been modelled / considered.

Council Tax	**Option Modelled / Considered**
Model 1	**£5.00 increase in Council tax in 2018/19 (followed by increases of £5.00 p.a.)**
Model 2	1.99% increase in Council tax in 2018/19 (followed by increases of c.1.99% p.a.)

Model 3	0% increase in Council tax in 2018/19 (followed by increases of c.1.99% p.a.)
Model 4	2.5% increase in Council tax in 2018/19 (followed by increases of 2.5% thereafter)
Model 5	0% increase in Council tax in 2018/19 (followed by increases of 0% thereafter)
Model 6	1% increase in Council tax in 2018/19 (followed by increases of 1% thereafter)

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

These are detailed within the Base Budget report to Cabinet on 30th November 2017 and the Draft Medium Term Financial Strategy report to Cabinet on 25th January 2018 and Joint Scrutiny Committee (Budget) on 30th January 2018.

Resource Implications

A summary table of all the budget proposals is shown at the end of the report. The General Fund Summary Revenue Budget for 2018/19 appears at **Appendix E**. A summary of the resulting budgets over the 3 year period appears at **Appendix G**.

Closing balances over 3 years for the General Fund (GF) are estimated at £0.551m, above the minimum approved level of £0.5m. The draft Budget and Medium Term Financial Strategy is based on a council tax increase of £5 (3.0%) for 2018/19 (the maximum permitted under the Government set limits to trigger a referendum is the greater of £5 or 2.0%) followed by increases of £5 p.a. thereafter & in line with statutory requirements.

The Summary HRA Revenue Budget for 2018/19 appears at **Appendix D** (including a summary of the resulting budgets over the 5 year period). Closing balances over 5 years for the HRA are estimated at £0.698m (compared to the minimum approved level of £0.5m).

The 3-year General Fund Capital Programme has been formulated assuming that the anticipated capital receipts will be received, this leaves a balance of c.£0.5m available, excluding c.£12m unallocated receipts remaining from the sale of the former Golf Course (the minimum approved level is £0.5m).

The Council's uncommitted Housing Capital Resources will effectively be reduced to c.£3m over 5 years (the approved minimum level is £0.5m).

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. In the Executive Director – Corporate Services' view, the budget proposals enclosed within this report include estimates which take into account circumstances and events which are reasonably foreseeable at the time of preparing the budget. In his view, the level of reserves remains adequate for the Council based on this budget and the circumstances in place at the time of preparing it.

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 were considered at the Joint Scrutiny Committee (Budget) meeting on 30th January 2018. In line with the constitution a Leaders Budget Workshop was held on 7th December 2017 to outline the issues affecting the MTFS arising from the base budget forecast.

The budget has been set following extensive consultation with the people of Tamworth. This includes feedback from The State of Tamworth Debate, and responses from the 'Tamworth Listens' budget consultation exercise.

Proposed amendments to the 2017/18 base budget, approved by Council on 21st February 2017, are detailed within the report.

Approval of Prudential Indicators and an Annual Investment Strategy is a legal requirement of the Local Government Act 2003. Members are required under the CIPFA Code of Practice to have ownership and understanding when making decisions on Treasury Management matters.

Key Risks to Revenue and Capital 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 3% or £5 for District Councils for 2018/19); **(Low)**
The achievement / delivery of substantial savings / efficiencies will be needed to ensure sufficient resources will be available to deliver the Council's objectives through years 4 to 5. Ongoing; **(High)**	A robust & critical review of savings proposals will be required / undertaken before inclusion within the forecast; **(High/Medium)**

Risk	Control Measure
Pay awards greater than forecast; **(Medium)**	Public sector pay cap was in place - 1% increase p.a. for 4 years from 2016/17. However, recent announcements indicate that this cap will be lifted from 2018/19 with pay awards of 2% p.a. for 2 years; **(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; Potential changes to the Business Rates Retention system following the announcement for Councils to keep 75% (previously up to 100%) of the business rates collected by 2020/21; **(High)**	Robust estimates included to arrive at collection target. Ongoing proactive management & monitoring will continue; Business Rates Collection Reserve - provision of reserve funding to mitigate impact of any changes in business rate income levels; Monitoring of the situation / regular reporting; **(High / Medium)**
Local Council Tax Reduction scheme implementation – potential yield changes and maintenance of collection levels; **(High)**	Robust estimates included. Ongoing proactive management & monitoring (including a quarterly healthcheck on the implications on the organisation – capacity / finance) will continue; **(High / Medium)**
Achievement of income streams in line with targets e.g. treasury management interest, car parking, planning, commercial & industrial rents etc.; **(High / Medium)**	Robust estimates using a zero based budgeting approach have been included; **(Medium)**
Delivery of the capital programme (GF / HRA – including Regeneration schemes) dependent on funding through capital receipts and grants (including DFG funding through the Better Care Fund); **(High / Medium)**	Robust monitoring and evaluation – should funds not be available then schemes would not progress; **(Medium)**
Dependency on partner organisation	Memorandum of Understanding in place

Risk	Control Measure
arrangements and contributions e.g. Waste Management (SCC/LDC). **(High / Medium)**	with LDC. **(Medium)**
Delivery of the planned Commercial Investment Strategy actions - current review of the Treasury Management Investment Guidance / Minimum Revenue Provision Guidance being carried out by DCLG - with a potential restriction of investments by Councils given increased risk exposure. **(High/Medium)**	The main issue seems to be the increased risks associated with those Councils who are borrowing large sums to invest in commercial property activities. **(Medium)**
Maintenance and repairs backlog for corporate assets – and planned development of long term strategic plan to address such. **(High / Medium)**	Planned development of long term strategic corporate capital strategy and asset management plan to consider the requirements and associated potential funding streams. **(Medium)**
Significant financial penalties arising from the implementation of the General Data Protection Regulations (GDPR). **(High / Medium)**	Implementation plan in place with corporate commitment and good early progress to date – prior to deadline of 25th May 2018. **(Medium)**
Property funds are not risk free - as such a risk based approach will need to be adopted – to balance risk against potential yield or return. Based on past performance there is the potential for returns of c.4 to 5% p.a. but this is not guaranteed. The value of the funds are also subject to fluctuation – which could mean a capital loss in one year (as well as expected gains). The initial cost associated with the purchase of the investment in the funds is expected to be in the region of 5% - which would have to be recovered over the life of the investment (either from annual returns or capital appreciation). There is a real risk of a revenue loss therefore in the first year. **(High/Medium)**	Any investment in funds which are deemed as capital expenditure will require the necessary capital programme budgets to be approved by full Council. Risk is inherent in Treasury Management and as such a risk based approach will need to be adopted – to balance risk against potential yield or return. It is suggested that risk be mitigated (although not eliminated) through investment in a diversified portfolio using a range of property funds. Provision has been made within the proposed policy changes to fund the initial cost of purchase of c.5%. The Council will also endeavour to use of the secondary market for purchases to potentially gain access to a fund at a lower level of cost than via the primary route **(Medium)**

Risk is inherent in Treasury Management and as such a risk based approach has been adopted throughout the report with regard to Treasury Management processes.

Report Author:

If Members would like further information or clarification prior to the meeting please contact Stefan Garner, Director of Finance – tel. 709242.

Background Papers:-	**Draft Budget and Medium Term Financial Strategy 2018/19 to 2022/23, Cabinet 25th January 2018 / Joint Scrutiny Committee (Budget) 30th January 2017**
	Business Rates Income Forecast (NNDR1 return), Cabinet 25th January 2018
	Treasury Management Strategy Statement & Annual Investment Strategy Mid-year Review Report 2017/18, Council 12th December 2017
	Leaders Budget Workshop, 7th December 2017
	Draft Base Budget Forecasts 2018/19 to 2022/23, Cabinet 30th November 2017
	Budget Consultation Report, Cabinet 2nd November 2017
	Budget and Medium Term Financial Planning Process, Cabinet 20th July 2017
	Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2017/18, Council 21st February 2017
	Treasury Management Practices 2018/19 (Operational Detail)

Summary of Appendices

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Appendix A

CORPORATE VISION FOR TAMWORTH

"One Tamworth, Perfectly Placed"

Open for business since the 7th Century A.D.

This Vision for Tamworth is underpinned by high level, evidence based priorities that focus upon both Tamworth (the place) and the communities served (the people).

VISION, THEMATIC PRIORITIES & AMBITIONS

The Council's vision is for Tamworth to be 'perfectly placed' to take full advantage of any/all opportunities to grow and sustain its economy for the benefit of 'people' and 'place'. Last year's plan set out our ambitions and what we plan to achieve across the period 2017 to 2020 in order to meet those ambitions. It underlines our commitment to investment and investing in the development of the borough, using the incomes generated to sustain essential services delivered to an agreed and consistent standard.

More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation. So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services.

The following paragraphss set out how, under each Thematic Priority, we plan to deliver gains or stated ambitions in order to progress against each priority.

TP1 "Living a Quality Life in Tamworth"

The Council believes that everyone should have the opportunity to live a quality life. In order to enable this, it will work with its public, partners and stakeholders to ensure that:

- More people will live longer, healthier lives;
- Fewer children will be obese and run the risk of heart disease and diabetes;
- People will feel safer and less fearful of crime and anti-social behaviour;
- The built and natural environments will be conserved to the highest possible standards;
- More people will be living independent lives with access to facilities;
- There will be fewer vulnerable people requiring specialised services;

TP2 "Growing Stronger Together in Tamworth"

The Council believes that the managed growth of the local economy based upon sustainable business growth, better skilled jobs, a vibrant town centre, high quality retail and leisure offers and local, regional and national connectivity will help make Tamworth an acknowledged **"Great place to live, work and raise a family".** To achieve this, the Council will seek to ensure that:

- More businesses will locate and succeed in Tamworth;
- People will have access to a full range of quality housing options;
- Local infrastructure and connectivity will support an active workforce and help grow the economy;
- The Council will be recognised as both **business friendly** and **business like** in the way it facilitates and operates;
- Tamworth Town Centre will be regenerated and complement the outstanding retail and leisure offer;
- Tamworth will mean **"a great place to live"** not simply **"a place with more houses;"**
- The Council will have a Commercial Investment and Regeneration Strategy and an associated trading arm designed to invest in assets/other means of sustainable income generation.

TP3 "Delivering Quality Services in Tamworth"

Despite the unprecedented cuts in government funding and an extended period of austerity, the Council has sought to maintain a full suite of services. It accepts that changes in service scopes and standards have had an impact however; it remains committed to protecting those most vulnerable in our communities. In order to sustain this commitment, the Council embarked upon the largest and most complex transformation plan in its history. Consequently, the Council is now in a position to ensure that:

- Customer Satisfaction levels will be maintained above 90%;
- Access to all Council Services will be improved;
- The Council will set and maintain service standards that will be consistent, accessible and delivered by skilled staff;
- We will save you time and money by doing business with you **"On-line"**;
- Fewer customers will have to visit the Council offices to resolve their issues.

These are not simply words or the ambitions of politicians seeking to win 'votes'; these are the services, standards and outcomes that our public aspire to and expect of the Council. It is through the **Corporate Plan** that these aspirations and expectations will be achieved. The scale, scope and timescale relating to these outcomes presents the Council with a challenging yet achievable task over the forthcoming years.

In saying this, it is important to note that whilst the **"Plan"** focuses upon delivering against the 3 Thematic Priorities, the Council must also ensure that the wide range of day-to-day operational and support services continue to be delivered to a consistent and efficient standard. In doing so, it demonstrates how **"Delivering Quality Services"** both connects and underpins the Thematic Priorities for **"Place"** and **"People".**

Throughout the 'Plan' period, the Council's ongoing programme of Service Reviews, continuous improvement and whole system reviews will continue in line with the adopted **Sustainability Strategy.**

Services continue to be delivered through a mix of 'Direct' provision, contracted and/or commissioned services, joint/shared services and partnerships. Our aim to scrutinise and improve the way we plan, do and review will remain throughout the period of this plan.

So, between 2017 and 2020, the Council will work with its public, peers and partners in order to:

a) **Sustain essential services at agreed standards for those in greatest need;**

b) **Deliver a programme of projects, planned initiatives and work streams designed to achieve outcomes against the Thematic Priorities;**

c) **Adopt a commercial approach to growth and investment designed to generate a sustainable income to support a) and b);**

d) **Continue its excellent performance in financial planning, management and investment. By being 'Risk Aware' rather than 'Risk Averse', the Council will consider all opportunities to improve and/or sustain services.**

Detailed Considerations

Introduction

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 2018/19 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 2017/18 budget to arrive at the starting point for 2018/19. 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 MTFS used as the basis for the 2018/19 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 Government's austerity agenda & economic situation;
- Injecting additional resources into Corporate Priorities;
- Increasing income from council tax and fees and charges;
- Making other savings and efficiencies.

Financial Background

The medium term financial planning process is being challenged by the uncertain economic conditions. The forecast grant reductions and uncertainty following the EU referendum result have put significant pressure on the ability of the Council to publish a balanced MTFS.

It has been 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 other challenges affecting the Medium Term Financial Planning process for the period from 2018/19 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 L**), 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 M**).

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	Risk
Pay Award / National Insurance (GF)	0.5%	45	271	M/H
Pension Costs	0.0%	0	61	L/M
Council Tax	0.5%	36	170	L/M
Inflation / CPI	0.5%	50	307	M/H
Government Grant	1.0%	42	246	M/H
Investment Interest	0.5%	284	1655	H
Key Income Streams	0.5%	7	49	L
New Homes Bonus	10%	15	132	M/H
Business Rates	0.5%	68	416	H

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GENERAL FUND

Future Revenue Support Grant & Business Rate income

On 19 December 2017, 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) 2018/19.

The updated National Core Spending Power figures are detailed below and include the Settlement Funding Assessment (SFA); Council Tax; the Improved Better Care Fund; New Homes Bonus (NHB); Transitional Grant; Rural Services Delivery Grant; 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 an increase of 1.5% for 2018/19 and an overall increase for the period 2016/17 to 2019/20 of 2.1%.

Core Spending Power National Position	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Settlement Funding Assessment	21,415	18,767	16,807	15,849	14,773
Council Tax	22,036	23,247	24,666	26,600	28,047
Improved Better Care Fund	-	-	1,115	1,499	1,837
New Homes Bonus	1,200	1,485	1,252	947	900
Rural Services Delivery Grant	16	81	65	81	65
Transition Grant	-	150	150	-	-
Adult Social Care Support Grant	-	-	241	150	-
Core Spending Power	**44,666**	**43,729**	**44,296**	**45,126**	**45,623**
Change %		**(2.1)%**	**1.3%**	**1.9%**	**1.1%**
Cumulative change %		**(2.1)%**	**(0.8)%**	**1.0%**	**2.1%**

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 2017/18, confirmed as unchanged as part of the 2018/19 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)%	(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 2018/19 provisional finance settlement represents the sixth 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 and 2016/17 (above forecast / baseline) and had to pay a levy of £534k and £612k respectively.

The latest estimates for 2017/18 indicate additional business rates receivable above the baseline – of which the Council will receive 40% less the Government set tariff payment of c.£10m (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 2013 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	**2018/19 £**	**2019/20 £**	**2020/21 £**
NNDR Levy payment to GBSLEP (20%)	781,960	1,103,750	1,126,790
Section 31 Grant income	(650,600)	(672,950)	(687,710)

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

BASELINE	**2018/19 £**	**2019/20 £**	**2020/21 £**
February 2017 MTFS / Base Budget Forecast (November 2017):			
Retained Business Rates	12,360,849	12,800,526	13,107,739
Less: Tariff payable	(10,106,733)	(10,466,231)	(10,717,421)
Total	2,254,116	2,334,295	2,390,318
% Increase	3.2%	3.6%	2.4%
Provisional Settlement Funding (December 2017):			
Retained Business Rates	12,185,063	12,530,991	12,769,080
Less: Tariff payable	(9,935,598)	(10,231,634)	(10,426,035)
Total	2,249,465	2,299,357	2,343,045
% Increase	**3.0%**	**2.2%**	**1.9%**
Increase / (Decrease)	**(4,651)**	**(34,938)**	**(47,273)**

As identified above, the Business Rates Baseline for 2018/19 is marginally lower than expected at £2.25m. 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 £4.7k lower than expected in 2018/19 – the overall reduction in Government Support is 7.2%.

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 has now been finalised – the updated budget estimates are detailed below:

BASE BUDGET	**2018/19**	**2019/20**	**2020/21**
	£	**£**	**£**
Budgeted Funding:			
Retained Business Rates	13,596,788	14,043,405	14,285,028
Less: Tariff payable	(9,854,302)	(10,189,469)	(10,434,016)
Total	3,742,486	3,853,936	3,851,012
% Increase (Decrease)	**8.1%**	**3.0%**	**(0.1)%**
Business Rates / NNDR1 Forecast:			
Retained Business Rates	13,094,597	14,070,290	14,353,777
Less: Tariff payable	(9,935,598)	(10,231,634)	(10,426,035)
Total	3,158,999	3,838,656	3,927,742
% Increase / (Decrease)	**(8.7)%**	**21.5%**	**2.1%**
Increase / (Decrease) Total	**(583,487)**	**(15,280)**	**76,730**

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

BASE BUDGET	**2018/19**	**2019/20**	**2020/21**
	£	**£**	**£**
Budgeted Funding:			
Revenue Support Grant	493,964	184,529	-
Retained Business Rates	13,596,788	14,043,405	14,285,028
Less: Tariff payable	(9,854,302)	(10,189,469)	(10,434,016)
Total	4,236,450	4,038,465	3,851,012
% Increase / (Decrease)	0.1%	(4.7)%	(4.6)%
Provisional Settlement Funding (Updated January 2017):			
Revenue Support Grant	493,964	184,529	-
Retained Business Rates	13,094,597	14,070,290	14,353,777
Less: Tariff payable	(9,935,598)	(10,231,634)	(10,426,035)
Total	3,652,963	4,023,185	3,927,742
% Increase / (Decrease)	**(13.7)%**	**10.1%**	**(2.4)%**
Increase / (Decrease)	**(583,487)**	**(15,280)**	**76,730**

The table shows that overall funding will be c.£583k less than expected in 2018/19 (£522k less than expected over 3 years).

The reduced income in 2018/19 is mainly due to increased uncertainty and therefore contingency provision for the planned works at Ventura Park and an increased provision for appeals and mandatory relief, following the 2017 revaluation.

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

The retained Business Rates forecast is based on the statutory NNDR1 return – approved by Cabinet on 25th January 2018 – prior to final sign off by the statutory deadline of 31st January 2018.

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.

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 government made the following changes to the scheme during 2016:

- Funding was reduced by £241m in 2017/18 (funding remains at pre-announced levels for 2018/19 and 2019/20);
- Funding was 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 said it would consider withholding payments from local authorities that are not *"planning effectively, by making positive decisions on planning applications and delivering housing growth"; and*

- A consultation was planned regarding withholding payments for homes that are built following an appeal.

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 provisional allocations for 2018/19 have been announced and reflected in the revised forecasts in the table below.

BASE BUDGET NHB	**2018/19 £**	**2019/20 £**	**2020/21 £**
MTFS Budget (a)	331,370	667,180	754,150
Base Budget Forecast (b)	181,890	276,950	461,540
Reduced income (a-b)	**149,480**	**390,230**	**292,610**
Risk Weighting applied	*100%*	*75%*	*75%*
Revised forecast (c)	148,397	230,374	414,143
(Gain) / Loss (b-c)	**33,493**	**46,216**	**47,397**

The national baseline for housing growth below which New Homes Bonus will not be paid was unchanged at 0.4% (reflecting a percentage of housing that would have been built anyway). The Government will retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.

The impact on the MTFS over 3 years is a £127k loss.

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Technical Adjustments

Revisions have been made to the 2017/18 base budget in order to produce an adjusted base for 2018/19 and forecast base for 2019/20 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;
- a ‘Zero base budgeting’ review of income levels.

They are summarised in **Appendix F1** and the main assumptions made during this exercise are shown in **Appendix K**.

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	**2018/19 £’000**	**2019/20 £’000**	**2020/21 £’000**
Base Budget B/Fwd	9,623	9,368	9,222
Committee Decisions	(505)	(779)	348
Inflation	45	35	38
Other	53	345	(565)
Pay Adjustments (Including pay award / reduction for vacancy allowance)	190	253	250
Revised charges for non-general fund activities	(38)	-	-
Total / Revised Base Budget	9,368	9,222	9,293

* ( ) denotes saving in base budget

Policy Changes

The policy changes provisionally agreed by Council in February 2017 have been included within the technical adjustments for 2018/19 onwards. **A list of the proposed new policy changes for 2018/19 is attached at Appendix C & summarised below:**

Policy Changes Identified	2018/19 £'000	2019/20 £'000	2020/21 £'000
Contingency budget to allow for 'in year' decisions to be made by Cabinet	100.0	-	-
Return on £12m investment in Property Funds at 4% return - phased over 6 months, net of existing return	-	(180.0)	(180.0)
Contribution to reserve for potential cost of property fund investment purchases (stamp duty, valuation changes etc.)	600.0	(600.0)	-
Cost of unsupported borrowing / lost investment income (2.5%) and repayment of debt (4%) - should all proposed capital schemes progress	108.0	9.0	6.0
Appointment of a Revenues Visiting Officer to identify property changes and new developments earlier – funded by additional council tax and business rate income	33.0	-	-
Reversal of planned income recharge for collection of BID levy	12.0	-	-
Commercial Investment Strategy – Feasibility budget	175.0	(50.0)	(75.0)
Revised New Homes Bonus levels	33.5	12.7	1.2
Business Rates Levy payment	(49.7)	315.9	59.8
Business Rates Section 31 Grant Income	(226.9)	(9.0)	(8.7)
To secure ongoing funding to recruit an apprentice within Information Services	13.7	-	-
One of the key requirements of the Civil Contingencies Act is the ability to operate Incident Control facilities which can be deployed	14.0	(14.0)	-
Extension to GDPR Project Officer contract to cover April & May 2018	7.0	(7.0)	-
Ongoing costs of Capital scheme proposals - efficiencies in Disaster Recovery and Maintenance costs	(8.0)	8.0	-
Temporary saving from Restructure in Democratic Services	(4.4)	1.1	1.1
To secure funding for a further 3 years for a Security presence at Marmion House. 50% of cost met by HRA	15.0	-	-
Additional cost of Health shield contract	7.0	(7.0)	-
To deliver identified and costed initiatives to prevent homelessness in the Borough from March 2018	14.0	(14.0)	-
Regarding the new Homelessness legislation, there will be a requirement to support the delivery of services across 2019/20 and 2020/21	-	133.0	-

Policy Changes Identified	2018/19 £'000	2019/20 £'000	2020/21 £'000
Continuation of the contribution to support the employment of a part time project coordinator for the Starfish winter nights shelter.	6.0	1.0	-
To support the implementation of the Homelessness Reduction Act	71.0	-	(71.0)
Section 31 New Burdens funding for Homelessness	(20.0)	2.0	(8.0)
Community Development Service Review (as approved by Cabinet on 30 November 2017)	(120.0)	(3.9)	(4.0)
Homelessness Prevention activity - proposals for permanent enhanced service delivery arrangements	-	70.0	-
Ongoing costs of Capital scheme proposals – Homelessness Reduction act software maintenance	-	20.0	-
Condition Surveys to address an ongoing programme of repairs and building conservation at Tamworth Castle	45.0	(45.0)	-
Outdoor event budgets be increased by £5,000 on a permanent basis to support non TBC Community Events	5.0	-	-
Review of the Tamworth Local Plan commencing in 2018/19 and continuing into 2019/20 when an examination will be held	40.0	-	(40.0)
Now the Tamworth Enterprise Centre has been operational for a period of months a more accurate estimate of income and expenditure can be made	23.3	(6.7)	16.9
Budget to fund the Heritage Project Officers salary	22.0	-	-
The recruitment of a Planning Trainee from September 2018 to August 2020	18.0	-	(18.0)
New burdens funding to meet the cost of the Planning Trainee from September 2018 to August 2020	(18.0)	-	18.0
Revised budgets for the Assembly Rooms due to delay in progressing the capital scheme	117.6	(73.6)	(44.0)
1.2ha local centre development in Amington	20.0	10.0	(30.0)
Section 106 funding for local centre development	(20.0)	(10.0)	30.0
Arts and Events Delivery Budget increase, offset by an increase in income targets of £5000.	15.0	-	-
Vacant Posts Review	(83.8)	(4.5)	(4.8)
Deferral of Marmion House rental income	92.0	(46.0)	(46.0)
Ongoing costs of Capital scheme proposals – cleansing/full maintenance of Caste Grounds Toilets	10.0	-	-
Savings identified following CMT review of unspent revenue budgets	(117.6)	-	-
Total New Items / Amendments	**948.7**	**(488.0)**	**(396.5)**
Cumulative	**948.7**	**460.7**	**64.2**

Capping / Local Referendum

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

The principles for 2018/19 are that authorities will be required to seek the approval of their local electorate in a referendum if, compared with 2017/18, they set council tax increases that are equal to or exceed the greater of 2.0% or £5.

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 £0.5m.

The indications are that a potential threshold will be the greater of 2.0% or £5 in future years - the impact of a £5 p.a. (c.3% p.a.) is outlined below.

Council Tax

Last year's medium term financial plan identified ongoing increases of c.£5(c.3%) per annum from 2018/19. 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. £36k additional income per annum.

The Council's provision for collection losses for 2018/19 has been approved at 2.1% (the same level as 2017/18). In order to meet the on-going expenditure requirements the Council will have to increase the underlying income base.

The Band D Council Tax would increase to £171.75 for 2018/19 (£166.75 - 2017/18). Future levels of Council Tax and the projected impact on the General Fund revenue account forecast would be as follows:

Year:	2018/19	2019/20	2020/21
Forecast:	£'000	£'000	£'000
Surplus (-) /Deficit	3,078	1,707	1,295
Balances Remaining (-) / Overdrawn	**(3,553)**	**(1,846)**	**(551)**
£ Increase	5.00	5.00	5.00
% Increase	3.00%	2.91%	2.83%
Note: Resulting Band D Council Tax	171.75	176.75	181.75

which indicates potential balances of £0.551m (compared to the minimum approved level of £0.5m) is forecast as remaining over the 3 year period. As current capping guidance indicates a 'capping' threshold of 2.0% or £5, this is considered a low risk option.

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 and Business Rates elements of the Collection Fund.

It is proposed that surpluses / deficits 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). It is estimated that there will be a surplus of £0.750m for Council Tax and a deficit of £0.556m for Business Rates.

Year:	2018/19	2019/20	2020/21
Council Tax	£'000	£'000	£'000
Council Tax Income	(3,682)	(3,875)	(4,056)
Collection Fund Surplus (Council Tax)	(80)	(33)	(33)
Collection Fund Deficit (Business Rates)	222	-	-

The County Council, OPCC and Fire & Rescue Authority are due to finalise their budgets for 2018/19 during February 2018. The impact of the Borough Council tax proposals is shown for each Council Tax Band in **Appendix H**.

Balances

At the Council meeting on 29th February 2000 Members approved a minimum working level of balances of £0.5m. At 31st March 2018 General Fund Revenue Balances are estimated to be £6.631m, compared with £4.326m anticipated a year ago.

The minimum level of balances for planning purposes will remain at £0.5m.

Summary and Conclusions

These budget proposals reflect the need to compensate for reduced income levels arising from the economic uncertainty 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 the impact of the changes arising from welfare reforms on council tax and rent income, future local authority pay settlements, the potential for interest rate changes, future local government finance settlements and the level of future business rates income.

A summary of all the budget proposals is shown in the table below. The summary Revenue Budget for 2018/19 appears at **Appendix E**. A summary of the resulting budgets over the 3 year period appears at **Appendix G.**

Summary	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**
Estimated Net Cost of Services	**9,368**	**9,222**	**9,293**
Proposed Policy Changes / Additional Costs Identified **(Detailed at Appendix C) (Rounded)**	949	461	64
Final Recharge & Inflationary Adjustments (after Policy Changes inclusion)	(46)	(45)	(45)
Net Expenditure	10,271	9,638	9,312
Financing: RSG	(494)	(185)	-
Collection Fund Surplus (Council Tax)	(80)	(33)	(33)
Collection Fund Deficit (Business Rates)	222	-	-
Tariff Payable	9,936	10,232	10,426
Non Domestic Ratepayers	(13,095)	(14,070)	(14,354)
Council Tax Income	(3,682)	(3,875)	(4,056)
Gross Financing	(7,193)	(7,931)	(8,017)
Surplus(-) / Deficit	3,078	1,707	1,295
Balances Remaining (-) / Overdrawn	**(3,553)**	**(1,846)**	**(551)**

Per Council, 21st February 2017	(2,737)	(502)	-

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HOUSING REVENUE ACCOUNT

Technical Adjustments

The 2017/18 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 2018/19.

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

Technical Adjustments	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Base Budget B/Fwd	360	1,515	624	453	320
Committee Decisions	578	(916)	30	(21)	(6)
Inflation	160	136	139	143	147
Other	292	(202)	(427)	(338)	(394)
Pay Adjustments (Including pay award / reduction for vacancy allowance)	86	91	87	83	80
Revised charges for non-general fund activities	39	-	-	-	-
Total / Revised Base Budget	**1,515**	**624**	**453**	**320**	**147**

Revisions have been made to the 2017/18 base budget in order to produce an adjusted base for 2018/19 and forecast base for 2019/20 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 F2**.

Proposals

The proposed policy changes for inclusion in the base budget for the next 5 years are detailed at **Appendix C** and are highlighted below:

Policy Changes Identified	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
Fixed Electrical Installation Checks - to comply with regulations and form part of the council wide fire safety policy for its tenants of council housing	306.00	-	-	-	-
Revenue Implications of Capital Programme - Reduction in ongoing maintenance costs arising from anti-social behaviour (from creation of an office at Eringden)	(5.50)	-	-	-	-
To secure funding for a further 3 years for a Security presence on the front desk at Marmion House. 50% of cost met by HRA	15.00	-	-	(15.00)	-
Additional Revenue Contribution to Capital Programme	2,100.0	(2,100.0)	-	-	-
Additional income from implementation of a flexible / affordable rent policy for new build properties	(115.0)	-	-	-	-
Vacant Posts Review - removal of Business Support Assistant post	(20.0)	(1.0)	(1.0)	(0.5)	(0.5)
Savings identified following CMT review of unspent revenue budgets	(35.6)	**-**	**-**	**-**	**-**
Total New Items / Amendments	**2,244.9**	**(2,101.0)**	**(1.0)**	**(15.5)**	**(0.5)**
Cumulative	**2,244.9**	**143.9**	**142.9**	**127.4**	**126.9**

The proposals will mean that balances will remain above the approved minimum level of £0.5m over the 5 year period.

HRA Summary	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
Estimated Net (Surplus) / Deficit	1,515	624	453	320	147
Proposed Policy Changes / Additional Costs Identified	2,245	144	143	127	127
Inflationary impact of policy changes	46	54	61	70	77
Surplus (-) / Deficit	3,806	822	657	517	351
Balances Remaining (-) / Overdrawn	(3,045)	(2,223)	(1,566)	(1,049)	(698)

Per Council, 21st February 2017	(3,985)	(3,520)	(3,193)	(2,977)	-

Indicating a Housing Revenue Account (HRA) balances of £0.698m over the next 5 years (Minimum recommended balances are currently £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;
- Delivery of regeneration programme to planned timescales;
- The impact of Welfare Benefit Reform on rent collection levels – limited so far but further measures are to be rolled out (e.g. Universal Credit);
- Future impact of the Government's increased discounts to promote right to buy sales on housing stock numbers and associated income levels – 50 sales p.a. have been assumed in future years.

Rent Setting Policy

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

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

The aim of the framework was to ensure that by a pre-set date all social landlord rents have reached a 'target rent' for each property that will reflect the quality of accommodation and levels of local earnings. In achieving this target rent councils were also annually set a “limit rent” which restricted the level of rent increase in any one year.

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.

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

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

In setting the rent setting policy the Council had full regard to legislation, regulations and associated rent setting guidance including the Welfare Reform and Work Act 2016 which gave effect to the Government's 1% rent reduction for four years up to 2020/2021.

For 2018/19 onwards, rents will be set in line with the approved policy.

Balances

The forecast level of balances at 31st March 2017 is £6.85m. The impact on balances of the adjustments outlined in this report would be as follows:

Balances	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Proposed Withdrawal from / Addition to (-) Balances	3,806	822	657	517	351
Balances Remaining (-) / Overdrawn	(3,045)	(2,223)	(1,566)	(1,049)	(698)

This would mean that closing balances, over the 5 year period, would be over the approved minimum level of £0.5m.

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

CORPORATE CAPITAL STRATEGY 2018/19 to 2022/23

The Council has an ongoing capital programme of over £31m for 2017/18 and an asset base valued at £207m (as at 31st March 2017).

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

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

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

The Capital Strategy will:

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

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

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

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

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

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

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

- the contribution its delivery makes towards the achievement of the Council's Corporate Priorities;

- the achievement of Government priorities and grant or other funding availability;

- the benefits in terms of the contribution to the Council's Corporate Objectives and compliance with the Corporate Capital Strategy requirements of:

    1. Invest to save
    2. Maintenance of services and assets
    3. Protection of income streams
    4. Avoidance of cost.

The current de-minimis for capital expenditure is £10k per capital scheme.

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

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

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

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

Monitoring of Approved Capital Schemes

The monitoring of progress on individual schemes is reported to Corporate Management team on a monthly basis and to Cabinet quarterly. Service managers provide project updates as well the current and project spend for the year, together with any need to re-profile spend to future financial years.

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

Review of Asset Holdings and Asset Management Plan

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

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

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

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

Long Term Strategic Plan

It has been identified that the Council, through this strategy and through the development of a long term strategic plan, needs to take a longer-term view of the assets required to deliver its Corporate Plan priorities and to support its Medium Term Financial Strategy (MTFS), including spend required (and associated potential funding streams) to address the identified maintenance and repairs backlog for corporate assets.

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Non-Treasury Investments (Commercial Property Funds)

As part of the Capital Programme, the Council plans to invest in Commercial Property Funds to establish a portfolio which is managed to generate a revenue return to the Council to support financial sustainability and to protect the provision of services to residents, along with maintaining and growing the capital value of the investment.

A capital scheme of £12m has been included within the capital programme to generate a target net additional income of c. £300k per annum – with investment spend profiled over the 2 years 2018/19 to 2019/20 financed from part of the capital receipt from the sale of the former Golf Course.

Capital Programme 2018/19 to 2022/23

Following a review of the Capital Programme approved by Council on 21st February 2017, a revised programme has been formulated including additional schemes which have been put forward for inclusion.

A schedule of the capital scheme appraisals for the General Fund (GF) & Housing Revenue Account (HRA) received for consideration is attached at **Appendix I – General Fund (GF) and Appendix J – Housing (HRA),** 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 2018/19 to provide contingency funding).

To inform discussions, the proposals for 2018/19 to 2022/23 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

A significant number of new schemes have been proposed and the forecast has highlighted that insufficient resources are available to finance all of the GF schemes submitted which means:

1) the Council would need to use supported borrowing to fund the shortfall – funding from borrowing would impact on the revenue budget through interest costs on the debt at c.2.5 to 3% p.a. plus debt repayment costs of 4% p.a. (based on a 25 year asset life); or

2) the potential use of part of the capital receipt from the Golf Course sale – which would mean the resources would no longer be available for investment through the Commercial Investment Strategy projects (and therefore impact on the revenue account through loss of potential investment income at c.4% p.a.).

The minimum approved level of GF capital balances is £0.5million which, should the programme progress without amendment, would mean c.£1.9m in borrowing would be needed (or use of the capital receipt) over the next 3 years.

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

The capital programme has been reviewed and updated:

	General Fund
1)	**Indoor and Outdoor Sports infrastructure Feasibility**
	A new capital submission had been prepared for £100k, funded through Section 106 (S106) income, for ***feasibility*** work which is needed now to understand the likely costs and specification of potential new facilities arising from the Sports Strategy Update - in particular a new multi-purpose community sports centre in an accessible location, with appropriate facilities and 3G pitches, to meet identified need.
	It was questioned whether this work should be treated as capital or revenue (using the Section 106 funding). It is included as a capital scheme on the basis that the study will lead to a further capital scheme on provision of new facilities – however, it may need to be treated as revenue expenditure.
2)	**Refurbishment of Castle Grounds Toilets**
	A new capital submission had been prepared for £180k for refurbishment of public conveniences in Castle Grounds to provide a low maintenance, vandal resistant facility complete with a 'Changing Places' compliant facility for disabled children and adults. Updated design will also allow for year-round access.
	Additional ongoing revenue costs of £10k p.a. (net of savings in current provision) were included to provide a 364 day per annum cleansing and full maintenance service. It was clarified that this was instead of the current maintenance arrangements but was not a necessity.
3)	**Disabled Facilities Grants (DFG)**
	The provisional programme included £250k p.a. A revised capital submission had been received to increase this to £650k p.a. in light of the current demand / anticipated backlog by 31st March 2018.
	A Government review of the approach to DFGs is planned within the next 12 months and so it was agreed that the year 1 budget be increased to £650k to deal with the immediate demand/backlog.
	Future years spend would be limited to an ongoing £360k p.a. in line with the funding assumed to be redistributed by Staffordshire County Council (SCC) through the Better Care Fund (BCF).
	To be reviewed in 2018 following the Government review.
4)	**Energy Efficiency Upgrades to Commercial & Industrial Units**
	A new capital submission had been prepared for £75k p.a. to fund a degree of improvement to industrial units when they become vacant in order to be able to re-let them – as, with effect from April 2018, it will not be possible to enter into long term lease agreements for commercial and industrial units with an EPC rating of 'E' or less.

	Depending on void levels, we could expect to lose around £20k p.a. increasing by £20k p.a. for the next 5 years (c.£300k over 5 years).
	If we are able to let on License or Tenancy at Will arrangements we may be able to maintain a level of income but there will be an increase in other costs such as NNDR payments, repair costs, security costs and the like.
	Investment in enveloping works to improve energy efficiency will prolong the life of the estate at the current rent levels but ultimately Sandy Way phase 2 will require a more significant investment project to give a long life expectancy.
5)	**Gateways Project**
	An updated appraisal had been prepared for £70k p.a. for 3 years (net cost after use of TBC S106/CIL funds of £75k, £50k and £120k respectively) with plans for significant capital works in future years for Phase 3 Corporation Street and Phase 4 Railway Station forecourt - which will draw in funding and professional support from SCC (funded by SCC through the Regional Growth Fund / S106 receipts). The provisional programme included £70k in 2018/19. SCC spend totaling £545k to be removed from appraisal.
6)	**Community Woodland Cycleway**
	A new capital submission had been prepared for spend of £160k in 2018/19 on construction of a cycleway on the proposed community woodland at Amington - funded by the Developer.
7)	**Amington Community Woodland**
	A new capital submission had been prepared for spend of £50k p.a. for 5 years on the creation of a community woodland on 7.5ha of the ex-municipal golf course - funded by the S106 income.
8)	**Property Funds**
	A new capital submission had been prepared for spend of £6m p.a. for 2 years. Cabinet has approved that one of the objectives of the Council's Commercial Investment Strategy (CIS) will be to explore measures to provide the Council with sustained revenue and income generation (while protecting the capital) contributing to a self-sustained financial position by 2020.
	It is envisaged that up to £12m will be required for the Specific CIS Projects, with the balance (net of sale costs/interest) of circa £12m available for long term investment (property fund, shares etc.) – with returns of c.4% p.a. (less existing budgeted returns at base rate).
	Following the a review into the feasibility and options for investment in Property Funds carried out during 2017/18, funds will be required to be invested into 'Capital' property funds from 2018/19 (as well as potential investment in 'Revenue' property funds - through revenue cash flow investments).
9)	**Technology Replacement – Mobile Phones (Contingency)**
	A new capital submission had been prepared for potential spend of £20k in 2018/19.

	ICT intends to procure a corporate, Authority wide contract covering all existing handsets and contracts with a single renewal date and access to improved handset deals/upgrades and call/data plans reducing the associated administrative overhead. This would be a contingency budget should handsets need to be procured.
10)	**Technology Replacement – Infrastructure/Security**
	A revised capital submission had been prepared for £60kp.a. (with revenue savings of £8k in 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 until 21/22).
	A new capital submission had also been prepared for spend of £45k relating to migrate the Civica system from Oracle to SQL Server.
	Civica are the suppliers of the Authority's corporate electronic document records management system (EDRMS) used by a number of services and due to be rolled out to further services. They are ending support for Oracle after the next release of the EDRMS software in December 2017. In order to maintain support, we are required to migrate from Oracle to SQL Server. Cost estimates vary from £27k to £45k. As the upgrade is required during 2017/18, it was agreed that the cost be met from the existing budget but that the cost be added to the 2018/19 budget to meet the cost of works deferred in 2017/18.
11)	**Civil Contingencies Technology – GDPR (Contingency)**
	A new capital submission had been prepared for spend of £50k in 2018/19.
	General Data Protection Regulation (GDPR) builds on the data protection act and will change how businesses and the public sector can handle customer information. The new regulations come into force in May 2018 and will be enforced by the Information Commissioners Office (ICO). The new legislation is designed to "harmonise" data privacy laws across Europe as well as give greater protection and rights to individuals. There are new rights for people to access the information companies hold about them, obligations for better data management for businesses, and a new regime of fines for none compliance. All of our systems have the potential to be impacted by the new GDPR regulations and may require additional modules or fixes by application suppliers for compliance.
	This would be a contingency budget should spend on upgrades be required.
12)	**IT requirements to support the implementation of the Homelessness Reduction Act**
	A new capital submission had been received after the meeting for spend of £30k in 2018/19, with ongoing revenue support costs of £20k p.a.

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	Implementation of the Act is anticipated to commence in April 2018. This will present Local Authorities with a number of significant challenges, both in terms of services delivered to members of the public and back-up support and training to ensure the Council's new duties are fully met. Central to this is having effective IT back-up in place to support implementation. There is currently a lack of clarity as to how these requirements will be best met but options are being explored currently, all of which have a cost implication for the Council.
	Section 31 new burdens grant funding of £7.5k should be received to mitigate the cost.
13)	**General Fund Capital Contingency Budget**
	It was agreed that the 2017/18 contingency budget of £50k would be rolled forward to 2018/19.
14)	**With regard to the provisional programme, it was also confirmed:**
a)	**CCTV Camera Renewals**
	An updated appraisal has not been prepared but the funding would still be required – subject to the results of a recent review and recommendations in a report planned for Cabinet in November 2017.
b)	**Cultural Quarter / Assembly Rooms**
	The scheme business case has not been revised to reflect the current situation – it was agreed to leave the spend profile as is pending a review.
c)	**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.

Housing

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

The majority of the Housing capital programme has not changed from that provisionally approved (pending updated stock conditional survey information) – however a number of new schemes have been proposed. It has also been updated to include the new year 5 costs for 2022/23 (at the same level as 2021/22).The minimum approved level of HRA capital balances is £0.5million.

The current HRA Capital Financing Requirement (CFR) stands at £68.041m with planned borrowing of £7.214m relating to the Tinkers Green and Kerria Regeneration projects, which means £4.152m would be available for additional borrowing up to the debt cap. Funding from borrowing impacts on the revenue budget through interest costs on the debt at c.2.5 to 3% p.a. but it should be noted that, while there are no debt repayment costs for the HRA, the Government has set a debt cap of £79.407m.

The capital programme has been reviewed and updated:

	Housing Revenue Account
H1	**Creation of Office at Eringden**
	A new capital submission had been received for spend of £10k in 2018/19 and £10k in 2020/21, with ongoing revenue savings of £5.5k p.a. net of additional costs.
	The proposal is for the creation of office space within the medium-rise block on Eringden to provide intensive housing management service aimed at addressing some of the ongoing issues of anti-social behaviour. This is anticipated to be a twelve month trial only. It is anticipated to consult and seek to cover charges for this as a service charge (similar to sheltered) and therefore will be self financing.
H2	**Thermal Upgrades**
	A new capital submission had been received for spend of £540k p.a. from 2019/20 for thermal upgrade measures to address key failure points in the housing stock condition survey. The project is to consist of various strands such as thermal wraps, thermal boarding & insulation.
	The works will be needed to ensure that the decent homes standard is achieved. There may be some external funding available to mitigate the costs.
H3	**Strode House Car Park & Garages**
	A new capital submission had been received for spend of £530k in 2018/19 for refurbishment of garages at Strode House along with the refurbishment of the underground car parking area to provide additional car parking on the estate and address structural issues. Potential future use of the site is to be investigated.
H4	**Resurfacing of walkways to walk-up flats**
	A new capital submission had been received for spend of £250k p.a. from 2019/20 for resurfacing of walkways to walk-up flats. Many of these are starting to fail resulting in leaks and water ingress into the properties below (flagged by repairs team).

H5	**Renewal of High-Rise Lifts**	
	A new capital submission had been received for spend of £280k p.a. for 4 years from 2018/19 for renewal of all remaining High-Rise Lifts which have reached end of life. Spend will be subject to survey results and not all may be required.	
H6	**Renewal of timber walkways to Magnolia**	
	A new capital submission had been received for spend of £260k in 2018/19 for renewal of timber walkways to Magnolia sheltered schemes which are failing due to age and weathering (flagged by repairs team).	
H7	**Replacement of High Rise Soil Stacks**	
	A new capital submission had been received for spend of £315k p.a. for 3 years from 2019/20 for renewal of soil stacks in all six high rise blocks. Existing stacks are starting to fail, frequently block and becoming increasingly difficult to maintain.	
H8	**With regard to the provisional programme, it was also confirmed:**	
a)	**Retention of Garage Sites**	
	£500k p.a. for 2 years from 2018/19 was included to invest in retained garages to meet demand and to provide alternative uses including parking areas.	
	Work has started in 2017/18 on garages to be retained but work on alternative uses is still to commence.	
b)	**Development Housing on Garage Sites / Other Acquisitions**	
	Funding of £3m p.a. from 2018/19 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, with a report planned to Cabinet in December, to reflect potential redevelopment / acquisition levels.	

Appendix C

Policy Changes Summary

DIRECTORATE	Sheet No.	Budget Changes 18/19 £'000	Budget Changes 19/20 £'000	Budget Changes 20/21 £'000
Chief Executive		-	-	-
Executive Director Corporate Services		-	-	-
Director of Finance	1	784.9	(501.4)	(196.6)
Director of Technology & Corporate Programmes	2	22.7	(13.0)	-
Solicitor to the Council	3	(10.8)	1.1	1.1
Director of Transformation & Corporate Performance	4	17.0	(7.0)	-
Director of Communities, Planning & Partnerships		-	-	-
Director of Communities, Partnerships & Housing	5	(51.6)	208.1	(83.0)
Director of Growth, Assets & Environment	6	186.5	(175.8)	(117.9)
TOTAL		**948.7**	**(488.0)**	**(396.5)**
Cumulative Cost / (Saving)		**948.7**	**460.7**	**64.2**

HOUSING REVENUE ACCOUNT	Sheet No.	Budget Changes 18/19 £'000	Budget Changes 19/20 £'000	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000	Budget Changes 22/23 £'000
Housing Revenue Account	7	2,244.9	(2,101.0)	(1.0)	(15.5)	(0.5)
TOTAL		**2,244.9**	**(2,101.0)**	**(1.0)**	**(15.5)**	**(0.5)**
Cumulative Cost / (Saving)		2,244.9	143.9	142.9	127.4	126.9

Policy Changes Summary Staffing Implications

DIRECTORATE	Sheet No.	Budget Changes 17/18 £'000	Budget Changes 18/19 £'000	Budget Changes 19/20 £'000
Chief Executive		-	-	-
Executive Director Corporate Services		-	-	-
Director of Finance	1	1.0	-	-
Director of Technology & Corporate Programmes	2	1.0	-	-
Solicitor to the Council	3	-	-	-
Director of Transformation & Corporate Performance	4	-	-	-
Director of Communities, Planning & Partnerships		-	-	-
Director of Communities, Partnerships & Housing	5	(1.0)	2.0	(2.0)
Director of Growth, Assets & Environment	6	(0.8)	-	(1.0)
TOTAL		**0.2**	**2.0**	**(3.0)**

	Sheet No.	Budget Changes 17/18 £'000	Budget Changes 18/19 £'000	Budget Changes 19/20 £'000	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000
Housing Revenue Account	7	(1.0)	-	-	-	-
TOTAL		**(1.0)**	**-**	**-**	**-**	**-**

18/19 Budget Process - Policy Changes

Sheet 1

DIRECTOR OF FINANCE

Item No		Proposal/(Existing Budget)	Implications	Budget Change 18/19 £'000	Budget Change 19/20 £'000	Budget Change 20/21 £'000
DF1		Corporate Finance - General Contingency	Contingency budget to allow for 'in year' decisions to be made by Cabinet and to provide for any potential further reductions in income as a result of the financial climate	100.0	-	-
DF2		Revenue Implications of Capital Programme	Return on £12m investment in Property Funds at 4% return - phased over 6 months, net of existing return on investments (& expected base rate increases). No return has been assumed for the first year given entry costs - to be offset by year 1 returns.	-	(180.0)	(180.0)
DF3		Revenue Implications of Capital Programme	Contribution to reserve for potential cost of property fund investment purchases (stamp duty, valuation changes etc.)	600.0	(600.0)	-
DF4		Revenue Implications of Capital Programme	Cost of unsupported borrowing / lost investment income (2.5%) and repayment of debt (4%) - should all proposed schemes progress	108.0	9.0	6.0
DF5		Revenues Visiting Officer	Appointment of a Visiting Officer to generate additional income through the early identification of property changes and new developments - no net cost as the additional cost would be met through additional council tax and business rate income through the Collection Fund	33.0	-	-
DF6		BID Ballot unsuccessful	Reversal of planned income recharge for collection of BID levy	12.0	-	-
DF7		CIS Feasibility		175.0	(50.0)	(75.0)
DF8		Revised New Homes Bonus		33.5	12.7	1.2
DF9		Business Rates Levy payment	Estimated levy based on NNDR1 forecasts	(49.75)	315.89	59.83
DF10		Business Rates Section 31 Grant Income	New Burdens funding for Government scheme to reduce business rates charges	(226.90)	(8.97)	(8.66)
		Total New Items / Amendments		**784.9**	**(501.4)**	**(196.6)**

STAFFING IMPLICATIONS

Item No		Proposal/(Existing Budget)	Implications	18/19 FTE	19/20 FTE	20/21 FTE
DF6		Revenues Visiting Officer	Appointment of a Visiting Officer	**1.0**	**-**	**-**
		TOTAL		**1.0**	**-**	**-**

18/19 Budget Process - Policy Changes

Sheet 2

DIRECTOR TECHNOLOGY & CORPORATE PROGRAMMES

Item No		Proposal/(Existing Budget)	Implications	Budget Change 18/19 £'000	Budget Change 19/20 £'000	Budget Change 20/21 £'000
TC1		To secure ongoing funding to recruit an apprentice within Information Services, specifically the Project & Information Team, to respond to requests & compliance under FOIA, DPA and impending GDPR. In addition the apprentice will receive Project Management training to support various corporate projects.	Funding from within existing salaries budget of approx £4.5k re vacant hours has been identified, however, additional budget to a maximum of £13.7k is required (hourly rate dependent on age of apprentice)	13.7	-	-
TC2		Civil Contingencies Technology / Civil Contingencies Unit (CCU) support	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. In addition, additional CCU Officer time will be required during 2018/19.	14.0	(14.0)	-
TC3		Extension to GDPR Project Officer contract to cover April & May 2018		7.0	(7.0)	-
TC4		Revenue Implications of Capital Programme	Efficiencies in Disaster Recovery and Hardware Maintenance costs	(8.0)	8.0	-
TC5		CMT Savings Review 100118	Savings identified following CMT's review of Revenue Budgets	(4.0)	-	-
		Total New Items / Amendments		**22.7**	**(13.0)**	**-**

STAFFING IMPLICATIONS

				18/19 FTE	19/20 FTE	20/21 FTE
TC1		New post - ICT Apprentice		1.0	-	**-**
		TOTAL		**1.0**	**-**	**-**

18/19 Budget Process - Policy Changes

Sheet 3

SOLICITOR TO THE COUNCIL

Item No		Proposal/(Existing Budget)	Implications	Budget Change 18/19 £'000	Budget Change 19/20 £'000	Budget Change 20/21 £'000
SOL1		Temporary saving from Restructure in Democratic Services		(4.40)	1.10	1.10
SOL2		CMT Savings Review 100118	Savings identified following CMT's review of Revenue Budgets	(6.43)	-	-
		Total New Items / Amendments		**(10.83)**	**1.10**	**1.10**

STAFFING IMPLICATIONS

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

18/19 Budget Process - Policy Changes

Sheet 4

DIRECTOR OF TRANSFORMATION & CORPORATE PERFORMANCE

Item No		Proposal/(Existing Budget)	Implications	Budget Change 18/19 £'000	Budget Change 19/20 £'000	Budget Change 20/21 £'000
TCP1		To secure funding for a further 3 years for a Security presence on the front desk at Marmion House. It is intended to go out to tender for an external provider rather than recruiting an additional member of staff.	50% of cost met by HRA	15.0	-	-
TCP2		Additional cost of Healthshield contract	One year cost of extension to contract pending a review during 2018	7.0	(7.0)	-
TCP3		CMT Savings Review 100118	Savings identified following CMT's review of Revenue Budgets	(5.0)	-	-
		Total New Items / Amendments		**17.0**	**(7.0)**	**-**

STAFFING IMPLICATIONS

				18/19 FTE	19/20 FTE	20/21 FTE
		TOTAL		-	-	-

18/19 Budget Process - Policy Changes					**Sheet**	**5**
DIRECTOR COMMUNITIES, PARTNERSHIPS & HOUSING						
Item No		**Proposal/(Existing Budget)**	**Implications**	**Budget Change**	**Budget Change**	**Budget Change**
				18/19 £'000	**19/20 £'000**	**20/21 £'000**
DHH1		To enable the deployment of committed Homelessness Prevention Grant funding (as approved at Cabinet, November 2015 equating to £127K) to deliver identified and costed initiatives to prevent homelessness in the Borough from March 2018	This provision incorporates the funding initiatives across 2018/19 of £140k leaving a shortfall of £13k. It is therefore requested a further £20k is made available from Homelessness Prevention Grant (£160,453 allocated via RSG) to cover this shortfall to enable services to be maintained and further developed. This will be crucial given the implementation of the Homelessness Reduction Act in March 2018 and is consistent with DCLG expectations regarding the use of the grant to support the introduction of the new duties imposed on Local Authorities arising from this legislation.	14.0	(14.0)	-
DHH2		Regarding the new legislation, there will be a requirement to utilise DCLG grant received for Homelessness Prevention activity to support the delivery of services beyond the next financial year across 2019/20 and 2020/21.	Given the costs highlighted above, it is proposed that £140k for both 2019/20 and 2020/21 is allocated from Homelessness Prevention Grant funding to maintain effective service delivery.	-	133.0	-
DHH3		Continuation of the contribution to support the employment of a part time project coordinator for the Starfish winter nights shelter.	A contribution of £6,000 has been provided in 2017/18 to support the employment of a part time project coordinator to oversee the setting up and operation of the project.	6.0	1.0	-
DHH4		To highlight the potential for additional resources to be made available to support the implementation of the Homelessness Reduction Act. The Government is expected to make "New Burdens" funding available to Local Authorities to assist but it is anticipated this funding will not be sufficient to fully cover the requirement for enhanced capacity particularly in the Council's Private Sector Housing Team. It is anticipated the new legislative requirements will generate an increased demand on the PSH Team in so far as there will be an increased demand for temporary accommodation in the private sector (e.g. via expansion of the PSL scheme).	Given the limited capacity within the PSH team (currently 2 officers) and given the broad range of work they are engaged in, an additional officer (at scale 5 = £33.5k) will be required to undertake the above and additional duties in terms of landlord liaison and increasing supply in the PS. Additionally, it is anticipated the requirements as set out within the HR Act will generate more challenge through more opportunities to request (multiple) reviews. Should this happen, the Housing Solutions Manager would be required to increase the review work currently undertaken and this would consequently weaken the overall capacity to effectively manage the service in what will be a challenging period. It is therefore anticipated that any new burden's funding received will potentially be needed and supplemented by additional funds to engage a review officer (Scale 6 - £37k).	71.0	-	(71.0)

Item No		Proposal/(Existing Budget)	Implications	Budget Change 18/19 £'000	Budget Change 19/20 £'000	Budget Change 20/21 £'000
DHH4			Section 31 New Burdens funding for Homelessness	(20.0)	2.0	(8.0)
DHH5		Community Development Review	Review of direct service provision by the Council in favour of third sector commissioning and investment (as approved by Cabinet on 30 November 2017).	(120.0)	(3.9)	(4.0)
DHH6		Homelessness Prevention activity - proposals for ***permanent*** enhanced service delivery arrangements within the Housing Solutions Team	To make permanent the 2 additonal members of staff (funding approved as part of the 2017/18 budget process for 2 years only): 1 additional Senior Housing Solutions Officer at Grade 6 (£37K) and 1 additional Housing Solutions Officer at up to Grade 5 (£33K)	-	70.0	-
DHH7		Revenue Implications of Capital Programme - Homelessness Reduction act software maintenance	Ongoing costs of scheme proposals	-	20.0	-
DHH8		CMT Savings Review 100118	Savings identified following CMT's review of Revenue Budgets	(2.6)	-	-
		Total New Items / Amendments		**(51.6)**	**208.1**	**(83.0)**

STAFFING IMPLICATIONS

No		Proposal/(Existing Budget)	Implications	18/19 FTE	19/20 FTE	20/21 FTE
DHH3		New legislative requirements will generate an increased demand on the PSH Team	An additional officer to undertake the above and additional duties in terms of landlord liaison and increasing supply in the PS together with a review officer.	2.0	-	(2.0)
DHH5		Community Development Review	Review of direct service provision by the Council in favour of third sector commissioning and investment (as approved by Cabinet on 30 November 2017).	(3.0)	-	-
DHH6		Homelessness Prevention - permanent enhanced service delivery arrangements	To make permanent the 2 additonal members of staff (funding approved as part of the 2017/18 budget process for 2 years only)	-	2.0	-
		TOTAL		**(1.0)**	**2.0**	**(2.0)**

18/19 Budget Process - Policy Changes					Sheet	6
DIRECTOR GROWTH, ASSETS & ENVIRONMENT						
Item No		**Proposal/(Existing Budget)**	**Implications**	**Budget Change**	**Budget Change**	**Budget Change**
				18/19 £'000	**19/20 £'000**	**20/21 £'000**
AE1		Condition Surveys to address an ongoing programme of repairs and building conservation at Tamworth Castle	Architect to deliver condition survey of the building & Architectural appraisal of roof areas and produce specifications for repair	45.00	(45.00)	-
AE2		Outdoor event budgets be increased by £5,000 on a permanent basis to support non TBC Community Events	The proposal will address the struggling capacity of the services and help to ensure that TBC event service is able to guide the applications through the legal requirements that are required for large community events ensuring safe events and environments are maintained.	5.00	-	-
AE3		Review of the Tamworth Local Plan commencing in 2018/19 and continuing into 2019/20 when an examination will be held	The proposal intends to review the existing evidence base and undertake studies into the development capacity of locations at the Borough's border to lead to an agreed between Lichfield and North Warwickshire on whether development can be accommodated and if so, the quantum and measures required to facilitate the numbers proposed	40.00	-	(40.00)
AE4		Tamworth Enterprise Centre - proposed amendment the current budgets to reflect updated estimates.	The Tamworth Enterprise Centre was completed in the summer of 2016. Now the Centre has been operational for a period of months a more accurate estimate of income and expenditure can be made.	23.29	(6.68)	16.88
AE5		To ensure that adequate budget provision is in place to fund The Heritage Project Officers salary following a re grade and the forth coming end to arrangements that have been in place to fund to date	This position has been funded from other budgets reducing their ability to full fill service delivery and the original HLF funding for this position is due to expire. The total cost required is £32.7k less £11k exisitng funding.	22.00	-	-
AE6		The recruitment of a Planning Trainee from September 2018 to August 2020 to assist the Development Plan and Development Management Teams to deliver efficient and effective planning services	• Improved reporting and monitoring capabilities • Provision of accurate digital data to allow easy access for customers • Increase the effectiveness of the service by releasing qualified, experienced staff to other areas • Assist in bringing forward housing development within the borough • Directly address government priorities and initiatives to bring forward self-build, a brownfield register and permission in principle	18.00	-	(18.00)

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
				18/19 £'000	19/20 £'000	20/21 £'000
AE7		New Burdens funding to meet the cost of the trainee		(18.00)	-	18.00
AE8		Revised budgets for the Assembly Rooms due to delay in progressing the capital scheme		117.62	(73.58)	(44.04)
AE9a		1.2ha local centre development in Amington	The land is due to be returned to tbc in 2021 and developed to provide long-term revenue income. Funding is required before then to pay for feasibility studies, masterplanning design & marketing.	20.00	10.00	(30.00)
AE9b		Section 106 funding for local centre development		(20.00)	(10.00)	30.00
AE10		Arts and Events Delivery Budget increase, offset by an increase in income targets of £5000.	The annual Fireworks event is now hugely popular meaning visitor numbers have soared. As many authorities have cut events programmes we are now attracting crowds from further afield. This is putting the local infrastructure under great pressure. An increase in budgets of £20,000 is required to meet this gap to allow the authority to invest in additional staff and safety measures.	15.00	-	-
AE11		Vacant Posts Review	Removal of Vacant hours for: Arts & Entertainment Officer Environmental Health Officer Environmental Support Officer Community Safety Manager Community Engagement Coordinator	(83.80)	(4.52)	(4.76)
AE12		Marmion House Rental income	Deferral of planned income from the Mental Health Trust for Marmion House accommodation	92.00	(46.00)	(46.00)
AE13		Revenue Implications of Capital Programme	Ongoing costs of scheme proposals	10.00	-	-
AE15		CMT Savings Review 100118	Savings identified following CMT's review of Revenue Budgets	(99.57)	-	-
		Total New Items / Amendments		**186.54**	**(175.78)**	**(117.92)**

STAFFING IMPLICATIONS

Item No		Proposal/(Existing Budget)	Implications	18/19 FTE	19/20 FTE	20/21 FTE
AE5		Heritage Project Officer	As above	**1.00**	**-**	**-**
AE6		The recruitment of a Planning Trainee from September 2018 to August 2020	As above	**1.00**	**-**	**(1.00)**
AE11		Vacant Posts Review - removal of Business Support Assistant post	Removal of Vacant hours for: Arts & Entertainment Officer Environmental Health Officer Environmental Support Officer Community Safety Manager Community Engagement Coordinator	**(2.80)**	**-**	**-**
		TOTAL		**(0.80)**	**-**	**(1.00)**

18/19 Budget Process - Policy Changes

Sheet 7

HOUSING REVENUE ACCOUNT

Item No	Proposal/(Existing Budget)	Implications	Budget Change 18/19 £'000	Budget Change 19/20 £'000	Budget Change 20/21 £'000	Budget Change 21/22 £'000	Budget Change 22/23 £'000
HRA1	Fixed Electrical Installation Checks - to comply with regulations and form part of the council wide fire safety policy for its tenants of council housing	As per Cabinet report (17th August 2017) to continue with a fixed installation testing programme across the councils housing stock. The programme complies with Fire Safety Reform (regulations) 2005 and ensures 5-year programme, totalling £1.53m over 5 years or £306K per annum	306.0	-	-	-	-
HRA2	Revenue Implications of Capital Programme	Reduction in ongoing maintenance costs arising from anti-social behaviour (from creation of an office at Eringden), net of additional costs	(5.5)	-	-	-	-
HRA4	To secure funding for a further 3 years for a Security presence on the front desk at Marmion House. It is intended to go out to tender for an external provider rather than recruiting an additional member of staff.	50% of cost met by HRA	15.0	-	-	(15.0)	-
HRA5	Revenue Contribution to Capital Programme	Additional contribution from HRA	2,100.0	(2,100.0)	-	-	-
HRA6	Rental of New Build properties	Additional income from implementation of a flexible / affordable rent policy for new build properties - rent capped at LHA rates	(115.0)	-	-	-	-
HRA7	Vacant Posts Review - removal of Business Support Assistant post		(20.0)	(1.0)	(1.0)	(0.5)	(0.5)
HRA8	CMT Savings Review 100118	Savings identified following CMT's review of Revenue Budgets	(35.6)	-	-	-	-
	Total New Items / Amendments		**2,244.93**	**(2,101.00)**	**(1.00)**	**(15.50)**	**(0.50)**

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	18/19 FTE	19/20 FTE	20/21 FTE	21/22 FTE	22/23 FTE
HRA7	Vacant Posts Review - removal of Business Support Assistant post		**(1.0)**				
	TOTAL		**(1.0)**	**-**	**-**	**-**	**-**

Appendix D

HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2018/19

	Base Budget 2017/18 £	Technical Adjustments £	Policy Changes £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £	Budget 2022/23 £
Income								
Dwelling Rents	(17,638,520)	350,680	(112,000)	(17,399,840)	(17,085,590)	(17,449,200)	(17,819,350)	(18,196,090)
Non-Dwelling Rents	(360,120)	(11,560)	-	(371,680)	(380,480)	(389,500)	(398,750)	(408,230)
Charges for Services and Facilities	(759,590)	(9,560)	-	(769,150)	(780,150)	(789,950)	(800,050)	(810,450)
Contributions Towards Expenditure	(1,555,080)	(18,870)	-	(1,573,950)	(1,574,730)	(1,575,530)	(1,576,360)	(1,577,200)
Subtotal	**(20,313,310)**	**310,690**	**(112,000)**	**(20,114,620)**	**(19,820,950)**	**(20,204,180)**	**(20,594,510)**	**(20,991,970)**
Expenditure								
Repairs and Maintenance	4,297,190	128,310	306,000	4,731,500	4,858,010	4,987,700	5,119,800	5,256,560
Supervision and Management	6,185,490	270,950	(50,570)	6,405,870	6,547,560	6,648,970	6,732,800	6,842,180
Rents, Rates, Taxes and Other Charges	36,570	3,890	1,500	41,960	42,520	43,100	43,680	44,280
Increase in Provision for Bad Debts	216,400	(20,200)	-	196,200	222,000	251,100	284,000	321,200
Depreciation and impairment of non-current assets	4,454,970	56,150	-	4,511,120	4,511,120	4,511,120	4,511,120	4,511,120
Debt Management Costs	25,530	530	-	26,060	25,880	26,150	26,580	26,980
Subtotal	**15,216,150**	**439,630**	**256,930**	**15,912,710**	**16,207,090**	**16,468,140**	**16,717,980**	**17,002,320**
Net cost of HRA Services per Authority I&E	**(5,097,160)**	**750,320**	**144,930**	**(4,201,910)**	**(3,613,860)**	**(3,736,040)**	**(3,876,530)**	**(3,989,650)**
Corporate and Democratic Core	8,650	2,750	-	11,400	11,690	11,980	12,280	12,590
Net Cost of HRA Services	**(5,088,510)**	**753,070**	**144,930**	**(4,190,510)**	**(3,602,170)**	**(3,724,060)**	**(3,864,250)**	**(3,977,060)**
Interest Payable and Similar Charges	2,731,580	(42,780)	-	2,688,800	2,745,430	2,745,430	2,745,430	2,745,430
Interest Receivable and Similar Income	(87,410)	40,610	-	(46,800)	(75,690)	(118,520)	(118,520)	(171,920)
Surplus/ Deficit for the year	**(2,444,340)**	**750,900**	**144,930**	**(1,548,510)**	**(932,430)**	**(1,097,150)**	**(1,237,340)**	**(1,403,550)**

Statement of Movement on the HRA Balance

	Base Budget 2017/18 £	Technical Adjustments £	Policy Changes £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £	Budget 2022/23 £
Surplus or Deficit for the year	**(2,444,340)**	750,900	144,930	**(1,548,510)**	**(932,430)**	**(1,097,150)**	**(1,237,340)**	**(1,403,550)**
Additional Items required to be taken into account:								
Capital Expenditure funded by the HRA	2,804,330	450,000	2,100,000	5,354,330	1,754,330	1,754,330	1,754,330	1,754,330
(Increase)/ Decrease in HRA Balances	**359,990**	**1,200,900**	**2,244,930**	**3,805,820**	**821,900**	**657,180**	**516,990**	**350,780**

Appendix E

General Fund Summary Revenue Budget for 2018/19

Figures exclude internal recharges which have no bottom line impact.	**Base Budget 2017/18 £**	**Technical Adjustments £**	**Policy Changes £**	**Budget 2018/19 £**
Chief Executive	168,640	(45,940)	-	122,700
Executive Director Corporate Services	385,240	61,520	-	446,760
Director of Finance	44,670	34,270	784,850	863,790
Director of Technology & Corporate Programmes	922,710	26,760	22,700	972,170
Solicitor to the Council	627,660	26,340	(10,830)	643,170
Director of Transformation & Corporate Performance	1,017,650	(10,590)	17,000	1,024,060
Director of Communities, Planning & Partnerships	8,610	(8,610)	-	-
Director of Communities, Partnerships & Housing	1,786,010	8,220	(51,600)	1,742,630
Director of Growth, Assets & Environment	4,662,050	(393,660)	186,540	4,454,930
Total Cost of Services	**9,623,240**	**(301,690)**	**948,660**	**10,270,210**
Transfer to / (from) Balances	(1,454,266)	(1,623,275)	-	(3,077,541)
Revenue Support Grant	(770,996)	277,032	-	(493,964)
Retained Business Rates	(13,253,351)	158,754	-	(13,094,597)
Less: Tariff payable	9,791,708	143,890	-	9,935,598
Collection Fund Surplus (Council Tax)	(80,965)	900	-	(80,065)
Collection Fund Surplus (Business Rates)	(338,112)	560,448	-	222,336
Council Tax Requirement	(3,517,258)	783,941	(948,660)	(3,681,977)

Appendix F1

General Fund – Technical Adjustments 2018/19 (before policy changes)

		Technical Adjustments							
Figures exclude internal recharges which have no bottom line impact	**Budget 2017/18**	**Virements £**	**Committee Decisions £**	**Inflation £**	**Other £**	**Pay Adjustments £**	**Changes in Recharges £**	**Total Adjustments £**	**Total Adjusted Base 2018/19**
Chief Executive	168,640	-	(33,210)	190	(470)	5,040	2,700	(25,750)	**142,890**
Executive Director Corporate Services	385,240	(21,650)	(5,370)	(1,610)	81,950	20,380	(11,840)	61,860	**447,100**
Director of Finance	44,670	-	79,500	3,710	(105,880)	24,820	32,790	34,940	**79,610**
Director of Technology & Corporate Programmes	922,710	-	(13,670)	14,060	56,780	(370)	(25,940)	30,860	**953,570**
Solicitor to the Council	627,660	-	(2,820)	8,770	4,880	9,000	6,530	26,360	**654,020**
Director of Transformation & Corporate Performance	1,017,650	21,650	(12,270)	4,600	22,560	27,070	(60,030)	3,580	**1,021,230**
Director of Communities, Planning & Partnerships	8,610	(5,120)	(2,000)	-	(1,490)	-	-	(8,610)	**-**
Director of Communities, Partnerships & Housing	1,786,010	(20,000)	(4,740)	3,200	1,180	11,580	16,260	7,480	**1,793,490**
Director of Growth, Assets & Environment	4,662,050	25,120	(510,480)	11,380	(6,050)	92,830	1,090	(386,110)	**4,275,940**
Grand Total	**9,623,240**	**-**	**(505,060)**	**44,300**	**53,460**	**190,350**	**(38,440)**	**(255,390)**	**9,367,850**

*** Base budget figures before recharge & inflationary adjustments after inclusion of Policy Changes.**

Appendix F2

HRA Technical Adjustments – 2018/19 (before policy changes)

Figures exclude internal recharges which have no bottom line impact	Budget 2017/18	Technical Adjustments Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	Changes in Recharges £	Total Adjustments £	Total Adjusted Base 2018/19
Director of Communities, Partnerships & Housing	4,033,600	-	(17,800)	37,650	23,500	82,590	37,710	163,650	**4,197,250**
Director of Growth, Assets & Environment	(37,400)	-	(850)	230	40	3,610	1,710	4,740	**(32,660)**
HRA Summary	(3,636,210)	-	596,320	121,260	268,580	-	-	986,160	**(2,650,050)**
Grand Total	**359,990**	**-**	**577,670**	**159,140**	**292,120**	**86,200**	**39,420**	**1,154,550**	**1,514,540**

*** Base budget figures before recharge & inflationary adjustments after inclusion of Policy Changes.**

Appendix G

General Fund 3 Year Revenue Budget Summary

Figures exclude internal recharges which have no bottom line impact.	Base Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
Chief Executive	168,640	122,700	158,820	163,070
Executive Director Corporate Services	385,240	446,760	461,750	475,610
Director of Finance	44,670	863,790	379,870	31,780
Director of Technology & Corporate Programmes	922,710	972,170	981,780	1,004,520
Solicitor to the Council	627,660	643,170	662,210	680,510
Director of Transformation & Corporate Performance	1,017,650	1,024,060	883,160	911,370
Director of Communities, Planning & Partnerships	8,610	0	0	0
Director of Communities, Partnerships & Housing	1,786,010	1,742,630	1,913,480	1,880,870
Director of Growth, Assets & Environment	4,662,050	4,454,930	4,197,090	4,164,510
Total Cost of Services	**9,623,240**	**10,270,210**	**9,638,160**	**9,312,240**
Transfer to / (from) Balances	(1,454,266)	(3,077,541)	(1,707,085)	(1,295,020)
Revenue Support Grant	(770,996)	(493,964)	(184,529)	(0)
Retained Business Rates	(13,253,351)	(13,094,597)	(14,070,290)	(14,353,777)
Less: Tariff payable	9,791,708	9,935,598	10,231,634	10,426,035
Business Rates S.31 Grants				
Business Rates Levy				
Collection Fund Surplus (Council Tax)	(80,965)	(80,065)	(33,000)	(33,000)
Collection Fund Surplus (Business Rates)	(338,112)	222,336	-	-
Council Tax Requirement	(3,517,258)	(3,681,977)	(3,874,890)	(4,056,478)

Appendix H

Council Tax levels at each band for 2018/19

Authority:	Tamworth Council Tax 2017/18	Tamworth Borough Council	* Staffordshire County Council	* Office of the Police & Crime Commissioner (OPCC) Staffordshire	* Stoke on Trent and Staffordshire Fire and Rescue Authority	**Total 2018/19**	Total Council Tax 2017/18
	£	£	£	£	£	**£**	£
Demand/Precept on Collection Fund		3,681,977	25,951,128	4,128,101	1,576,336	**35,337,542**	
Council Tax Band							
A	111.17	*114.50*	*807.01*	*128.37*	*49.02*	**1,098.90**	1,041.34
B	129.69	*133.58*	*941.52*	*149.77*	*57.19*	**1,282.06**	1,214.89
C	148.22	*152.67*	*1,076.02*	*171.16*	*65.36*	**1,465.21**	1,388.45
D	**166.75**	*171.75*	*1,210.52*	*192.56*	*73.53*	**1,648.36**	1,562.01
E	203.81	*209.92*	*1,479.52*	*235.35*	*89.87*	**2,014.66**	1,909.13
F	240.86	*248.08*	*1,748.53*	*278.14*	*106.21*	**2,380.96**	2,256.24
G	277.92	*286.25*	*2,017.53*	*320.93*	*122.55*	**2,747.26**	2,603.35
H	333.50	*343.50*	*2,421.04*	*385.12*	*147.06*	**3,296.72**	3,124.02
% increase	3.09%	3.00%	5.95%	6.29%	2.75%	5.53%	4.25%

** confirmed:*

Staffordshire County Council, 15th February 2018 - Medium Term Financial Strategy 2018/23 and 2018/19

Staffordshire Police and Crime Panel 29th January 2018 - Police and Crime Commissioner for Staffordshire - Proposed Precept 2018/19 and Medium Term Financial Strategy (MTFS)

Stoke on Trent and Staffordshire Fire and Rescue Authority, 14th February 2018 – 2018/19 Revenue Budget and Council Tax Setting

Appendix I

General Fund Capital Programme 2018/19 – 2020/21

	General Fund Capital Programme	2018/19 £	2019/20 £	2020/21 £	Total £
	Technology Replacement	60,000	60,000	60,000	**180,000**
	Private Sector Grants - Disabled Facilities Grants	250,000	250,000	250,000	**750,000**
	CCTV Camera Renewals	15,000	15,000	15,000	**45,000**
	Street Lighting	3,100	28,200	115,300	**146,600**
	Cultural Quarter - AR	2,592,830	-	-	**2,592,830**
	Gateways	70,000	-	-	**70,000**
2018/19 Proposed schemes:					
1	Indoor and Outdoor Sports Infrastructure Feasibility	100,000	-	-	**100,000**
2	Refurbishment of Castle Grounds Toilets	180,000	-	-	**180,000**
3	Private Sector Grants Disabled Facilities Grants - Additional	400,000	110,000	110,000	**620,000**
4	Energy Efficiency Upgrades to Commercial and Industrial Units	75,000	75,000	75,000	**225,000**
5	Gateways Project - Additional	75,000	120,000	190,000	**385,000**
6	Community Woodland Cycleway	160,000	-	-	**160,000**
7	Amington Community Woodland	50,000	50,000	50,000	**150,000**
8	Property Funds	6,000,000	6,000,000	-	**12,000,000**
9	Technology Replacement Mobile Phone Contract - ***CONTINGENCY***	20,000	-	-	**20,000**
10	Technology Replacement	45,000	-	-	**45,000**
11	GDPR Compliance - ***CONTINGENCY***	50,000	-	-	**50,000**
12	Homelessness Reduction Act	30,000	-	-	**30,000**
	Total General Fund Capital	**10,175,930**	**6,708,200**	**865,300**	**17,749,430**
	Proposed Financing:				
	Grants - Disabled Facilities	360,000	360,000	360,000	**1,080,000**
	Section 106 Receipts	225,000	100,000	140,000	**465,000**
	General Fund Capital Receipts	301,500	-	-	**301,500**
	Golf Course Receipts	6,000,000	6,000,000	-	**12,000,000**
	Sale of Council House Receipts	411,500	103,200	240,300	**755,000**
	Grants - Assembly Rooms (HLF)	339,690	-	-	**339,690**
	Grants - Assembly Rooms (SLGF)	654,480	-	-	**654,480**
	Community Infrastructure Levy	-	-	30,000	**30,000**
	Public Contributions (Assembly Rooms)	50,000	-	-	**50,000**
	Other Contributions	167,500	-	-	**167,500**
	Unsupported Borrowing	1,666,260	145,000	95,000	**1,906,260**
	Total	**10,175,930**	**6,708,200**	**865,300**	**17,749,430**

Appendix J

Housing Capital Programme 2018/19 – 2022/23

	Housing Revenue Account Capital Programme	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	TOTAL £
	Structural Works	100,000	100,000	100,000	100,000	100,000	**500,000**
	Bathroom Renewals	817,420	839,900	850,000	850,000	850,000	**4,207,320**
	Gas Central Heating Upgrades and Renewals	420,000	550,000	460,000	460,000	460,000	**2,350,000**
	Kitchen Renewals	970,690	997,380	900,000	900,000	900,000	**4,668,070**
	Major Roofing Overhaul and Renewals	165,510	170,060	174,310	174,310	174,310	**858,500**
	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**
	Disabled Facilities Adaptations	324,650	333,580	341,920	341,920	341,920	**1,683,990**
	Retention of Garage Sites	500,000	500,000	-	-		**1,000,000**
	Capital Salaries	176,840	180,730	180,000	180,000	180,000	**897,570**
	CDM Fees	5,000	5,000	5,000	5,000	5,000	**25,000**
	Regeneration Schemes						
	Tinkers Green	1,634,000	-	-	-		**1,634,000**
	Kerria	3,805,250	-	-	-		**3,805,250**
	Redevelopment of Garage sites	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	**10,000,000**
	Other acquisitions	500,000	500,000	500,000	500,000	500,000	**2,500,000**
2018/19 Proposed schemes:							**-**
H1	Creation of Office at Eringden	10,000	-	10,000	-		**20,000**
H2	Thermal Upgrades	-	540,000	540,000	540,000	540,000	**2,160,000**
H3	Strode House Car Park & Garages	530,000	-	-	-	-	**530,000**
H4	Resurfacing of walkways to walk-up flats	-	250,000	250,000	250,000	250,000	**1,000,000**
H5	Renewal of High-Rise Lifts	280,000	280,000	280,000	280,000	-	**1,120,000**
H6	Renewal of Timber walkways to Magnolia	260,000	-	-	-	-	**260,000**
H7	Replacement of High Rise Soil Stacks	-	315,000	315,000	315,000	-	**945,000**
	Total HRA Capital	**13,274,360**	**7,811,650**	**7,156,230**	**7,146,230**	**6,551,230**	**41,939,700**
	Proposed Financing:						
	Major Repairs Reserve	5,077,110	4,426,650	3,466,230	5,161,230	4,871,230	**23,002,450**
	HRA Capital Receipts	1,665,000	500,000	1,290,000	500,000	-	**3,955,000**
	Regeneration Revenue Reserves	3,706,300	1,685,000	1,750,000	1,095,000	1,365,000	**9,601,300**
	Capital Receipts from Additional Council House Sales (1-4-1)	528,000	300,000	300,000	390,000	315,000	**1,833,000**
	Regeneration Reserve	2,297,950	900,000	350,000	-	-	**3,547,950**
	Total	**13,274,360**	**7,811,650**	**7,156,230**	**7,146,230**	**6,551,230**	**41,939,700**

Appendix K

Main Assumptions

Inflationary Factors	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Inflation Rate - Pay Awards (plus NLW increases)	2.00%	2.50%	2.50%	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)	3.00%	2.50%	2.50%	2.50%	2.50%
Inflation Rate (CPI)	2.50%	2.15%	1.98%	1.90%	1.90%
Investment Rates	0.50%	0.75%	1.00%	1.50%	1.50%
Base Interest Rates	0.40%	0.60%	0.90%	1.50%	1.50%

1. Pay award – it had previously been assumed that public sector pay will be capped at 1% for 4 years from 2016/17, however, recent announcements indicate that this cap will be lifted from 2018/19 with flat rate pay awards of 2% p.a. for 2 years from 2018/19 (plus additional increases for the lower paid in line with the National Living Wage). Increases in the national paybill of 2.707% (2018/19) and 2.802% (2019/20) have been reported.
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.
6. Continuation of the New Homes Bonus scheme (at the lower payment levels) including additional receipts from new developments (including Anker Valley and the Former Golf Course Site);
7. An increase of £5 p.a. in Council Tax - current indications are that increases of 2% or £5 and above risk ‘capping’ (confirmed as 3% or £5 for District Councils for 2018/19);
8. The major changes to the previously approved policy changes are included within this forecast – Directors were issued with the provisional information in August to review, confirm & resubmit by the end of September;
9. Annual year-on-year pension cost increases of c. £200k p.a. for 3 years via the pension lump sum element for past liabilities have been included (following initial indications from the SCC triennial review in 2016).
10. Reduction in rent levels by 1% per the statutory requirement & current indications that sales of council houses will be approximately 50 per annum.
11. Forecasts have been informed by the Bank of England Inflation report (August 2017), HM Treasury – Forecasts for the UK Economy (August 2017), Office for Budget Responsibility Economic & Fiscal Outlook (March 2017). Any significant variances will be considered later in the budget setting process.

Appendix L

Sensitivity Analysis (3 years)

	Risk	2018/19 £'000	2019/20 £'000	2020/21 £'000
		Potential Budgetary Effect		
Pay Award / National Insurance (GF)				
Impact +/- 0.5% Variance £'000	L	45	90	136
Budget Impact over 1 year	L	45		
Budget Impact over 3 years	M	271		
Pay Award / National Insurance (HRA)				
Impact +/- 0.5% Variance £'000	L	14	28	43
Budget Impact over 1 years	L	14		
Budget Impact over 3 years	L	85		

Subject to negotiation for Local Government pay (including any protection for low paid employees)

	Risk	2018/19 £'000	2019/20 £'000	2020/21 £'000
Pension Costs				
Impact +/- 0.5% Variance £'000	L	0	0	61
Budget Impact over 1 year	L	0		
Budget Impact over 3 years	L	61		

3 year agreement in place from 2017/18 - subject to stock market & membership changes

	Risk	2018/19 £'000	2019/20 £'000	2020/21 £'000
Council Tax				
Impact on Council Tax income £'000		36	56	78
Budget Impact over 1 year	L	36		
Budget Impact over 3 years	L	170		
Inflation / CPI				
Impact +/- 0.5% Variance £'000	L	50	102	155
Budget Impact over 1 year	L	50		
Budget Impact over 3 years	M	307		
Government Grant				
Impact +/- 1.0% Variance £'000	L	42	83	121
Budget Impact over 1 year	L	42		
Budget Impact over 3 years	M	246		

	Risk	Potential Budgetary Effect 2018/19 £'000	2019/20 £'000	2020/21 £'000
Investment Interest				
Impact +/- 0.5% Variance £'000	M	284	556	815
Budget Impact over 1 year	M	284		
Budget Impact over 3 years	H	1655		
Key Income Streams (GF)				
Impact +/- 0.5% Variance £'000	L	7	16	26
Budget Impact over 1 year	L	7		
Budget Impact over 3 years	L	49		
Key Income Streams (HRA)				
Impact +/- 0.5% Variance £'000	L	87	172	260
Budget Impact over 1 years	L	87		
Budget Impact over 3 years	H	519		
New Homes Bonus				
Impact +/- 10% Variance £'000	L	15	38	79
Budget Impact over 1 year	L	15		
Budget Impact over 3 years	L	132		
Business Rates				
Impact +/- 10% Variance £'000	L	68	138	210
Budget Impact over 1 year	L	68		
Budget Impact over 3 years	M	416		

Appendix M

Contingencies 2018/19 - 2022/23

Revenue	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Specific Earmarked &	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General					
General Fund					
Specific Contingencies					
Waste Management	50	50	50	50	50
General Contingency	142	197	290	364	364
Total GF Revenue	**192**	**247**	**340**	**414**	**414**
Housing Revenue Account					
HRA - General Contingency	100	100	100	100	100
Total HRA Revenue	**100**	**100**	**100**	**100**	**100**

Capital	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Specific Earmarked &	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General					
General Fund					
Specific Contingencies					
Technology Replacement Mobile Phone Contract	20	-	-	-	-
GDPR Compliance	50	-	-	-	-
*General Capital Contingency**	50	-	-	-	-
Total GF Capital	**120**	**-**	**-**	**-**	**-**
Housing Revenue Account					
*HRA - General Capital Contingency**	100	-	-	-	-
Total HRA Capital	**100**	**-**	**-**	**-**	**-**

* Forecast to be re-profiled from 2017/18 Capital Programme