

28th November 2012

REPORT OF THE LEADER OF THE COUNCIL

DRAFT BASE BUDGET FORECASTS 2013/14 to 2017/18

Purpose

To inform Members of the re-priced base budget for 2013/14, base budget forecasts for the period 2013/14 to 2017/18 (the 5 year Medium Term Planning period) and the underlying assumptions and to consider the future strategy to address the financial trends.

Recommendations**That:**

- 1. the technical adjustments and re-priced base budget figures for 2013/14 & indicative budgets to 2017/18 be approved (as attached at Appendix B, C, D, E, F & G);**
- 2. Consideration be given to the proposed policy changes, as detailed within the report;**
- 3. As required by the Constitution of the Council, the Joint Scrutiny Budget Workshop be asked to consider the budget proposals contained within this report.**

Executive Summary

The following detailed budget information is contained within the report:

- Re-priced base budget information (& the associated technical adjustments) for 2013/14 in respect of the General Fund (GF) and Housing Revenue Account (HRA);
- A five year, medium term financial forecast for the General Fund and Housing Revenue Account;
- The associated strategy to address the financial trends & projection;
- At this stage the Provisional Capital Programmes for the General Fund and Housing Revenue Account as contained within the 2011/12 – 2014/15 Budget & Medium Term Financial Strategy (MTFS) are under review. Proposals, once finalised, will be reported to Cabinet for consideration.

The medium term financial planning process is being challenged by the economic downturn / recession. The attached forecast is based on a 5 year period, but does

contain a number of uncertainties. The grant reductions will put significant pressure on the ability of the Council to publish a balanced 5 year MTFs – it may have to be a 3 or 4 year MTFs.

As raised at the Executive Management Team Away Day, the key uncertainties which will inform further budget considerations before the final budget proposals are developed are:

- a) Future Revenue Support Grant levels including the impact from the proposals to localise business rates and future support through New Homes Bonus grant;
- b) Proposed changes set out in the Welfare Reform Bill and the introduction of Universal Credit – impact on housing and council tax benefits (including support for council tax benefits) and associated income receipts of the council;
- c) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management;
- d) The severity of the recession and the impact it has had and still could have on the Council's income streams;
- e) While the Government announced a pay cap for 2013/14 & 2014/15, the impact of inflation on pay settlements and other contractual arrangements for future years is less certain;
- f) Finalisation of the expected outcomes and impact on the Council's financial position from the programme of short-term and long-term workstream reviews commissioned by Cabinet to identify measures to help the Council cope with grant & income reductions in the coming years;
- g) Review and finalisation of the revised budgets/policy changes and feedback from the Scrutiny process.

Resource Implications

The detailed financial & budgetary implications are outlined in detail within the report, however:

- The current forecast projects a General Fund (GF) shortfall of £5m over the next 5 years (£0.7m over 3 years), including the minimum approved level of £0.5m – assuming annual council tax increases of 2.5% p.a. (in line with the approved Medium Term Financial Strategy but above the 2% cap set by the Department for Communities & Local Government -DCLG);
- The current forecast projects a Housing Revenue Account (HRA) surplus of £2.2m over the next 5 years (surplus of £1.2m over 3 years) including the minimum recommended balances of £0.5m with a forecast regeneration reserve of £6.5m over 5 years.
- As part of the base budget review, and resulting from the economic conditions in times of austerity, a 'zero-based budgeting' approach has been used to assess income levels for future years - and in addition to those identified in last years

exercise - to ensure that income targets are realistic & achievable. The main reductions in income levels, of approx. £101k p.a. for GF, as identified by budget managers are detailed at **Appendix H**;

Key issues arising from the base budget review are detailed within the report and summarised below:

- a) Impact of Committee decisions on the 2012/13 budget – a GF net cost reduction of £220k;
- b) Budget issues 2012/13:
 - A reduction in car park income of £40k (£52k income less cost savings);
 - Industrial & Commercial property - a projected shortfall in our rental income of £54k (£63k income less cost savings);
 - Reduced Joint Waste Arrangement costs - £137k.
- c) Base Budget review:
 - Benefits Estimate & Provision for Bad Debts – additional cost of £104k;
 - Reduced Fees & Charges income - cost of £79k;
 - Reduced Car Park Income - cost of £52k;
 - Corporate Finance Audit Fee saving - £29k;
 - Treasury Management – saving £58k;
 - Joint Waste Arrangement - saving of £69k

Legal / Risk Implications

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

In line with the constitution a Joint Scrutiny Budget Workshop has been arranged for 4th December 2012.

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 22nd January 2013.

Proposed amendments to the 2012/13 base budget, approved by Council on 28th February 2012, are detailed within the report.

Risks to Forecasts:

Risk	Control Measure
Major variances to the level of grant / subsidy from the Government and localisation of Business Rate income;	Sensitivity modelling undertaken to assess the potential impact in the estimation of future grant levels;
Potential 'capping' of council tax increases by the Government or local Council tax Veto / referendum;	Council tax models for consideration are included within this report;
The achievement of substantial savings / efficiencies will be needed to ensure sufficient resources will be available to deliver the Council's objectives through the 5 year budget.	A robust & critical review of savings proposals will be required / undertaken before inclusion within the forecast;

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

Background Papers:-	Budget & Medium Term Financial Strategy 2012/13 – 2015/16, Council 28 th February 2012
	Budget and Medium Term Financial Planning Process, Cabinet 26 th September 2012
	Budget Consultation Report, Cabinet 17 th October 2012

Base Budget Forecast 2013/14 to 2017/18

Revisions have been made to the 2012/13 base budget in order to produce an adjusted base for 2013/14 and forecast base for 2014/15 onwards.

General Fund Revenue

Forecast – When the budget for 2012/13, and indicative budgets for 2013/14 to 2015/16, were approved by Council in February 2012 it was anticipated that balances would remain above the minimum approved level of £500k for the 4 year period.

However, a number of issues have now arisen & will need to be considered:

Budget Issues 2012/13

Significant items currently identified relating to overspends/under achievement of income are,

- ICT - £44k. Salaries £28k overspend due to shortfall in salaries budgetary funding. External Service Provision £21k, income budget increased this year in expectation of additional income from shared service provision, which is now unlikely to be received.
- Outside Car Parks - £40k. Under achievement of income based on current usage, 12.5% reduction in occupancy levels compared to last years figures, which would appear to be in line with national trends.
- Industrial Properties - £34k. Under achievement of income based on current level of occupation.
- Public Spaces - £27k. Salaries £15k overspend due to shortfall in salaries budgetary funding. £13k additional costs due to Diamond Jubilee & Olympic celebrations.
- Commercial Property Management - £20k. Under recovery of rental income based on current level of occupation.
- Tree Maintenance - £18k. Increase in costs of vehicle hire; Reduced income from Housing through a combination of factors leading to some works having to be externalised and significant increase in insurance claims requiring external support.

The main significant items mitigating the financial impact of the above and contributing to the period position:

- Joint Waste Arrangement - £137k. Contract fees estimated figure based on latest position available from Lichfield District Council.
- Corporate Finance - £95k. £50k Vacancy allowance offsetting overspends on various salaries budgets due to budgetary funding shortfall. IFRS Contingency £5k and Staffordshire Hoard £20k, budget offered up. Audit Fee £20k expected under spend on move to Grant Thornton.

- Benefits - £65k. Estimated over recovery based on claimant activity recorded in the DWP claim as at the end of September.
- Treasury Management - £56k. Under spend of £122k due to additional borrowing not being taken, partly netted off as £58k will no longer be charged to the HRA. Overspend of £14k Interest Payable to HRA due to change in to interest calculation due to HRA reform and £11k MRP due to changes in Icelandic repayments. Over recovery of £19k interest.
- Environmental Health - £29k. Under spend due to two vacant posts; part of budget is being used to pay for consultants and sickness cover.
- Amington Depot - £23k. Vacant post for Gateman, future of this is still under discussion.
- PR and Consultation - £20k. Under spends on External Communication £5k and Advertising £5k. £10k budget not required for Sector Research.

Issues for the Medium Term

- The current forecast projects a General Fund (GF) shortfall of £5m over the next 5 years (£0.7m over 3 years), including the minimum approved level of £0.5m – assuming council tax increases of 2.5% p.a. (in line with the approved Medium Term Financial Strategy but above the 2% cap set by the DCLG);
- As part of the base budget review a ‘zero-based budgeting’ approach has been used to assess income levels for future years – to ensure that income targets are realistic & achievable. The main reductions in income levels, of approx. £101k p.a. for GF, as identified by budget managers are detailed at **Appendix H**;

Implications & Options

It is currently estimated that further savings of around £1m per annum will be required over the next 5 years (based on annual 2.0% increases in Council tax - compared to 2.5% contained within the approved 4-year Medium Term Forecast).

Consideration of the level of Council tax increases over the 5-year period is 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 of growth & other items 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’ amongst the growth & other proposals/bids (& 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.

Housing Revenue Account

Forecast – When the budget for 2012/13, and indicative budgets for 2013/14 to 2015/16, were approved by Council in February 2012 it was anticipated that balances would remain above the minimum approved level of £500k for the 4 year period, with significant planned contributions to a regeneration reserve.

Budget Issues 2012/13

Significant items currently identified relating to overspends/under achievement of income are,

- Garage Rents - £73k. Rental income shortfall due to the continuing increase in voids. A number of garage sites are currently being considered for re-development for social housing.

Significant items mitigating the financial impact of the above and contributing to the predicted out-turn position,

- Contribution to Repairs Account - £900k. Under spend due in part to a reduced repairing obligation under the repairs policy, competitive procurement and reduced SOR costs, improved links between response and planned works – together with ongoing robust management of new contract arrangements.
- Rents - £130k Projected outturn over recovery against budget partly due a quicker turnaround of void properties reducing overall void levels.
- Item 8 Debit - £58k. Under spend due to additional borrowing not being taken.
- General Business Support - £22k. £19k Audit fee 40% reduction in costs expected. £11k Salaries as post holder on secondment offset by £21k payments for temporary staff.
- Sheltered Housing General – £20k. Under spend identified to offset shortfall in income at Sheltered schemes due to cut in Supporting People funding

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

- the future capital investment needs of the housing stock;
- finalisation of the costs / income associated with the potential regeneration / redevelopment proposals.

Base Budget Review

- Reduced Income from Garage rents - cost of £116k;
- Increased dwelling rental income - £658k
- Treasury Management – saving £54k;
- Reduced contingency budget - £100k.

Detailed Considerations

Base Budget Forecasts 2013/14 to 2017/18

Revisions have been made to the 2012/13 base budget in order to produce an adjusted base for 2013/14 and forecast base for 2014/15 onwards. These changes, known as technical adjustments, have been informed by feedback from budget managers and calculated to take account of:

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

General Fund – Technical Adjustments Summary

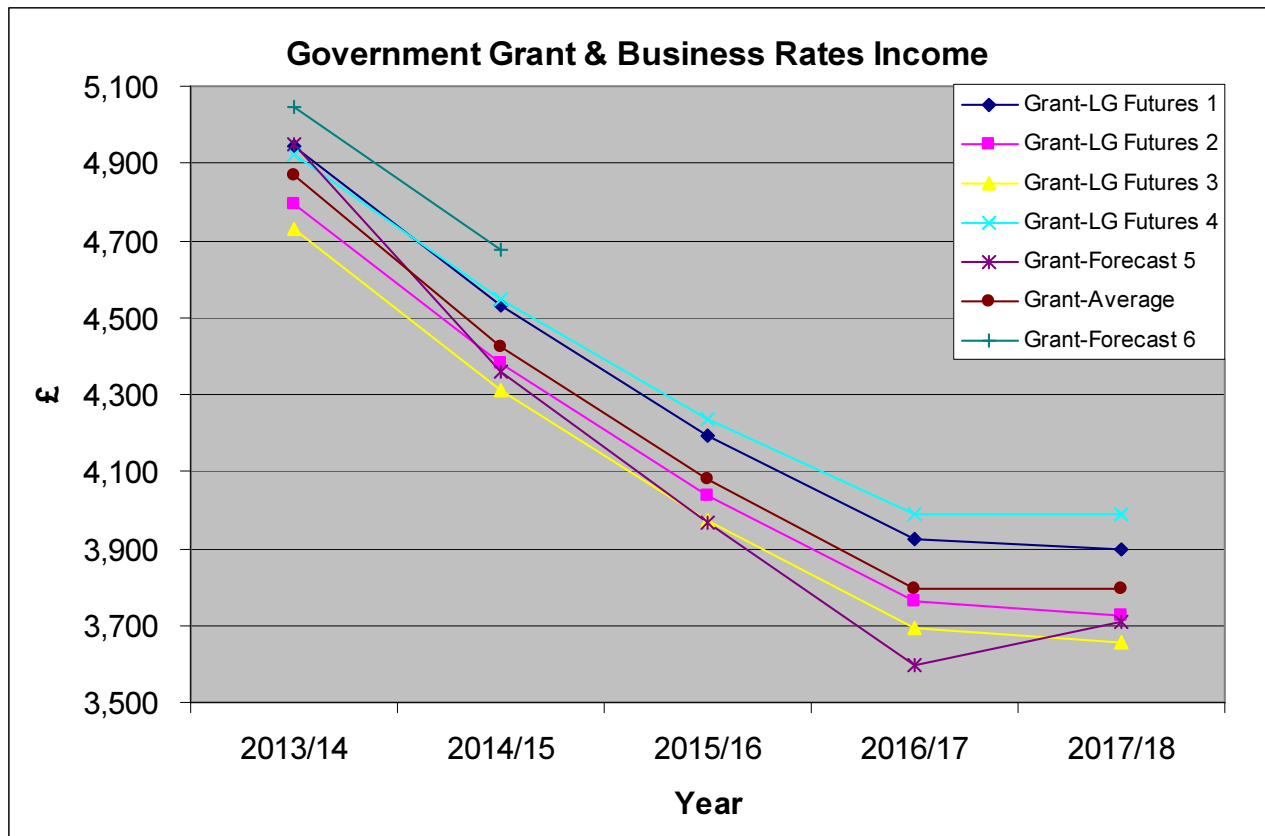
Technical Adjustments	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Base Budget B/Fwd	8,898	8,957	8,917	9,171	9,323
Committee Decisions	(220)	(209)	30	(58)	0
Inflation	23	28	42	43	44
Other	182	43	(48)	(55)	(131)
Pay Adjustments (Including pay award / reduction of 5% for vacancy allowance)	145	98	230	222	218
Revised charges for non-general fund activities	(71)	0	0	0	0
Virements	0	0	0	0	0
Total / Revised Base Budget	8,957	8,917	9,171	9,323	9,454

The technical adjustments are shown in detail at **Appendix B** with a summary by Directorate at **Appendix D**. The key assumptions made during the exercise are summarised at **Appendix A**.

Future Revenue Support Grant & Business Rate income

Given the current economic climate and further anticipated reductions in Central Government grant support together with the uncertainty around the introduction of the Business Rate Retention scheme from 2013/14, detailed modelling has been carried out in consultation with other Local Councils and with the support of LG Futures – who have also provided detailed estimates of the potential impact of further austerity cuts in Local Government funding.

The following details a summary of the likely impact on the financing of the Councils net budget:



Government Grant / Retained Business Rates

Retained income	2013/14	2014/15	2015/16	2016/17	2017/18	Forecast
	£'000	£'000	£'000	£'000	£'000	
Grant-LG Futures 1	4,943	4,530	4,195	3,925	3,895	
Grant-LG Futures 2	4,795	4,378	4,039	3,763	3,727	
Grant-LG Futures 3	4,730	4,311	3,971	3,692	3,654	Worse
Grant-LG Futures 4	4,921	4,547	4,236	3,991	3,988	Best
Grant-Forecast 5	4,952	4,362	3,969	3,597	3,711	
Grant-Average	4,868	4,426	4,082	3,794	3,795	Central
Grant-Forecast 6	5,048	4,676				

Percentage change	2013/14	2014/15	2015/16	2016/17	2017/18	Forecast
	£'000	£'000	£'000	£'000	£'000	
Grant-LG Futures 1		-8.36%	-7.40%	-6.44%	-0.76%	
Grant-LG Futures 2		-8.70%	-7.74%	-6.83%	-0.96%	
Grant-LG Futures 3		-8.86%	-7.89%	-7.03%	-1.03%	Worse
Grant-LG Futures 4		-7.60%	-6.84%	-5.78%	-0.08%	Best
Grant-Forecast 5		11.92%	-8.99%	-9.37%	3.15%	
Grant-Average		-9.09%	-7.76%	-7.07%	0.03%	Central
Grant-Forecast 6		-7.38%				

Forecast

Using the central case funding forecast and assuming increases in Council Tax of 2.5% per annum for 2013/14 onwards, the five year base budget forecast is as follows:

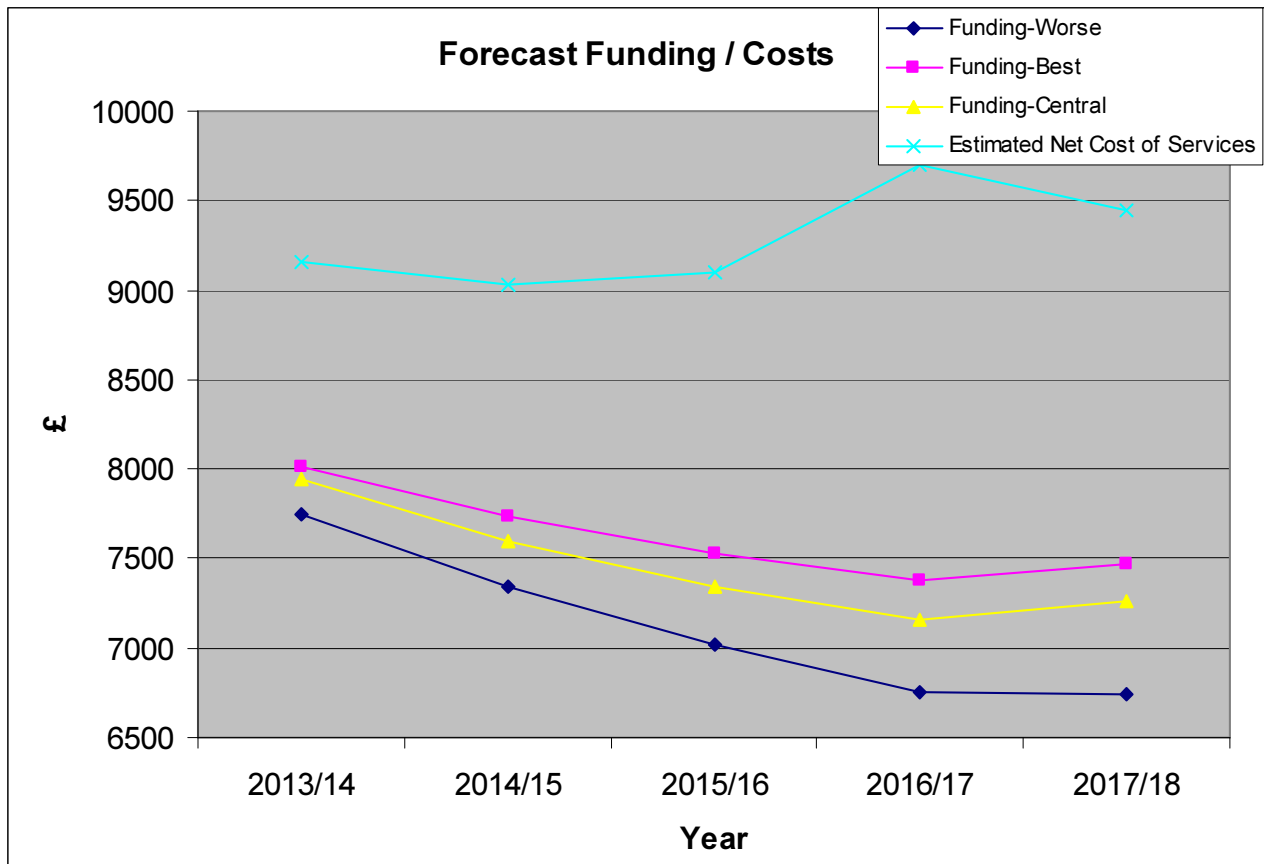
	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
Estimated Net Cost of Services	8,957	8,917	9,171	9,323	9,454
Proposed Policy Changes / Additional Costs Identified	241	207	47	12	13
<i>Potential additional NHB income</i>	(19)	(75)	(105)	(104)	(6)
Net Expenditure	9,179	9,049	9,113	9,231	9,461
Financing:					
RSG/NNDR	4,868	4,426	4,082	3,794	3,795
C'Tax Support Grant (nil Ctax Increase)	-	-	-	-	-
Collection Fund Surplus	-	-	-	-	-
Council Tax Income	3,097	3,189	3,286	3,385	3,487
Gross Financing	7,965	7,615	7,368	7,179	7,282
Surplus/Deficit (-)	(1,214)	(1,434)	(1,745)	(2,052)	(2,179)
Balances Remaining / Overdrawn (-)	2,952	1,518	(227)	(2,279)	(4,458)
Per Council, 28 th February 2012	2,545	1,500	511	-	-

Indicating a potential shortfall in General fund balances of approx. £5m over the 5 year period (£0.7m shortfall over 3 years - including the minimum approved level of £0.5 m).

Under the best case, a potential shortfall in General fund balances of approx. £4.2m over the 5 year period is reported (£0.4m shortfall over 3 years - including the minimum approved level of £0.5m).

Under the worse case, a potential shortfall in General fund balances of approx. £5.6m over the 5 year period is reported (£1.1m shortfall over 3 years - including the minimum approved level of £0.5 m).

The following chart highlights the how the costs in future years are projected to increase compared to a reducing funding position:



Balances are forecast to be £4.17m at 31st March 2013.

A detailed summary of the budget for 2013/14 is attached at **Appendix F** with 5 years attached at **Appendix G**.

Future Strategy

Due to the adverse financial forecast, there is a need to reconsider the inclusion of items contained within the forecast / budget:

1) Variations to Council Tax Policy/Strategy

The Government indicated that it would offer grant support for the 4 year Comprehensive Spending Review (CSR) period should Council freeze Council tax levels for 2011/12. There is no mention that this arrangement would continue thereafter. A subsequent offer was announced for 2012/13 but with Government grant support for one year, 2012/13 only. A similar offer has been announced for 2013/14 and, should the Council agree, Government grant support equivalent to 2% of a Council Tax increase would be payable over a 2 year period (i.e. 1% p.a.).

However, for future years potential 'capping' of the increase by the Government or a proposed local council tax referendum/veto needs to be considered when setting future Council Tax increases. Tamworth's Council tax is currently £149.55 which is £43 below the average of the council tax charges of similar councils (from the Cipfa nearest neighbour grouping).

The indication is that the 'capping' threshold will be around 2.0% - following a freeze in 2011/12 & 2012/13, the impact of a 2.5% pa increase (Band D), in line with the approved 4 year financial strategy, is outlined below:

Model 1 Impact of 2.5% increase in Council tax in 2013/14 (followed by inflationary increases of 2.5% p.a.)

Year:	2013/14	2014/15	2015/16	2016/17	2017/18
Forecast:	£'000	£'000	£'000	£'000	£'001
Surplus/(Deficit)	(1,214)	(1,434)	(1,745)	(2,052)	(2,179)
Balances Remaining / (Overdrawn)	2,952	1,518	(227)	(2,279)	(4,458)
£ Increase	3.75	3.85	3.95	4.05	4.15
% Increase	2.5%	2.5%	2.5%	2.5%	2.5%
Note: Resulting Band D Council Tax	153.30	157.15	161.10	165.15	169.30

This indicates a potential shortfall in balances of £5m over the 5 year period - further savings of approx. £1m per annum would have to be identified.

However, given the announced 2% cap, a referendum would be required at this level which is not considered feasible given the risk & associated costs

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

Model 1a Impact of 0% increase in Council tax in 2013/14 (followed by increases of 2% p.a.)

Year:	2013/14	2014/15	2015/16	2016/17	2017/18
Forecast:	£'000	£'000	£'000	£'000	£'000
Increase in Council Tax £	(76)	(92)	(109)	(127)	(146)
Revised Surplus/(Deficit)	(1,290)	(1,526)	(1,854)	(2,179)	(2,326)
Balances Remaining / (Overdrawn)	2,876	1,350	(504)	(2,683)	(5,009)
£ Increase	0.00	3.05	3.11	3.17	3.25
% Increase	0.0%	2.0%	2.0%	2.0%	2.0%
Note: Resulting Band D Council Tax	149.55	152.6	155.71	158.88	162.13

Less £35k p.a. for 2 years for the freeze grant - indicates a potential shortfall in balances of £5.4m over the 5 year period - further savings of approx. £1.1m per annum would have to be identified.

Model 1b Impact of 0% increase in Council tax in 2013/14 (followed by 2.5% p.a.)

Year:	2013/14	2014/15	2015/16	2016/17	2017/18
Forecast:	£'000	£'000	£'000	£'000	£'000
Increase in Council Tax £	(76)	(78)	(80)	(82)	(84)
Revised Surplus/(Deficit)	(1,290)	(1,512)	(1,825)	(2,134)	(2,264)
Balances Remaining / (Overdrawn)	2,876	1,364	(461)	(2,595)	(4,859)
£ Increase	0.00	3.75	3.85	3.95	4.05
% Increase	0.0%	2.5%	2.5%	2.5%	2.5%
Note: Resulting Band D Council Tax	149.55	153.30	157.15	161.10	165.15

Less £35k p.a. for 2 years for the freeze grant - indicates a potential shortfall in balances of £5.3m over the 5 year period - further savings of approx. £1.1m per annum would have to be identified.

However, this may not be feasible in future years due to cap / requirement for referendum for increases greater than 2%

Further indicative models are outlined below:

Model 2 Impact of 2% p.a. increases in Council tax

Year:	2013/14	2014/15	2015/16	2016/17	2017/18
Forecast:	£'000	£'000	£'000	£'000	£'000
Increase in Council Tax £	(15)	(22)	(20)	(18)	(16)
Revised Surplus/(Deficit)	(1,229)	(1,456)	(1,765)	(2,070)	(2,196)
Balances Remaining / (Overdrawn)	2,937	1,481	(284)	(2,354)	(4,550)
£ Increase	2.99	3.51	4.06	4.16	4.27
% Increase	2.0%	2.3%	2.6%	2.6%	2.6%
Note: Resulting Band D Council Tax	152.54	156.05	160.11	164.27	168.54

which indicates a potential shortfall in balances of £5m over the 5 year period - further savings of approx. £1m per annum would have to be identified.

This is considered the most feasible option should the Council increase Council Tax in 2013/14 & future years.

Model 3 Impact of 0% increase in Council tax in 2013/14 (followed by increases of 0% thereafter)

Year:	2013/14	2014/15	2015/16	2016/17	2017/18
Forecast:	£'000	£'000	£'000	£'000	£'000
Increase in Council Tax £	(76)	(154)	(235)	(318)	(403)
Revised Surplus/(Deficit)	(1,290)	(1,588)	(1,980)	(2,370)	(2,583)
Balances Remaining / (Overdrawn)	2,876	1,288	(692)	(3,062)	(5,645)
£ 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	149.55	149.55	149.55	149.55	149.55

Less £35k p.a. for 2 years for the freeze grant - indicates a potential shortfall in balances of £6.1m over the 5 year period - further savings of approx. £1.2m per annum would have to be identified.

Model 4 Impact of 1% increase in Council tax in 2013/14 (followed by increases of 1% thereafter)

Year:	2013/14	2014/15	2015/16	2016/17	2017/18
Forecast:	£'000	£'000	£'000	£'000	£'000
Increase in Council Tax £	(45)	(92)	(142)	(193)	(247)
Revised Surplus/(Deficit)	(1,259)	(1,526)	(1,887)	(2,245)	(2,427)
Balances Remaining / (Overdrawn)	2,907	1,381	(506)	(2,751)	(5,178)
£ Increase	1.50	1.51	1.52	1.54	1.55
% Increase	1.00%	1.00%	1.00%	1.00%	1.00%
Note: Resulting Band D Council Tax	151.05	152.56	154.08	155.62	157.17

which indicates a potential shortfall in balances of £5.7m over the 5 year period - further savings of approx. £1.1m per annum would have to be identified.

2) *Potential Savings / additional costs*

As part of the planned review & scrutiny process leading up to formal presentation of the budget, Executive Board will consider feedback received from the Budget Consultation process, the Joint Scrutiny Budget workshop and the Joint Budget Scrutiny Committee (planned for 24th January 2013) in order to inform the next stages of the budget process:

- a review of the proposals including:
 - Reference to the Council’s corporate priorities together with the feedback & issues raised by the budget consultation exercise.
 - Consideration of how the limited resources can be ‘rationed’ amongst the growth & other proposals/bids (& whether service improvements in a priority area should be met from service reductions elsewhere).

- an investigation of other potential savings areas, as detailed below, in order to mitigate the forecast budget shortfall. This process is ongoing in order to formulate a balanced medium term financial strategy for approval by Cabinet & Council in February 2013.

A summary of the proposed policy changes, including potential savings identified, is shown below:

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Potential (Savings)					
County’s Strategic Partnership Manager post	-	(5)	(5)	(5)	(5)
Potential Additional Costs					
ED Project Officer	77	47	47	10	10
small and arts grants	2	3	5	7	8
Preventing Homelessness Grant	162	162	-	-	-
Net Cost / (Saving)	241	207	47	12	13

Housing Revenue Account – Technical Adjustments Summary

Technical Adjustments	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Base Budget	1,120	498	342	1,650	(521)
Committee Decisions	(833)	(355)	1,133	(2,312)	0
Inflation	115	133	155	159	163
Other	80	22	(45)	(80)	(706)
Pay Adjustments	31	44	65	62	60
Revised charges for non-general fund activities	(15)	0	0	0	0
Virements	0	0	0	0	0
Total	498	342	1,650	(521)	(1,004)

The detail of the technical adjustments are shown in Appendix C with a summary at Appendix E. Assuming increases in Rent in line with the Government's rent restructuring policy, the five year base budget forecast is as follows:

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Estimated Net Surplus / (Deficit)	(498)	(342)	(1,650)	521	1,004
Proposed Policy Changes / Additional Costs Identified	(255)	(255)	(255)	(255)	(255)
Surplus/(Deficit)	(753)	(597)	(1,905)	266	749
Balances Remaining / (Overdrawn)	3,721	3,124	1,219	1,485	2,234

Per Council, 28 th February 2012	3,010	2,468	501	-	-
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Indicating a Housing Revenue Account (HRA) surplus of £2.2m over the next 5 years (Minimum recommended balances are currently £0.5m).

- There is still a degree of uncertainty over the future financial position of the HRA arising from:
- the future capital investment needs of the housing stock;
- finalisation of the costs / income associated with the potential regeneration / redevelopment proposals.

Potential revenue policy changes for the HRA are highlighted below:

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Potential (Savings)					
Responsive repairs	(500)	(500)	(500)	(500)	(500)
Potential Additional Costs					
Revenue Contribution to Capital	500	500	500	500	500
Increase funding 3rd Sector organisations	5	5	5	5	5
Impact - Welfare Benefit Reform	70	70	70	70	70
Supporting people grant redn	50	50	50	50	50
Policy Development	30	30	30	30	30
General Contingency	100	100	100	100	100
Net Cost / (Saving)	255	255	255	255	255

Capital

At this stage the Provisional Capital Programmes for the General Fund and Housing Revenue Account as contained within the 2012/13 – 2015/16 Budget & Medium Term Financial Strategy (MTFS) are under review. Proposals, once finalised, will be reported to Cabinet for consideration.

Main Assumptions

Inflationary Factors	2013/14	2014/15	2015/16	2016/17	2017/18
Inflation Rate - Pay Awards	1.00%	1.00%	1.00%	2.00%	2.00%
National Insurance	7.20%	7.20%	7.20%	7.20%	7.20%
Superannuation	19.60%	20.10%	20.60%	21.10%	21.60%
Inflation Rate (Headline)	2.00%	2.30%	2.60%	2.60%	2.60%
Base Interest Rates	0.50%	0.50%	1.00%	2.00%	2.00%
Investment income rate	1.00%	1.75%	2.00%	2.75%	3.75%

1. Pay award – public sector pay will be capped for 2013/14 & 2014/15 and is estimated to mirror the Government's inflation target of 2% thereafter.
2. Overall Fees and Charges will rise generally by 2.5% annually except where a proposal has otherwise been made (car parking charges, corporate & industrial property rental income, statutory set planning fees, leisure fees);
3. No effect of any Prudential Borrowing has been included;
4. Revised estimates for rent allowance / rent rebate subsidy levels have been included;
5. Car Parking income has been reduced in line with current income levels for 2012/13, with charges increased in future in line with the previously approved charging strategy;
6. Changes to the level of recharges between funds has been included;
7. Within the Comprehensive Spending review released on the 20th October 2010, the Government proposed cuts of 7.25% in real terms to funding streams for each of the next four years – revised annual grant reductions have been included.
8. The Government has indicated its policy regarding council tax bills being frozen for the next year. It has indicated that a grant equivalent to a 2% increase in the basic 2012/13 Council Tax, will be available to authorities that agree to freeze or reduce Council Tax in 2013/14 – payable over 2 years;
9. The major changes to the previously approved policy changes are included within this forecast – Directors were issued with the provisional information in August to review, confirm & resubmit by the end of September;
10. Following the 4 year agreement, 0.5% annual year-on-year increases (as above) in pension costs following SCC triennial review negotiations.
11. Increases in rent levels are restricted by the rent restructuring guidelines & current indications that sales of council houses will be approximately 11 per annum.

Technical Adjustments Analysis – General Fund

	£	£	£
Chief Executive			
Virements		0	
Committee Decisions:		0	
Inflation		150	
Other			
Car Allowances	(80)		
Insurance	(10)	(90)	
Pay Adjustments		(3,520)	
Changes in External Recharges		0	
			(3,460)
Executive Director Corporate Services			
Virements		0	
Committee Decisions:			
2009-10 Policy Item BEN01 Benefits Admin Legal Fees	(2,000)	(2,000)	
Inflation		1,070	
Other			
Car Allowances	(310)		
Insurance	(290)		
Bank Charges	(30)		
Benefits Estimate & Provision for Bad Debts	103,940	103,310	
Pay Adjustments		12,710	
Changes in External Recharges		410	
			115,500
Director of Finance			
Virements		(66,610)	
Committee Decisions:			
Budget to be removed	(3,000)		
2012-13 Policy Change FER8 Corporate Finance - Health Project Removal of contingency budget	(15,000)		
2012-13 Policy Change FER7 Corporate Finance Reduction in Specific Contingency budget	(10,000)		
2012-13 Policy Change FER4 Audit Fee saving	6,000		
2012-13 Policy Change FER 2 Council Tax Freeze grant	87,000		
2012-13 Policy Change FER 1 (£328) & £242k 2011-12 Policy Item Removal New Homes Bonus	(86,000)		
2012/13 POLICY CHANGE FER7 Corporate Change Programme/Transforming Tamworth savings	(50,000)		
2009-10 Policy Item CORP01 Treasury Management External Interest Payable	(6,750)		
2009-10 Policy Change CORP01 Treasury Management Interest Payable to HRA	9,920		

	£	£	£
2009-10 Policy Item CORP01 Treasury Management Interest Payable to Reserve	1,290		
2009-10 Policy Item CORP01 Treasury Management HRA	3,620		
2009-10 Policy Item CORP01 Treasury Management Misc Interest & Dividends	(10,080)		
2009-10 Policy Item BEN01 Revenues Court Costs Income	(3,500)	(76,500)	
Inflation		1,840	
Other			
Car Allowances	(290)		
Insurance	(70)		
Bank Charges	(4,080)		
NNDR Cost of Collection Grant	(490)		
NNDR Discretionary Rate Relief	2,780		
Depreciation	(111,240)		
Corporate Finance Superannuation Allowances	2,880		
Corporate Finance Audit Fee	(29,250)		
HAA Misc. Interest & Dividends	260		
Treasury Management	(57,590)	(197,090)	
Pay Adjustments		18,990	
Changes in External Recharges		(5,060)	
			(324,430)

Director of Technology & Corporate Programmes

Virements		(4,890)	
Committee Decisions:			
2009-10 Policy Item BEN01 Reprographics saving	(1,500)	(1,500)	
Inflation		8,170	
Other			
Car Allowances	(30)		
Insurance	790		
Depreciation	124,550	125,310	
Pay Adjustments		17,400	
Changes in External Recharges		(74,360)	
			70,130

Solicitor to the Council

Virements		0	
Committee Decisions:			
2012-13 Policy Change SOL3 Polling station review	(2,000)		
Removal one-off budget PPE Act 2009 Software Support Licences	(20,000)		
2012-13 Policy Change SOL2 Absent Voter Refresh Printing & Stationery	(5,000)		
2012-13 Policy Change SOL2 Absent Voter Refresh Postage	(5,000)		
Removal one-off budget PPE Act 2009 Computer Equipment	(6,000)	(38,000)	
Inflation		2,990	

	£	£	£
Other			
Car Allowances	(40)		
Insurance	1,030		
Depreciation	(5,810)		
Members Allowances	3,370		
Central Land Charges	1,220		
Legal Fees Sale of Council Houses	(7,100)		
Rates	30	(7,300)	
Pay Adjustments		(14,640)	
Changes in External Recharges		4,790	
			(52,160)

Director of Transformation & Corporate Performance

Virements		0	
Committee Decisions:			
2009-10 Policy Item PER 05 removal budget re Sector Research	(10,000)		
2009-10 Policy Item PER 05 Provision Occ Health	(2,000)		
2010-11 Policy Item OD03 CRB Checks	3,300		
2012-13 Policy Change CS1 Reinstatement budget re Staffs Connects/CRM	40,000	31,300	
Inflation		110	
Other			
Car Allowances	140		
Insurance	90		
Bank Charges	450		
Staff Health Insurance	3,810		
TIC Ticket Sales	1,890	6,380	
Pay Adjustments		22,750	
Changes in External Recharges		4,300	
			64,840

Director of Communities, Planning & Partnerships

Virements		74,000	
Committee Decisions:			
2010-11 POLICY CHANGES AD STR 050 Development Control, Fees and Charges Planning Application	(23,000)		
2012-13 Policy Changes CPP3 Building Control Shared Service Arrangements	(5,000)		
2012-13 POLICY CHANGES CPP1 & CPP2 Development Control, Other Expenses	(40,000)		
Service no longer exists. Cabinet 22 Feb 2012 Think Local Partnership	(10,500)		
service no longer exists Cabinet 22/02/12 Think Local Partnership	10,500		
2009-10 POLICY CHANGES PCD 14 B Castle and Museum, Admission Fees	(12,310)		
2009-10 POLICY CHANGES PCD 14 A Castle and Museum, Wedding Income	(12,410)		

	£	£	£
2009-10 POLICY CHANGES PCD 14 C Castle School Education , Schools Programme Income	(5,280)		
Cabinet 130612 Agenda Item 13 Peaks Swimming Contract	5,000		
2012-2013 Policy Changes CPP5 Olympic Event	(40,000)	(133,000)	
Inflation		(3,500)	
Other			
Car Allowances	2,880		
Insurance	(2,950)		
Bank Charges	2,560		
Rent & Rates	2,980		
Depreciation	(3,810)		
Community Safety Income	8,200		
Misc Interest & Dividends	2,780		
Fees & Charges	78,550		
Other Expenses	(3,000)		
Sponsorships and Grants	120		
Building Control Lichfield District Council Joint Provision	(1,470)	86,840	
Pay Adjustments		34,340	
Changes in External Recharges		0	
			58,680

Director of Housing & Health

Virements		0	
Committee Decisions:		0	
Inflation		920	
Other			
Car Allowances	1,810		
Insurance	120		
Private Sector Leasing Scheme	(310)	1,620	
Pay Adjustments		13,590	
Changes in External Recharges		10,070	
			26,200

Director of Assets & Environment

Virements		(2,500)	
Committee Decisions:		0	
Inflation		10,880	
Other			
Car Allowances	60		
Insurance	780		
Bank Charges	560		
Rent & Rates	30,770		
CCTV Charges	110		
Phil Dix Income	1,660		
Trees Income	7,110		
Car Park Income	52,000		
Joint Waste Arrangement	(68,500)		
Marmion House Common Services	(960)		
Sports Pitches Income	7,100		
Depreciation	(3,700)		

	£	£	£
Commercial and Industrial Rents	36,400	63,390	
Pay Adjustments		43,290	
Changes in External Recharges		(11,260)	
		<hr/>	
			<u><u>103,800</u></u>
	TOTAL		59,100

Technical Adjustments Analysis – Housing Revenue Account

APPENDIX C

	£	£	£
Director of Housing & Health			
Virements		19,620	
Committee Decisions:			
Cabinet 141211 Agenda Item 10 Pathways Management Arrangement	10,540	10,540	
Inflation		24,500	
Other			
Insurances	(1,970)		
Healthshield contributions	1,470		
Rates	(3,870)		
Bank Charges	(90)		
Car Allowances	1,810		
Supporting People Charges	160		
Hostel Rents and Service Charges	(500)		
Alarm Call Charges	(980)		
Actuarial Strain	(2,250)		
Audit Fee	(16,360)	(22,580)	
Pay Adjustments		32,520	
Changes in External Recharges		3,740	
			68,340
Director of Assets & Environment			
Virements		0	
Committee Decisions:		0	
Inflation		150	
Other			
Insurance	(90)	(90)	
Pay Adjustments		(1,350)	
Changes in External Recharges		(19,050)	
			(20,340)
HRA Summary			
Virements		(19,620)	
Committee Decisions:			
2012-13 POLICY CHANGES HRA 2B Rent income	(658,250)		
2012-13 POLICY CHANGES HRA 5 Asset Strategy reversal	(40,000)		
2010-11 POLICY CHANGE HRA 6 Repairs savings	(50,000)		
2012-13 POLICY CHANGES HRA 6 Contingency	(100,000)		
2010-11 POLICY CHANGE HRA 09 +£268,670 & 2012-13 HRA 02 -£264,410 Revenue Contribution to Capital	4,260		
		(843,990)	
Inflation		91,310	
Other			
Proposed Landlords Services Restructure	33,560		
Treasury Management	(54,290)		
Debt Premiums	(2,560)		
Dwelling Rental Income	9,520		
Garage Rents	115,730		
Interest on Sale of Council Houses	1,220	103,180	
Pay Adjustments		0	
Changes in External Recharges		0	
			(669,120)
TOTAL			(621,120)

General Fund

	Technical Adjustments								Total Adjusted Base 2013/14 £
	Budget 2012/13 £	Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	External Recharge Changes (non-GF Activities) £	Total Adjustments £	
<i>Figures exclude internal recharges which have no bottom line impact.</i>									
Chief Executive's Office									
Chief Executive	183,070	0	0	150	(90)	(3,520)	0	(3,460)	179,610
Executive Director Corporate Services	194,500	0	(2,000)	1,070	103,310	12,710	410	115,500	310,000
Director of Finance	(145,250)	(66,610)	(76,500)	1,840	(197,090)	18,990	(5,060)	(324,430)	(469,680)
Director of Technology & Corporate Programmes	848,400	(4,890)	(1,500)	8,170	125,310	17,400	(74,360)	70,130	918,530
Solicitor to the Council	699,950	0	(38,000)	2,990	(7,300)	(14,640)	4,790	(52,160)	647,790
Director of Transformation & Corporate Performance	934,410	0	31,300	110	6,380	22,750	4,300	64,840	999,250
Director of Communities, Planning & Partnerships	2,274,370	74,000	(133,000)	(3,500)	86,840	34,340	0	58,680	2,333,050
Director of Housing & Health	853,660	0	0	920	1,620	13,590	10,070	26,200	879,860
Director of Assets & Environment	3,054,710	(2,500)	0	10,880	63,390	43,290	(11,260)	103,800	3,158,510
Grand Total	8,897,820	0	(219,700)	22,630	182,370	144,910	(71,110)	59,100	8,956,920

Housing Revenue Account

	Budget 2012/13 £	Technical Adjustments						Total Adjusted Base 2013/14 £	
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	External Recharge Changes (non-HRA Activities) £		Total Adjustments £
<i>Figures exclude internal recharges which have no bottom line impact.</i>									
Chief Executive's Office									
Director of Housing & Health	3,897,520	19,620	10,540	24,500	(22,580)	32,520	3,740	68,340	3,965,860
Director of Assets & Environment	9,390	0	0	150	(90)	(1,350)	(19,050)	(20,340)	(10,950)
HRA Summary	(2,787,200)	(19,620)	(843,990)	91,310	103,180	0		(669,120)	(3,456,320)
Grand Total	1,119,710	0	(833,450)	115,960	80,510	31,170	(15,310)	(621,120)	498,590

General Fund Summary Budgets – 2012/13

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Base Budget 2012/13 £	Technical Adjustments £	Policy Changes £	Budget 2013/14 £
Chief Executive	183,070	(3,460)	0	179,610
Executive Director Corporate Services	194,500	115,500	0	310,000
Director of Finance	(145,250)	(324,430)	0	(469,680)
Director of Technology & Corporate Programmes	848,400	70,130	0	918,530
Solicitor to the Council	699,950	(52,160)	0	647,790
Director of Transformation & Corporate Performance	934,410	64,840	0	999,250
Director of Communities, Planning & Partnerships	2,274,370	58,680	0	2,333,050
Director of Housing & Health	853,660	26,200	0	879,860
Director of Assets & Environment	3,054,710	103,800	0	3,158,510
	8,897,820	59,100	0	8,956,920

General Fund Summary Budgets – 2012/13 to 2017/18

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Base Budget 2012/13 £	Budget 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17 £	Budget 2017/18 £
Chief Executive	183,070	179,610	3,780	9,420	15,260	19,760
Executive Director Corporate Services	194,500	310,000	569,930	584,030	598,530	613,100
Director of Finance	(145,250)	(469,680)	(261,510)	(231,320)	(364,870)	(522,070)
Director of Technology & Corporate Programmes	848,400	918,530	19,330	(21,280)	3,520	28,930
Solicitor to the Council	699,950	647,790	817,710	835,050	852,810	869,630
Director of Transformation & Corporate Performance	934,410	999,250	228,480	257,220	285,690	313,670
Director of Communities, Planning & Partnerships	2,274,370	2,333,050	3,102,100	3,149,820	3,181,640	3,212,260
Director of Housing & Health	853,660	879,860	993,680	1,001,400	1,009,340	1,016,440
Director of Assets & Environment	3,054,710	3,158,510	3,443,840	3,587,110	3,742,180	3,903,760
	8,897,820	8,956,920	8,917,340	9,171,450	9,324,100	9,455,480

Income Budgets - 2011/12 - 2017/18

Appendix H

NARRATIVE		2010 ACTUAL	2011 ACTUAL	2012 PREDICTED OUTTURN	2012 BASE BUD	PROPOSED BUDGET 2013/14	COMMENT	Change
General Fund								
Development Control	S.C.C. Non Conforming Plan Uses	(2,729)	(2,601)	(3,110)	(3,110)	(3,000)		110
Development Control	Misc. Sales	(5,295)	(4,536)	(6,660)	(6,660)	(4,000)		2,660
Development Control	Fees & Charges Planning App	(104,017)	(131,612)	(110,000)	(130,000)	(100,000)		30,000
Development Control	Fees & Charges	(2,490)	(4,838)	(2,600)	(2,600)	(4,000)		(1,400)
Dev. Plan Local & Strategic	Fees & Charges	(52)		(740)	(740)	(370)		370
Economic Dev Shared Service	Fees & Charges			(2,660)		-		-
Partnership & Comm. Dev	Leisure Card	(88)	(31)	-	(2,420)	-		2,420
Partnership & Comm. Dev	Fees & Charges			(500)		-		-
Community Development	Misc. Contributions			(1,360)	-	-		-
Tamworth Golf Course	Contract	(63,113)	(59,753)	(16,000)	(110,000)	(36,000)		74,000
Assembly Rooms Bar	Catering Sales	(9,109)	(9,752)	(10,000)	(12,000)	(4,000)		8,000
Assembly Rooms Bar	Ice Cream Sales Income	(4,008)	(3,511)	(4,440)	(4,440)	(1,000)		3,440
Outdoor Events	Rents	(9,227)	(7,630)	(5,500)	(1,500)	(2,000)		(500)
Castle & Museum	Sponsorship & Grants	(1,733)	(201)	(2,000)		-		-
Castle & Museum	Wedding Income (Tam Castle)	(21,064)	(19,373)	(6,370)	(6,370)	(18,645)		(12,275)
Castle & Museum	Sale Of Photographs		(39)	-		(30)		(30)

NARRATIVE		2010 ACTUAL	2011 ACTUAL	2012 PREDICTED OUTTURN	2012 BASE BUD	PROPOSED BUDGET 2013/14	COMMENT	Change
Castle & Museum	Paper Rubbings	(445)	(405)	-		(300)		(300)
Castle & Museum	Admission Fees	(66,720)	(72,412)	(45,580)	(45,580)	(70,000)		(24,420)
Castle Shop Trading Account	Catering Sales	(5,685)	(7,449)	(6,150)	(6,150)	(5,500)		650
Castle Shop Trading Account	Sale Of Photographs	(28)	(66)	(50)	(50)	-		50
Castle Shop Trading Account	Sale Of Publications	(893)	(3,099)	(1,030)	(1,030)	(600)		430
Castle Shop Trading Account	Sale Colour Guide Books	(2,718)	(2,439)	(2,870)	(2,870)	(2,500)		370
Castle Shop Trading Account	Sale Of Souvenirs	(19,770)	(22,947)	(12,000)	(23,580)	(19,500)		4,080
Castle Schools Education	Schools Programme - Income	(47,191)	(44,865)	(17,830)	(28,830)	(35,000)		(6,170)
Castle Events	Split Profit Event Income	(13,194)	(12,784)	(4,450)	(18,450)	(10,000)		8,450
Tourism & Town Centre (01/11/10)	Advertising Income	(4,056)	(180)	(3,590)	(3,590)	-		3,590
Community Safety	Contribution From Staffs CC	(8,199)	(8,199)	(8,200)	(8,200)	-		8,200
Commercial Property Management	Recharge Of Insurance Premiums	3,009	(9,984)	(6,000)		(6,000)	Based on current activity levels on premiums recharged	(6,000)
Commercial Property Management	Rents	(782,819)	(819,028)	(1,632,020)	(1,652,020)	(1,631,000)	Based on current occupancy levels	21,020
Industrial Properties	Rents	(698,005)	(636,441)	(642,380)	(685,380)	(670,000)	Based on current occupancy levels	15,380
Community Run Hall	Rents	(18,552)	(18,545)	(11,330)	(18,180)	(9,050)	Kerria Centre now only let on a peppercorn rent	9,130
Outside Car Parks	Short Stay Car Parking	(893,501)	(938,479)	(848,000)	(800,000)	(848,000)	Income in year substantially reduced reflecting national trends	(48,000)

NARRATIVE		2010 ACTUAL	2011 ACTUAL	2012 PREDICTED OUTTURN	2012 BASE BUD	PROPOSED BUDGET 2013/14	COMMENT	Change
Joint Waste Arrangement	Misc Contributions	(14,570)	(26,678)	(15,000)		(15,000)	Income received from bulky waste collections	(15,000)
Joint Waste Arrangement	Cont To Common Services	(194,955)	(66,150)	(67,500)	(97,500)	(67,500)	Reduction in income reflects the current income received from joint waste service in respect of TBC Corporate Recharges	30,000
Neighbourhood Services	Court Costs			(6,000)		-	No budget required	-
Public Spaces	Recharge To Democratic Serv	(8,393)		-	(8,820)	-	Expenditure and income no longer accounted for within in Street Scene budgets	8,820
Page 128 Tree Maintenance Sport Pitches	Fees & Charges	(15,610)	(16,765)	(24,140)		(22,580)	Not all works from Housing is undertaken by Tree team as it may need to be externalised if specialist expertise is required	(22,580)
	Fees & Charges Hire Pitches Total	(30,034) (3,045,255)	(26,775) (2,977,566)	(25,860) (3,551,920)	(32,960) (3,713,030)	(26,510) (3,612,085)	Reduction to reflect the decline in income received over last 2 years the F & C applied	6,450 100,945
Housing Revenue Account								
H R A Summary	Rents	(15,086,460)	(16,045,430)	(17,173,920)	(17,111,370)	(17,760,100)	In line with formula rent increase and adjusted for increased RTB sales	(648,730)
H R A Summary	Garage Rents			(373,670)	(446,670)	(330,940)	Adjusted to reflect garages earmarked for demolition and current occupancy level	115,730
		(15,086,460)	(16,045,430)	(17,547,590)	(17,558,040)	(18,091,040)		(533,000)