

## CABINET

24<sup>th</sup> January 2019

## JOINT SCRUTINY COMMITTEE (BUDGET)

30<sup>th</sup> January 2019

### Report of the Leader of the Council

#### DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2019/20 to 2023/24

##### Purpose

To approve the draft package of budget proposals (**attached at Appendix A**) to consult with the Joint Scrutiny Committee (Budget) on 30<sup>th</sup> January 2019 and receive their feedback on the:

- General Fund Revenue (GF) Budget and Council Tax for 2019/20;
- Housing Revenue Account (HRA) Budget for 2019/20;
- Capital Programme – General Fund & HRA;
- Medium Term Financial Strategy (MTFS).

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

##### Recommendations

That:

1. **Cabinet approve the draft package of budget proposals including the proposed policy changes (as detailed at Appendix B); and**
2. **As required by the Constitution of the Council, the Joint Scrutiny Committee (Budget) on 30<sup>th</sup> January 2019 be requested to consider the budget proposals contained within this report.**

## Executive Summary

Based on the draft budget assumptions contained within the report, the headline figures for 2019/20 are:

- A General Fund Net Cost of Services of £8,748,570 a reduction of 14.8% compared to 2018/19;
- A transfer of £906,381 from General Fund balances;
- The Band D Council Tax would be set at £176.89, an increase of £5.14 (2.99% - c.£0.10 per week) on the level from 2018/19 of £171.75;
- A transfer of £123,880 from HRA balances;
- Rents will be set in line with the approved Rent Setting Policy including a 1% reduction in average rent, (1% on the 2018/19 average rent of £85.85) in line with the Government's requirement to reduce rents by 1% p.a. for the 4 years from 2016/17 (based on a 48 week rent year);
- A General Fund Capital Programme of £5.3m for 5 years;
- A Housing Capital Programme of £44.5m for 5 years.

Currently projections identify:

1. General Fund balances of £466k over 3 years – a shortfall of £36k (with a shortfall of £4m over 5 years), including the minimum approved level of £0.5m;

**Further savings of around £0.8m p.a. will be required** over the next 5 years (based on annual 2.99% increases in Council Tax). On an annualised basis this would equate to a year on year ongoing saving of £270k over 5 years.

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

## Key Risks

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

- Uncertainty remains over the work progressing 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 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.** It was announced as part of the Provisional Local Government Finance Settlement that the Councils in Staffordshire have been successful in their bid to host a Staffordshire wide 75% Business Rates Pilot arrangement for 2019/20;
- 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 received over the period 2016 – 2018 from the sale of the former golf course (to support the MTFS in the long term);

The MHCLG have 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; and
- Work is continuing on a number of actions to address the GF shortfall to inform the final MTFS proposals for consideration by Council in February 2019 - **further savings of around £0.8m p.a. will be required** over the next 5 years (based on annual 2.99% increases in Council Tax). On an annualised basis this would equate to a year on year ongoing saving of £270k over 5 years.

## Background

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 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 – as well as taking any opportunities to provide services in a more effective and efficient manner.

This approach has enabled this Council to navigate its way through the extended period of austerity and the uncertainties and complexities brought about by ‘devolution’, elected Mayors, Combined Authorities etc.

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.

In addition, 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. 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.

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

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

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

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

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

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

The savings already contained within the Base Budget forecast include:

Planned Saving area	Risk	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Delivering Quality Services project	M	100	100	100	100	100
Reduced CRM costs	M	62	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 GF (£14k p.a. – HRA)	L	45	49	52	52	52
Rental of vacant accommodation space in Marmion House	H	46	92	92	92	92

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

- a) Potential changes to future New Homes bonus levels and doubt over the future operation of the scheme. The Government confirmed as part of the Local Government Finance Settlement for 2017/18 that payments will reduce from 6 years to 5 years from 2017/18 and 4 years from 2018/19 and a 'deadweight' level of growth will be applied whereby payments will only be made should housing growth be over and above this level (confirmed as 0.4% of the Band D equivalents in an area). This has now been confirmed as unchanged for 2019/20 but it is uncertain for future years.
- b) Future Revenue Support Grant levels for future years - the budget setting process has faced significant constraints in Government funding in recent years - over 50% reduction since 2010.

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

However, there remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation in 2020/21 arising from:

- The Government's Fair Funding Review (FFR) of the distribution methodology including:
  - changes to the needs assessment (which will determine each Council's share of the national funding for Local Government – it is likely that this will reflect the impact of Social Care demands and that funding will be redistributed to Unitary and County Councils to the detriment of District Councils);
  - treatment of relative resources (to determine how much each Council can fund locally through income from fees and charges and council tax); and
  - any transitional arrangements to protect Councils from significant reductions in funding – and the impact from their unwinding from 2021/22.
- Spending Review 2019 (SR19) – where the total spending allocation for Government Departments will be set – including national control totals for Local Government spending. It has already been announced that significant additional funding will be diverted to the NHS which could mean further reductions for other Departments including Local Government;

- The ongoing review of the Business Rates Retention (BRR) scheme – the Government announced that Councils will be able to retain 75% of business rates collected from 2020/21 rather than 100% as previously planned with work progressing on the design of the new system including the impact of ‘rolling in’ grants such as Housing Benefit administration and New Homes Bonus. In addition, the calculation of the level of business rate appeal costs will impact on the forecast level of retained business rates – of which the Council has to fund 40% from its own budgets – a provision of £4.3m was set aside at the end of 2017/18 (40% of which relates to the Council). It was announced as part of the Provisional Local Government Finance Settlement that the Councils in Staffordshire have been successful in their bid to host a Staffordshire wide 75% Business Rates Pilot arrangement for 2019/20;
- The planned reset of the Business Rates baseline for each Council from 2020/21 and redistribution of the growth achieved since 2013 (of over £1m p.a.);
- Uncertainty over the ongoing funding for the New Homes Bonus scheme, local growth in housing numbers and share of the national pool (including potential increases to the ‘deadweight’ for which Council’s no longer receive grant).
- In addition, the next planned national Business Rates Revaluation will take effect from 2021/22 – with latest indications that the Government will also aim to introduce a centralised system for business rate appeals at the same time to cover future changes arising from the 2021 valuation list.

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

- c) Uncertain economic conditions within the UK economy, following the decision to leave the EU, may also lead to a suppression of business growth and investment – together with the associated impact on Business Rate growth and employment.
- d) Future Pension contribution levels - following the triennial review in 2016 carried out by the Actuary employed by the Pension Fund - indicative *ongoing* annual increases in Employer’s contributions of c. £200k p.a. have been included from 2017/18 for 3 years. This now includes an ongoing lump sum (with an annual increase) relating to past liabilities and a set rate for future employer contributions of 16.5% p.a.
- e) The impact of Pension Auto-Enrolment and the single tier pension from 2016/17 – no additional cost associated with auto enrolment has been included as salary budgets are prepared on a full cost basis (and then reduced by the vacancy allowance);
- f) While the Government announced a pay cap for 2014/15 & 2015/16, a 2.2% increase (plus other changes) was agreed from 1<sup>st</sup> January 2015. A further 1% pay cap for public sector workers for the 4 years from 2016/17 was set but following Government announcements regarding public sector pay this cap was lifted from 2018/19 with a 2% increase agreed.

For 2019/20 a 2% increase was agreed and included the introduction of a new pay spine on 1<sup>st</sup> April 2019 based on a bottom rate of £17,364 with additions, deletions and changes to other spinal column points. This could have a significant impact in terms of current grading and a review is underway to assess the impact of the assimilation and implementation of the new pay spine from 1<sup>st</sup> April 2019.

In addition, from April 2016, a new compulsory National Living Wage (NLW) for the over 25s was introduced to replace the National Minimum Wage.

- g) Proposed changes set out in the Welfare Reform Act 2012 and the introduction of Universal Credit – impact on housing benefits and associated income receipts (including Housing Rents and Council Tax) of the Council;
- h) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management;
- i) Due to uncertainties around the Better Care Fund, a significant risk on the current grant funding for Disabled Facilities Grants (DFG) is highlighted after 2018/19.

A grant of £400k p.a. has been assumed to be redistributed – in line with the funding notified for 2018/19;

- j) Inclusion of expected outcomes from development of the Commercial Investment Strategy;
- k) Review and finalisation of the revised budgets/policy changes and feedback from the scrutiny process – including the Council Tax increase for 2019/20.

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



## Options Considered

As part of the budget setting process a number of options for the council tax increase levels for 2019/20 and future years have been modelled / considered.

Council Tax	Option Modelled / Considered
Model 1	<b>2.99% increase in Council tax in 2019/20 (followed by increases of c.2.99% p.a.)</b>
Model 2	£5.00 increase in Council tax in 2019/20 (followed by increases of £5.00 p.a.)
Model 3	0% increase in Council tax in 2019/20 (followed by increases of c.2.99% p.a.)
Model 4	2.5% increase in Council tax in 2019/20 (followed by increases of 2.5% thereafter)
Model 5	0% increase in Council tax in 2019/20 (followed by increases of 0% thereafter)
Model 6	1% increase in Council tax in 2019/20 (followed by increases of 1% thereafter)

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

## 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 2019/20 appears at **Appendix D**. A summary of the resulting budgets over the five year period appears at **Appendix F**.

The draft Budget and Medium Term Financial Strategy is based on a council tax increase of £5.14 (2.99%) for 2019/20 (the maximum permitted under the Government set limits to avoid a referendum) followed by increases at 2.99% p.a. thereafter & in line with statutory requirements. The Forecast projects General Fund balances of £466k over 3 years – a shortfall of £34k (with a shortfall of £4m over 5 years), including the minimum approved level of £0.5m.

It should be noted that in order to ensure General Fund balances remain above the minimum approved level of £0.5m over 5 years **further savings of around £0.8m p.a. will be required** (based on annual 2.99% increases in Council Tax). On an annualised basis this would equate to a year on year ongoing saving of £270k over 5 years.

The summary HRA Revenue Budget for 2019/20 appears at **Appendix C** (including a summary of the resulting budgets over the 5 year period). Closing balances over 3 years are estimated at £3m (£2m over 5 years) – in excess of the minimum approved level of £0.5m.

The proposed 5-year General Fund Capital Programme is included at **Appendix H** – the main changes, since the programme was provisionally approved in February 2018, included at this stage are detailed within the report.

The proposed 5-year Housing Capital Programme is included at **Appendix I** – the main changes, since the programme was provisionally approved in February 2018, included at this stage are detailed within the report.

## **Options**

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 re-justification process – 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.

We took the opportunity to increase the vacancy allowance from 5% to 7.5% by 2021/22 c.£45k p.a. year on year for the General Fund, c.£14k p.a. for the 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 £1.8m underspend in 2017/18 – although much of this arose from windfall income, c. £1m was lower level underspends).

A review of the underspend position has been undertaken with a view to drive out as many savings as possible.

- 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. 4 to 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 Diversified Property Funds – a savings target to return c.4% p.a. from £12m invested has already been included from 2019/20.

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

- Review of reserves (including ensuring adequate provision for the funding uncertainties) / creation of a fund for transformation (if needed).
- Targeted Savings – to identify potential areas for review in future years.
- Review and rationalisation of IT systems.

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

- Completion of the Business Rates forecast / NNDR1 statutory return including the impact of the successful Staffordshire wide 75% Business Rates Pilot arrangement for 2019/20; and
- Finalisation of the Policy changes.

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

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

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

### **Legal / Risk Implications**

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

In line with the constitution the Leaders Budget Workshop was held on 6<sup>th</sup> December 2018.

In order to allow Scrutiny Committees to respond to the Cabinet on the outcome of their deliberations, a meeting of the Scrutiny Committee (Budget) has been arranged for 30<sup>th</sup> January 2019.

Risks to Capital and Revenue Forecasts:

<b>Risk</b>	<b>Control Measure</b>
Major variances to the level of grant / subsidy from the Government (including specific grants e.g. Benefits administration, Business Rates Section 31 funding); <b>(High)</b>	Sensitivity modelling undertaken to assess the potential impact in the estimation of future grant levels; <b>(Medium / High)</b>
New Homes Bonus grant levels lower than estimated; Continuation of the scheme with revisions has been confirmed – further changes are possible in future years. Achievement of forecast growth in housing numbers / reduced void levels; <b>(High/Medium)</b>	Future levels included on a risk based approach in order to offset further grant reductions / uncertainty over additional property numbers; <b>(Medium)</b>
Potential ‘capping’ of council tax increases by the Government or local Council Tax veto / referendum; <b>(Medium)</b>	Current indications are that increases above 3% <b>and</b> £5 and above risk ‘capping’ (confirmed as 3% <b>and</b> £5 for District Councils for 2018/19); <b>(Low)</b>
The achievement / delivery of substantial savings / efficiencies will be needed to ensure sufficient resources will be available to deliver the Council’s objectives through years 4 to 5. Ongoing; <b>(High)</b>	A robust & critical review of savings proposals will be required / undertaken before inclusion within the forecast; <b>(High/Medium)</b>
Pay awards greater than forecast; <b>(Medium)</b>	Public sector pay cap was in place - 1% increase p.a. for 4 years from 2016/17. However, this cap was lifted from 2018/19 with pay awards of 2% p.a. for 2 years; <b>(Medium / Low)</b>
Pension costs higher than planned / adverse performance of pension fund; <b>(Medium)</b>	Regular update meetings with Actuary; Increases of c.£200k p.a. with a new ‘lump sum’ element have been included following triennial review (during 2016 for 2017/18) for 3 years; <b>(Medium)</b>
Assessment of business rates collection levels to inform the forecast / budget (NDR1) and estimates of appeals, mandatory & discretionary reliefs, cost of collection, bad debts and collection levels;  New burdens (Section 31) grant funding for Central Government policy changes – including impact on levy calculation;	Robust estimates included to arrive at collection target. Ongoing proactive management & monitoring will continue;  Business Rates Collection Reserve - provision of reserve funding to mitigate impact of any changes in business rate income levels;

Risk	Control Measure
<p>Potential changes to the Business Rates Retention system following the announcement for Councils to keep 75% (previously up to 100%) of the business rates collected by 2020/21; <b>(High)</b></p>	<p>Monitoring of the situation / regular reporting;  <b>(High / Medium)</b></p>
<p>Local Council Tax Reduction scheme implementation – potential yield changes and maintenance of collection levels;  <b>(High)</b></p>	<p>Robust estimates included. Ongoing proactive management &amp; monitoring (including a quarterly healthcheck on the implications on the organisation – capacity / finance) will continue; <b>(High / Medium)</b></p>
<p>Achievement of income streams in line with targets e.g. treasury management interest, car parking, planning, commercial &amp; industrial rents etc.; <b>(High / Medium)</b></p>	<p>Robust estimates using a zero based budgeting approach have been included;  <b>(Medium)</b></p>
<p>Delivery of the capital programme (GF / HRA – including Regeneration schemes) dependent on funding through capital receipts and grants (including DFG funding through the Better Care Fund); <b>(High / Medium)</b></p>	<p>Robust monitoring and evaluation – should funds not be available then schemes would not progress;  <b>(Medium)</b></p>
<p>Dependency on partner organisation arrangements and contributions e.g. Waste Management (SCC/LDC). <b>(High / Medium)</b></p>	<p>Memorandum of Understanding in place with LDC.  <b>(Medium)</b></p>
<p>Delivery of the planned Commercial Investment Strategy actions - recent review of the Treasury Management Investment Guidance / Minimum Revenue Provision Guidance carried out by MHCLG - with a potential restriction of investments by Councils given increased risk exposure. <b>(High/Medium)</b></p>	<p>The main issue seems to be the increased risks associated with those Councils who are borrowing large sums to invest in commercial property activities.  <b>(Medium)</b></p>
<p>Maintenance and repairs backlog for corporate assets – and planned development of long term strategic plan to address such. <b>(High / Medium)</b></p>	<p>Planned development of long term strategic corporate capital strategy and asset management plan to consider the requirements and associated potential funding streams. <b>(Medium)</b></p>
<p>Significant financial penalties arising from the implementation of the General Data Protection Regulations (GDPR). <b>(High / Medium)</b></p>	<p>Implementation plan in place with corporate commitment and good progress.  <b>(Medium)</b></p>
<p>Property funds are not risk free - as such a risk based approach will need to be adopted – to balance risk against potential yield or return.</p>	<p>Any investment in funds which are deemed as capital expenditure will require the necessary capital programme budgets to be approved by full Council.</p>

Risk	Control Measure
<p>Based on past performance there is the potential for returns of c.4 to 5% p.a. but this is not guaranteed.</p> <p>The value of the funds are also subject to fluctuation – which could mean a capital loss in one year (as well as expected gains).</p> <p>The initial cost associated with the purchase of the investment in the funds is expected to be in the region of 5% - which would have to be recovered over the life of the investment (either from annual returns or capital appreciation). There is a real risk of a revenue loss therefore in the first year. <b>(High/Medium)</b></p>	<p>Risk is inherent in Treasury Management and as such a risk based approach will need to be adopted – to balance risk against potential yield or return.</p> <p>It is suggested that risk be mitigated (although not eliminated) through investment in a diversified portfolio using a range of property funds.</p> <p>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 <b>(Medium)</b></p>

### Report Author

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

<b>Background Papers:-</b>	<b>Corporate Vision, Priorities Plan, Budget &amp; Medium Term Financial Strategy 2018/19, Council 27<sup>th</sup> February 2018</b>
	<b>Budget and Medium Term Financial Planning Process, Cabinet 2<sup>nd</sup> August 2018</b>
	<b>Budget Consultation Report, Cabinet 8<sup>th</sup> November 2018</b>
	<b>Draft Base Budget Forecasts 2019/20 to 2023/24, Cabinet 29<sup>th</sup> November 2018</b>
	<b>Leaders Budget Workshop, 6<sup>th</sup> December 2018</b>

## Summary of Appendices

<b>Description</b>	<b>Appendix</b>
<b>Detailed Considerations</b>	<b>A</b>
<b>Policy Changes Summary – GF &amp; HRA</b>	<b>B</b>
<b>HRA Budget Summary 2019/20 – 2023/24</b>	<b>C</b>
<b>General Fund Summary Revenue Budget 2019/20</b>	<b>D</b>
<b>General Fund Technical Adjustments 2019/20 (before policy changes)</b>	<b>E1</b>
<b>HRA Technical Adjustments 2019/20 (before policy changes)</b>	<b>E2</b>
<b>General Fund 5 Year Revenue Budget Summary</b>	<b>F</b>
<b>Council Tax Levels at Each Band 2019/20</b>	<b>G</b>
<b>General Fund Capital Programme 2019/20 – 2023/24</b>	<b>H</b>
<b>Housing Capital Programme 2019/20 – 2023/24</b>	<b>I</b>
<b>Main Assumptions</b>	<b>J</b>
<b>Sensitivity Analysis</b>	<b>K</b>
<b>Contingencies</b>	<b>L</b>
<b>Corporate Capital Strategy</b>	<b>M</b>

## Detailed Considerations

The Council's approach to medium term planning aims to integrate the Council's Corporate and financial planning processes. In accordance with that approach this report contains firm proposals for 2019/20 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 2018/19 budget to arrive at the starting point for 2019/20. The report deals in turn with each of the key elements and towards the end of each section is a summary table. Each of these tables is brought together in the summary and conclusions section at the end of the report.

The Council's medium term financial plan used as the basis for the 2019/20 budget, aimed both to deal with a challenging financial position and to find resources to address the Council's corporate priorities. The approved package was based upon:

- The need to compensate for reduced income levels arising from the continuing economic uncertainty and austerity measures;
- Injecting additional resources into corporate priorities;
- Increasing income from council tax and fees and charges; and
- Making other savings and efficiencies.

## Financial Background

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

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

There are a number of challenges affecting the Medium Term Financial Planning process for the period from 2019/20 to 2023/24 which add a high level of uncertainty to budget projections.

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



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

Effect of x% movement:	% + / -	Impact over 1 year +/- £'000	Impact over 3 years +/- £'000	Impact over 5 years + / - £'000	Risk
Pay Award / National Insurance (GF)	0.5%	43	260	663	M/H
Pension Costs	0.5%	0	175	594	L/M
Council Tax	0.5%	19	119	314	L/M
Inflation / CPI	0.5%	52	316	803	M/H
Government Grant	1.0%	40	190	437	M
Investment Interest	0.5%	333	1843	4318	H
Key Income Streams	0.5%	9	54	138	L
New Homes Bonus	10%	26	176	498	M
Business Rates	0.5%	70	425	1078	H

## GENERAL FUND

### Future Revenue Support Grant & Business Rate income

On 13 December 2018, the Secretary of State for the Ministry for Housing, Communities and Local Government, Rt. Hon. James Brokenshire MP, made a statement to Parliament on the provisional local government finance settlement (LGFS) 2019/20.

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 2.8% for 2019/20 and an overall increase for the period 2016/17 to 2019/20 of 3.8%.

<b>Core Spending Power National Position</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
Settlement Funding Assessment	21,250	18,602	16,633	15,574	14,560
Under-indexing business rates multiplier	165	165	175	275	400
Council Tax	22,036	23,247	24,666	26,332	27,927
Improved Better Care Fund	-	-	1,115	1,499	1,837
New Homes Bonus	1,200	1,485	1,252	947	918
Rural Services Delivery Grant	16	81	65	81	81
Transition Grant	-	150	150	-	-
Adult Social Care Support Grant	-	-	241	150	-
Winter pressures Grant	-	-	-	240	240
Social Care Support Grant	-	-	-	-	410
<b>Core Spending Power</b>	<b>44,666</b>	<b>43,730</b>	<b>44,296</b>	<b>45,098</b>	<b>46,373</b>
<b>Change %</b>		<b>(2.1)%</b>	<b>1.3%</b>	<b>1.8%</b>	<b>2.8%</b>
<b>Cumulative change %</b>		<b>(2.1)%</b>	<b>(0.8)%</b>	<b>1.0%</b>	<b>3.8%</b>

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

<b>BASE BUDGET</b>	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>2021/22 £</b>	<b>2022/23 £</b>	<b>2023/24 £</b>
Revenue Support Grant	493,964	184,529	-	-	-	-
% Reduction	<b>(36)%</b>	<b>(63)%</b>	<b>(100)%</b>	-	-	-

## 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 changes to the Business Rate Retention scheme, the Business Rate reset and the Fair Funding Review, detailed modelling has been carried out in order to prepare estimated Business Rates income levels.

The 2019/20 finance settlement represents the seventh year in which the Business Rates Retention (BRR) scheme is the principal form of local government funding. As in the previous years, the provisional settlement provides authorities with a combination of provisional grant allocations and their baseline figures within the BRR scheme.

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

The Council received additional business rates during 2013/14 (above forecast / baseline) and had to pay a levy of £356k to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP). No levy was payable for 2014/15 due to the significant increase in appeals during March 2015 – which meant an increase in the provision from £1m to almost £4m. The Council received additional business rates during 2015/16, 2016/17 and 2017/18 (above forecast / baseline) and had to pay a levy of £534k, £612k and £1.17m respectively.

The latest estimates for 2018/19 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 1<sup>st</sup> 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.

<b>Levy / Section 31 Grant</b>	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>2021/22 £</b>	<b>2022/23 £</b>	<b>2023/24 £</b>
NNDR Levy payment to GBSLEP (20%)	906,093	1,054,810	-	-	-	-
Section 31 Grant income	(762,968)	(752,760)	-	-	-	-

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

<b>BASELINE</b>	<b>2019/20</b> £	<b>2020/21</b> £	<b>2021/22</b> £	<b>2022/23</b> £	<b>2023/24</b> £
<b>Base Budget Forecast (November 2018):</b>					
Retained Business Rates	12,530,991	14,279,743	14,560,973	14,815,263	15,113,978
Less: Tariff payable	(10,231,634)	(11,936,698)	(12,173,977)	(12,405,147)	(12,653,250)
Total	2,299,357	2,343,045	2,386,996	2,410,116	2,460,728
% Increase	2.2%	1.9%	1.9%	1.0%	2.1%
<b>Provisional Settlement Funding (December 2018):</b>					
Retained Business Rates	12,540,029	14,279,743	14,563,883	14,842,850	15,139,707
Less: Tariff payable	(10,054,485)	(11,936,698)	(12,173,977)	(12,405,147)	(12,653,250)
Total	2,485,544	2,343,045	2,389,906	2,437,703	2,486,457
% Increase / (Decrease)	10.5%	(5.7)%	2.0%	2.0%	2.0%
<b>Increase / (Decrease)</b>	<b>186,187</b>	<b>-</b>	<b>2,910</b>	<b>27,587</b>	<b>25,729</b>

As identified above, the Business Rates Baseline for 2019/20 is higher than expected at £2.49m – due to the inclusion of RSG following the successful Staffordshire wide Business Rates Pilot.

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.

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

<b>BASE BUDGET</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	£	£	£	£	£
<b>Base Budget Forecast (November 2018):</b>					
Retained Business Rates	14,014,371	14,279,743	14,563,883	14,842,850	15,139,707
Less: Tariff payable	(10,231,634)	(11,936,698)	(12,173,977)	(12,405,147)	(12,653,250)
Total	3,782,737	2,343,045	2,389,906	2,437,703	2,486,457
% Increase (Decrease)	3.3%	(38.1)%	2.0%	2.0%	2.0%
<b>Provisional Settlement Funding (December 2018):</b>					
Retained Business Rates	14,014,371	14,279,743	14,563,883	14,842,850	15,139,707
Less: Tariff payable	(10,054,485)	(11,936,698)	(12,173,977)	(12,405,147)	(12,653,250)
Total	3,959,886	2,343,045	2,389,906	2,437,703	2,486,457
% Increase / (Decrease)	8.2%	(40.8)%	2.0%	2.0%	2.0%
<b>Increase / (Decrease)</b>	<b>177,149</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>177,149</b>	<b>177,149</b>	<b>177,149</b>	<b>177,149</b>	<b>177,149</b>

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

<b>BASE BUDGET</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	£	£	£	£	£
<b>Base Budget Forecast (November 2018):</b>					
Revenue Support Grant	184,529	-	-	-	-
Retained Business Rates	14,014,371	14,279,743	14,563,883	14,842,850	15,139,707
Less: Tariff payable	(10,231,634)	(11,936,698)	(12,173,977)	(12,405,147)	(12,653,250)
Total	3,967,266	2,343,045	2,389,906	2,437,703	2,486,457
% Increase / (Decrease)	(4.5)%	(40.9)%	2.0%	2.0%	2.0%
<b>Provisional Settlement Funding (December 2018):</b>					
Revenue Support Grant	-	-	-	-	-
Retained Business Rates	£14,014,371	£14,279,743	£14,563,883	£14,842,850	£15,139,707
Less: Tariff payable	(10,054,485)	(11,936,698)	(12,173,977)	(12,405,147)	(12,653,250)
Total	3,959,886	2,343,045	2,389,906	2,437,703	2,486,457
% Increase / (Decrease)	(4.7)%	(40.8)%	2.0%	2.0%	2.0%
<b>Increase / (Decrease)</b>	<b>(7,380)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The table shows that overall funding should be c.£7k less than expected in 2019/20.

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

The retained Business Rates forecast will be updated based on the NNDR1 return which was not received until late December 2018. A separate report on this agenda is due to consider the latest forecast for Business Rates (the statutory NNDR1 return) once finalised – prior to final sign off by the statutory deadline of 31<sup>st</sup> January 2019.

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;
- the treatment of Section 31 grant funding (including Small Business Rate Relief Grant) – which could affect the calculation of any levy payment and thereby reduce retained Business Rate income; and
- The impact of the Business Rates Retention scheme review, Baseline reset (the Council's baseline need level), the Fair Funding Review and the Spending Review planned for 2019 on the likely tariff levels for future years.

In addition, the next planned national Business Rates Revaluation will take effect from 2021/22 – with latest indications that the Government will also aim to introduce a centralised system for business rate appeals at the same time to cover future changes arising from the 2021 valuation list.

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

A summary of the indicative Government timetable for the reviews is shown below:

Date	Issues
May 2018	Risk and gearing; appeals and loss payments; updates on Pool prospectus; update on FFR consultation.
July 2018	Resets and measuring growth; Revaluation; BRR transitional arrangements; Pooling; FFR – structure of needs assessment, treatment of relative resources, principles for transitional arrangements.
Oct 2018	Overall short term package and future reform; update on SR 2019; Potential consultation on BRR Baseline reset.
Early 2019	Technical BRR consultation and links to FFR; SR 2019 emerging issues; Potential consultation on BRR Baseline reset.
Mid 2019	Results of consultations (hopefully); SR 2019 emerging issues.
Later 2019	Indicative impact of systemic changes potentially this late
Late 2019 / Early 2020	Provisional Local Government Finance Settlement detailing impact for Councils

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

### **New Homes Bonus (NHB)**

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

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

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

The 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 was reduced to 4 years for 2018/19 onwards;
- From 2018/19, the government will consider withholding payments from local authorities that are not *“planning effectively, by making positive decisions on planning applications and delivering housing growth”*; and

- A consultation was planned regarding withholding payments for homes that are built following an appeal.
- The allocations for 2018/19 and 2019/20 are indicative and will be reliant on any further changes to the scheme and growth locally.
- It had been assumed that a 'deadweight' factor of 0.25% would be implemented, in line with the consultation but, from 2017/18, the national baseline for housing growth below which New Homes Bonus will not be paid was set at 0.4% (reflecting a percentage of housing that would have been built anyway). The Government retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth – a factor of 0.6% had been assumed for 2019/20 onwards.

There remains significant uncertainty over the future operation of the scheme with recent announcements that it will be considered as part of the review of Fair Funding review and the Business Rates retention scheme.

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 2019/20 have been announced and reflected in the revised forecasts in the table below.

<b>BASE BUDGET NHB</b>	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>2021/22 £</b>	<b>2022/23 £</b>
Risk Weighting applied – MTFS 2018	100%	75%	75%	50%	50%
MTFS 2018 Budget	230,750	414,140	561,990	695,660	695,660
<i>Base Budget Forecast</i>	<i>257,200</i>	<i>293,800</i>	<i>401,750</i>	<i>457,920</i>	<i>399,250</i>
<b>Increased / (Reduced) income</b>	<b>26,450</b>	<b>(120,340)</b>	<b>(160,240)</b>	<b>(237,740)</b>	<b>(296,410)</b>
Revised Risk Weighting applied	100%	37.5%	37.5%	25%	25%
<i>Revised forecast – Draft MTFS</i>	<i>336,300</i>	<i>293,800</i>	<i>401,750</i>	<i>457,920</i>	<i>399,250</i>
<b>(Gain) / Loss</b>	<b>79,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 is a £79k gain. No further changes to the scheme have been considered and therefore the forecast remains unchanged for future years.



## Technical Adjustments

Revisions have been made to the 2018/19 base budget in order to produce an adjusted base for 2019/20 and forecast base for 2020/21 onwards. These changes, known as technical adjustments have been calculated to take account of:

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

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

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

Technical Adjustments	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Base Budget B/Fwd	10,270	8,898	8,579	8,700	8,861
Committee Decisions	(1,624)	(44)	52	(15)	-
Inflation	38	38	39	39	41
Other	(45)	(590)	(245)	(122)	134
Pay Adjustments (Including pay award / reduction for vacancy allowance)	135	277	275	259	245
Revised charges for non-general fund activities	124	-	-	-	-
<b>Total / Revised Base Budget</b>	<b>8,898</b>	<b>8,579</b>	<b>8,700</b>	<b>8,861</b>	<b>9,281</b>

\* ( ) denotes saving in base budget

## Policy Changes

The policy changes provisionally agreed by Council in February 2018 have been included within the technical adjustments for 2019/20 onwards. **A list of the proposed new policy changes for 2019/20 is summarised below:**

<b>Policy Changes Identified</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
To make the Training Officer post permanent	26.0	-	-	-	-
To extend the temporary contract for Customer Service Assistants for 12 months	56.5	(56.5)	-	-	-
Further delays in Assembly Rooms Project resulting in delay to opening	30.0	(30.0)	-	-	-
Proposed 75% reduction in the funding from SCC re highway verge mowing	-	126.0	-	-	-
Reduction in staffing and equipment to reflect reduced SCC funding	-	(95.0)	-	-	-
Amington Community Woodlands ongoing revenue and maintenance costs funded by S106 income	TBC	-	-	-	-
Increase in Elections budget as there are no planned Parliamentary or County elections during 2019	20.0	(20.0)	-	-	-
To add the post of Benefits Apprentice to the establishment, on a temporary two year basis	14.34	-	(14.34)	-	-
Funding for apprentice - saving in vacant Benefits Advisor hours / Government grant	(14.34)	-	14.34	-	-
To add the post of Revenues Apprentice to the establishment	14.34	-	-	-	-
Funding for apprentice - Contribution from bailiff / Increased court cost income budget	(14.34)	-	-	-	-
Review of Underspent Budgets and Contingencies	(358.6)	-	-	-	-
Revised New Homes Bonus grant	(79.1)	79.1	-	-	-
Capital Programme – lost investment income	7.0	8.0	13.0	4.0	19.0

<b>Policy Changes Identified</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
Capital Programme – repayment of debt (MRP)	12.0	13.0	21.0	7.0	30.0
Civil Contingencies Unit (CCU) support - additional CCU Officer time	7.0	(7.0)	-	-	-
Removal of planned income from letting accommodation in Marmion House	46.0	46.0	-	-	-
Review of the Tamworth Local Plan 2006-2031 - required to be reviewed at least every five years	40.0	65.0	(105.0)	-	-
Planning fees increased by 20% on 17th January 2018 on the understanding that the increase was reinvested in Planning Services	34.0	-	-	-	-
£10k per annum for 3 financial years to match fund against a European funded project, to enable businesses and individuals to start up	10.0	-	-	(10.0)	-
<b>Total New Items / Amendments</b>	<b>(149.2)</b>	<b>128.6</b>	<b>(71.0)</b>	<b>1.0</b>	<b>49.0</b>
<b>Cumulative</b>	<b>(149.2)</b>	<b>(20.6)</b>	<b>(91.6)</b>	<b>(90.6)</b>	<b>(41.6)</b>

### **Capping / Local Referendum**

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

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

### **Council Tax**

Last year's medium term financial plan identified ongoing increases of £5 (c.3%) per annum from 2019/20.

Each £1 increase in the band D Council Tax would raise approximately £22k per annum. For each 1% increase in Council Tax, the Council will receive c. £37k additional income per annum.

It has been confirmed that the 'referendum' threshold will be the higher of £5 or 3.0% - following a freeze in 2011/12 & 2012/13 and a below 2% increase since then.

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

**Model 1 Impact of 2.99% increase in Council Tax in 2019/20 (followed by 2.99% p.a.)**

Year:	2019/20	2020/21	2021/22	2022/23	2023/24
Forecast:	£'000	£'000	£'000	£'000	£'000
Surplus (-) /Deficit	907	2,138	1,947	1,871	2,103
<b>Balances Remaining (-) / Overdrawn</b>	<b>(4,551)</b>	<b>(2,413)</b>	<b>(466)</b>	<b>1,405</b>	<b>3,508</b>
£ Increase	5.14	5.29	5.45	5.61	5.78
% Increase	2.99%	2.99%	2.99%	2.99%	2.99%
Note: Resulting Band D Council Tax	176.89	182.18	187.63	193.24	199.02

which indicates a potential shortfall in balances of £34k over 3 years (with a shortfall of £4m over 5 years), further savings of approx. £0.8m per annum over 5 years would have to be identified.

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

**Model 2 Impact of £5 increase in Council Tax in 2019/20 (followed by £5 p.a.)**

Year:	2019/20	2020/21	2021/22	2022/23	2023/24
Forecast:	£'000	£'000	£'000	£'000	£'000
<b>Reduction in Council Tax £</b>	<b>3</b>	<b>9</b>	<b>19</b>	<b>33</b>	<b>51</b>
Revised Surplus (-) /Deficit	909	2,147	1,966	1,904	2,154
<b>Balances Remaining (-) / Overdrawn</b>	<b>(4,548)</b>	<b>(2,401)</b>	<b>(435)</b>	<b>1,470</b>	<b>3,624</b>
£ Increase	5.00	5.00	5.00	5.00	5.00
% Increase	2.91%	2.83%	2.75%	2.68%	2.61%
Note: Resulting Band D Council Tax	176.75	181.75	186.75	191.75	196.75

which indicates a potential shortfall in balances of £65k over 3 years (with a shortfall of £4.1m over 5 years), further savings of approx. £0.8m per annum over 5 years would have to be identified.

**Model 3 Impact of 0% increase in Council Tax in 2019/20 (followed by increases of 2.99% thereafter)**

Year:	2019/20	2020/21	2021/22	2022/23	2023/24
Forecast:	£'000	£'000	£'000	£'000	£'000
<b>Reduction in Council Tax £</b>	112	115	119	123	127
Revised Surplus (-) /Deficit	1,019	2,253	2,066	1,994	2,230
<b>Balances Remaining (-) / Overdrawn</b>	<b>(4,439)</b>	<b>(2,186)</b>	<b>(120)</b>	<b>1,874</b>	<b>4,104</b>
£ Increase	0.00	5.14	5.29	5.45	5.61
% Increase	0.00%	2.99%	2.99%	2.99%	2.99%
Note: Resulting Band D Council Tax	171.75	176.89	182.18	187.63	193.24

which indicates a potential shortfall in balances of £0.4m over 3 years (£4.6m over 5 years) further savings of approx. £0.9m per annum over 5 years would have to be identified.

**Model 4 Impact of 2.5% increase in Council Tax in 2019/20 (followed by increases of 2.5% thereafter)**

Year:	2019/20	2020/21	2021/22	2022/23	2023/24
Forecast:	£'000	£'000	£'000	£'000	£'000
<b>Reduction in Council Tax £</b>	18	38	59	81	105
Revised Surplus (-) /Deficit	925	2,176	2,006	1,952	2,208
<b>Balances Remaining (-) / Overdrawn</b>	<b>(4,533)</b>	<b>(2,357)</b>	<b>(351)</b>	<b>1,601</b>	<b>3,809</b>
£ Increase	4.30	4.40	4.52	4.63	4.74
% Increase	2.5%	2.5%	2.5%	2.5%	2.5%
Note: Resulting Band D Council Tax	176.05	180.45	184.97	189.60	194.34

which indicates a potential shortfall in balances of £0.15m over 3 years (£4.4m over 5 years) further savings of approx. £0.9million per annum over 5 years would have to be identified.

**Model 5 Impact of 0% increase in Council Tax in 2019/20 (followed by increases of 0% thereafter)**

Year:	2019/20	2020/21	2021/22	2022/23	2023/24
Forecast:	£'000	£'000	£'000	£'000	£'000
<b>Reduction in Council Tax £</b>	112	229	352	481	615
Revised Surplus (-) /Deficit	1,019	2,367	2,299	2,352	2,718
<b>Balances Remaining (-) / Overdrawn</b>	<b>(4,439)</b>	<b>(2,072)</b>	<b>227</b>	<b>2,579</b>	<b>5,297</b>
£ Increase	0.00	0.00	0.00	0.00	0.00
% Increase	0.00%	0.00%	0.00%	0.00%	0.00%
Note: Resulting Band D Council Tax	171.75	171.75	171.75	171.75	171.75

which indicates a potential shortfall in balances of £0.7m over 3 years (£5.8m over 5 years) further savings of approx. £1.2m per annum would have to be identified.

**Model 6 Impact of 1% increase in Council Tax in 2019/20 (followed by increases of 1% thereafter)**

Year:	2019/20	2020/21	2021/22	2022/23	2023/24
Forecast:	£'000	£'000	£'000	£'000	£'000
<b>Reduction in Council Tax £</b>	74	153	236	324	417
Revised Surplus (-) /Deficit	981	2,291	2,183	2,195	2,520
<b>Balances Remaining (-) / Overdrawn</b>	<b>(4,477)</b>	<b>(2,186)</b>	<b>(3)</b>	<b>2,192</b>	<b>4,712</b>
£ Increase	1.72	1.74	1.76	1.77	1.79
% Increase	1.00%	1.00%	1.00%	1.00%	1.00%
Note: Resulting Band D Council Tax	173.47	175.21	176.97	178.74	180.53

which indicates a potential shortfall in balances of £0.5m over 3 years (£5.2m over 5 years) further savings of approx. £1million per annum would have to be identified

Also available to the Council to support expenditure otherwise funded from Council Tax are surpluses arising from the Council's share of surpluses (or deficits) within the Council Tax or Business Rates elements of the Collection Fund.

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

At this stage, no surplus has been included for the business rates element but it is estimated that there will be a surplus of at least £33k p.a. within the Collection Fund for Council Tax – this will be updated following finalisation of the estimated surplus/deficit calculations in January 2019.

Year:	2019/20	2020/21	2021/22	2022/23	2023/24
<b>Council Tax</b>	£'000	£'000	£'000	£'000	£'000
Council Tax Income	(3,849)	(4,044)	(4,238)	(4,428)	(4,616)
Collection Fund Surplus (Council Tax)	(33)	(33)	(33)	(33)	(33)
Collection Fund Surplus (Business Rates)	-	-	-	-	-

The County Council, OPCC and Fire & Rescue Authority are due to finalise their budgets for 2019/20 during February 2019. The impact of the Borough Council tax proposals is shown for each Council Tax Band in **Appendix G**.

## **Balances**

At the Council meeting on 23<sup>rd</sup> February 2016 Members approved a minimum working level of balances of £0.5m. At 31<sup>st</sup> March 2019 General Fund revenue balances are estimated to be £5.46m. The minimum level of balances for planning purposes will remain at around £0.5m.

## **Summary and Conclusions**

These budget proposals reflect the need to compensate for reduced income levels arising from the uncertain economic conditions and significant reductions in Government funding, a desire to continue to address the Council's priorities / issues identified by Members and at the same time to seek continuous improvement in service delivery.

In addition, there remains a degree of uncertainty in a number of areas including future local authority pay settlements, the potential for interest rate changes and the future local government finance settlements. A summary of all the budget proposals is shown in the table below. The summary revenue budget for 2019/20 appears at **Appendix D**.

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



Using the funding forecast and assuming increases in Council Tax of 2.99% per annum for 2019/20 onwards, the five year base budget forecast is as follows:

<b>GF Summary</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
<b>Estimated Net Cost of Services</b>	<b>8,898</b>	<b>8,579</b>	<b>8,700</b>	<b>8,861</b>	<b>9,281</b>
Proposed Policy Changes / Additional Costs Identified	(149)	(21)	(92)	(91)	(42)
Inflationary impact of policy changes	-	-	-	-	-
<b>Net Expenditure</b>	<b>8,749</b>	<b>8,558</b>	<b>8,608</b>	<b>8,770</b>	<b>9,239</b>
<b>Financing:</b>					
RSG	-	-	-	-	-
Collection Fund Surplus (Council Tax)	(33)	(33)	(33)	(33)	(33)
Collection Fund Surplus (Business Rates)	-	-	-	-	-
Tariff Payable	10,054	11,937	12,174	12,405	12,653
Non Domestic Ratepayers	(14,014)	(14,280)	(14,564)	(14,843)	(15,140)
Council Tax Income (Model 1)	(3,849)	(4,044)	(4,238)	(4,428)	(4,616)
<b>Gross Financing</b>	<b>(7,842)</b>	<b>(6,420)</b>	<b>(6,661)</b>	<b>(6,899)</b>	<b>(7,136)</b>
<b>Surplus(-) / Deficit</b>	<b>907</b>	<b>2,138</b>	<b>1,947</b>	<b>1,871</b>	<b>2,103</b>
<b>Balances Remaining (-) / Overdrawn</b>	<b>(4,551)</b>	<b>(2,413)</b>	<b>(466)</b>	<b>1,405</b>	<b>3,508</b>
<b>Per Council, 27<sup>th</sup> February 2018</b>	<b>(1,846)</b>	<b>(551)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Band D equivalents</b>	<b>21,761</b>	<b>22,197</b>	<b>22,587</b>	<b>22,915</b>	<b>23,195</b>

Indicating potential General fund balances of approx. £466k over 3 years – a shortfall of £34k (with a shortfall of £1.9m over 4 years & £4m over the 5 year period) - including the minimum approved level of £0.5m.

## HOUSING REVENUE ACCOUNT

### Technical Adjustments

The 2018/19 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 2019/20.

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

<b>Technical Adjustments</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
Base Budget B/Fwd	3,806	52	240	42	(110)
Committee Decisions	(3,146)	29	(37)	(7)	-
Inflation	144	147	152	155	159
Other	(761)	(77)	(399)	(381)	(399)
Pay Adjustments (Including pay award / reduction for vacancy allowance)	81	89	86	81	78
Revised charges for non-general fund activities	(72)	-	-	-	-
<b>Total / Revised Base Budget</b>	<b>52</b>	<b>240</b>	<b>42</b>	<b>(110)</b>	<b>(272)</b>

Revisions have been made to the 2018/19 base budget in order to produce an adjusted base for 2019/20 and forecast base for 2020/21 onwards. These changes, known as technical adjustments, are largely beyond the control of the Council and have been calculated to take account of:

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

and are summarised in **Appendix E**.

## Proposals

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

<b>Policy Changes Identified</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
Revised spend on Housing Repairs in line with the updated HRA Business Plan approved by Cabinet on 27th September 2018	3435.82	-	-	1,226.30	(1,226.30)
Remove current repairs budgets	(4,266.88)	-	-	-	-
Additional Revenue Contribution to Capital Programme	1,000.00		-	-	-
Review of Underspent Budgets and Contingencies	(96.49)	-	-	-	-
<b>Total New Items / Amendments</b>	<b>72.45</b>	<b>-</b>	<b>-</b>	<b>1,226.30</b>	<b>(1,226.30)</b>
<b>Cumulative</b>	<b>72.45</b>	<b>72.45</b>	<b>72.45</b>	<b>1,298.75</b>	<b>72.45</b>

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

<b>HRA Summary</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
<b>Estimated Net (Surplus) / Deficit</b>	52	240	42	(110)	(272)
Proposed Policy Changes / Additional Costs Identified	72	72	72	1,299	72
Inflationary impact of policy changes	-	-	-	-	-
<b>Surplus (-) / Deficit</b>	124	312	114	1,189	(200)
Balances Remaining (-) / Overdrawn	(3,419)	(3,107)	(2,993)	(1,804)	(2,004)

Per Council, 27 <sup>th</sup> February 2018	(2,223)	(1,566)	(1,049)	(698)	-
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Indicating Housing Revenue Account (HRA) balances of £3m over 3 years (with balances of £2m over 5 years) including the minimum recommended balances of £0.5m.

## Rent Setting Policy

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

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

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

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 30<sup>th</sup> 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.

For 2019/20, rents will be set in line with the approved policy.

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.

However, there are 53 Mondays in financial year 2019/20, the normal day for rent debits to be raised. This is not unusual in itself, but councils are required to manage the 53 Mondays alongside measures introduced in the Welfare Reform Act for annual 1% rent decreases and changes introduced by Universal Credit. There are specific issues to deal with in the next financial year and potentially longer term implications for rent levels.

### **Welfare Reform Act**

The 4 year 1% rent a year decrease introduced by the Welfare Reform Act 2016 means that the 53 Mondays of rent in 2019/20 can be interpreted as taking Councils over the required 1% decrease on rents in the 52 week year in 2018/19.

A number of Councils and their representative groups have raised this with MHCLG, whose initial response was that the rent reduction had to be applied on an annual basis and that landlords would either have to offer up a rent free week or collect 52 weeks' worth of rent over 53 payments. Either way local authorities would lose a week's rent.

Furthermore this would have a long lasting impact of reducing rental income since Government is consulting on proposals to limit rent increases to CPI+1% per year from 2020/21 so the reduced rental income in 2019/20 would be "baked in".

However a number of LAs and partners have investigated this issue and have reached a consensus that the definition within the legislation could be interpreted so that rent payable 'in respect of that relevant year' should be calculated – as it is for accounting purposes at the year end - on a daily basis, though still charged on a weekly basis. This would allow 53 weeks' worth of rent to be charged as normal, and still be in compliance with the Welfare Reform and Work Act requirements to reduce rents by 1%.

It is also easier to explain as weekly rents will just need to be reduced by 1% as normal. There will need to be communication with any tenants making monthly payments (for instance by direct debit) where payments will increase by about 1% next year but that the following year's increase in payments will be lower in percentage terms than the increase at that time.

This consensus has been communicated to MHCLG. Officials have emphasised that it is for individual Councils to satisfy themselves that they are complying with the legal position.

### **Universal Credit**

A further complicating issue is that Universal Credit legislation does not allow for 53 Monday years and therefore UC claimants would find themselves a week in arrears if charged 53 week's rent.

Councils have suggested that this could be amended through a statutory instrument, which references 53 weeks where applicable. However, DWP are not supportive of this approach, perhaps because it might have implications for their IT systems, or for introducing further complexity.

Another proposal is to ask that the Government temporarily resolve this through topping up rents for 2019/20 somehow, while working to find a sustainable long-term solution. There is not yet a detailed view on what the long-term solution might be.

### Next steps

The LGA will continue to make representations to both DWP and MHCLG for a sustainable long-term solution to this issue, to inform rent setting for 2019/20.

### Balances

The forecast level of balances at 31<sup>st</sup> March 2018 is £3.54m. The impact on balances of the adjustments outlined in this report would be as follows:

<b>Balances</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
Proposed Withdrawal from / Addition to (-) Balances	124	312	114	1,189	(200)
<b>Balances Remaining (-) / Overdrawn</b>	<b>(3,419)</b>	<b>(3,107)</b>	<b>(2,993)</b>	<b>(1,804)</b>	<b>(2,004)</b>

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

## Corporate Capital Strategy

The Council has an ongoing capital programme of over £55m for 2018/19 and an asset base valued at £219m (as at 31<sup>st</sup> March 2018).

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

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

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

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, Corporate 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.



Following a review of the Capital Programme approved by Council on 27<sup>th</sup> February 2018, 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, **£35k** remains in current year GF contingency funds and **£100k** remains in current year HRA contingency funds (which will be re-profiled into 2019/20 to provide contingency funding).

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

## Policy Changes Summary

SERVICE AREA	Sheet No.	Budget Changes 19/20 £'000	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000	Budget Changes 22/23 £'000	Budget Changes 23/24 £'000
PEOPLE	1	82.5	(56.5)	-	-	-
OPERATIONS AND LEISURE	2	30.0	1.0	-	-	-
LEGAL & DEMOCRATIC SERVICES	3	20.0	(20.0)	-	-	-
FINANCE	4	(418.7)	100.1	34.0	11.0	49.0
NEIGHBOURHOODS	5	7.0	(7.0)	-	-	-
PARTNERSHIPS	6	-	-	-	-	-
ASSETS	7	46.0	46.0	-	-	-
GROWTH & REGENERATION	8	84.0	65.0	(105.0)	(10.0)	-
AUDIT & GOVERNANCE / WASTE MANAGEMENT	9	-	-	-	-	-
<b>TOTAL</b>		<b>(149.2)</b>	<b>128.6</b>	<b>(71.0)</b>	<b>1.0</b>	<b>49.0</b>
<b>Cumulative Cost / (Saving)</b>		<b>(149.2)</b>	<b>(20.6)</b>	<b>(91.6)</b>	<b>(90.6)</b>	<b>(41.6)</b>
HOUSING REVENUE ACCOUNT	Sheet No.	Budget Changes 19/20 £'000	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000	Budget Changes 22/23 £'000	Budget Changes 23/24 £'000
HOUSING REVENUE ACCOUNT	10	72.5	-	-	1,226.3	(1,226.3)
<b>TOTAL</b>		<b>72.5</b>	<b>-</b>	<b>-</b>	<b>1,226.3</b>	<b>(1,226.3)</b>
<b>Cumulative Cost / (Saving)</b>		<b>72.5</b>	<b>72.5</b>	<b>72.5</b>	<b>1,298.8</b>	<b>72.5</b>

## Policy Changes Summary Staffing Implications

SERVICE AREA	Sheet No.	Budget Changes 19/20 £'000	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000	Budget Changes 22/23 £'000	Budget Changes 23/24 £'000
PEOPLE	1	5.5	(4.7)	-	-	-
OPERATIONS AND LEISURE	2	-	-	-	-	-
LEGAL & DEMOCRATIC SERVICES	3	-	-	-	-	-
FINANCE	4	1.7	-	(0.7)	-	-
NEIGHBOURHOODS	5	-	-	-	-	-
PARTNERSHIPS	6	-	-	-	-	-
ASSETS	7	-	-	-	-	-
GROWTH & REGENERATION	8	-	-	-	-	-
AUDIT & GOVERNANCE / WASTE MANAGEMENT	9	-	-	-	-	-
<b>TOTAL</b>		<b>7.2</b>	<b>(4.7)</b>	<b>(0.7)</b>	-	-

HOUSING REVENUE ACCOUNT	Sheet No.	Budget Changes 19/20 £'000	Budget Changes 20/21 £'000	Budget Changes 21/22 £'000	Budget Changes 22/23 £'000	Budget Changes 23/24 £'000
HOUSING REVENUE ACCOUNT	10	-	-	-	-	-
<b>TOTAL</b>		-	-	-	-	-

## PEOPLE

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			19/20	20/21	21/22	22/23	23/24
			£'000	£'000	£'000	£'000	£'000
PE1	To extend the current temporary contract of the Training Officer to make the post permanent.	Budgetary funding for the Training Officer ends March 2019. In light of the effectiveness of this post in delivering corporate training and writing system procedures and manuals, it is requested that this post is made permanent.	26.00	-	-	-	-
PE2	To extend the temporary contract for Customer Service Assistants for 12 months to 31st March 2020	Budgetary funding for these posts ends March 2019. It was expected by this point that the Customer Portal would be implemented and DQS would have concluded, however this is not the case and therefore it is requested that these posts remain for a further 12 months. The one-off cost of £91k will be reduced by retaining the salary savings arising this year from the vacant Head of Customer Services post in reserve at year end.	56.50	(56.50)	-	-	-
<b>Total New Items / Amendments</b>			<b>82.50</b>	<b>(56.50)</b>	-	-	-

## STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	19/20 FTE	20/21 FTE	21/22 FTE	22/23 FTE	23/24 FTE
PE1	Permanent post - Training Officer		0.80				
PE2	Extension of temporary CSA's	173 Temp Gr 2 hours	4.68	(4.68)			
<b>TOTAL</b>			<b>5.48</b>	<b>(4.68)</b>	-	-	-

## OPERATIONS AND LEISURE

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000
OPS1	Further delays in Assembly Rooms Project resulting in delay to opening	Income reduced until premises open, date uncertain	30.00	(30.00)	-	-	-
OPS2	Proposed 75% reduction in the funding from SCC re highway verge mowing		-	126.00	-	-	-
OPS3	Reduction in staffing and equipment to reflect reduced SCC funding		-	(95.00)	-	-	-
OPS4	Amington Community Woodlands ongoing revenue and maintenance costs	Externally Funded through S106's	TBC	-	-	-	-
<b>Total New Items / Amendments</b>			<b>30.00</b>	<b>1.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>STAFFING IMPLICATIONS</b>							
			19/20 FTE	20/21 FTE	21/22 FTE	22/23 FTE	23/24 FTE
OPS3	Reduction in staffing and equipment to reflect reduced SCC funding		-	TBC	-	-	-
<b>TOTAL</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**LEGAL & DEMOCRATIC SERVICES**

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000
L&D1	Elections Costs	Increase in budget as there are no planned Parliamentary or County elections during 2019 to mitigate the full cost of election process	20.0	(20.0)	-	-	-
<b>Total New Items / Amendments</b>			<b>20.0</b>	<b>(20.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**STAFFING IMPLICATIONS**

No	Proposal/(Existing Budget)	Implications	19/20 FTE	20/21 FTE	21/22 FTE	22/23 FTE	23/24 FTE
	<b>TOTAL</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

19/20 Budget Process - Policy Changes			Sheet		4			
FINANCE								
Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	
FIN1	To add the post of Benefits Apprentice to the establishment, on a temporary two year basis, to be part-funded from vacant hours already on the establishment/government grant income from DWP re benefit changes.	There are currently 12 vacant Gr 5 Benefits Advisor hours on the establishment, plus Government grant income being received which can fund the salaries cost of an apprentice. Training costs will be met from the apprentice levy. The proposal is for an apprentice aged 18 - 20; aged under 18 an apprentice under national minimum wage would cost £10.2k (incl on-costs). Saving in vacant Gr 5 Benefits Advisor hours DWP Government grant income	14.34  (9.50) (4.84)	-  - -	(14.34)  9.50 4.84	-  -	-  -	-  -
FIN2	To add the post of Revenues Apprentice to the establishment, to be part-funded via bailiffs contribution	The current bailiffs contractor has offered to part fund a Revenues apprentice. The remaining salaries costs will be funded from court costs income, with training costs met from the apprentice levy. The proposal is for an apprentice aged 18 - 20; aged under 18 an apprentice under national minimum wage would cost £10.2k (incl on-costs). Contribution from bailiff Increased court cost income budget	14.34  (6.50) (7.84)	-  - -	-  -	-  -	-  -	-  -
FIN3	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(358.62)	-	-	-	-	-
FIN6	Revised New Homes Bonus	Updated NHB grant notification following confirmation of 0.4% 'deadweight'	(79.10)	79.10	-	-	-	-
FIN7	Revenue Implications of Capital Programme	Cost of unsupported borrowing / lost investment income (2.5%) - should all proposed schemes progress	7.0	8.0	13.0	4.0	19.0	
FIN8		Repayment of debt (4%) - should all proposed schemes progress	12.0	13.0	21.0	7.0	30.0	
<b>Total New Items / Amendments</b>			<b>(418.7)</b>	<b>100.1</b>	<b>34.0</b>	<b>11.0</b>	<b>49.0</b>	
<b>STAFFING IMPLICATIONS</b>								
Item No	Proposal/(Existing Budget)	Implications	19/20 FTE	20/21 FTE	21/22 FTE	22/23 FTE	23/24 FTE	
FIN1	Benefits Apprentice		0.68	-	(0.68)	-	-	
FIN2	Revenues Apprentice		1.00	-	-	-	-	
<b>TOTAL</b>			<b>1.68</b>	<b>-</b>	<b>(0.68)</b>	<b>-</b>	<b>-</b>	

**NEIGHBOURHOODS**

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000
NE11	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 - in order to facilitate this additional CCU Officer time will be required during 2019/20.	7.0	(7.0)			
<b>Total New Items / Amendments</b>			<b>7.0</b>	<b>(7.0)</b>	-	-	-
<b>STAFFING IMPLICATIONS</b>							
			19/20 FTE	20/21 FTE	21/22 FTE	22/23 FTE	23/24 FTE
	<b>TOTAL</b>		-	-	-	-	-





**ASSETS**

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000
AST1	Marmion House Rents and Service Charges	Removal of planned income from letting accommodation	46.0	46.0	-	-	-
<b>Total New Items / Amendments</b>			<b>46.0</b>	<b>46.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>STAFFING IMPLICATIONS</b>							
			19/20 FTE	20/21 FTE	21/22 FTE	22/23 FTE	23/24 FTE
	<b>TOTAL</b>		-	-	-	-	-

## GROWTH &amp; REGENERATION

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000
G&R1	<p>Review of the Tamworth Local Plan 2006-2031 - Funding request £40,000 2019/20 and £105,000 2020/2021 (in addition to the £40,000 allocated in each of 2018/19 and 2019/20).</p> <p>The Town and Country Planning (Local Planning) Regulations 2012 now require local plans to be reviewed at least every five years. In TBC's case, a full review should be undertaken as it is anticipated that the housing need will change requiring amendments to strategic policies within the local plan.</p> <p>TBC has worked with all of the 14 authorities within the Greater Birmingham and Black Country Housing Market Area to take forward the recommendations of a Strategic Growth Study that will look to deal with a wider unmet housing need from the HMA which includes Tamworth's need.</p>	<p>The timeframe for dealing with the unmet need extends to 2036 and therefore TBC's local plan will be extended to 2036. An infrastructure and delivery study will be commissioned to assess the development opportunities and constraints at these locations and agree a way forward. The existing evidence base comprises updates to documents that were produced as far back as 2010 and were updated as necessary for the adopted plan. These documents are now dated and should be replaced. The costs for production of the new evidence base will be supplemented through existing budgets where possible and producing some of the evidence in-house.</p> <p>The new requirement to review the local plan every 5 years will require a base budget to be set to support this activity going forward.</p>	40.00	65.00	(105.00)	-	-
G&R2	<p>The Government increased nationally set planning fees by 20% on 17th January 2018 on the understanding that the increase was reinvested in Planning Services.</p> <p>The proposal is to create an expenditure budget to enable transparency on spend of the additional income.</p>	<p>The forecast income for 19/20 is £200,000 which includes the 20% increase. This is lower than in previous years due to the likelihood that less large scale applications will be received given that the majority have been made this year</p>	34.00	-	-	-	-
G&R3	<p>An additional £10k per annum for the period of April 2019 to end of March 2022 (3 financial years), to match fund against a European funded project, to enable businesses and individuals to start up.</p> <p>This project supports individuals in Tamworth to start or grow fledgling businesses creating economic benefits for the Borough, through workshops, individual advice and business planning activities.</p> <p>This support encourages and gives confidence to individuals who may not otherwise start a business.</p>	<p>The £10k is a payment that leverages in additional investment. The project pays for; a dedicated mentor / advisor for Tamworth giving start up advice; monthly 2 days workshops on starting a business, including room hire income at the TEC; marketing and relationship building with individuals and interested organisations, such as the job centre; additional workshops at the TEC</p>	10.00	-	-	(10.00)	-
<b>Total New Items / Amendments</b>			<b>84.00</b>	<b>65.00</b>	<b>(105.00)</b>	<b>(10.00)</b>	<b>-</b>

## STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	19/20	20/21	21/22	22/23	23/24
			FTE	FTE	FTE	FTE	FTE
<b>TOTAL</b>			-	-	-	-	-



## HOUSING REVENUE ACCOUNT

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000
HRA1	Brickwork (spalling)	Revised spend in line with the updated HRA Business Plan approved by Cabinet on 27th September 2018	-	-	-	284.8	(284.8)
HRA2	Wall Finish & Lintels		-	-	-	941.5	(941.5)
HRA3	Painting Programme - external		170.8	-	-	-	-
HRA4	Painting Programme - internal, sheltered and communal area		7.1	-	-	-	-
HRA5	Gas Servicing - domestic		129.5	-	-	-	-
HRA6	Gas Servicing - non domestic		0.3	-	-	-	-
HRA7	Solid Fuel Appliance servicing		0.1	-	-	-	-
HRA8	Asbestos non domestic reinspections (High Rise blocks)		4.6	-	-	-	-
HRA9	Asbestos non domestic reinspections (Low Rise blocks)		0.2	-	-	-	-
HRA10	Asbestos non domestic reinspections (Communal Areas)		9.3	-	-	-	-
HRA11	Asbestos non domestic reinspections (Sheltered)		1.9	-	-	-	-
HRA12	Asbestos non domestic reinspections (Non Housing)		1.0	-	-	-	-
HRA13	Legionella risk assessments and monitoring (High Rise blocks)		2.3	-	-	-	-
HRA14	Legionella risk assessments and monitoring (Low Rise blocks)		0.2	-	-	-	-
HRA15	Legionella risk assessments and monitoring (Communal Areas)		1.3	-	-	-	-
HRA16	Legionella risk assessments and monitoring (Sheltered)		1.5	-	-	-	-
HRA17	Legionella risk assessments and monitoring (Non Housing)		1.0	-	-	-	-
HRA18	Fire Risk Assessments (High Rise blocks)		2.3	-	-	-	-
HRA19	Fire Risk Assessments (Low Rise blocks)		0.2	-	-	-	-
HRA20	Fire Risk Assessments (Communal Areas)		9.3	-	-	-	-
HRA21	Fire Risk Assessments (Sheltered)		1.5	-	-	-	-

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change	Budget Change	Budget Change
			19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000
HRA22	Fire Risk Assessments (Non Housing)	Revised spend in line with the updated HRA Business Plan approved by Cabinet on 27th September 2018	1.0	-	-	-	-
HRA23	Automatic fire detection and control (sprinkler) inspection and maintenance - bin stores		0.9	-	-	-	-
HRA24	Automatic fire detection and control (sprinkler) inspection and maintenance - new (Flats)		7.0	-	-	-	-
HRA25	Fire Alarm Testing and Servicing (contract includes Warden Call systems)		21.3	-	-	-	-
HRA26	Emergency Lighting testing and servicing		3.5	-	-	-	-
HRA27	Fire extinguisher servicing and inspection		0.6	-	-	-	-
HRA28	Lightening conductor inspection (High Rise and Sheltered blocks)		3.4	-	-	-	-
HRA29	Pressure Vessel / Water Pumps Inspections (other than non domestic boilers)		0.3	-	-	-	-
HRA30	Periodic Electrical Inspection - domestic		306.3	-	-	-	-
HRA31	Periodic Electrical Inspection - non domestic / communal		1.9	-	-	-	-
HRA32	Passenger Lift Servicing		52.0	-	-	-	-
HRA33	Domestic Stairlift Inspection / Servicing		18.0	-	-	-	-
HRA34	Dry Risers		0.4	-	-	-	-
HRA35	High Rise Fans		1.4	-	-	-	-
HRA36	Security Gates		0.5	-	-	-	-
HRA37	Domestic Properties - Response		1,332.0	-	-	-	-
HRA38	for Revenue Fees (R&M) Fees		568.0	-	-	-	-
HRA39	Void Repairs		773.0	-	-	-	-
HRA40	Additional Revenue Contribution to Capital spend		Cabinet, on 27th September 2018, authorised that £298m detailed in the HRA Business Plan Investment plan be considered as part of the budget setting process	1,000.0	-	-	-
HRA41	Remove current repairs budgets		(4,266.9)	-	-	-	-
HRA42	Review of Underspent Budgets and Contingencies	Savings identified from review of previously underspent budgets	(96.49)	-	-	-	-
<b>Total New Items / Amendments</b>			<b>72.450</b>	<b>-</b>	<b>-</b>	<b>1,226.30</b>	<b>(1,226.30)</b>

**STAFFING IMPLICATIONS**

Item No	Proposal/(Existing Budget)	Implications	19/20 FTE	20/21 FTE	21/22 FTE	22/23 FTE	23/24 FTE
<b>TOTAL</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2019/20 – 2023/24

<i>Figures exclude internal recharges which have no bottom line impact.</i>	<b>Base Budget 2018/19</b> £	<b>Budget 2019/20</b> £	<b>Budget 2020/21</b> £	<b>Budget 2021/22</b> £	<b>Budget 2022/23</b> £	<b>Budget 2023/24</b> £
HRA Summary	(356,030)	(3,890,620)	(3,798,380)	(4,075,140)	(3,104,670)	(4,601,380)
ED Communities	0	21,880	24,730	27,640	30,630	33,700
AD Operations & Leisure	508,220	524,600	533,940	542,760	553,670	565,740
AD Assets	(85,340)	(87,310)	(74,160)	(150,610)	(141,640)	(39,250)
AD Neighbourhoods	3,738,970	3,555,330	3,626,280	3,769,540	3,850,570	3,842,020
Housing Repairs	0	0	0	0	0	0
<b>Grand Total</b>	<b>3,805,820</b>	<b>123,880</b>	<b>312,410</b>	<b>114,190</b>	<b>1,188,560</b>	<b>(199,170)</b>

Figures include proposed Policy Changes

## General Fund Summary Budgets – 2019/20

<i>Figures exclude internal recharges which have no bottom line impact.</i>	<b>Base Budget 2018/19 £</b>	<b>Technical Adjustments * £</b>	<b>Policy Changes £</b>	<b>Budget 2019/20 £</b>
Chief Executive	1,475,460	61,220	20,000	1,556,680
AD Growth & Regeneration	1,235,470	(175,850)	84,000	1,143,620
ED Organisation	493,140	(82,250)	-	410,890
AD People	1,852,270	(45,150)	82,500	1,889,620
AD Operations & Leisure	2,333,080	(62,430)	30,000	2,300,650
ED Finance	89,080	(3,580)	-	85,500
AD Finance	1,114,670	(962,000)	(418,720)	(266,050)
ED Communities	-	0	-	0
AD Assets	(562,340)	(219,090)	46,000	(735,430)
AD Neighbourhoods	1,089,740	130,900	7,000	1,227,640
AD Partnerships	1,149,640	(14,190)	-	1,135,450
<b>Total Cost of Services</b>	<b>10,270,210</b>	<b>(1,372,420)</b>	<b>(149,220)</b>	<b>8,748,570</b>
Transfer to / (from) Balances	(3,077,541)	2,171,160	-	(906,381)
Revenue Support Grant	(493,964)	493,964	-	-
Retained Business Rates	(13,094,597)	(919,774)	-	(14,014,371)
Less: Tariff payable	9,935,598	118,887	-	10,054,485
Collection Fund Surplus (Council Tax)	(80,065)	47,065	-	(33,000)
Collection Fund Surplus (Business Rates)	222,336	(222,336)	-	-
<b>Council Tax Requirement</b>	<b>(3,681,977)</b>	<b>(316,546)</b>	<b>149,220</b>	<b>(3,849,303)</b>

\* As detailed in Appendix E1



## General Fund – Technical Adjustments 2019/20

<i>Figures exclude internal recharges which have no bottom line impact</i>	<b>Budget 2018/19</b>	<b>Technical Adjustments</b>						<b>Total Adjusted Base 2019/20</b>	
		<b>Virements £</b>	<b>Committee Decisions £</b>	<b>Inflation £</b>	<b>Other £</b>	<b>Pay Adjustments £</b>	<b>Changes in Recharges £</b>		<b>Total Adjustments £</b>
Chief Executive	1,475,460	108,200	(91,850)	(4,980)	10,650	21,730	17,470	61,220	<b>1,536,680</b>
AD Growth & Regeneration	1,235,470	-	(137,290)	(6,510)	(57,500)	25,450	-	(175,850)	<b>1,059,620</b>
ED Organisation	493,140	3,820	(60,010)	8,240	(4,850)	(2,940)	(26,510)	(82,250)	<b>410,890</b>
AD People	1,852,270	-	(206,550)	15,970	(33,710)	8,370	170,770	(45,150)	<b>1,807,120</b>
AD Operations & Leisure	2,333,080	-	(174,500)	7,370	34,970	86,290	(16,560)	(62,430)	<b>2,270,650</b>
ED Finance	89,080	-	(730)	130	420	1,440	(4,840)	(3,580)	<b>85,500</b>
AD Finance	1,114,670	-	(861,350)	5,280	(4,550)	(54,060)	(47,320)	(962,000)	<b>152,670</b>
AD Assets	(562,340)	(112,020)	(167,340)	13,160	22,860	13,250	11,000	(219,090)	<b>(781,430)</b>
AD Neighbourhoods	1,089,740	37,380	121,660	(440)	1,310	9,540	(38,550)	130,900	<b>1,220,640</b>
AD Partnerships	1,149,640	(37,380)	(46,420)	(350)	(14,180)	25,620	58,520	(14,190)	<b>1,135,450</b>
<b>Grand Total</b>	<b>10,270,210</b>	<b>-</b>	<b>(1,624,380)</b>	<b>37,870</b>	<b>(44,580)</b>	<b>134,690</b>	<b>123,980</b>	<b>(1,372,420)</b>	<b>8,897,790</b>

## HRA Technical Adjustments – 2018/19

<i>Figures exclude internal recharges which have no bottom line impact</i>	Budget 2018/19	Technical Adjustments						Total Adjustments £	Total Adjusted Base 2019/20
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	Changes in Recharges £		
HRA Summary	(356,030)	-	(2,995,690)	109,880	(721,230)	-	-	(3,607,040)	(3,963,070)
ED Communities	-	106,550	-	50	-	-	(84,720)	21,880	21,880
AD Operations & Leisure	508,220	-	(2,510)	2,230	(13,300)	26,790	3,170	16,380	524,600
AD Assets	(85,340)	-	(44,660)	640	70	17,360	24,620	(1,970)	(87,310)
AD Neighbourhoods	3,738,970	(106,550)	(102,790)	30,750	(26,990)	36,540	(14,600)	(183,640)	3,555,330
Housing Repairs	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>3,805,820</b>	<b>-</b>	<b>(3,145,650)</b>	<b>143,550</b>	<b>(761,450)</b>	<b>80,690</b>	<b>(71,530)</b>	<b>(3,754,390)</b>	<b>51,430</b>

## General Fund Five Year Revenue Budget Summary

<i>Figures exclude internal recharges which have no bottom line impact.</i>	<b>Budget 2019/20 £</b>	<b>Budget 2020/21 £</b>	<b>Budget 2021/22 £</b>	<b>Budget 2022/23 £</b>	<b>Budget 2023/24 £</b>
Chief Executive	1,556,680	1,542,660	1,547,300	1,553,120	1,559,890
AD Growth & Regeneration	1,143,620	1,238,860	1,123,910	1,094,310	1,166,580
ED Organisation	410,890	426,840	443,340	461,580	478,800
AD People	1,889,620	1,884,330	1,922,910	1,977,660	2,035,680
AD Operations & Leisure	2,300,650	2,313,070	2,369,000	2,433,990	2,501,980
ED Finance	85,500	87,670	89,870	92,730	95,880
AD Finance	(266,050)	(556,820)	(455,100)	(477,100)	(303,780)
ED Communities	0	0	0	0	0
AD Assets	(735,430)	(719,010)	(701,670)	(681,310)	(659,820)
AD Neighbourhoods	1,227,640	1,202,670	1,112,980	1,142,550	1,173,470
AD Partnerships	1,135,450	1,138,040	1,155,570	1,172,490	1,190,380
<b>Total Cost of Services</b>	<b>8,748,570</b>	<b>8,558,310</b>	<b>8,608,110</b>	<b>8,770,020</b>	<b>9,239,060</b>
Transfer to / (from) Balances	(906,381)	(2,138,416)	(1,947,205)	(1,871,222)	(2,103,334)
Revenue Support Grant	-	(0)	(0)	(0)	(0)
Retained Business Rates	(14,014,371)	(14,279,743)	(14,563,883)	(14,842,850)	(15,139,707)
Less: Tariff payable	10,054,485	11,936,698	12,173,977	12,405,147	12,653,250
Collection Fund Surplus (Council Tax)	(33,000)	(33,000)	(33,000)	(33,000)	(33,000)
Collection Fund Surplus (Business Rates)	-	-	-	-	-
<b>Council Tax Requirement</b>	<b>(3,849,303)</b>	<b>(4,043,849)</b>	<b>(4,237,999)</b>	<b>(4,428,095)</b>	<b>(4,616,269)</b>

Figures include proposed Policy Changes

## Council Tax levels at each band for 2019/20

Authority:	Tamworth Council Tax 2018/19	Tamworth Borough Council	* Staffordshire County Council	* Office of the Police & Crime Commissioner (OPCC) Staffordshire	* Stoke on Trent and Staffordshire Fire and Rescue Authority	<b>Total 2019/20</b>	Total Council Tax 2018/19
	£	£	£	£	£		
Demand/Precept on Collection Fund		3,849,303	27,119,218	4,451,354	1,647,929	<b>37,067,804</b>	
Council Tax Band							
A	114.50	117.93	830.82	136.37	50.49	<b>1,135.61</b>	1,098.90
B	133.58	137.58	969.29	159.10	58.90	<b>1,324.87</b>	1,282.06
C	152.67	157.24	1,107.76	181.83	67.32	<b>1,514.15</b>	1,465.21
<b>D</b>	<b>171.75</b>	<b>176.89</b>	<b>1,246.23</b>	<b>204.56</b>	<b>75.73</b>	<b>1,703.41</b>	1,648.36
E	209.92	216.20	1,523.17	250.02	92.56	<b>2,081.95</b>	2,014.66
F	248.08	255.51	1,800.11	295.48	109.39	<b>2,460.49</b>	2,380.96
G	286.25	294.82	2,077.05	340.93	126.22	<b>2,839.02</b>	2,747.26
H	343.50	353.78	2,492.46	409.12	151.46	<b>3,406.82</b>	3,296.72
% increase	3.00%	2.99%	2.95%	6.23%	2.99%	3.34%	5.53%

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

## Draft General Fund Capital Programme 2019/20 to 2023/24

<b>General Fund Capital Programme</b>	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>2021/22 £</b>	<b>2022/23 £</b>	<b>2023/24 £</b>	<b>Total £</b>
Gateways	120,000	190,000	-	-	-	<b>310,000</b>
Technology Replacement	60,000	-	-	-	-	<b>60,000</b>
Street Lighting	28,200	115,300	-	-	583,890	<b>727,390</b>
Amington Community Woodland	50,000	50,000	50,000	50,000	-	<b>200,000</b>
Replacement Castle Grounds Play Area	-	-	375,000	-	-	<b>375,000</b>
Private Sector Grants - Disabled Facilities Grants	650,000	650,000	650,000	650,000	650,000	<b>3,250,000</b>
Energy Efficiency Upgrades to Commercial and Industrial Units	75,000	75,000	75,000	75,000	75,000	<b>375,000</b>
<b>Total General Fund Capital</b>	<b>983,200</b>	<b>1,080,300</b>	<b>1,150,000</b>	<b>775,000</b>	<b>1,308,890</b>	<b>5,297,390</b>
<b><u>Proposed Financing:</u></b>						
Grants - Disabled Facilities	400,000	400,000	400,000	400,000	400,000	<b>2,000,000</b>
Section 106 Receipts	100,000	140,000	50,000	50,000	-	<b>340,000</b>
Sale of Council House Receipts	188,200	190,300	175,000	155,000	150,000	<b>858,500</b>
Community Infrastructure Levy	-	30,000	-	-	-	<b>30,000</b>
<b>Unsupported Borrowing</b>	<b>295,000</b>	<b>320,000</b>	<b>525,000</b>	<b>170,000</b>	<b>758,890</b>	<b>2,068,890</b>
Total	<b>983,200</b>	<b>1,080,300</b>	<b>1,150,000</b>	<b>775,000</b>	<b>1,308,890</b>	<b>5,297,390</b>

**Appendix I**

**Draft Housing Revenue Account Capital Programme 2019/20 to 2023/24**

<b><u>Housing Revenue Account Capital Programme</u></b>	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>2021/22 £</b>	<b>2022/23 £</b>	<b>2023/24 £</b>	<b>TOTAL £</b>
Heating Distribution	179,200	179,200	179,200	179,200	179,200	<b>896,000</b>
Roof finishes	854,400	854,400	854,400	854,400	854,400	<b>4,272,000</b>
Windows	347,500	347,500	347,500	347,500	347,500	<b>1,737,500</b>
Fascias, Soffits & Bargeboards	57,000	57,000	57,000	57,000	57,000	<b>285,000</b>
External Doors	301,400	301,400	301,400	301,400	301,400	<b>1,507,000</b>
Communal Doors	-	-	-	-	83,000	<b>83,000</b>
Bathroom	567,800	567,800	567,800	567,800	567,800	<b>2,839,000</b>
Kitchens	1,037,500	1,037,500	1,037,500	1,037,500	1,037,500	<b>5,187,500</b>
Heating Systems	501,700	501,700	501,700	501,700	501,700	<b>2,508,500</b>
Electric Heating Systems	-	-	-	-	302,900	<b>302,900</b>
Rewire	362,200	362,200	362,200	362,200	362,200	<b>1,811,000</b>
Lift Renewals	-	-	180,000	-	-	<b>180,000</b>
Rainwater Goods	-	-	-	-	284,800	<b>284,800</b>
Warden Call Systems	-	-	-	-	40,000	<b>40,000</b>
CO/Smoke detectors	64,000	64,000	64,000	64,000	64,000	<b>320,000</b>
External Stores etc.	106,800	106,800	106,800	106,800	106,800	<b>534,000</b>
Insulation	17,900	17,900	17,900	17,900	17,900	<b>89,500</b>
Independent Fires	4,600	4,600	4,600	4,600	4,600	<b>23,000</b>
Soil Vent Pipes	-	-	945,000	-	-	<b>945,000</b>
Fire Alarm Systems	-	-	-	-	16,000	<b>16,000</b>
Disabled Adaptations	212,500	212,500	212,500	212,500	212,500	<b>1,062,500</b>
Fencing Renewals	142,400	142,400	142,400	142,400	142,400	<b>712,000</b>
Structural Works	300,000	300,000	300,000	300,000	300,000	<b>1,500,000</b>
Estate Works	216,600	216,600	216,600	216,600	216,600	<b>1,083,000</b>
Environmental Works	283,300	283,300	283,300	283,300	283,300	<b>1,416,500</b>
Improvement to Sheltered Schemes	100,000	100,000	100,000	100,000	100,000	<b>500,000</b>
Energy Efficiency Works	70,000	70,000	70,000	70,000	70,000	<b>350,000</b>
Capital Salaries	200,000	200,000	200,000	200,000	200,000	<b>1,000,000</b>
Retention of Garage Sites	500,000	-	-	-	-	<b>500,000</b>
Removal of Office at Eringden	-	10,000	-	-	-	<b>10,000</b>
Redevelopment of Garage sites	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	<b>10,000,000</b>
Other Acquisitions	500,000	500,000	500,000	500,000	500,000	<b>2,500,000</b>
<b>Total HRA Capital</b>	<b>8,926,800</b>	<b>8,436,800</b>	<b>9,551,800</b>	<b>8,426,800</b>	<b>9,153,500</b>	<b>44,495,700</b>
<b><u>Proposed Financing:</u></b>						
Major Repairs Reserve	3,482,060	5,482,060	4,498,500	4,482,060	4,482,400	<b>22,427,080</b>
HRA Capital Receipts	2,150,000	551,440	-	551,440	1,000,000	<b>4,252,880</b>
Regeneration Revenue Reserves	1,744,740	1,603,300	4,203,300	2,593,300	3,021,100	<b>13,165,740</b>
Capital Receipts from Additional Council House Sales (1-4-1)	650,000	450,000	500,000	450,000	300,000	<b>2,350,000</b>
Regeneration Reserve	900,000	350,000	350,000	350,000	350,000	<b>2,300,000</b>
<b>Total</b>	<b>8,926,800</b>	<b>8,436,800</b>	<b>9,551,800</b>	<b>8,426,800</b>	<b>9,153,500</b>	<b>44,495,700</b>

## Main Assumptions

Inflationary Factors	2019/20	2020/21	2021/22	2022/23	2023/24
Inflation Rate - Pay Awards	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)	2.50%	2.50%	2.50%	2.50%	2.50%
Inflation Rate (CPI)	2.10%	2.08%	2.03%	2.10%	2.10%
Investment Rates	1.00%	1.50%	1.75%	2.0%	2.00%
Base Interest Rates	1.00%	1.25%	1.50%	2.00%	2.00%

1. Pay award – it had previously been assumed that public sector pay will be capped at 1% for 4 years from 2016/17, however, the public sector pay cap was lifted from 2018/19 with a 2% increase agreed. For 2019/20 a 2% increase was agreed and included the introduction of a new pay spine on 1st April 2019 based on a bottom rate of £17,364 with additions, deletions and changes to other spinal column points. This could have a significant impact in terms of current grading and a review is underway to assess the impact of the assimilation and implementation of the new pay spine from 1st April 2019.
2. Overall Fees and Charges will rise generally by 2.5% annually except where a proposal has otherwise been made (car parking charges, corporate & industrial property rental income, statutory set planning fees, leisure fees);
3. Revised estimates for rent allowance / rent rebate subsidy levels have been included;
4. Changes to the level of recharges between funds has been included;
5. A reduction in Revenue Support Grant levels to zero by 2020 following the 4 year Local Government Finance Settlement. The impact for the Council will be confirmed by MHCLG as part of the *Local Government Finance Settlement* with a provisional announcement in December 2018.
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. Higher investment income returns due to forecast interest rate increases;
8. An increase of 2.99% p.a. in Council Tax - current indications are that increases of 3% or £5 and above risk 'capping' (confirmed as 3% or £5 for District Councils for 2018/19);

9. The major changes to the previously approved policy changes are included within this forecast – Assistant Directors were issued with the provisional information in August to review, confirm & resubmit by the end of September;
10. Annual year-on-year pension cost increases of c. £200k p.a. via the pension lump sum element for past liabilities have been included for the 3 years commencing 2017/18 (following initial indications from the SCC triennial review in 2016);
11. Reduction in rent levels by 1% per the statutory requirement & current indications that sales of council houses will be approximately 50 per annum;
12. Forecasts have been informed by the Bank of England Inflation report (August 2018), HM Treasury – Forecasts for the UK Economy (August 2018), Office for Budget Responsibility Economic & Fiscal Outlook (March 2018). Any significant variances will be considered later in the budget setting process.



## Sensitivity Analysis

	Risk	Potential Budgetary Effect				
		2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
<b>Pay Award / National Insurance (GF)</b>						
Impact +/- 0.5% Variance £'000	L	43	86	131	178	225
Budget Impact over 1 year	L	43				
Budget Impact over 3 years	M	260				
Budget Impact over 5 years	H	663				
<b>Pay Award / National Insurance (HRA)</b>						
Impact +/- 0.5% Variance £'000	L	14	28	42	57	72
Budget Impact over 1 years	L	14				
Budget Impact over 3 years	L	84				
Budget Impact over 5 years	M	213				
Subject to negotiation for Local Government pay (including any protection for low paid employees)						
<b>Pension Costs</b>						
Impact +/- 0.5% Variance £'000	L	0	58	117	178	241
Budget Impact over 1 year	L	0				
Budget Impact over 3 years	L	175				
Budget Impact over 5 years	M	594				
3 year agreement in place from 2017/18 - subject to stock market & membership changes						
<b>Council Tax</b>						
Impact on Council Tax income £'000		19	39	61	85	110
Budget Impact over 1 year	L	19				
Budget Impact over 3 years	L	119				
Budget Impact over 5 years	M	314				
<b>Inflation / CPI</b>						
Impact +/- 0.5% Variance £'000	L	52	105	159	215	272
Budget Impact over 1 year	L	52				
Budget Impact over 3 years	M	316				
Budget Impact over 5 years	H	803				
<b>Government Grant</b>						
Impact +/- 1.0% Variance £'000	L	40	63	87	111	136
Budget Impact over 1 year	L	40				
Budget Impact over 3 years	M	190				
Budget Impact over 5 years	M	437				

		<b>Potential Budgetary Effect</b>				
	<b>Risk</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
<b>Investment Interest</b>						
Impact +/- 0.5% Variance £'000	M	333	625	885	1120	1355
Budget Impact over 1 year	M	333				
Budget Impact over 3 years	H	1843				
Budget Impact over 5 years	H	4318				
<b>Key Income Streams (GF)</b>						
Impact +/- 0.5% Variance £'000	L	9	18	27	37	47
Budget Impact over 1 year	L	9				
Budget Impact over 3 years	L	54				
Budget Impact over 5 years	L	138				
<b>Key Income Streams (HRA)</b>						
Impact +/- 0.5% Variance £'000	L	87	175	264	356	450
Budget Impact over 1 years	L	87				
Budget Impact over 3 years	M	526				
Budget Impact over 5 years	H	1332				
<b>New Homes Bonus</b>						
Impact +/- 10% Variance £'000	L	26	55	95	141	181
Budget Impact over 1 year	L	26				
Budget Impact over 3 years	L	176				
Budget Impact over 5 years	M	498				
<b>Business Rates</b>						
Impact +/- 10% Variance £'000	L	70	141	214	289	364
Budget Impact over 1 year	L	70				
Budget Impact over 3 years	M	425				
Budget Impact over 5 years	H	1078				

**Contingencies 2019/20 - 2023/24**

<b>Revenue</b>	2019/20	2020/21	2021/22	2022/23	2023/24
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
<b>General Fund</b>					
<b><i>Specific Contingencies</i></b>					
<b>Waste Management</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>
<b>Restructure</b>	<b>75</b>	<b>75</b>	<b>75</b>	<b>75</b>	<b>75</b>
<i>General Contingency</i>	100	100	100	100	100
<i>General Contingency re Income Targets</i>	97	190	264	264	264
<b><i>Total General Contingency</i></b>	<b>197</b>	<b>290</b>	<b>364</b>	<b>364</b>	<b>364</b>
<b>Total GF Revenue</b>	<b>322</b>	<b>415</b>	<b>489</b>	<b>489</b>	<b>489</b>
<b>Housing Revenue Account</b>					
<b>Restructure</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
<i>HRA - General Contingency</i>	100	100	100	100	100
<b>Total HRA Revenue</b>	<b>130</b>	<b>130</b>	<b>130</b>	<b>130</b>	<b>130</b>

<b>Capital</b>	2019/20	2020/21	2021/22	2022/23	2023/24
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
<b>General Fund</b>					
<b><i>Specific Contingencies</i></b>					
<i>General Capital Contingency*</i>	35	-	-	-	-
<b>Total GF Capital</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Housing Revenue Account</b>					
<i>HRA - General Capital Contingency*</i>	100	-	-	-	-
<b>Total HRA Capital</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Forecast to be re-profiled from 2018/19 Capital Programme

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