

CABINET

22nd January 2020

JOINT SCRUTINY COMMITTEE (BUDGET)

29th January 2020

Report of the Leader of the Council

DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2020/21 to 2024/25

Purpose

To approve the draft package of budget proposals (**attached at Appendix A**) to consult with the Joint Scrutiny Committee (Budget) on 29th January 2020 and receive their feedback on the:

- General Fund Revenue (GF) Budget and Council Tax for 2020/21;
- Housing Revenue Account (HRA) Budget for 2020/21;
- 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 29th January 2020 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 2020/21 are:

- A General Fund Net Cost of Services of £9,379,760 a reduction of 0.3% compared to 2019/20;
- A transfer of £1,010,061 from General Fund balances;
- The Band D Council Tax would be set at £181.89, an increase of £5 (2.83% - c.£0.10 per week) on the level from 2019/20 of £176.89;
- A transfer of £1,304,430 from HRA balances;
- Rents will be set in line with the approved Rent Setting Policy including a 2.7% increase in average rent (on the 2019/20 average rent of £85.62 based on a 48 week rent year) in line with Government confirmation that social housing rents can increase to include 'up to' a factor of the consumer price index (CPI) measure of inflation plus 1% for five years from 2020, following the conclusion of a consultation on the new rent standard;
- A General Fund Capital Programme of £5.8m for 5 years;
- A Housing Capital Programme of £46.9m for 5 years.

Currently projections identify:

1. General Fund balances of £0.5m over 3 years (with a shortfall of £6.9m over 5 years), including the minimum approved level of £0.5m;

Further savings of around £1.4m p.a. will be required over the next 5 years (based on annual £5 increases in Council Tax). On an annualised basis this would equate to a year on year ongoing saving of £0.5m over 5 years.

2. HRA balances of £1.7m over 3 years (with balances of £1.6m over 5 years) including the minimum recommended balances of £0.5m.

Key Risks

- Uncertain economic conditions within the UK economy, following the decision to leave the EU – potential impact on interest rates, business rates growth and employment.
- Achievement of the anticipated growth in business rates income – in line with the assumed baseline and tariff levels set.

- The Government have said that, given the need to provide certainty and stability for next year, the longer-term reforms for the local government finance system, including business rates retention and fairer funding (Review of Relative Needs and Resources), have been delayed until 2021/22. **There is a high risk that these reforms, including the planned Business Rates Reset (when a proportion of the growth in business rates achieved since 2013/14 will be redistributed), will have a significant effect on the Council's funding level from 2021/22;**
- 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);
- Uncertainty over the ongoing funding for the ***New Homes Bonus scheme***, 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. The Government have confirmed that the 4-year legacy payments for New Homes Bonus (NHB) will continue to be paid after 2020/21, but there still remains uncertainty regarding new payments.

It is the Government's intention to look again at the New Homes Bonus scheme for 2021/22 and explore the most effective way to incentivise housing growth. They plan to consult widely on proposals prior to implementation. As the roll forward is for one year, with any funding beyond 2020/21 subject to the 2020 Spending Review and potential new proposals, the Government have said that the new allocations in 2020/21 will not result in legacy payments being made in subsequent years on those allocations.

- Challenge to continue to achieve high collection rates for council tax, business rates and housing rents – in light of welfare benefit reforms, 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 2020 - **further savings of around £1.4m p.a. will be required** over the next 5 years (based on annual £5% increases in Council Tax). On an annualised basis this would equate to a year on year ongoing saving of £0.5m over 5 years.

Background

The medium term financial planning process is being challenged by Government austerity measures as well as continued uncertainty. The accomplishment of a balanced 3 Year Medium Term Financial Strategy for the General Fund for 2019/20 was a major achievement as the Council, like others, had planned to deliver its budget process in light of unprecedented adverse economic conditions with a great deal of uncertainty over future investment and income levels such as car parking, land charges and corporate property rents.

The 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 – and suggests that the key challenges that the Council is currently addressing are likely to become greater.

There is also a high degree of uncertainty arising from the work progressing with regard to business rates retention (and the associated impact on the Council's business rates income and associated baseline and tariff levels), the 'Fair Funding Review' as well as the planned Business Rates Reset which is now planned take effect from 2021/22.

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

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.

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

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

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 part of a 'Tamworth Community Offer' we will:

- Improve our use of 'insight' in shaping services and directing investment;
- Better align service delivery to ensure we act with purpose and are accountable;
- Support the Demand Management model with prevention approaches which seek to tackle causes and reduce costs;

- Develop approaches which genuinely ‘empower’ individuals and communities;
- Support a transformed dialogue with residents - recognising that our financial capacity will be less than in previous years which means educating and supporting communities to focus resources on ‘needs’ and being clear on what we are able to do and equally what we can’t.

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, the Council 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.

Linked with this, the ‘Delivering Quality Services’ project continues to review processes and demand, with the aim of re-designing processes to meet changing customer expectations and making the best use of technology to deliver efficient and effective services to the customer, including self-service and digital functionality.

This approach will change the organisation and how it works; will require Members to put evidence and insight at the heart of our decision making to ensure that we are transparent about the rationale for our decisions and plans; 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 26th 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 are 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 impact should be clearer).

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

- a) 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. The following reforms were planned to be in place by 2020/21 but given announcements following the 2019 Spending Round these have been deferred until 2021/22.

The Government previously stated its intention to hold a new Spending Review in 2019, covering the period 2020/21 to 2022/23. However, a one-year Spending Round has been carried out, covering the financial year 2020/21; and this will be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets.

In addition, the Government have said that, given the need to provide certainty and stability for next year, the longer-term reforms for the local government finance system, including business rates retention and fairer funding (Review of Relative Needs and Resources), have been delayed until 2021/22.

➤ **Fair Funding Review (FFR)** of the distribution methodology (now from 2021/22) 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.

- **Spending Review 2020 (SR20)** – 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** (now from 2021/22) – the Government announced that Councils will be able to retain 75% of business rates collected 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;
- The planned **reset of the Business Rates baseline** for each Council and redistribution of the growth achieved since 2013 of over £1m p.a. (now from 2021/22);
- 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 Councils no longer receive grant). The Government have confirmed that the 4-year legacy payments for New Homes Bonus (NHB) will continue to be paid after 2020/21, but there still remains uncertainty regarding new payments.

It is the Government’s intention to look again at the New Homes Bonus scheme for 2021/22 and explore the most effective way to incentivise housing growth. They plan to consult widely on proposals prior to implementation. As the roll forward is for one year, with any funding beyond 2020/21 subject to the 2020 Spending Review and potential new proposals, the Government have said that the new allocations in 2020/21 will not result in legacy payments being made in subsequent years on those allocations.

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.

- b) In 2016/17, at the start of the four-year offer made to local government, the Government introduced a separate council tax referendum principle for shire districts, to address particular pressures on these authorities. This principle meant that districts could increase council tax by the core principle (now announced as 2% for 2020/21 – this was previously 3%) or £5, whichever is greater.

The Government continued to grant this flexibility in 2017/18, 2018/19 and 2019/20 and have now announced it is to continue for 2020/21.

- 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 – the results from the 2019 triennial review, carried out by the Actuary employed by the Pension Fund, have now been confirmed - indicative *ongoing* annual increases in Employer's contributions of c. £150k p.a. (1% p.a. increase) had been included from 2020/21 for 3 years (followed by increases of 2% p.a.). This 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. Given the uncertain economic situation and arising from the Council's position in its participation in the Fund's contribution stability mechanism, the option to freeze contribution levels for 3 years has been communicated to the Pension Fund Actuary. This will lower costs in the short term and the actuary has confirmed it would not have an unsustainable impact on the pension fund. There will also be a saving of c.£183k in lump sum costs by making an advance payment of the 3 year costs in April 2020.
- e) While the Government announced a pay cap for 2014/15 & 2015/16, a 2.2% increase (plus other changes) was agreed from 1st January 2015. In addition, from April 2016, a new compulsory National Living Wage (NLW) for the over 25s was introduced to replace the National Minimum Wage. 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 1st April 2019 based on a bottom rate of £17,364 with additions, deletions and changes to other spinal column points. A 2.5% p.a. increase from 2020/21 has been assumed.

- f) 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;
- g) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management;
- h) Due to uncertainties around the Better Care Fund, a risk on the current grant funding for Disabled Facilities Grants (DFG) is highlighted. A grant of £400k p.a. has been assumed;
- i) Review and finalisation of the revised budgets/policy changes and feedback from the scrutiny process – including the Council Tax increase for 2020/21.

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 2020/21 and future years have been modelled / considered.

| Council Tax | Option Modelled / Considered |
|-------------|---------------------------------------------------------------------------------------|
| Model 1 | £5.00 increase in Council tax in 2020/21 (followed by increases of £5.00 p.a.) |
| Model 2 | 2.99% increase in Council tax in 2020/21 (followed by increases of c.2.99% p.a.) |
| Model 3 | £1 increase in Council tax in 2020/21 (followed by increases of £1 p.a.) |
| Model 4 | 2.5% increase in Council tax in 2020/21 (followed by increases of 2.5% thereafter) |
| Model 5 | 0% increase in Council tax in 2020/21 (followed by increases of 0% thereafter) |
| Model 6 | 1.99% increase in Council tax in 2020/21 (followed by increases of 1.99% thereafter) |

| Rent | Option Modelled / Considered |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CPI plus 1% | The Government has now confirmed that social housing rents can increase to include 'up to' a factor of the consumer price index (CPI) measure of inflation plus 1% for five years from 2020, following the conclusion of a consultation on the new rent standard |
| CPI | General increase in line with CPI |
| No increase | No general increase in annual rent |

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 (2.83%) for 2020/21 (the maximum permitted under the Government set limits to avoid a referendum) followed by increases at £5 p.a. thereafter & in line with statutory requirements. The Forecast projects General Fund balances of £0.5m over 3 years (with a shortfall of £6.9m 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 £1.4m p.a. will be required** (based on annual £5 increases in Council Tax). On an annualised basis this would equate to a year on year ongoing saving of £0.5m over 5 years.

The summary HRA Revenue Budget for 2020/21 appears at **Appendix C** (including a summary of the resulting budgets over the 5 year period). Closing balances over 3 years are estimated at £1.7m (£1.6m over 5 years) – in excess of the minimum approved level of £0.5m.

The proposed 5-year General Fund Capital Programme is included at **Appendix H** – the main changes, since the programme was provisionally approved in February 2019, 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 2019, 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).
- Recruitment freeze – 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 – A review of the underspend position has been undertaken with a view to drive out as many savings as possible – and has identified annual savings of c.£160k p.a. from 2020/21. There was a £2.3m underspend in 2018/19 – although much of this arose from windfall income, c. £0.7m was lower level underspends.
- Alternative investment options arising from the Commercial Investment Strategy (as well as the Treasury Management Investment Strategy) to generate improved returns of c. 4% to 5% p.a. (plus asset growth);
A savings target to return c.4% p.a. from the planned investment of £12m in Diversified Property Funds has already been included from 2020/21.
- Review of reserves (including ensuring adequate provision for the funding uncertainties) / creation of fund for transformation costs (if needed);
- Targeted Savings – to identify potential areas for review in future years; and
- 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 2020/21; 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 9th January 2020.

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 29th January 2020.

Risks to Capital and Revenue Forecasts:

| Risk | Control Measure |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Major variances to the level of grant / subsidy from the Government (including specific grants e.g. Benefits administration, Business Rates Section 31 funding); (High) | Sensitivity modelling undertaken to assess the potential impact in the estimation of future grant levels; (High / Medium) |
| New Homes Bonus grant levels lower than estimated; Continuation of the scheme for 2020/21 has been confirmed – doubt over its continuation in future years; (High/Medium) | Future levels included based on legacy payments only; (Medium/Low) |
| Potential ‘capping’ of council tax increases by the Government or local Council Tax veto / referendum; (Medium) | Current indications are that increases of 2% or £5 and above risk ‘capping’ (3% or £5 for District Councils in 2019/20); (Low) |
| The achievement / delivery of substantial savings / efficiencies will be needed to ensure sufficient resources will be available to deliver the Council’s objectives through years 4 to 5. Ongoing; (High) | A robust & critical review of savings proposals will be required / undertaken before inclusion within the forecast; (High/Medium) |
| Pay awards greater than forecast; (Medium) | Public sector pay cap was lifted from 2018/19 with pay awards of 2% p.a. for 2 years. Increases of 2.5% p.a. assumed from 2020/21; (Medium / Low) |
| Pension costs higher than planned / adverse performance of pension fund; (Medium) | Regular update meetings with Actuary; Confirmation of a freeze in the ‘lump sum’ element has been received following the triennial review during 2019 informing the 3 years from 2020/21; (Medium/Low) |
| Assessment of business rates collection levels to inform the forecast / budget (NNDR1) and estimates of appeals, mandatory & discretionary reliefs, cost of collection, bad debts and collection levels; New burdens (Section 31) grant funding for Central Government policy changes – including impact on levy calculation; Potential changes to the Business Rates Retention system following the announcement for Councils to keep 75% (previously up to 100%) of the business rates collected from 2021/22; (High) | Robust estimates included to arrive at collection target. Ongoing proactive management & monitoring will continue; Business Rates Collection Reserve - provision of reserve funding to mitigate impact of any changes in business rate income levels; Monitoring of the situation / regular reporting; (High / Medium) |

| Risk | Control Measure |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Local Council Tax Reduction scheme implementation – potential yield changes and maintenance of collection levels;</p> <p>(High)</p> | <p>Robust estimates included. Ongoing proactive management & monitoring (including a quarterly healthcheck on the implications on the organisation – capacity / finance) will continue; (High / Medium)</p> |
| <p>Achievement of income streams in line with targets e.g. treasury management interest, car parking, planning, commercial & industrial rents etc.; (High / Medium)</p> | <p>Robust estimates using a zero based budgeting approach have been included;</p> <p>(Medium)</p> |
| <p>Delivery of the capital programme (GF / HRA – including Regeneration schemes) dependent on funding through capital receipts and grants (including DFG funding through the Better Care Fund); (High / Medium)</p> | <p>Robust monitoring and evaluation – should funds not be available then schemes would not progress;</p> <p>(Medium)</p> |
| <p>Dependency on partner organisation arrangements and contributions e.g. Waste Management (SCC/LDC). (High / Medium)</p> | <p>Memorandum of Understanding in place with LDC.</p> <p>(Medium)</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. (High/Medium)</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.</p> <p>(Medium)</p> |
| <p>Maintenance and repairs backlog for corporate assets – and planned development of long term strategic plan to address such. (High / Medium)</p> | <p>Planned development of long term strategic corporate capital strategy and asset management plan to consider the requirements and associated potential funding streams. (Medium)</p> |
| <p>Significant financial penalties arising from the implementation of the General Data Protection Regulations (GDPR). (High / Medium)</p> | <p>Implementation plan in place with corporate commitment and good progress.</p> <p>(Medium)</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>Based on past performance there is the potential for returns of c.4 to 5% p.a. but this is not guaranteed.</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> <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> |

| Risk | Control Measure |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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. (High/Medium)</p> | <p>The risk will be mitigated (although not eliminated) through investment in a diversified portfolio using a range of property funds.</p> <p>The Council will also endeavour to use the secondary market for purchases to potentially gain access to a fund at a lower level of cost than via the primary route.</p> <p>Mitigation regulations are in place to defer any potential principal loss for 5 years. (Medium)</p> |

Report Author

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

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|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Background Papers:- | Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2019/20, Council 26th February 2019 |
| | Budget and Medium Term Financial Planning Process, Cabinet 15th August 2019 |
| | Budget Consultation Report, Cabinet 7th November 2019 |
| | Draft Base Budget Forecasts 2020/21 to 2024/25, Cabinet 28th November 2019 |
| | Leaders Budget Workshop, 9th January 2020 |

Summary of Appendices

| Description | Appendix |
|---------------------------------------------------------------------------|-----------------|
| Detailed Considerations | A |
| Policy Changes Summary – GF & HRA | B |
| HRA Budget Summary 2020/21 – 2024/25 | C |
| General Fund Summary Revenue Budget 2020/21 | D |
| General Fund Technical Adjustments 2020/21 (before policy changes) | E1 |
| HRA Technical Adjustments 2020/21 (before policy changes) | E2 |
| General Fund 5 Year Revenue Budget Summary | F |
| Council Tax Levels at Each Band 2020/21 | G |
| General Fund Capital Programme 2020/21 – 2024/25 | H |
| Housing Capital Programme 2020/21 – 2024/25 | I |
| Main Assumptions | J |
| Sensitivity Analysis | K |
| Contingencies | L |
| Corporate Capital Strategy | M |

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 2020/21 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 2019/20 budget to arrive at the starting point for 2020/21. 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 2020/21 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 future Local Government funding arrangements 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 impact should be clearer.

There are a number of challenges affecting the Medium Term Financial Planning process for the period from 2020/21 to 2024/25 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 +/- | Impact over 3 years +/- | Impact over 5 years + / - | Risk |
|-------------------------------------|------------|---------------------------|----------------------------|---------------------------------|------|
| | | £'000 | £'000 | £'000 | |
| Pay Award / National Insurance (GF) | 0.5% | 43 | 265 | 678 | M/H |
| Pension Costs | 0.0% | 0 | 0 | 187 | L |
| Council Tax | 0.5% | 39 | 185 | 432 | M |
| Inflation / CPI | 0.5% | 49 | 307 | 784 | M/H |
| Government Grant | 1.0% | 42 | 198 | 451 | M |
| Investment Interest | 0.5% | 176 | 925 | 2174 | H |
| Key Income Streams | 0.5% | 10 | 61 | 156 | L |
| Business Rates | 0.5% | 72 | 449 | 1146 | H |

GENERAL FUND

Future Revenue Support Grant & Business Rate income

On 20th December 2019, the Secretary of State for the Ministry for Housing, Communities and Local Government, Rt. Hon. Robert Jenrick MP, made a written statement to Parliament on the provisional local government finance settlement (LGFS) 2020/21.

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 2015/16 and 2020/21. It shows an increase of 6.3% for 2020/21 and an overall increase for the period 2015/16 to 2020/21 of 10%.

| Core Spending Power National Position | 2015/16 £m | 2016/17 £m | 2017/18 £m | 2018/19 £m | 2019/20 £m | 2020/21 £m |
|--------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Settlement Funding Assessment | 21,250 | 18,602 | 16,633 | 15,574 | 14,560 | 14,797 |
| Under-indexing business rates multiplier | 165 | 165 | 175 | 275 | 400 | 500 |
| Council Tax | 22,036 | 23,247 | 24,666 | 26,332 | 27,768 | 29,370 |
| Improved Better Care Fund | - | - | 1,115 | 1,499 | 1,837 | 2,077 |
| New Homes Bonus | 1,200 | 1,485 | 1,252 | 947 | 918 | 907 |
| Rural Services Delivery Grant | 16 | 81 | 65 | 81 | 81 | 81 |
| Transition Grant | - | 150 | 150 | - | - | - |
| Adult Social Care Support Grant | - | - | 241 | 150 | - | - |
| Winter pressures Grant | - | - | - | 240 | 240 | - |
| Social Care Support Grant | - | - | - | - | 410 | 1,410 |
| Core Spending Power | 44,666 | 43,730 | 44,296 | 45,098 | 46,213 | 49,142 |
| Change % | | (2.1)% | 1.3% | 1.8% | 2.5% | 6.3% |
| Cumulative change % | | (2.1)% | (0.8)% | 1.0% | 3.5% | 10.0% |

However, there remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation. The planned reforms were due to be in place by 2020/21 but given announcements following the *2019 Spending Round* these have been deferred until 2021/22.

The government previously stated its intention to hold a new Spending Review in 2019, covering the period 2020/21 to 2022/23. However, a one-year Spending Round has been carried out, covering the financial year 2020/21; and this will be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets.

In addition, the Government have said that, given the need to provide certainty and stability for next year, the longer-term reforms for the local government finance system, including business rates retention and fairer funding (Review of Relative Needs and Resources), have been delayed until 2021/22.

The Government issued the Local Government Finance Settlement 2020/21 Technical Consultation paper which proposed that the 2019/20 Settlement Funding Assessment amounts will increase in line with the small business non-domestic rating multiplier for 2020/21. This will mean that they will increase by the September CPI amount (since confirmed as 1.7%) unless it is capped.

Authorities will therefore see CPI increases in both their Baseline Need and Revenue Support Grant amounts. This is the first time both elements will increase by CPI, as in previous years RSG was reduced (in order to offset the funding gain from Baseline Need increases).

For Baseline Need to increase by CPI, NNDR Baseline and Top up / Tariff amounts will also increase by CPI (as in previous years).

For future years (post 2020/21), it has been assumed that there will be a reduction in Revenue Support Grant to nil following the planned reforms, as detailed below.

| BASE BUDGET | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | £ | £ | £ | £ | £ | £ |
| Revenue Support Grant | - * | 188,220 | - | - | - | - |
| % Reduction | (63)% | 2% | (100)% | - | - | - |

* Due to successful Staffordshire 75% Business Rates Pilot arrangement for 2019/20, RSG of £184,529 was 'rolled in' and deducted from the tariff payment.

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 2020/21 finance settlement represents the eighth 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, 2017/18 and 2018/19 (above forecast / baseline) and had to pay a levy of £534k, £612k, £1.17m and £992k respectively.

The latest estimates for 2019/20 indicate additional business rates receivable above the baseline – of which the Council will receive 40% less the Government set tariff payment of c.£10m (plus an agreed share of the surplus from the Staffordshire Pilot arrangement - after deduction of the 25% Central Share, 34% County & 1% Fire & Rescue Authority shares).

However, the future position is less certain. A robust check & challenge approach has been taken of any increases on the base figure, including a risk assessed collection level.

New Burdens (Section 31) Grant is receivable for additional reliefs given by the Government relating to business rates from 1st April 2013 e.g. Small Business Rate Relief – of which 50% of any in excess of the baseline will be payable in levy to the GBSLEP. A prudent approach has been taken in respect of any new burdens funding – and, due to uncertainties & risk, the creation of an associated Business Rates Collection reserve to mitigate fluctuation in income. The forecast Section 31 Grants and levy payments included within the base budget forecasts are detailed below.

| Levy / Section | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-------------------------|-------------|-------------|---------|---------|---------|---------|
| 31 Grant | £ | £ | £ | £ | £ | £ |
| NNDR Levy payment | 965,810 | 1,374,950 | - | - | - | - |
| Section 31 Grant income | (1,086,640) | (1,108,390) | - | - | - | - |

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

| BASELINE | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|----------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | £ | £ | £ | £ | £ |
| Base Budget Forecast (November 2019): | | | | | |
| Retained Business Rates | 12,778,290 | 15,403,818 | 15,704,865 | 16,011,414 | 16,331,642 |
| Less: Tariff payable | (10,433,555) | (13,041,378) | (13,294,366) | (13,582,302) | (13,853,948) |
| Total SFA | 2,344,735 | 2,362,440 | 2,410,499 | 2,429,112 | 2,477,694 |
| % Reduction | (5.7)% | 0.8% | 2.0% | 0.8% | 2.0% |
| Provisional LGFS (December 2019): | | | | | |
| Retained Business Rates | 12,744,347 | 15,403,818 | 15,704,865 | 16,011,414 | 16,331,642 |
| Less: Tariff payable | (10,405,841) | (13,041,378) | (13,294,366) | (13,582,302) | (13,853,948) |
| Total SFA | 2,338,506 | 2,362,440 | 2,410,499 | 2,429,112 | 2,477,694 |
| % Reduction | (5.9)% | 1.0% | 2.0% | 0.8% | 2.0% |
| Increase / (Decrease) | (6,229) | - | - | - | - |

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:

| DRAFT MTFS | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|----------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | £ | £ | £ | £ | £ |
| Base Budget Forecast (November 2019): | | | | | |
| Retained Business Rates | 14,432,332 | 15,403,818 | 15,704,865 | 16,011,414 | 16,331,642 |
| Less: Tariff payable | (10,443,794) | (13,041,378) | (13,294,366) | (13,582,302) | (13,853,948) |
| Total | 3,988,538 | 2,362,440 | 2,410,499 | 2,429,112 | 2,477,694 |
| % Reduction | 19.8% | (40.8)% | 2.0% | 0.8% | 2.0% |
| Provisional LGFS (December 2019): | | | | | |
| Retained Business Rates | £14,432,332 | £15,403,818 | £15,704,865 | £16,011,414 | £16,331,642 |
| Less: Tariff payable | (10,405,841) | (13,041,378) | (13,294,366) | (13,582,302) | (13,853,948) |
| Total | 4,026,491 | 2,362,440 | 2,410,499 | 2,429,112 | 2,477,694 |
| % Reduction | 20.9% | (41.3)% | 2.0% | 0.8% | 2.0% |
| Increase / (Decrease) | 37,953 | - | - | - | - |

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

| DRAFT MTFS | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|----------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ | £ |
| Base Budget Forecast (November 2019): | | | | | |
| Revenue Support Grant | 188,220 | - | - | - | - |
| Retained Business Rates | 14,432,332 | 15,403,818 | 15,704,865 | 16,011,414 | 16,331,642 |
| Less: Tariff payable | (10,443,794) | (13,041,378) | (13,294,366) | (13,582,302) | (13,853,948) |
| Total | 4,176,758 | 2,362,440 | 2,410,499 | 2,429,112 | 2,477,694 |
| % Reduction | 25.4% | (43.4)% | 2.0% | 0.8% | 2.0% |
| % RSG Increase* / (Decrease) | 2% | (100.0)% | -% | -% | -% |
| Provisional LGFS (December 2019): | | | | | |
| Revenue Support Grant | 187,535 | - | - | - | - |
| Retained Business Rates | 14,432,332 | 15,403,818 | 15,704,865 | 16,011,414 | 16,331,642 |
| Less: Tariff payable | (10,405,841) | (13,041,378) | (13,294,366) | (13,582,302) | (13,853,948) |
| Total | 4,214,026 | 2,362,440 | 2,410,499 | 2,429,112 | 2,477,694 |
| % Reduction | 26.5% | (43.9)% | 2.0% | 0.8% | 2.0% |
| % RSG Increase* / (Decrease) | 1.7% | (100.0)% | -% | -% | -% |
| Increase / (Decrease) | 37,268 | - | - | - | - |

The table shows that overall funding should be c.£37k higher than expected in 2020/21.

The retained Business Rates forecast will be updated based on the NNDR1 return which was not received until late December 2019. A separate report on this agenda is due to consider the latest forecast for Business Rates (the statutory NNDR1 return) once finalised – prior to final sign off by the statutory deadline of 31st January 2020.

There are still significant uncertainties - specifically the treatment of:

- 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 2021/22 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.

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 |

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 – deferred until 2021/22.

The Government have now confirmed that the 4-year legacy payments for New Homes Bonus (NHB) will continue to be paid after 2020/21, but there still remains uncertainty regarding new payments.

It is the Government's intention to look again at the New Homes Bonus scheme for 2021/22 and explore the most effective way to incentivise housing growth. They plan to consult widely on proposals prior to implementation. As the roll forward is for one year, with any funding beyond 2020/21 subject to the 2020 Spending Review and potential new proposals, the Government have said that the new allocations in 2020/21 will not result in legacy payments being made in subsequent years on those allocations.

New Homes Bonus income forecasts have subsequently been updated and included within the base budget as follows – with future levels included based on legacy payments only.

| BASE BUDGET NHB | 2020/21 £ | 2021/22 £ | 2022/23 £ | 2023/24 £ | 2024/25 £ |
|-------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Risk Weighting applied – MTFS 2019 | 37.5% | 37.5% | 25% | 25% | 25% |
| MTFS 2019 Budget | 293,800 | 401,750 | 457,920 | 399,250 | 399,250 |
| Base Budget Forecast | 614,820 | 230,910 | 211,750 | - | - |
| Increased / (Reduced) income | 321,020 | (170,840) | (246,170) | (399,250) | (399,250) |
| Revised Risk Weighting applied (legacy payments only) | 100% | 100% | 100% | 0% | 0% |

This results in an overall loss to the MTFS of £0.1m over 3 years (£0.9m over 5 years).

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).

Technical Adjustments

Revisions have been made to the 2019/20 base budget in order to produce an adjusted base for 2020/21 and forecast base for 2021/22 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 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|-------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Base Budget B/Fwd | 9,403 | 8,267 | 8,645 | 8,850 | 9,551 |
| Committee Decisions | (517) | (356) | 25 | 67 | 0 |
| Inflation | 24 | 38 | 37 | 39 | 40 |
| Other | (1,177) | 394 | (150) | 317 | 126 |
| Pay Adjustments (Including pay award / reduction for vacancy allowance) | 534 | 302 | 293 | 278 | 267 |
| Revised charges for non-general fund activities | - | - | - | - | - |
| Total / Revised Base Budget | 8,267 | 8,645 | 8,850 | 9,551 | 9,984 |

* () denotes saving in base budget

Policy Changes

The policy changes provisionally agreed by Council in February 2019 have been included within the technical adjustments for 2020/21 onwards. **A list of the proposed new policy changes for 2020/21 is summarised below:**

| Item No | Policy Changes Identified | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| PE1 | Review of Call out and Standby arrangements | TBA | - | - | - | - |
| PE2 | To increase the number of Apprentice posts from 6 to 8 across the Council | 42.00 | - | - | - | - |
| PE3 | Make permanent the existing temporary 4.68 FTE Customer Services Assistant (CSA) posts | 106.43 | - | (106.43) | - | - |
| PE4 | Permanently establish 1 FTE Senior Customer Service Officer – TIC and increase the current 3.04 FTE Customer Service Officers allocated to the TIC to 4.5 FTE on a temporary basis | 45.97 | - | (40.97) | - | - |
| OPS1 | Reinstated funding from SCC re highway verge mowing | (128.32) | - | - | - | - |
| OPS2 | Increase in staffing and equipment to reflect reinstated SCC funding | 96.24 | - | - | - | - |
| OPS3 | Assembly Rooms - Additional costs from latest projections of Assembly Rooms costs and income | 124.50 | (62.25) | (31.00) | - | - |
| FIN1 | Reduced contingency budget | (95.00) | - | - | - | - |
| FIN2 | Revised New Homes Bonus | (35.56) | 33.98 | 0.63 | 0.95 | - |
| FIN3 | Revenue Implications of Capital Programme | 20.00 | 19.00 | 6.00 | 13.00 | 9.00 |
| FIN4 | Revenue Implications of Capital Programme | 32.00 | 30.00 | 10.00 | 21.00 | 15.00 |
| FIN5 | Negotiated savings in Pensions costs arising from freeze in lump sum contribution for 3 years and 3 year advance payment in April 2020 | (88.47) | (2.70) | (2.54) | 93.71 | - |
| FIN6 | Revised Business Rates Levy payment | TBA | - | - | - | - |
| FIN7 | Revised Business Rates Section 31 Grant Income | TBA | - | - | - | - |
| FIN8 | Contribution to Transformation Reserve | 1000.00 | (1000.00) | - | - | - |
| NEI1 | To permanently appoint the Housing Solutions Review Officer | 35.50 | - | - | - | - |
| NEI2 | Use of flexible homelessness support grant to part fund the post on an ongoing | (15.00) | - | - | - | - |
| NEI4 | Revised CCTV Costs | (337.93) | 337.93 | - | - | - |
| AST1 | Condition Surveys and Asset Management database to support the refresh of the Councils Asset Management Strategy. | 3.50 | - | - | - | - |
| AST2 | Condition survey of Corporate/Commercial & Industrial properties - £100k every 10 years | 100.00 | (100.00) | - | - | - |
| AST3 | Financial modelling toolkit | 2.50 | - | - | - | - |
| AST4 | Cleaning Services Review | 41.00 | - | - | - | - |
| AST5 | Cleaning Costs have changed since the Cabinet Report due to a requirement to provide additional cleaning services with the Assembly Rooms. Additional Cleaning duties are also required for the Town Centre Public Conveniences. | 29.20 | - | - | - | - |

| Item No | Policy Changes Identified | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|----------------|----------------|----------------|
| AST6 | Saving in contract cleaning budgets | (15.00) | - | - | - | - |
| AST7 | Marmion House Accommodation | 55.30 | 0.80 | 0.90 | 1.00 | 1.00 |
| A&G1 | Review of Elections budgets from a zero-base, factoring in the known schedule of elections | 4.80 | (63.00) | 63.00 | 68.00 | (68.00) |
| WM1 | Potential Waste Management cost increases | 135.70 | 99.70 | 325.95 | 14.83 | 34.85 |
| G&R1 | Reduction in the Planning Application Fees income budget to reflect the fact that income received in recent years has included a number of large schemes | 50.00 | - | - | - | - |
| ALL | Review of Underspent Budgets and Contingencies | (96.77) | | | | |
| | Total New Items / Amendments | 1,112.59 | (706.54) | 225.54 | 212.49 | (8.15) |
| | Cumulative | 1,112.59 | 406.05 | 631.59 | 844.08 | 835.93 |

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 2.99% per annum from 2020/21. It has been subsequently been revised and confirmed that the 'referendum' threshold will be the higher of £5 or 2.0% for 2020/21 (previous indications were that this would continue at 3%) - following a freeze in 2011/12 & 2012/13 and a below 2% increase from 2013/14 to 2016/17.

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. £40k additional income per annum.

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

Model 1 Impact of £5 increase in Council Tax in 2020/21 (followed by £5 p.a.)

| Year: | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-------------------------------------------|----------------|----------------|--------------|--------------|--------------|
| Forecast: | £'000 | £'000 | £'000 | £'000 | £'000 |
| Surplus (-) /Deficit | 1,011 | 2,402 | 2,608 | 3,333 | 3,551 |
| Balances Remaining (-) / Overdrawn | (5,512) | (3,110) | (502) | 2,831 | 6,382 |
| £ Increase | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| % Increase | 2.83% | 2.75% | 2.68% | 2.61% | 2.54% |
| Note: Resulting Band D Council Tax | 181.89 | 186.89 | 191.89 | 196.89 | 201.89 |

Indicating potential General fund balances of approx. £0.5m over 3 years (with a shortfall of £3.3m over 4 years & £6.9m over the 5 year period) - including the minimum approved level of £0.5m. Further savings of approx. £1.4m 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 2.99% increase in Council Tax in 2020/21 (followed by increases of 2.99% p.a. thereafter)

| Year: | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-------------------------------------------|----------------|----------------|--------------|--------------|--------------|
| Forecast: | £'000 | £'000 | £'000 | £'000 | £'000 |
| (Increase) in Council Tax £ | (6) | (16) | (30) | (48) | (71) |
| Revised Surplus (-) /Deficit | 1,005 | 2,386 | 2,578 | 3,285 | 3,480 |
| Balances Remaining (-) / Overdrawn | (5,518) | (3,132) | (554) | 2,731 | 6,211 |
| £ Increase | 5.29 | 5.45 | 5.61 | 5.78 | 5.96 |
| % Increase | 2.99% | 2.99% | 2.99% | 2.99% | 2.99% |
| Note: Resulting Band D Council Tax | 182.18 | 187.63 | 193.24 | 199.02 | 204.98 |

Indicating potential General fund balances of approx. £0.6m over 3 years (with a shortfall of £3.2m over 4 years & £6.7m over the 5 year period) - including the minimum approved level of £0.5m. Further savings of approx. £1.3m per annum over 5 years would have to be identified.

Model 3 Impact of £1 increase in Council Tax in 2020/21 (followed by increases of £1 p.a. thereafter)

| Year: | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-------------------------------------------|----------------|----------------|-----------|--------------|--------------|
| Forecast: | £'000 | £'000 | £'000 | £'000 | £'000 |
| Reduction in Council Tax £ | 89 | 180 | 272 | 365 | 459 |
| Revised Surplus (-) /Deficit | 1,100 | 2,582 | 2,880 | 3,698 | 4,010 |
| Balances Remaining (-) / Overdrawn | (5,423) | (2,841) | 39 | 3,737 | 7,747 |
| | | | | | |
| £ Increase | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| % Increase | 0.57% | 0.56% | 0.56% | 0.56% | 0.55% |
| Note: Resulting Band D Council Tax | 177.89 | 178.89 | 179.89 | 180.89 | 181.89 |

Indicating potential General fund balances of approx. £0.04m over 3 years (with a shortfall of £4.2m over 4 years & £8.2m over the 5 year period) - including the minimum approved level of £0.5m. Further savings of approx. £1.65m per annum over 5 years would have to be identified.

Model 4 Impact of 2.5% increase in Council Tax in 2020/21 (followed by increases of 2.5% p.a. thereafter)

| Year: | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-------------------------------------------|----------------|----------------|--------------|--------------|--------------|
| Forecast: | £'000 | £'000 | £'000 | £'000 | £'000 |
| Reduction in Council Tax £ | 13 | 23 | 31 | 36 | 39 |
| Revised Surplus (-) /Deficit | 1,024 | 2,425 | 2,639 | 3,369 | 3,590 |
| Balances Remaining (-) / Overdrawn | (5,499) | (3,074) | (435) | 2,934 | 6,524 |
| | | | | | |
| £ Increase | 4.43 | 4.54 | 4.65 | 4.77 | 4.89 |
| % Increase | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Note: Resulting Band D Council Tax | 181.32 | 185.86 | 190.51 | 195.28 | 200.17 |

Indicating potential General fund balances of approx. £0.4m over 3 years (with a shortfall of £3.4m over 4 years & £7m over the 5 year period) - including the minimum approved level of £0.5m. Further savings of approx. £1.4m per annum over 5 years would have to be identified.

Model 5 Impact of 0% increase in Council Tax in 2020/21 (followed by increases of 0% thereafter)

| Year: | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-------------------------------------------|----------------|----------------|------------|--------------|--------------|
| Forecast: | £'000 | £'000 | £'000 | £'000 | £'000 |
| Reduction in Council Tax £ | 112 | 226 | 341 | 458 | 576 |
| Revised Surplus (-) /Deficit | 1,123 | 2,628 | 2,949 | 3,791 | 4,127 |
| Balances Remaining (-) / Overdrawn | (5,400) | (2,772) | 177 | 3,968 | 8,095 |
| | | | | | |
| £ 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 | 176.89 | 176.89 | 176.89 | 176.89 | 176.89 |

Indicating a shortfall in General fund balances of approx. £0.2m over 3 years (with a shortfall of £4.5m over 4 years & £8.6m over the 5 year period) - including the minimum approved level of £0.5m. Further savings of approx. £1.7m per annum over 5 years would have to be identified.

Model 6 Impact of 1.99% increase in Council Tax in 2020/21 (followed by increases of 1.99% p.a. thereafter)

| Year: | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-------------------------------------------|----------------|----------------|--------------|--------------|--------------|
| Forecast: | £'000 | £'000 | £'000 | £'000 | £'000 |
| Reduction in Council Tax £ | 33 | 65 | 96 | 125 | 153 |
| Revised Surplus (-) /Deficit | 1,044 | 2,467 | 2,704 | 3,458 | 3,704 |
| Balances Remaining (-) / Overdrawn | (5,479) | (3,012) | (308) | 3,150 | 6,854 |
| | | | | | |
| £ Increase | 3.52 | 3.59 | 3.67 | 3.74 | 3.81 |
| % Increase | 1.99% | 1.99% | 1.99% | 1.99% | 1.99% |
| Note: Resulting Band D Council Tax | 180.41 | 184.00 | 187.67 | 191.41 | 195.22 |

Indicating potential General fund balances of approx. £0.3m over 3 years (with a shortfall of £3.65m over 4 years & £7.4m over the 5 year period) - including the minimum approved level of £0.5m. Further savings of approx. £1.5m per annum over 5 years 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 (£87k for 2020/21) – this will be updated following finalisation of the estimated surplus/deficit calculations in January 2020.

| Year: | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|------------------------------------------|---------|---------|---------|---------|---------|
| Council Tax | £'000 | £'000 | £'000 | £'000 | £'000 |
| Council Tax Income | (4,068) | (4,253) | (4,430) | (4,600) | (4,758) |
| Collection Fund Surplus (Council Tax) | (87) | (33) | (33) | (33) | (33) |
| Collection Fund Surplus (Business Rates) | - | - | - | - | - |

The County Council, OPCC and Fire & Rescue Authority are due to finalise their budgets for 2020/21 during February 2020. The impact of the Borough Council tax proposals is shown for each Council Tax Band in **Appendix G**.

Balances

At the Council meeting on 23rd February 2016 Members approved a minimum working level of balances of £0.5m. At 31st March 2020 General Fund revenue balances are estimated to be £6.5m. 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 2020/21 appears at **Appendix D**.

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

Using the funding forecast and assuming increases in Council Tax of £5 per annum for 2020/21 onwards, the five year base budget forecast is as follows:

| GF Summary | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|----------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Estimated Net Cost of Services | 8,267 | 8,645 | 8,850 | 9,551 | 9,984 |
| Proposed Policy Changes / Additional Costs Identified | 1,113 | 406 | 632 | 844 | 836 |
| Net Expenditure | 9,380 | 9,051 | 9,482 | 10,395 | 10,820 |
| Financing: | | | | | |
| RSG | 188 | - | - | - | - |
| Collection Fund Surplus - NNDR | 87 | 33 | 33 | 33 | 33 |
| Non Domestic Ratepayers | 14,432 | 15,404 | 15,705 | 16,011 | 16,332 |
| Tariff Payable | (10,406) | (13,041) | (13,294) | (13,582) | (13,854) |
| Council Tax Income (Model 1) | 4,068 | 4,253 | 4,430 | 4,600 | 4,758 |
| Gross Financing | 8,369 | 6,649 | 6,874 | 7,062 | 7,269 |
| Surplus(-)/Deficit | 1,011 | 2,402 | 2,608 | 3,333 | 3,551 |
| Balances Remaining (-) / Overdrawn | (5,512) | (3,110) | (502) | 2,831 | 6,382 |
| Per Council, 26 th February 2019 | (2,362) | (518) | - | - | - |
| Band D Equivalentents | 22,367 | 22,757 | 23,085 | 23,365 | 23,565 |

Indicating potential General fund balances of approx. £0.5m over 3 years (with a shortfall of £3.3m over 4 years & £6.9m over the 5 year period) - including the minimum approved level of £0.5m.

HOUSING REVENUE ACCOUNT

Technical Adjustments

The 2019/20 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 2020/21.

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

| Technical Adjustments | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|-------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Base Budget B/Fwd | 115 | (429) | (892) | 121 | (1,294) |
| Committee Decisions | 58 | (53) | 1,226 | (1,226) | 0 |
| Inflation | 125 | 127 | 162 | 135 | 139 |
| Other | (744) | (639) | (458) | (412) | (414) |
| Pay Adjustments (Including pay award / reduction for vacancy allowance) | 17 | 102 | 83 | 88 | 82 |
| Revised charges for non-general fund activities | - | - | - | - | - |
| Total / Revised Base Budget | (429) | (892) | 121 | (1,294) | (1,487) |

Revisions have been made to the 2019/20 base budget in order to produce an adjusted base for 2020/21 and forecast base for 2021/22 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:

| Item No | Policy Changes Identified | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|-----------------|-----------------|-----------------|
| HRA1 | Condition Surveys and Asset Management database to support the refresh of the Councils Asset Management Strategy | 3.50 | - | - | - | - |
| HRA2 | Condition Survey of structural parts of high-rise blocks - £75k every 5 years(HRA Revenue) | 75.00 | (75.00) | - | - | - |
| HRA3 | Condition Survey of Non-Traditional Properties - £50k every 5 years (HRA Revenue) | 50.00 | (50.00) | - | - | - |
| HRA4 | Condition Survey of Housing Stock - £60k every 5 years (HRA Revenue) | 60.00 | (60.00) | - | - | - |
| HRA5 | Financial modelling toolkit - £5k per annum (GF & HRA Revenue) | 2.50 | - | - | - | - |
| HRA6 | Cleaning Services Review | (4.00) | - | - | - | - |
| HRA7 | Fire Safety in High Rise Residential Buildings in response to the Governments proposals around 'Building a Safer Future'. • Software to manage fire safety surveys £90k year one (Capital) + £5k every year for license | 5.00 | - | - | - | - |
| HRA8 | • Detailed Measured Surveys & 3D building Scans | 140.00 | (140.00) | - | - | - |
| HRA9 | • Type 4 Fire Risk Assessments £65k every 3 years | 65.00 | (65.00) | - | 65.00 | (65.00) |
| HRA10 | • Production of Building Fire Safety Manuals | 70.00 | (70.00) | - | - | - |
| HRA11 | • Building Fire Safety Manager £40k per annum | 40.00 | - | - | - | - |
| HRA12 | Housing Repairs - Call Handling Service | 49.57 | (9.49) | (27.31) | - | - |
| HRA13 | Permanent full-time post 'Income Officer' within Neighbourhoods Rents Income Team | 32.00 | - | - | - | - |
| HRA14 | Funding from Universal Credit Support Budget towards cost of Income Officer | (25.00) | - | - | - | - |
| HRA15 | Retention of temporary post 'Resident Support Worker' at Eringden Block for a further year until March 2021 | 32.00 | (32.00) | - | - | - |
| HRA16 | Former Tenancy Arrears Officer within Revenues to address the recovery of wide range of former arrears - initially until March 2021 / offset by income target | 26.00 (26.00) | (26.00) 26.00 | - | - | - |
| HRA17 | Repairs and Investment Budgets | 1228.06 | - | - | - | - |
| HRA18 | Review of Underspent Budgets and Contingencies | (62.69) | - | - | - | - |
| HRA19 | Negotiated savings in Pensions costs arising from freeze in lump sum contribution for 3 years and 3 year advance payment in April 2020 | (27.05) | (0.83) | (0.78) | 28.66 | - |
| HRA20 | Revenue Contribution to Capital | - | - | - | - | 400.00 |
| | Total New Items / Amendments | 1,733.89 | (502.32) | (28.09) | 93.66 | 335.00 |
| | Cumulative | 1,733.89 | 1,231.57 | 1,203.48 | 1,297.14 | 1,632.14 |

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

| Summary | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|-------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Estimated Net (Surplus) / Deficit | (429) | (892) | 121 | (1,294) | (1,487) |
| Proposed Policy Changes / Additional Costs Identified | 1,734 | 1,232 | 1,203 | 1,297 | 1,632 |
| Surplus (-) / Deficit | 1,305 | 340 | 1,324 | 3 | 145 |
| Balances Remaining (-) / Overdrawn | (3,370) | (3,030) | (1,706) | (1,703) | (1,558) |
| Per Council, 26 th February 2019 | (3,227) | (3,168) | (2,057) | (2,326) | - |

Indicating Housing Revenue Account (HRA) balances of £1.7m over 3 years (with balances of £1.6m 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.

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.

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 effect of the reduction in Social Housing Rents announced in the Summer Budget 2015 means that rents have been reduced by 1% a year for the four years from 2016/17.

The Government has now confirmed that social housing rents can increase to include 'up to' a factor of the consumer price index (CPI) measure of inflation plus 1% for five years from 2020, following the conclusion of a consultation on the new rent standard.

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

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

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

For 2020/21 (and in the medium term), rents will be set in line with the approved policy including a general increase of the consumer price index (CPI) measure of inflation of plus 1% - equating to a 2.7% increase.

The following options have been modelled:

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|------------------------------------------|---------------|----------------|------------------|----------------------|------------------|------------------|
| | £ | £ | £ | £ | £ | £ |
| Option 1: CPI + 1% | | | | | | |
| Rent (52 Weeks) | 79.03 | 81.17 | 83.60 | 86.11 | 88.69 | 91.36 |
| Rent (48 Weeks) | 85.62 | 87.93 | 90.57 | 93.29 | 96.09 | 98.97 |
| % Increase | | 2.70% | 3.00% | 3.00% | 3.00% | 3.00% |
| Option 2: CPI | | | | | | |
| Rent (52 Weeks) | 79.03 | 80.38 | 81.98 | 83.62 | 85.30 | 87.00 |
| Rent (48 Weeks) | 85.62 | 87.08 | 88.82 | 90.59 | 92.41 | 94.25 |
| % Increase | | 1.70% | 2.00% | 2.00% | 2.00% | 2.00% |
| Reduced Rent compared to Option 1 | | 177,200 | 364,140 | 556,670 | 756,580 | 964,100 |
| | | | | 5 year impact | | 2,818,690 |
| Option 3: No increase | | | | | | |
| Rent (52 Weeks) | 79.03 | 79.03 | 79.03 | 79.03 | 79.03 | 79.03 |
| Rent (48 Weeks) | 85.62 | 85.62 | 85.62 | 85.62 | 85.62 | 85.62 |
| % Increase | | 0% | 0% | 0% | 0% | 0% |
| Reduced Rent compared to Option 1 | | 478,440 | 1,028,390 | 1,584,550 | 2,151,530 | 2,729,540 |
| | | | | 5 year impact | | 7,972,450 |
| Inflation at CPI + 1% | -1.00% | 2.70% | 3.00% | 3.00% | 3.00% | 3.00% |

Balances

The forecast level of balances at 31st March 2019 is £4.7m. The impact on balances of the adjustments outlined in this report would be as follows:

| Balances | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|--------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Proposed Withdrawal from / Addition to (-) Balances | 1,305 | 340 | 1,324 | 3 | 145 |
| Balances Remaining (-) / Overdrawn | (3,370) | (3,030) | (1,706) | (1,703) | (1,558) |

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 £50m for 2019/20 and an asset base valued at £236m (as at 31st March 2019).

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

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

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

The Capital Strategy will:

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

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

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

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

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

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

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

- the contribution its delivery makes towards the achievement of the Council's Corporate Priorities;
- the achievement of Government priorities and grant or other funding availability;
- the benefits in terms of the contribution to the Council's Corporate Objectives and compliance with the Corporate Capital Strategy requirements of:
 1. Invest to save
 2. Maintenance of services and assets
 3. Protection of income streams
 4. Avoidance of cost.

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

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

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

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

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

Following a review of the Capital Programme approved by Council on 26th February 2019, 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 2020/21 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.

General Fund Capital

A significant increase in net funding has been proposed which means that insufficient resources are available to finance all of the GF schemes submitted therefore, should the schemes progress either:

- 1) the Council would need to use supported borrowing to fund the shortfall – funding from borrowing would impact on the revenue budget through interest costs on the debt at c.2 to 3% p.a. plus debt repayment costs of 4% p.a. (based on a 25 year asset life); or
- 2) the potential use of part of the capital receipt from the Golf Course sale – which would mean the resources would no longer be available for investment through the Commercial Investment Strategy projects (and therefore impact on the revenue account through loss of potential investment income at c.4% p.a.); or
- 3) Fund the spend from revenue through a direct contribution to the capital programme.

The minimum approved level of GF capital balances is £0.5million which, should the programme progress without amendment, would mean over **£2.7m in borrowing would be needed (or use of the capital receipt) over the next 5 years (£1.8m over 3 years, £2.3m over 4 years)**. The provisionally approved programme assumed borrowing of £1m over 3 years (£1.8m over the 4 years to 2023/24).

Housing Capital

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

The majority of the Housing capital programme has not changed from that provisionally approved – however a number of new schemes have been proposed. It has also been updated to include the new year 5 costs for 2024/25 (at the same level as 2023/24).

Without amendment, the current proposals require an additional revenue contribution of £0.4m.

It should be noted that there are no debt repayment costs for the HRA and the Government has now lifted the previous debt cap (of £79.407m). The current HRA Capital Financing Requirement (CFR) stands at £68.041m with planned borrowing of £7.214m relating to the Tinkers Green and Kerria Regeneration projects. Due to receipt of Homes England grant of c.£5m, it is likely that this planned borrowing will be reduced to c.£2m.

The programme includes plans to fund the development or acquisition of new dwellings to utilise all of the 1 for 1 capital receipts to avoid potential repayment (funding 30% of the total cost) with the balance representing the Council's 70% contribution.

Policy Changes Summary

| SERVICE AREA | Sheet No. | Budget Changes 20/21 £'000 | Budget Changes 21/22 £'000 | Budget Changes 22/23 £'000 | Budget Changes 23/24 £'000 | Budget Changes 24/25 £'000 |
|-----------------------------------|-----------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| EXECUTIVE DIRECTOR ORGANISATION | 1 | (4.37) | - | - | - | - |
| PEOPLE | 2 | 154.45 | - | (147.40) | - | - |
| OPERATIONS AND LEISURE | 3 | 90.77 | (62.25) | (31.00) | - | - |
| EXECUTIVE DIRECTOR FINANCE | 4 | - | - | - | - | - |
| FINANCE | 5 | 832.97 | (919.72) | 14.09 | 128.66 | 24.00 |
| EXECUTIVE DIRECTOR COMMUNITIES | 6 | - | - | - | - | - |
| NEIGHBOURHOODS | 7 | (327.43) | 337.93 | - | - | - |
| PARTNERSHIPS | 8 | (4.17) | - | - | - | - |
| ASSETS | 9 | 202.20 | (99.20) | 0.90 | 1.00 | 1.00 |
| CHIEF EXECUTIVE | 10 | 137.41 | 36.70 | 388.95 | 82.83 | (33.15) |
| GROWTH & REGENERATION | 11 | 30.76 | - | - | - | - |
| TOTAL | | 1,112.59 | (706.54) | 225.54 | 212.49 | (8.15) |
| Cumulative Cost / (Saving) | | 1,112.59 | 406.05 | 631.59 | 844.08 | 835.93 |

| HOUSING REVENUE ACCOUNT | Sheet No. | Budget Changes 20/21 £'000 | Budget Changes 21/22 £'000 | Budget Changes 22/23 £'000 | Budget Changes 23/24 £'000 | Budget Changes 24/25 £'000 |
|-----------------------------------|-----------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| HOUSING REVENUE ACCOUNT | 12 | 1,733.89 | (502.32) | (28.09) | 93.66 | 335.00 |
| TOTAL | | 1,733.89 | (502.32) | (28.09) | 93.66 | 335.00 |
| Cumulative Cost / (Saving) | | 1,733.89 | 1,231.57 | 1,203.48 | 1,297.14 | 1,632.14 |

Policy Changes Summary Staffing Implications

| SERVICE AREA | Sheet No. | Budget Changes 20/21 £'000 | Budget Changes 21/22 £'000 | Budget Changes 22/23 £'000 | Budget Changes 23/24 £'000 | Budget Changes 24/25 £'000 |
|---------------------------------|-----------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| EXECUTIVE DIRECTOR ORGANISATION | 1 | - | - | - | - | - |
| PEOPLE | 2 | 8.2 | - | (6.2) | - | - |
| OPERATIONS AND LEISURE | 3 | 2.0 | - | - | - | - |
| EXECUTIVE DIRECTOR FINANCE | 4 | - | - | - | - | - |
| FINANCE | 5 | - | - | - | - | - |
| EXECUTIVE DIRECTOR COMMUNITIES | 6 | - | - | - | - | - |
| NEIGHBOURHOODS | 7 | 1.0 | - | - | - | - |
| PARTNERSHIPS | 8 | - | - | - | - | - |
| ASSETS | 9 | - | - | - | - | - |
| CHIEF EXECUTIVE | 10 | - | - | - | - | - |
| GROWTH & REGENERATION | 11 | - | - | - | - | - |
| TOTAL | | 11.2 | - | (6.2) | - | - |

| HOUSING REVENUE ACCOUNT | Sheet No. | Budget Changes 20/21 £'000 | Budget Changes 21/22 £'000 | Budget Changes 22/23 £'000 | Budget Changes 23/24 £'000 | Budget Changes 24/25 £'000 |
|-------------------------|-----------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| HOUSING REVENUE ACCOUNT | 12 | 9.0 | (2.0) | (1.0) | - | - |
| TOTAL | | 9.0 | (2.0) | (1.0) | - | - |

EXECUTIVE DIRECTOR ORGANISATION

| Item No | Proposal/(Existing Budget) | Implications | Budget Change | Budget Change | Budget Change | Budget Change | Budget Change |
|-------------------------------------|------------------------------------------------|-----------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | | | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 |
| | | | £'000 | £'000 | £'000 | £'000 | £'000 |
| OR1 | Review of Underspent Budgets and Contingencies | Savings identified from review of previously underspent budgets | (4.37) | - | - | - | - |
| Total New Items / Amendments | | | (4.37) | - | - | - | - |

STAFFING IMPLICATIONS

| Item No | Proposal/(Existing Budget) | Implications | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 |
|--------------|----------------------------|--------------|----------|----------|----------|----------|----------|
| | | | FTE | FTE | FTE | FTE | FTE |
| | | | | | | | |
| TOTAL | | | - | - | - | - | - |

PEOPLE

| Item No | Proposal/(Existing Budget) | Implications | Budget Change | Budget Change | Budget Change | Budget Change | Budget Change |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | | | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 |
| | | | £'000 | £'000 | £'000 | £'000 | £'000 |
| PE1 | Review of Call out and Standby arrangements | | TBA | - | - | - | - |
| PE2 | To increase the number of Apprentice posts from 6 to 8 across the Council including: 1. Digital Marketing – Level 2 2. Web Development – Level 2 3. Customer Services – Level 2 4. Street Scene – Level 2 Arboriculture (current Apprentice posts - Revenues, Benefits, Street Scene x2, HR, ICT) | To assist the council in achieving our apprentice target of 8 apprentices • To ensure that TBC makes best value of the apprentice levy funding • To support the organisational development strategy in terms of succession planning • To ensure consistent service delivery of the arboriculture team following retirement • To further enhance the digital marketing skills to embrace fast paced technological changes & to move all web development work into ICT to give capacity to the current graphics for more marketing and branding activity. | 21.00 | - | - | - | - |
| | | | 21.00 | - | - | - | - |
| PE3 | Make permanent the existing temporary 4.68 FTE Customer Services Assistant (CSA) posts (offset by one-off savings in 2019/20 of £65k) | When the temporary arrangement for CSA's was put in place it was anticipated that Delivering Quality Services (DQS) and the implementation of the customer portal would have concluded by April 2020 and as such savings of £100k would have been realised. DQS has paused over the last 12 months; however a position review and continuation is included in the 3 year Customer Service business plan along with further development of the customer portal | 106.43 | - | (106.43) | - | - |
| PE4 | Permanently establish 1 FTE Senior Customer Service Officer – TIC and increase the current 3.04 FTE Customer Service Officers allocated to the TIC to 4.5 FTE. The 1.5 FTE is requested on a temporary basis to enable the customer demand to be captured post full launch of the venue in April 2020. | The creation of a Senior CSO role is to provide the line management of the staff working in the TIC in its permanent home at the Assembly Rooms; this role will be the interface between the Assembly Rooms management and the customer service function to ensure that service level agreements and standards are met. The new TIC service will enhance the customer service offer by extended opening with a presence until the interval of show performances 6 days a week and occasional Sunday opening to support major events in the town. The extended hours will also provide an enhanced opportunity for our customers as CS staff will be available to respond to enquiries via webchat and email in the key demand window of 5.00pm to 7.00pm | 45.97 | - | (40.97) | - | - |

| Item No | Proposal/(Existing Budget) | Implications | Budget Change | Budget Change | Budget Change | Budget Change | Budget Change |
|-------------------------------------|------------------------------------------------|-----------------------------------------------------------------|----------------|----------------|-----------------|----------------|----------------|
| | | | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 |
| PE5 | Review of Underspent Budgets and Contingencies | Savings identified from review of previously underspent budgets | (39.95) | - | - | - | - |
| Total New Items / Amendments | | | 154.45 | - | (147.40) | - | - |

STAFFING IMPLICATIONS

| Item No | Proposal/(Existing Budget) | Implications | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 |
|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------|----------|---------------|----------|----------|
| | | | FTE | FTE | FTE | FTE | FTE |
| PE2 | To increase the number of Apprentice posts from 6 to 8 across the Council including: 1. Digital Marketing – Level 2 2. Web Development – Level 2 3. Customer Services – Level 2 4. Street Scene – Level 2 Arboriculture (current Apprentice posts - Revenues, Benefits, Street Scene x2, HR, ICT) | | 2.00 | - | - | - | - |
| PE3 | Make permanent the existing temporary 4.68 FTE Customer Services Assistant (CSA) posts (offset by one-off savings in 2019/20 of £65k) | | 4.68 | - | (4.68) | - | - |
| PE4 | Permanently establish 1 FTE Senior Customer Service Officer – TIC and increase the current 3.04 FTE Customer Service Officers allocated to the TIC to 4.5 FTE. The 1.5 FTE is requested on a temporary basis to enable the customer demand to be captured post full launch of the venue in April 2020. | | 1.50 | - | (1.50) | - | - |
| TOTAL | | | 8.18 | - | (6.18) | - | - |

| 20/21 Budget Process - Policy Changes | | | | Sheet 3 | | | | |
|---------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|--|
| OPERATIONS AND LEISURE | | | | | | | | |
| Item No | Proposal/(Existing Budget) | Implications | Budget Change | Budget Change | Budget Change | Budget Change | Budget Change | |
| | | | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 | |
| OPS1 | Reinstated funding from SCC re highway verge mowing | In 2018/19 SCC decided to withdraw budget to TBC to deliver the cutting of their highway grass verges, consequently the budget of £96,240 staffing costs together with the £128,320 income were removed from the budget for 2020/21. SCC have not yet fully completed their review of highway verge mowing cutting throughout the county, but have indicated that they wish the borough to continue undertaking the grass cutting, whereas previously they had indicated that this service may cease | (128.32) | - | - | - | - | |
| OPS2 | Increase in staffing and equipment to reflect reinstated SCC funding | Additional costs from latest projections of Assembly Rooms costs and income | 96.24 | - | - | - | - | |
| OPS3 | Assembly Rooms | Savings identified from review of previously underspent budgets | 124.50 | (62.25) | (31.00) | - | - | |
| OPS4 | Review of Underspent Budgets and Contingencies | | (1.65) | - | - | - | - | |
| Total New Items / Amendments | | | 90.77 | (62.25) | (31.00) | - | - | |
| STAFFING IMPLICATIONS | | | | | | | | |
| Item No | Proposal/(Existing Budget) | Implications | 20/21 FTE | 21/22 FTE | 22/23 FTE | 23/24 FTE | 24/25 FTE | |
| OPS2 | Increase in staffing and equipment to reflect reinstated SCC funding | | 2.00 | - | - | - | - | |
| TOTAL | | | 2.00 | - | - | - | - | |

FINANCE

| Item No | Proposal/(Existing Budget) | Implications | Budget Change | Budget Change | Budget Change | Budget Change | Budget Change |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|----------------|-----------------|----------------|----------------|----------------|
| | | | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 |
| FIN1 | Reduced contingency budget | Provision for reduced income reduced following proposed increase to Assembly Rooms budgets | (95.00) | - | - | - | - |
| FIN2 | Revised New Homes Bonus | Updated NHB grant notification following confirmation of 0.4% 'deadweight' | (35.56) | 33.98 | 0.63 | 0.95 | - |
| FIN3 | Revenue Implications of Capital Programme | Cost of unsupported borrowing / lost investment income (2.5%) - should all proposed schemes progress | 20.00 | 19.00 | 6.00 | 13.00 | 9.00 |
| FIN4 | Revenue Implications of Capital Programme | Repayment of debt (4%) - should all proposed schemes progress | 32.00 | 30.00 | 10.00 | 21.00 | 15.00 |
| FIN5 | Negotiated savings in Pensions costs arising from freeze in lump sum contribution for 3 years and 3 year advance payment in April 2020 | Option to freeze pension lump sum payment for 3 years and pay 3 years pension lump sum in advance in April 2020 (£183k saving) | (88.47) | (2.70) | (2.54) | 93.71 | - |
| FIN6 | Revised Business Rates Levy payment | Estimated levy based on NNDR1 forecasts | TBA | - | - | - | - |
| FIN7 | Revised Business Rates Section 31 Grant Income | New Burdens funding for Government scheme to reduce business rates charges | TBA | - | - | - | - |
| FIN8 | Contribution to Transformation Reserve | In light of the current economic uncertainty, it is considered prudent to set aside monies to support the MTFS | 1,000.00 | (1,000.00) | - | - | - |
| Total New Items / Amendments | | | 832.97 | (919.72) | 14.09 | 128.66 | 24.00 |

STAFFING IMPLICATIONS

| Item No | Proposal/(Existing Budget) | Implications | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 |
|---------|----------------------------|--------------|-------|-------|-------|-------|-------|
| | | | FTE | FTE | FTE | FTE | FTE |
| | | | | | | - | - |
| | | | | | | - | - |
| | | | | | | - | - |
| | TOTAL | | - | - | - | - | - |

NEIGHBOURHOODS

| Item No | Proposal/(Existing Budget) | Implications | Budget Change | Budget Change | Budget Change | Budget Change | Budget Change |
|-------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------|----------------|----------------|----------------|
| | | | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 |
| NEI1 | To permanently appoint the Housing Solutions Review Officer | When the HRA was implemented in 2018, it was anticipated that the requirements would generate more challenge through more opportunities to request (multiple) reviews. Consequently this would weaken the overall capacity to effectively manage the service in a challenging period. As such a temporary review officer was appointed for 2 years. | 35.50 | - | - | - | - |
| NEI2 | | Use of flexible homelessness support grant to part fund the post on an ongoing | (15.00) | - | - | - | - |
| NEI3 | Review of Underspent Budgets and Contingencies | Savings identified from review of previously underspent budgets | (10.00) | - | - | - | - |
| NEI4 | Revised CCTV costs | Saving as costs associated with the change in service provision will be met in 2019/20 (from the Transformation reserve) | (337.93) | 337.93 | - | - | - |
| Total New Items / Amendments | | | (327.43) | 337.93 | - | - | - |

STAFFING IMPLICATIONS

| Item No | Proposal/(Existing Budget) | Implications | 20/21 FTE | 21/22 FTE | 22/23 FTE | 23/24 FTE | 24/25 FTE |
|--------------|-------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| NEI1 | To permanently appoint the Housing Solutions Review Officer | | 1.0 | - | - | - | - |
| TOTAL | | | 1.0 | - | - | - | - |

PARTNERSHIPS

| Item No | Proposal/(Existing Budget) | Implications | Budget Change | Budget Change | Budget Change | Budget Change | Budget Change |
|-------------------------------------|------------------------------------------------|-----------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | | | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 |
| PAR1 | Review of Underspent Budgets and Contingencies | Savings identified from review of previously underspent budgets | (4.17) | - | - | - | - |
| Total New Items / Amendments | | | (4.17) | - | - | - | - |

STAFFING IMPLICATIONS

| Item No | Proposal/(Existing Budget) | Implications | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 |
|--------------|----------------------------|--------------|----------|----------|----------|----------|----------|
| | | | FTE | FTE | FTE | FTE | FTE |
| TOTAL | | | - | - | - | - | - |

ASSETS

| Item No | Proposal/(Existing Budget) | Implications | Budget Change | Budget Change | Budget Change | Budget Change | Budget Change |
|---------|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | | | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 |
| AST1 | Condition Surveys and Asset Management database to support the refresh of the Councils Asset Management Strategy. | Asset management Database - £150k one off + £7k annual license (GF & HRA Capital) | 3.50 | - | - | - | - |
| AST2 | Condition survey of Corporate/Commercial & Industrial properties - £100k every 10 years (GF Revenue) | In order to accurately assess the long-term performance and investment requirements of its built assets the Council needs to update its Asset Management Strategy. To support this process the Council needs to understand the current condition of its assets along with current and future investment requirements. Without accurate data it is not possible to accurately determine investment requirements or to determine the future financial viability of built assets. At present the Council holds very limited condition data on its non-housing assets and the information that is held has not been refreshed in a number of years. Repairs and investment budgets are currently set based on available funds as opposed to the investment requirements. Collecting accurate data and holding it a database which is updated regularly combined with financial modelling of performance data will allow the Council to make informed decisions on the future of its assets | 100.00 | (100.00) | - | - | - |
| AST3 | Financial modelling toolkit - £5k per annum (GF & HRA Revenue) | A financial modelling toolkit will allow the Council to model its asset investments for new build, regeneration, refurbishment and disposal. This will ensure that decisions are made using an agreed and standardised financial model. | 2.50 | - | - | - | - |

| Item No | Proposal/(Existing Budget) | Implications | Budget Change | Budget Change | Budget Change | Budget Change | Budget Change |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | | | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 |
| AST4 | Cleaning Services Review | The restructure proposed in the report to Cabinet on 15 August 2019 is based on the continued delivery of the Councils service to Tenants and Leaseholders and will ensure quality and service is maintained which further places the organisation in a positive position to maintain and improve the quality of future service provision. The primary purpose of the review is to ensure that the service is being delivered in the most cost effective and efficient manner and is fit for purpose going forward. At the end of the review there will be a platform for the development of clearly defined service standards across both the housing and corporate property portfolios. This will lead to a clearly defined service offer that can be communicated to tenants, building occupiers and staff. | 41.00 | - | - | - | - |
| AST5 | Cleaning Costs have changed since the Cabinet Report due to a requirement to provide additional cleaning services with the Assembly Rooms which were not known at the time of the Cabinet Report. Additional Cleaning duties are also required for the Town Centre Public Conveniences. | £17,812 GF, Additional Cleaning services at Assembly Rooms linked to use and occupation £4,157 GF, Additional Cleaning services to Castle linked to use and occupation £4,157 GF, Additional costs of cleaning Castle Grounds Toilets for 365 days per annum. £3,010 additional costs associated with provision of Mobile Phones (lone working) and PPE for staff | 29.20 | - | - | - | - |
| AST6 | Saving in contract cleaning budgets | Associated saving in budgets no longer required following Cleaning Review | (15.00) | - | - | - | - |
| AST7 | Marmion House Accommodation | Reduced income from accommodation rents / service charges | 55.30 | 0.80 | 0.90 | 1.00 | 1.00 |
| AST8 | Review of Underspent Budgets and Contingencies | Savings identified from review of previously underspent budgets | (14.30) | - | - | - | - |
| Total New Items / Amendments | | | 202.20 | (99.20) | 0.90 | 1.00 | 1.00 |
| STAFFING IMPLICATIONS | | | | | | | |
| Item No | Proposal/(Existing Budget) | Implications | 20/21 FTE | 21/22 FTE | 22/23 FTE | 23/24 FTE | 24/25 FTE |
| AST5 | Cleaning Services Review | | TBA | - | - | - | - |
| TOTAL | | | - | - | - | - | - |

| 20/21 Budget Process - Policy Changes | | | Sheet | | 10 | | | |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|--|
| CHIEF EXECUTIVE | | | | | | | | |
| Item No | Proposal/(Existing Budget) | Implications | Budget Change | Budget Change | Budget Change | Budget Change | Budget Change | |
| | | | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 | |
| A&G1 | Review of Elections budgets from a zero-base, factoring in the known schedule of elections and ability to run joint elections/claim a share of costs from SCC/Gov't/OPCC where appropriate, the following budget adjustments are requested. | Overtime | 3.0 | - | - | - | - | |
| | | Rents | (10.00) | (5.00) | 5.00 | 5.00 | (5.00) | |
| | | Casual Travel | 0.50 | - | - | - | - | |
| | | Software Support Licences | 1.80 | 3.00 | (3.00) | 3.00 | (3.00) | |
| | | Printing & Stationery | 3.50 | (6.00) | 6.00 | 17.00 | (17.00) | |
| | | Postage | 6.30 | (8.00) | 8.00 | 7.00 | (7.00) | |
| | | Election Staff | (3.70) | (47.00) | 47.00 | 36.00 | (36.00) | |
| | | Canvassers Fees | 3.40 | - | - | - | - | |
| A&G2 | Review of Underspent Budgets and Contingencies | Savings identified from review of previously underspent budgets | (3.09) | - | - | - | - | |
| WM1 | Potential Waste Management cost increases | Potential increases in Waste Management costs following 2019 budget review and Resources & Waste Strategy implications from 2022 | 135.70 | 99.70 | 325.95 | 14.83 | 34.85 | |
| Total New Items / Amendments | | | 137.41 | 36.70 | 388.95 | 82.83 | (33.15) | |
| STAFFING IMPLICATIONS | | | | | | | | |
| Item No | Proposal/(Existing Budget) | Implications | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 | |
| | | | FTE | FTE | FTE | FTE | FTE | |
| | | | | | | | | |
| | | | | | | | | |
| | TOTAL | | - | - | - | - | - | |

| 20/21 Budget Process - Policy Changes | | | | Sheet | 11 | | | |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|--|
| GROWTH & REGENERATION | | | | | | | | |
| Item No | Proposal/(Existing Budget) | Implications | Budget Change | Budget Change | Budget Change | Budget Change | Budget Change | |
| | | | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 | |
| G&R1 | Reduction in the Planning Application Fees income budget to reflect the fact that income received in recent years has included a number of large schemes such as the Golf Course, Ashby Road, Dunstall Lane, etc, and future receipts are not expected to continue at the same level. That said, there is potential in future years for higher fee income associated with major planning applications in relation to town centre re development opportunities and also any future review of the Local Plan. | The resultant ongoing budget of £150k pa will more accurately reflect the level of planning application fees income likely to be received. | 50.00 | - | - | - | - | |
| G&R2 | Review of Underspent Budgets and Contingencies | Savings identified from review of previously underspent budgets | (19.24) | - | - | - | - | |
| Total New Items / Amendments | | | 30.76 | - | - | - | - | |
| STAFFING IMPLICATIONS | | | | | | | | |
| Item No | Proposal/(Existing Budget) | Implications | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 | |
| | | | FTE | FTE | FTE | FTE | FTE | |
| TOTAL | | | - | - | - | - | - | |

HOUSING REVENUE ACCOUNT

| Item No | Proposal/(Existing Budget) | Implications | Budget Change | Budget Change | Budget Change | Budget Change | Budget Change |
|---------|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | | | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 |
| HRA1 | Condition Surveys and Asset Management database to support the refresh of the Councils Asset Management Strategy. | Asset management Database - £150k one off + £7k annual license (GF & HRA Capital) | 3.50 | - | - | - | - |
| HRA2 | Condition Survey of structural parts of high-rise blocks - £75k every 5 years(HRA Revenue) | Information on structural condition of non-traditional properties and high-rise blocks is important in ensuring tenant safety and for predicting long-term investment or regeneration requirements | 75.00 | (75.00) | - | - | - |
| HRA3 | Condition Survey of Non-Traditional Properties - £50k every 5 years (HRA Revenue) | The special nature of the high-rise blocks and non-traditional housing stock means that it needs regular inspection that goes beyond the normal non-invasive survey work that is carried out on the bulk of the housing stock. This is likely to be more specialised in nature. | 50.00 | (50.00) | - | - | - |
| HRA4 | Condition Survey of Housing Stock - £60k every 5 years (HRA Revenue) | In order to accurately assess the long-term performance and investment requirements of its built assets the Council needs to update its Asset Management Strategy. To support this process the Council needs to understand the current condition of its assets along with current and future investment requirements. Without accurate data it is not possible to accurately determine investment requirements or to determine the future financial viability of built assets. | 60.00 | (60.00) | - | - | - |
| HRA5 | Financial modelling toolkit - £5k per annum (GF & HRA Revenue) | A financial modelling toolkit will allow the Council to model its asset investments for new build, regeneration, refurbishment and disposal. This will ensure that decisions are made using an agreed and standardised financial model. | 2.50 | - | - | - | - |
| HRA6 | Cleaning Services Review | The restructure proposed in the report to Cabinet on 15 August 2019 is based on the continued delivery of the Councils service to Tenants and Leaseholders and will ensure quality and service is maintained which further places the organisation in a positive position to maintain and improve the quality of future service provision. The primary purpose of the review is to ensure that the service is being delivered in the most cost effective and efficient manner and is fit for purpose going forward. At the end of the review there will be a platform for the development of clearly defined service standards across both the housing and corporate property portfolios. This will lead to a clearly defined service offer that can be communicated to tenants, building occupiers and staff. | (4.00) | - | - | - | - |

| Item No | Proposal/(Existing Budget) | Implications | Budget Change | Budget Change | Budget Change | Budget Change | Budget Change |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|----------------|---------------|---------------|
| | | | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 |
| | | | £'000 | £'000 | £'000 | £'000 | £'000 |
| HRA7 | Fire Safety in High Rise Residential Buildings in response to the Governments proposals around 'Building a Safer Future'. This is a direct response to the 'Building a safer future' legislation being introduced by the Government | This goes much further than current legislation relating to fire safety in buildings and is much more prescriptive than the current legislation. This will consist of:- • Software to manage fire safety surveys £90k year one (Capital) + £5k every year for license | 5.00 | - | - | - | - |
| HRA8 | | • Detailed Measured Surveys & 3D building Scans £140k (one off) | 140.00 | (140.00) | - | - | - |
| HRA9 | | • Type 4 Fire Risk Assessments £65k every 3 years | 65.00 | (65.00) | - | 65.00 | (65.00) |
| HRA10 | | • Production of Building Fire Safety Manuals £70k (one off) | 70.00 | (70.00) | - | - | - |
| HRA11 | | • Building Fire Safety Manager £40k per annum | 40.00 | - | - | - | - |
| HRA12 | Housing Repairs - Call Handling Service | Additional Costs associated with in house provision | 49.57 | (9.49) | (27.31) | - | - |
| HRA13 | Permanent full-time post 'Income Officer' within HRA Neighbourhoods Rents Income Team | This permanent 'Income Officer' will address the recovery of the Council's HRA current rent arrears, as with the move to full service universal credit since November 2017 has resulted in a significant increase in work load for the rent income team | 32.00 | - | - | - | - |
| HRA14 | | Funding from Universal Credit Support Budget towards cost of Income Officer | (25.00) | - | - | - | - |
| HRA15 | Retention of temporary post 'Resident Support Worker' at Eringden Block for a further year until March 2021 | This 'Resident Support Worker' is there to provide building management to this medium rise block of flats as well as low level resident support with the aim of making this a safe place to live | 32.00 | (32.00) | - | - | - |
| HRA16 | Former Tenancy Arrears Officer within Revenues to address the recovery of HRA's wide range of former arrears - initially until March 2021 subject to review/impact assessment | To address the recovery of the Council's HRA former arrears including former rent arrears, garage arrears, recharges, sundry debts, supporting people, service charges etc. | 26.00 | (26.00) | - | - | - |
| | | Income target associated with above | (26.00) | 26.00 | - | - | - |
| HRA17 | Repairs and Investment Budgets | Updated budgets following tender exercise | 1,228.06 | - | - | - | - |
| HRA18 | Review of Underspent Budgets and Contingencies | Savings identified from review of previously underspent budgets | (62.69) | - | - | - | - |
| HRA19 | Negotiated savings in Pensions costs arising from freeze in lump sum contribution for 3 years and 3 year advance payment in April 2020 | Option to freeze pension lump sum payment for 3 years and pay 3 years pension lump sum in advance in April 2020 (£183k saving) | (27.05) | (0.83) | (0.78) | 28.66 | - |
| HRA20 | Revenue Contribution to Capital | Additional revenue contribution required to fund capital programme | - | - | - | - | 400.00 |
| Total New Items / Amendments | | | 1,733.89 | (502.32) | (28.09) | 93.66 | 335.00 |

| STAFFING IMPLICATIONS | | | | | | | |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---------------|---------------|-----------|-----------|
| Item No | Proposal/(Existing Budget) | Implications | 20/21 FTE | 21/22 FTE | 22/23 FTE | 23/24 FTE | 24/25 FTE |
| HRA6 | Cleaning Services Review | | TBA | - | - | - | - |
| HRA11 | • Building Fire Safety Manager £40k per annum | | 1.00 | | | | |
| HRA12 | Housing Repairs - Call Handling Service | 1 x FTE Senior Customer Service Officer plus Essential Car Users allowance £1239.00 3 x FTE Customer Service Officer Grade D 1 x FTE Customer Service Officer Grade D Temporary for 2 years | 5.00 | - | (1.00) | - | - |
| HRA13 | Permanent full-time post `Income Officer` within HRA Neighbourhoods Rents Income Team | | 1.00 | - | - | - | - |
| HRA15 | Retention of temporary post `Resident Support Worker` at Eringden Block for a further year until March 2021 | | 1.00 | (1.00) | - | - | - |
| HRA16 | Former Tenancy Arrears Officer within Revenues to address the recovery of HRA's wide range of former arrears - initially until March 2021 subject to review/impact assessment | | 1.00 | (1.00) | - | - | - |
| | TOTAL | | 9.00 | (2.00) | (1.00) | - | - |

HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2020/21 – 2024/25

| <i>Figures exclude internal recharges which have no bottom line impact.</i> | Budget 2020/21 £ | Budget 2021/22 £ | Budget 2022/23 £ | Budget 2023/24 £ | Budget 2024/25 £ |
|-----------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| HRA Summary | (4,371,050) | (4,903,450) | (3,982,120) | (5,495,300) | (5,785,900) |
| ED Communities | 24,000 | 26,120 | 28,670 | 31,500 | 34,420 |
| AD Operations & Leisure | 144,290 | 146,380 | 148,810 | 151,540 | 154,300 |
| AD Assets | 2,088,370 | 1,627,040 | 1,621,350 | 1,709,450 | 2,066,290 |
| AD Neighbourhoods | 3,418,820 | 3,443,340 | 3,508,000 | 3,606,240 | 3,676,270 |
| Housing Repairs | 0 | 0 | 0 | 0 | 0 |
| Grand Total | 1,304,430 | 339,430 | 1,324,710 | 3,430 | 145,380 |

Figures include proposed Policy Changes

General Fund Summary Budgets – 2020/21

| <i>Figures exclude internal recharges which have no bottom line impact.</i> | Base Budget 2019/20 £ | Technical Adjustments * £ | Policy Changes £ | Budget 2020/21 £ |
|-----------------------------------------------------------------------------|--------------------------------------|----------------------------------------------|---------------------------------|---------------------------------|
| Chief Executive | 1,488,840 | 30,090 | 137,410 | 1,656,340 |
| AD Growth & Regeneration | 1,072,430 | 70,580 | 30,760 | 1,173,770 |
| ED Organisation | 400,310 | 18,110 | (4,370) | 414,050 |
| AD People | 1,732,680 | 112,580 | 154,450 | 1,999,710 |
| AD Operations & Leisure | 2,216,180 | 22,160 | 90,770 | 2,329,110 |
| ED Finance | 84,050 | 2,250 | - | 86,300 |
| AD Finance | 831,000 | (1,533,120) | 832,970 | 130,850 |
| ED Communities | - | 0 | - | 0 |
| AD Assets | (725,280) | 26,130 | 202,200 | (496,950) |
| AD Neighbourhoods | 1,222,430 | 298,680 | (327,430) | 1,193,680 |
| AD Partnerships | 1,080,770 | (183,700) | (4,170) | 892,900 |
| Total Cost of Services | 9,403,410 | (1,136,240) | 1,112,590 | 9,379,760 |
| Transfer to / (from) Balances | (1,408,174) | 398,113 | - | (1,010,061) |
| Revenue Support Grant | - | (187,535) | - | (187,535) |
| Retained Business Rates | (13,385,014) | (1,047,318) | - | (14,432,332) |
| Less: Tariff payable | 10,054,485 | 351,356 | - | 10,405,841 |
| Collection Fund Surplus (Council Tax) | (62,517) | (24,822) | - | (87,339) |
| Collection Fund Surplus (Business Rates) | (752,887) | 752,887 | - | - |
| Council Tax Requirement | (3,849,303) | 893,559 | (1,112,590) | (4,068,334) |

* As detailed in Appendix E1

General Fund – Technical Adjustments 2020/21

| | Budget 2019/20 | Technical Adjustments | | | | | | Total Adjusted Base 2020/21 | |
|-----------------------------|-------------------|-----------------------|-----------------------------|----------------|--------------------|-------------------------|---------------------------------|--------------------------------------|---------------------------|
| | | Virements £ | Committee Decisions £ | Inflation £ | Other £ | Pay Adjustments £ | Changes in Recharges £ | | Total Adjustments £ |
| Chief Executive | 1,488,840 | 19,630 | (4,160) | (5,170) | 60 | 19,730 | - | 30,090 | 1,518,930 |
| AD Growth & Regeneration | 1,072,430 | 18,190 | 32,600 | (8,100) | 5,820 | 22,070 | - | 70,580 | 1,143,010 |
| ED Organisation | 400,310 | (9,510) | (2,470) | 8,350 | (1,470) | 23,210 | - | 18,110 | 418,420 |
| AD People | 1,732,680 | 132,790 | (72,210) | 16,210 | 10,290 | 25,500 | - | 112,580 | 1,845,260 |
| AD Operations & Leisure | 2,216,180 | (111,880) | (63,700) | 8,320 | (97,850) | 287,270 | - | 22,160 | 2,238,340 |
| ED Finance | 84,050 | - | (670) | 120 | - | 2,800 | - | 2,250 | 86,300 |
| AD Finance | 831,000 | (42,130) | (476,590) | (8,580) | (1,043,010) | 37,190 | - | (1,533,120) | (702,120) |
| ED Communities | - | - | - | - | - | - | - | - | - |
| AD Assets | (725,280) | 4,460 | (2,180) | 13,290 | 4,520 | 6,040 | - | 26,130 | (699,150) |
| AD Neighbourhoods | 1,222,430 | 151,060 | 99,360 | 1,500 | (9,860) | 56,620 | - | 298,680 | 1,521,110 |
| AD Partnerships | 1,080,770 | (162,610) | (26,760) | (2,590) | (45,370) | 53,630 | - | (183,700) | 897,070 |
| Grand Total | 9,403,410 | - | (516,780) | 23,350 | (1,176,870) | 534,060 | - | (1,136,240) | 8,267,170 |

Housing Revenue Account – Technical Adjustments 2020/21

| | Budget 2019/20 | Technical Adjustments | | | | | | Total Adjusted Base 2020/21 | |
|-------------------------|-------------------|-----------------------|-----------------------------|----------------|------------------|-------------------------|---------------------------------|--------------------------------------|---------------------------|
| | | Virements £ | Committee Decisions £ | Inflation £ | Other £ | Pay Adjustments £ | Changes in Recharges £ | | Total Adjustments £ |
| HRA Summary | (3,927,650) | 143,720 | 50,000 | 91,660 | (728,780) | - | - | (443,400) | (4,371,050) |
| ED Communities | 21,900 | - | (750) | 50 | - | 2,800 | - | 2,100 | 24,000 |
| AD Operations & Leisure | 143,080 | 140 | (1,310) | 260 | (110) | 2,230 | - | 1,210 | 144,290 |
| AD Assets | 289,640 | 36,400 | (3,380) | 2,720 | 6,860 | 15,100 | - | 57,700 | 347,340 |
| AD Neighbourhoods | 3,588,080 | (180,260) | 13,080 | 30,330 | (22,240) | (3,030) | - | (162,120) | 3,425,960 |
| Housing Repairs | - | - | - | - | - | - | - | - | - |
| Grand Total | 115,050 | - | 57,640 | 125,020 | (744,270) | 17,100 | - | (544,510) | (429,460) |

General Fund Five Year Revenue Budget Summary

| <i>Figures exclude internal recharges which have no bottom line impact.</i> | Budget 2020/21 £ | Budget 2021/22 £ | Budget 2022/23 £ | Budget 2023/24 £ | Budget 2024/25 £ |
|-----------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Chief Executive | 1,656,340 | 1,720,250 | 2,134,260 | 2,242,390 | 2,215,940 |
| AD Growth & Regeneration | 1,173,770 | 1,070,930 | 1,050,800 | 1,128,660 | 1,155,760 |
| ED Organisation | 414,050 | 430,750 | 449,400 | 468,570 | 487,110 |
| AD People | 1,999,710 | 2,046,910 | 1,962,290 | 2,024,350 | 2,084,320 |
| AD Operations & Leisure | 2,329,110 | 2,329,510 | 2,375,480 | 2,449,460 | 2,524,020 |
| ED Finance | 86,300 | 88,500 | 91,350 | 94,260 | 97,250 |
| AD Finance | 130,850 | (48,230) | (52,960) | 460,560 | 672,370 |
| ED Communities | - | - | - | - | - |
| AD Assets | (496,950) | (579,860) | (559,100) | (537,980) | (517,750) |
| AD Neighbourhoods | 1,193,680 | 1,084,530 | 1,109,390 | 1,132,390 | 1,155,870 |
| AD Partnerships | 892,900 | 907,470 | 920,430 | 932,780 | 945,490 |
| Total Cost of Services | 9,379,760 | 9,050,760 | 9,481,340 | 10,395,440 | 10,820,380 |
| Transfer to / (from) Balances | (1,010,061) | (2,402,264) | (2,608,060) | (3,332,993) | (3,552,148) |
| Revenue Support Grant | (187,535) | - | - | - | - |
| Retained Business Rates | (14,432,332) | (15,403,818) | (15,704,865) | (16,011,414) | (16,331,642) |
| Less: Tariff payable | 10,405,841 | 13,041,378 | 13,294,366 | 13,582,302 | 13,853,948 |
| Collection Fund Surplus (Council Tax) | (87,339) | (33,000) | (33,000) | (33,000) | (33,000) |
| Collection Fund Surplus (Business Rates) | - | - | - | - | - |
| Council Tax Requirement | (4,068,334) | (4,253,056) | (4,429,781) | (4,600,335) | (4,757,538) |

Figures include proposed Policy Changes

Appendix G

Council Tax levels at each band for 2020/21

| Authority: | Tamworth Borough Council Tax 2019/20 | Tamworth Borough Council | * Staffordshire County Council | * Office of the Police & Crime Commissioner (OPCC) Staffordshire | * Staffordshire Commissioner Fire and Rescue Authority | Total 2020/21 | Total Council Tax 2019/20 |
|-----------------------------------------|--------------------------------------------------|--------------------------------|-----------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------|---------------------------------|
| | £ | £ | £ | £ | £ | £ | £ |
| Demand/Precept on Collection Fund | | 4,068,334 | 28,975,466 | 4,940,189 | 1,727,561 | 39,711,550 | |
| Council Tax Band | | | | | | | |
| A | 117.93 | 121.26 | 863.64 | 147.25 | 51.49 | 1,183.64 | 1,143.61 |
| B | 137.58 | 141.47 | 1,007.58 | 171.79 | 60.08 | 1,380.92 | 1,334.21 |
| C | 157.24 | 161.68 | 1,151.52 | 196.33 | 68.66 | 1,578.19 | 1,524.82 |
| D | 176.89 | 181.89 | 1,295.46 | 220.87 | 77.24 | 1,775.46 | 1,715.41 |
| E | 216.20 | 222.31 | 1,583.34 | 269.95 | 94.40 | 2,170.00 | 2,096.61 |
| F | 255.51 | 262.73 | 1,871.22 | 319.03 | 111.57 | 2,564.55 | 2,477.82 |
| G | 294.82 | 303.15 | 2,159.10 | 368.12 | 128.73 | 2,959.10 | 2,859.02 |
| H | 353.78 | 363.78 | 2,590.92 | 441.74 | 154.48 | 3,550.92 | 3,430.82 |
| % increase | 2.99% | 2.83% | 3.95% | 1.99% | 1.99% | 3.50% | 4.07% |

** 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 2020/21 to 2024/25

| General Fund Capital Programme | 2020/21 £ | 2021/22 £ | 2022/23 £ | 2023/24 £ | 2024/25 £ | Total £ |
|------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------------|
| Gateways | 190,000 | - | - | - | - | 190,000 |
| Technology Replacement | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 | 300,000 |
| Member Device Refresh | 20,000 | - | - | - | - | 20,000 |
| Endpoint Protection and Web- Email Filter | 40,000 | - | - | 40,000 | - | 80,000 |
| Street Lighting | 46,120 | - | - | 233,560 | 119,940 | 399,620 |
| Replacement Castle Grounds Play Area | - | 375,000 | - | - | - | 375,000 |
| Private Sector Grants - Disabled Facilities Grants | 650,000 | 650,000 | 650,000 | 650,000 | 650,000 | 3,250,000 |
| Energy Efficiency Upgrades to Commercial and Industrial Units | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 375,000 |
| Major Repair to Castle Elevations | 250,000 | 150,000 | - | - | - | 400,000 |
| Asset Management Database | 150,000 | - | - | - | - | 150,000 |
| CCTV Upgrades | 57,530 | 45,710 | 45,710 | 45,710 | 45,710 | 240,370 |
| Castle Lighting | 40,000 | - | - | - | - | 40,000 |
| Total General Fund Capital | 1,578,650 | 1,355,710 | 830,710 | 1,104,270 | 950,650 | 5,819,990 |
| <u>Proposed Financing:</u> | | | | | | |
| Grants - Disabled Facilities | 400,000 | 400,000 | 400,000 | 400,000 | 400,000 | 2,000,000 |
| Sale of Council House Receipts | 191,120 | 175,000 | 155,000 | 150,000 | 160,000 | 831,120 |
| Section 106 Receipts | 90,000 | - | - | - | - | 90,000 |
| Community Infrastructure Levy | 30,000 | - | - | - | - | 30,000 |
| Other Contributions | 24,000 | 24,000 | 24,000 | 24,000 | 24,000 | 120,000 |
| Unsupported Borrowing | 843,530 | 756,710 | 251,710 | 530,270 | 366,650 | 2,748,870 |
| Total | 1,578,650 | 1,355,710 | 830,710 | 1,104,270 | 950,650 | 5,819,990 |

Draft Housing Revenue Account Capital Programme 2020/21 to 2024/25

| <u>Housing Revenue Account Capital Programme</u> | 2020/21 £ | 2021/22 £ | 2022/23 £ | 2023/24 £ | 2024/25 £ | TOTAL £ |
|-----------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------------|
| Structural Works | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 1,500,000 |
| Bathroom Renewals | 567,800 | 567,800 | 567,800 | 567,800 | 567,800 | 2,839,000 |
| Gas Central Heating Upgrades and Renewals | 685,500 | 685,500 | 685,500 | 988,400 | 988,400 | 4,033,300 |
| Kitchen Renewals | 1,037,500 | 1,037,500 | 1,037,500 | 1,037,500 | 1,037,500 | 5,187,500 |
| Major Roofing Overhaul and Renewals | 911,400 | 911,400 | 911,400 | 1,196,200 | 1,196,200 | 5,126,600 |
| Window and Door Renewals | 648,900 | 648,900 | 648,900 | 731,900 | 731,900 | 3,410,500 |
| Neighbourhood Regeneration | 749,100 | 749,100 | 749,100 | 749,100 | 749,100 | 3,745,500 |
| Disabled Facilities Adaptations | 212,500 | 212,500 | 212,500 | 212,500 | 212,500 | 1,062,500 |
| Rewire | 362,200 | 362,200 | 362,200 | 362,200 | 362,200 | 1,811,000 |
| CO / Smoke Detectors | 64,000 | 64,000 | 64,000 | 80,000 | 80,000 | 352,000 |
| Insulation | 17,900 | 17,900 | 17,900 | 17,900 | 17,900 | 89,500 |
| Replacement of High Rise Soil Stacks | - | 945,000 | - | - | - | 945,000 |
| High Rise Lift Renewal | - | 180,000 | - | - | - | 180,000 |
| Sheltered Schemes | 100,000 | 100,000 | 100,000 | 140,000 | 140,000 | 580,000 |
| Energy Efficiency Improvements | 70,000 | 70,000 | 70,000 | 70,000 | 70,000 | 350,000 |
| Capital Salaries | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 1,000,000 |
| Installation of Fire Doors To High Rise Blocks | 1,460,000 | - | - | - | - | 1,460,000 |
| Software to manage fire safety surveys | 90,000 | - | - | - | - | 90,000 |
| Street Lighting | 69,180 | - | - | 350,330 | 179,910 | 599,420 |
| Retention of Garage Sites | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 | 3,500,000 |
| Regeneration and New Affordable Housing | 2,000,000 | 1,750,000 | 1,750,000 | 1,750,000 | 1,750,000 | 9,000,000 |
| Total HRA Capital | 10,245,980 | 9,501,800 | 8,376,800 | 9,453,830 | 9,283,410 | 46,861,820 |
| <u>Proposed Financing:</u> | | | | | | |
| Major Repairs Reserve | 2,894,730 | 3,004,730 | 2,816,170 | 2,804,730 | 2,805,000 | 14,325,360 |
| HRA Capital Receipts | 741,440 | 500,000 | 700,000 | 437,000 | 765,000 | 3,143,440 |
| Revenue Contribution | 5,665,630 | 4,917,070 | 3,330,630 | 3,689,100 | 3,938,500 | 21,540,930 |
| Capital Receipts from Additional Council House Sales (1-4-1) | 600,000 | 555,000 | 555,000 | 1,255,000 | 555,000 | 3,520,000 |
| Regeneration Reserve | 344,180 | 525,000 | 975,000 | 1,268,000 | 909,910 | 4,022,090 |
| Other Grant Funding | - | - | - | - | 310,000 | 310,000 |
| Total | 10,245,980 | 9,501,800 | 8,376,800 | 9,453,830 | 9,283,410 | 46,861,820 |

Main Assumptions

| Inflationary Factors | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-----------------------------|---------|---------|---------|---------|---------|
| Inflation Rate - Pay Awards | 2.50% | 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) | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Investment Rates | 1.00% | 1.00% | 1.50% | 1.50% | 1.75% |
| Base Interest Rates | 0.75% | 1.00% | 1.00% | 1.50% | 1.75% |

1. While the Government announced a pay cap for 2014/15 & 2015/16, a 2.2% increase (plus other changes) was agreed from 1st January 2015. In addition, from April 2016, a new compulsory National Living Wage (NLW) for the over 25s was introduced to replace the National Minimum Wage. 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 1st April 2019 based on a bottom rate of £17,364 with additions, deletions and changes to other spinal column points. A 2.5% p.a. increase from 2020/21 has been assumed.
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. At this stage no changes to the level of recharges between funds has been included;
5. A reduction in Revenue Support Grant levels to zero from 2021/22 following the 4 year Local Government Finance Settlement & the one year deferral of the funding reforms.
6. Only continuation of the New Homes Bonus scheme legacy payments relating to 2017/18 and 2018/19 pending consultation on the future of the scheme;
7. Lower investment income returns due to delayed forecast interest rate increases;
8. An increase of £5 p.a. in Council Tax - current indications are that increases of 2% or £5 and above risk 'capping' (confirmed as 3% or £5 for District Councils for 2019/20);

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. Future Pension contribution levels – the results from the 2019 triennial review, carried out by the Actuary employed by the Pension Fund have been confirmed - indicative *ongoing* annual increases in Employer's contributions of c. £150k p.a. (1% p.a. increase) had been included from 2020/21 for 3 years (followed by increases of 2% p.a.). This 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. Given the uncertain economic situation and arising from the Council's position in its participation in the Fund's contribution stability mechanism, the option to freeze contribution levels for 3 years has been communicated to the Pension Fund Actuary. This will lower costs in the short term and the actuary has confirmed it would not have an unsustainable impact on the pension fund. There will also be a saving of c.£183k in lump sum costs by making an advance payment of the 3 year costs in April 2020.
11. Increase in rent levels by CPI plus 1% - the Government has confirmed that social housing annual rent increases can rise by up to the consumer price index (CPI) measure of inflation plus 1% for five years from 2020, following the conclusion of a consultation on the new rent standard. Current indications that sales of council houses will be approximately 30 per annum.
12. Forecasts have been informed by the Bank of England Inflation report (August 2019), HM Treasury – Forecasts for the UK Economy (August 2019), Office for Budget Responsibility Economic & Fiscal Outlook (March 2019). Any significant variances will be considered later in the budget setting process.

Sensitivity Analysis

| | | Potential Budgetary Effect | | | | |
|---------------------------------------------------------------------------------------------------|------|----------------------------------|------------------|------------------|------------------|------------------|
| | Risk | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
| Pay Award / National Insurance (GF) | | | | | | |
| Impact +/- 0.5% Variance £'000 | L | 43 | 88 | 134 | 182 | 231 |
| Budget Impact over 1 year | L | 43 | | | | |
| Budget Impact over 3 years | M | 265 | | | | |
| Budget Impact over 5 years | H | 678 | | | | |
| Pay Award / National Insurance (HRA) | | | | | | |
| Impact +/- 0.5% Variance £'000 | L | 13 | 26 | 40 | 54 | 69 |
| Budget Impact over 1 years | L | 13 | | | | |
| Budget Impact over 3 years | L | 79 | | | | |
| Budget Impact over 5 years | M | 202 | | | | |
| Subject to negotiation for Local Government pay (including any protection for low paid employees) | | | | | | |
| Pension Costs | | | | | | |
| Impact +/- 0.5% Variance £'000 | L | 0 | 0 | 0 | 62 | 125 |
| Budget Impact over 1 year | L | 0 | | | | |
| Budget Impact over 3 years | L | 0 | | | | |
| Budget Impact over 5 years | M | 187 | | | | |
| 3 year agreement in place from 2020/21 - subject to stock market & membership changes | | | | | | |
| Council Tax | | | | | | |
| Impact on Council Tax income £'000 | | 39 | 61 | 85 | 110 | 137 |
| Budget Impact over 1 year | L | 39 | | | | |
| Budget Impact over 3 years | L | 185 | | | | |
| Budget Impact over 5 years | M | 432 | | | | |
| Inflation / CPI | | | | | | |
| Impact +/- 0.5% Variance £'000 | L | 49 | 100 | 158 | 211 | 266 |
| Budget Impact over 1 year | L | 49 | | | | |
| Budget Impact over 3 years | M | 307 | | | | |
| Budget Impact over 5 years | H | 784 | | | | |
| Government Grant | | | | | | |
| Impact +/- 1.0% Variance £'000 | L | 42 | 66 | 90 | 114 | 139 |
| Budget Impact over 1 year | L | 42 | | | | |
| Budget Impact over 3 years | M | 198 | | | | |
| Budget Impact over 5 years | M | 451 | | | | |

| | | Potential Budgetary Effect | | | | |
|-----------------------------------|------|----------------------------|------------------|------------------|------------------|------------------|
| | Risk | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
| Investment Interest | | | | | | |
| Impact +/- 0.5% Variance £'000 | M | 176 | 311 | 438 | 562 | 687 |
| Budget Impact over 1 year | M | 176 | | | | |
| Budget Impact over 3 years | H | 925 | | | | |
| Budget Impact over 5 years | H | 2174 | | | | |
| Key Income Streams (GF) | | | | | | |
| Impact +/- 0.5% Variance £'000 | L | 10 | 20 | 31 | 42 | 53 |
| Budget Impact over 1 year | L | 10 | | | | |
| Budget Impact over 3 years | L | 61 | | | | |
| Budget Impact over 5 years | L | 156 | | | | |
| Key Income Streams (HRA) | | | | | | |
| Impact +/- 0.5% Variance £'000 | L | 91 | 185 | 281 | 380 | 481 |
| Budget Impact over 1 years | L | 91 | | | | |
| Budget Impact over 3 years | M | 557 | | | | |
| Budget Impact over 5 years | H | 1418 | | | | |
| Business Rates | | | | | | |
| Impact +/- 10% Variance £'000 | L | 72 | 149 | 228 | 308 | 389 |
| Budget Impact over 1 year | L | 72 | | | | |
| Budget Impact over 3 years | M | 449 | | | | |
| Budget Impact over 5 years | H | 1146 | | | | |

Contingencies 2020/21 - 2024/25

| Revenue | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|----------------------------------------------|------------|------------|------------|------------|------------|
| Specific Earmarked & General | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Fund | | | | | |
| Specific Contingencies | | | | | |
| Restructure | 75 | 75 | 75 | 75 | 75 |
| <i>General Contingency</i> | 100 | 100 | 100 | 100 | 100 |
| <i>General Contingency re Income Targets</i> | - | 74 | 74 | 74 | 74 |
| Total General Contingency | 100 | 174 | 174 | 174 | 174 |
| Total GF Revenue | 175 | 249 | 249 | 249 | 249 |
| | | | | | |
| Housing Revenue Account | | | | | |
| Restructure | 30 | 30 | 30 | 30 | 30 |
| <i>HRA - General Contingency</i> | 100 | 100 | 100 | 100 | 100 |
| | | | | | |
| Total HRA Revenue | 130 | 130 | 130 | 130 | 130 |

| Capital | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--------------------------------|------------|----------|----------|----------|----------|
| Specific Earmarked & General | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Fund | | | | | |
| General Contingency * | 35 | - | - | - | - |
| | | | | | |
| | - | - | - | - | - |
| Total GF Capital | 35 | - | - | - | - |
| | | | | | |
| Housing Revenue Account | | | | | |
| | | | | | |
| General Contingency * | 100 | - | - | - | - |
| | | | | | |
| Total HRA Capital | 100 | - | - | - | - |

* Forecast to be re-profiled from 2019/20 Capital Programme

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