

CABINET

23rd January 2014

JOINT SCRUTINY COMMITTEE (BUDGET)

28th January 2014

Report of the Leader of the Council

BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2014/15 to 2018/19

Purpose

To approve the draft package of budget proposals (**attached at Appendix A**) to consult with the Joint Scrutiny Committee (Budget) on 28th January 2014 and receive their feedback on the:

- General Services Revenue Budget and Council Tax for 2014/15;
- Housing Revenue Account (HRA) Budget for 2014/15;
- Capital Programme;
- Medium Term Financial Strategy (MTFS).

This is a key decision as it affects two or more wards and involves expenditure over £50k.

Recommendations

That:

1. **Cabinet approve the draft package of budget proposals including the proposed policy changes (as detailed at Appendix B);**
2. **Members authorise the Chief Executive, in consultation with the Leader of the Council, to lead on the delivery of the work streams approved by Cabinet on 22nd August, 2013 and for the Corporate Change Board to provide the necessary Programme Management support; and**
3. **As required by the Constitution of the Council, the Joint Scrutiny Committee (Budget) on 28th January 2014 be asked to consider the budget proposals contained within this report.**

Executive Summary

It has previously been recognised by the Council's Cabinet and Corporate Management Team (CMT) that Members will need to focus on strategic decisions relating to high level financial issues as flexibility within future budgets will be extremely limited given the need to identify substantial savings following significant constraints in public spending (post grant reductions of 34% since 2010 and announcements from CSR 2013 of further grant reductions for District Councils of over 15% from 2015/16) - and that any growth proposals would require compensating reductions in other budget areas & services.

There also remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation with effect from 1st April 2013, arising from Business Rates Retention, changes in Support for Council Tax and technical reforms to Council Tax - as well as other changes arising the Government's Welfare Reform agenda.

The Council holds sufficient funds in reserves and balances to allow it to plan its approach to budget setting, and Cabinet, on 22nd August 2013, endorsed the document 'Planning for a Sustainable Future' as the overarching strategy for meeting the challenges forecast for the Council's Medium Term Financial Strategy (MTFS) and a series of workstreams designed to deliver savings & efficiencies to mitigate grant & income reductions in the coming years. This includes exploring new and innovative ideas and to be more commercial in our approach to business.

The proposals likely to arise from the work streams 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 this Council in the years ahead.

The headline figures for 2014/15 are:

- A General Services net cost of services of £9,025,330 an increase of 0.7%;
- A transfer of £1,231,166 from General Fund (GF) balances;
- A transfer of £1,003,120 from Housing Revenue Account (HRA) balances;
- The Band D Council Tax would be set at £155.50, an increase of £3.00 (2.0% - £0.06 per week) on the level from 2013/14 of £152.50;
- An average rent of £86.60 which represents an increase of £3.78 (4.6% on the current average rent of £82.82) in line with the Government's Rent Restructuring rules (based on a 48 week rent year), equating to £79.94 on an annualised 52 week basis;
- A General Fund capital programme of £4.1m (for 3 years);
- A Housing capital programme of £52m (including c.£21m relating to the Regeneration Projects) for 5 years.

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 will put significant pressure on the ability of the Council to publish a balanced 5 year MTFS for the General Fund – it may have to be a 3 or 4 year MTFS.

Currently projections identify:

1. A shortfall in General Fund (GF) balances of £1.28m over 3 years followed by an ongoing annual deficit of c.£2.6m p.a. (equating to a shortfall of c.£6.4m over the next 5 years), including the minimum approved level of £0.5m (the central forecast) – work is currently ongoing to identify the impact on the Council's financial position from the programme of short-term and medium-term workstream reviews commissioned by Cabinet in August 2013 as part of the 'Planning for a Sustainable Future' overarching strategy to identify measures to help the Council cope with grant & income reductions in the coming years;
2. Housing Revenue Account (HRA) balances of £0.875m over 3 years followed by an annual surplus of c.£0.185m in 2018/19. (£1.061m over the next 5 years) including the minimum recommended balances of £0.5m.

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

- a) the level of future New Homes bonus levels;
- b) Future Revenue Support Grant levels following indications as part of the 2013 Comprehensive Spending Review and subsequent *Local Government Finance Settlement 2014-15 and 2015-16 Technical Consultation* issued by the DCLG in July 2013 and the provisional grant proposals for 2014/15 & 2015/16 received in December 2013 following the Chancellor's Autumn Statement;
- c) The impact of Business Rate Reform from 1st April 2013 and the associated forecast business rates receivable in 2013/14 and future years – of which the Council's budget will receive 40% (subject to 20% levy reduction on 'excess' rates payable to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP) after deduction of the 50% Central Share, 9% County Council and 1% Fire & Rescue Authority share – including clarification from DCLG of treatment of Small Business Rate Relief Grant (& the impact of the 2% multiplier cap in terms of new burdens grant);
- d) The calculation of the level of business rate appeal costs (subject to DCLG guidance) – of which the Council has to fund 40% from its own budgets, subject to approval of regulations which may allow the cost to be spread over 5 years;
- e) Future Pension contribution levels following the triennial review carried out by the Actuaries employed by the Pension Fund - *ongoing* annual increases in employer's contributions of 2% p.a. for the next 3 years were indicated but have now been revised to c.1% p.a. for the next 3 years (with a new 'lump sum' element);

- f) The impact of Pension Auto-Enrolment and the single tier pension from 2016/17 – no additional cost associated with auto enrolment has been included as salary budgets are prepared on a full cost basis (and then reduced by the 5% vacancy allowance).
An increase in Employer's National Insurance contributions of 3.4% p.a. have been included from 2016/17 when the single-tier pension starts as the State Second Pension scheme will close and contracting out will end;
- g) While the Government announced a pay cap for 2014/15 & 2015/16, the impact of inflation on pay settlements and other contractual arrangements for future years is less certain;
- h) 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) of the council. In addition, future Housing Benefit and Localised Council Tax Scheme Administration grant levels are still to be confirmed for 2015/16 onwards;
- i) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management;
- j) The severity of the recession and the impact it has had and still could have on the Council's income streams (including the impact of the Localised Council Tax Scheme on council tax collection levels);
- k) Finalisation of the expected outcomes and impact on the Council's financial position from the programme of short-term and medium-term workstream reviews commissioned by Cabinet in August 2013 as part of the 'Planning for a Sustainable Future' overarching strategy to identify measures to help the Council cope with grant & income reductions in the coming years;
- l) Review and finalisation of the revised budgets/policy changes and feedback from the Scrutiny process – including the Council Tax increase for 2014/15 following confirmation of the referendum threshold.

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**).

Resource Implications

A summary table of all the budget proposals is shown at the end of the report. The General Services summary revenue budget for 2014/15, 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 2.0% for 2014/15 (the maximum permitted under the Government set limits to avoid a referendum) followed by increases at 2.0% p.a. thereafter & in line with statutory requirements. A deficit of £1.28m is reported for the General Fund budget

position over 3 years with overdrawn balances forecast at £0.78m. 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 c.£2.6m p.a. would need to be identified in 2017/18 and 2018/19 (the shortfall over 5 years is currently forecast at c.£6.4m).

The summary HRA Revenue Budget for 2014/15 appears at **Appendix C** (including a summary of the resulting budgets over the five year period). Closing balances over 3 years are estimated at £0.875m (£1.061m over 5 years) – in excess of the minimum approved level of £0.5m.

There is a reported shortfall of £253k for the 3 year General Fund Capital Programme which will be addressed as the budget proposals are finalised. The main changes, since the programme was provisionally 3-year General Fund capital programme approved in February 2013, included at this stage (detailed at **Appendix H**) are:

- those already approved by Cabinet relating to Agile Working costs - £78k in 2014/15, £128k in 2015/16 and Electronic Document Records Management System (EDRMS) implementation, £50k in 2014/15 (partially met by reduced technology replacement budgets of £70k in 2014/15 & 2015/16 and £10k in 2014/15 Corporate Change Programme together with revenue contributions of £58k for 2014/15 and 2015/16);
- increased Disabled Facilities Grants budgets to £350k p.a. (previously £190k p.a.) – compared to funding levels anticipated at £224k p.a. from 2015/16 (subject to receipt from the Better Care Fund);

The proposed 5-year Housing Capital Programme is included at **Appendix I** – the main changes, since the programme was provisionally 3-year General Fund capital programme approved in February 2013, included at this stage are:

- major updates to planned works following receipt of the results of the stock condition survey;
- inclusion of inflationary increases to Regeneration Projects costs (c.£21m);
- Reduced Disabled Facilities Adaptations budgets c.£200k p.a. (previously c.£500k p.a.);
- Removal of c.£15k p.a. for fencing / boundary walls;
- The inclusion of £1.1m over 2 years for Fire upgrades to flats (previously c.£200k p.a. for 4 years);
- Removal of Enhancement to Flats and Sheltered Scheme budgets (previously c. £450k p.a. for 4 years);
- Reduced General Estate Works budget to c£250k p.a. (previously c.£750k p.a.);
- Phasing of Window and Door Replacement over 5 years c.£300k p.a. (previously £2.4m over 2 years);
- Inclusion of c. £2m p.a. from 2015/16 for new build / redevelopment schemes at Bloomfield Way and garage sites;
- Inclusion of the cost of Gas Heating installations at Belgrave c.£600k over 2 years – following consideration by Cabinet;
- Inclusion of c. £100k for Carbon Monoxide Detectors in 2014/15; and
- Inclusion of £50k for Agile Working costs in 2014/15.

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 Leader's Budget Workshop for Scrutiny Committees was held on 3rd December 2013.

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 28th January 2014.

Proposed amendments to the 2013/14 base budget, approved by Council on 26th February 2013, are detailed within the report.

Key Risks to Revenue and Capital Forecasts:

Risk	Control Measure
Major variances to the level of grant / subsidy from the Government (including specific grants e.g. Benefits admin.); (High)	Sensitivity modelling undertaken to assess the potential impact in the estimation of future grant levels; (Medium / High)
New Homes Bonus grant levels lower than estimated; (High/Medium)	Future levels included on a risk based approach in order to offset further grant reductions / uncertainty over additional property numbers; (Medium)
Potential 'capping' of council tax increases by the Government or local Council tax Veto / referendum; (Medium)	Council tax models for consideration are included within this report – current indications are that increases above 2% risk 'capping' (confirmed as 2% for 2014/15); (Low)
The achievement 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)	Forecast assumes a 1% increase for 2 years, in line with Government announcements, with 2% p.a. increases thereafter; (Medium / Low)
Pension costs higher than planned; (Medium)	Increases of c.1% p.a. with a new 'lump sum' element have been included with agreement made with Pension Fund following triennial review (during 2013 for 2014/15) for next 3 years; (Medium)

Risk	Control Measure
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; (High)	Robust estimates included to arrive at collection target. Ongoing proactive management & monitoring will continue during 2014/15; Potential mitigation regulations expected; (High / Medium)
Council tax support scheme implementation – potential yield changes and maintenance of collection levels; (High)	Robust estimates included. Ongoing proactive management & monitoring will continue during 2014/15; (High / Medium)
Achievement of income streams in line with targets e.g. treasury, car parking, planning etc; (High/Medium)	Robust estimates using a zero based budgeting approach have been included; (Medium)
Delivery of capital programme dependent on funding through capital receipts and grants; (High/Medium)	Robust monitoring and evaluation – should funds not be available then schemes would not progress. (Medium)

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 2013/14 – 2015/16, Council 26th February 2013
	Budget and Medium Term Financial Planning Process, Cabinet 12th September 2013
	Draft Base Budget Forecasts 2014/15 to 2018/19, Cabinet 28th November 2013

Summary of Appendices

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Introduction

The Council's approach to medium term planning aims to integrate the Council's Corporate and financial planning processes. In accordance with that approach this report contains firm proposals for 2014/15 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 2013/14 budget to arrive at the starting point for 2014/15. 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 2014/15 budget, aimed both to deal with a challenging financial position and to find resources to address the Council's corporate priorities. The approved package was based upon:

- The need to compensate for reduced income levels arising from the unprecedented economic / world events which lead to the economic downturn / austerity measures;
- Injecting additional resources into corporate priorities;
- Increasing income from council tax and fees and charges;
- Making other savings and efficiencies;

Financial Background

The medium term financial planning process is being challenged by the uncertain economic conditions. The attached forecast is based on a 5 year period, but does contain a number of uncertainties. The forecast grant reductions will put significant pressure on the ability of the Council to publish a balanced 5 year MTFs for the General Fund – it may have to be a 3 or 4 year MTFs.

There are a number of challenges affecting the Medium Term Financial Planning process for the period from 2014/15 to 2018/19 which add a high level of uncertainty to budget projections.

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

- a) the level of future New Homes bonus levels;
- b) Future Revenue Support Grant levels following indications as part of the 2013 Comprehensive Spending Review and subsequent *Local Government Finance Settlement 2014-15 and 2015-16 Technical Consultation* issued by the DCLG in July 2013 and the provisional grant proposals for 2014/15 & 2015/16 received in December 2013 following the Chancellor's Autumn Statement;

- c) The impact of Business Rate Reform from 1st April 2013 and the associated forecast business rates receivable in 2013/14 and future years – of which the Council’s budget will receive 40% (subject to 20% levy reduction on ‘excess’ rates payable to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP) after deduction of the 50% Central Share, 9% County Council and 1% Fire & Rescue Authority share – including clarification from DCLG of treatment of Small Business Rate Relief Grant (& the impact of the 2% multiplier cap in terms of new burdens grant);
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An increase in Employer’s National Insurance contributions of 3.4% p.a. have been included from 2016/17 when the single-tier pension starts as the State Second Pension scheme will close and contracting out will end;
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- i) The impact of any further uncertainty over future interest rate levels and their impact on investment income / treasury management;
- j) The severity of the recession and the impact it has had and still could have on the Council’s income streams (including the impact of the Local Council Tax Scheme on council tax collection levels);
- k) Finalisation of the expected outcomes and impact on the Council’s financial position from the programme of short-term and medium-term workstream reviews commissioned by Cabinet in August 2013 as part of the ‘Planning for a Sustainable Future’ overarching strategy to identify measures to help the Council cope with grant & income reductions in the coming years;

- l) Review and finalisation of the revised budgets/policy changes and feedback from the Scrutiny process – including the Council Tax increase for 2014/15 following confirmation of the referendum threshold.

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	264	675	M/H
Pension Costs	0.0%	0	0	185	L/M
Council Tax	0.5%	16	98	256	L/M
Inflation / CPI	0.5%	39	237	604	M/H
Government Grant	1.0%	46	247	583	M/H
Investment Interest	0.5%	126	673	1557	H
Key Income Streams	0.5%	26	156	391	M/H
New Homes Bonus	10%	52	350	891	M/H

GENERAL FUND

Summary of changes to the 2014-15 settlement

The government published the illustrative 2014-15 settlement on 4 February 2013. Since then, two changes have affected the overall quantum of funding:

- An announcement in the 2013 Budget that further reductions would be made to the local government spending control total. This resulted in a reduction of Revenue Support Grant of £218 million, or 1.73%.
- Offsetting this, the Retail Price Index (RPI), used to calculate the local share of aggregate business rates in 2014-15, is now projected to be higher than at the time of the illustrative settlement. Including business rates, the overall reduction in funding (relative to the illustrative settlement) is reduced to £198 million, or 0.83%.

In 2014-15, the government is proposing to increase the amount of Revenue Support Grant that is held back to fund the safety net, by £95 million. This may be offset by a reduction in the amount held back to fund capitalisation by £50 million.

Summary of changes to the 2015-16 settlement

The 2013 Spending Round set out reductions in Local Government Departmental Expenditure Limits (DEL) of 2.3% in 2015-16. This translates to an annual reduction in Revenue Support Grant of £3.2 billion, or 24.2%. As business rates are projected to increase by 2.8%, this gives an overall reduction in funding of £2.9 billion, or 11.9%. These figures include the funding set aside to fund the New Homes Bonus.

The consultation sets out the proposed reductions that will be applied to each element of the Revenue Support Grant in 2015-16. The consultation also includes proposals for rolling the 2013-14 Council Tax Freeze Grant into the 2015-16 settlement.

Business Rates

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

The latest position indicates additional business rates receivable in 2013/14 and future years – of which the Council will receive approx. 20% after deduction of the 50% central share, 10% County/Fire and 20% LEP levy. This is mainly due to the additional rates income generated from the Warehouse site at Bitterscote.

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

The Local Government finance settlement figures for Tamworth for 2014/15 have recently been announced and show that the Government funding assessment (Revenue Support Grant (RSG) plus the new business rates baseline retained income) totals £4.422m.

This is the second local government finance settlement following the new arrangements for business rates retention that came into place on 1st April 2013. This means that business rates have now been split into a central and a local share; each being 50% of the Expected Business Rates Aggregate in 2014/15 (as predicted by the Office for Budget Responsibility); after deductions are made for expected appeals and reliefs.

The Council's actual reduction in combined Revenue Support Grant / Government assessed Business Rates baseline (based on past returns) funding need is 13.5% for 2014/15 (which means that Government support will decrease by £0.69m over last year) with a further Reduction of 15.5% (£0.69m) in 2015/16 (after adjusting grant levels to include 'rolled in' grants i.e. local support for council tax, homelessness, council tax freeze).

The operation of the floor (which damps the results so that no Council loses significantly) means that the Council will receive £15k in 2015/16 (Efficiency Support Grant - to keep the reduction within the announced maximum spending power decrease for a Council of 6.9%), when compared with the level which would be due if floors were not in force.

For future years, in light of indications of further grant reductions, it has been assumed that there will be a reduction in formula grant of 6.3% for 2016/17, remaining at broadly the same level from 2017/18. It is expected that should grant levels deteriorate further than anticipated, this would be mitigated as New Homes Bonus funding has been included on a risk based approach.

Based on this Government financial support will reduce over the period as shown in the table below.

External Finance	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Business Rates Baseline	2,083	2,140	2,183	2,227	2,271
Revenue Support Grant	2,339	1,596	1,316	1,268	1,222
Total Funding Assessment	4,422	3,736	3,499	3,495	3,493
% Change Increase/(Decrease)	(13.5)%	(15.5)%	(6.3)%	(0.1)%	(0.1)%

Using local Business Rate forecasts the retained income due to the Council is shown the table below:

External Finance	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Retained Business Rates	2,252	2,128	2,232	2,101	2,196
Revenue Support Grant	2,340	1,596	1,316	1,269	1,223
Total Funding Assessment	4,592	3,724	3,548	3,370	3,419
% Change Increase/(Decrease)	(10.2)%	(18.9)%	(4.7)%	(5.0)%	1.5%

The overall position, compared to the base budget projections, shows we should be c.£34k better in 2014/15, £28k in 2015/16:

- RSG is higher the base budget forecast by c.£29k in 2014/15, £23k in 2015/16;
- There should be a further saving as the Business Rates tariff payment is lower than budgeted for 2014/15 by £5k p.a.

The retained Business Rates forecast will be updated based on the NNDR1 return which was not received until January 2014. There are still significant uncertainties which DCLG are yet to clarify - specifically the treatment of:

- Refunds of Business Rates following the Appeal process – accounting treatment and basis of estimate, which are subject to on-going discussions and consultation with DCLG; and
- Clarification on the treatment of Small Business Rate Relief Grant – which could affect the calculation of any levy payment and thereby reduce retained Business Rate income.

The NNDR1 forecast due to be considered by Cabinet following these clarifications – for approval by 31st January 2014 in line with statutory requirements.

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

Technical Adjustments

Revisions have been made to the 2013/14 base budget in order to produce an adjusted base for 2014/15 and forecast base for 2015/16 onwards. These changes, known as technical adjustments have been calculated to take account of:

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

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

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

Technical Adjustments	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Base Budget B/Fwd	8,961	9,250	9,138	9,524	9,861
Committee Decisions	(146)	(165)	(136)	100	0
Inflation	35	37	44	45	47
Other	136	(75)	(110)	(18)	(135)
Pay Adjustments (Including pay award / reduction of 5% for vacancy allowance)	238	91	588	210	216
Revised charges for non-general fund activities	26	-	-	-	-
Virements	-	-	-	-	-
Total / Revised Base Budget	9,250	9,138	9,524	9,861	9,989

* () denotes saving in base budget

Policy Changes

The policy changes provisionally agreed by Council in February 2013 have been included within the technical adjustments for 2014/15 onwards. A list of the proposed policy change saving areas is summarised below:

Workstream / Review Areas	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
1: Service Reviews	-	-	-	-	-
2: Shared Services / Joint Working	-	-	-	-	-
3: Terms & Conditions	-	-	-	-	-
4: Regeneration / New Homes (focus on key sites)	-	-	-	-	-
5: Staffing & Recruitment	-	-	-	-	-
6: Corporate Change Programme:					
Legal Services Review – external legal costs	(20)	(20)	(20)	(20)	(20)
Income Generation – Pre-planning advice	(10)	(10)	(10)	(10)	(10)
Agile Working – Marmion House income	(27)	(73)	(204)	(204)	(204)
7: Procurement & Commissioning (Collaborative Procurement savings)	(28)	(28)	(28)	(28)	(28)
Strategic Finance Potential Savings:					
Pension savings following negotiations	(83)	(151)	(228)	(233)	(238)
Updated Waste Management budget forecast	(32)	(32)	(32)	(32)	(32)
Revised car park payment	(25)	(25)	(25)	(25)	(25)
Updated New Homes Bonus	(25)	(113)	(50)	19	77
Benefits Admin Grant – LCTS New Burdens	(74)	-	-	-	-
Contingency	100	-	-	-	-
Total	(224)	(452)	(597)	(533)	(480)

Capping / Local Referendum

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

The likely principles for 2014/15 are that authorities will be required to seek the approval of their local electorate in a referendum if, compared with 2013/14, they set council tax increases that exceed 2.0% or £5.

The Government indicated that it would offer grant support for the 4 year Comprehensive Spending Review (CSR) period should the Council freeze Council tax levels for 2011/12. There was 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 was announced for 2013/14 where Government grant support equivalent to 2% of a Council Tax increase would be payable over a 2 year period (i.e. 1% p.a.). A similar scheme will operate for 2014/15 should the Council freeze the council tax level – with indications that a grant equivalent to a 1% Council Tax increase would be payable for 2014/15 and 2015/16 – and built into baseline funding thereafter.

Should Council Tax be frozen at the 2013/14 level for 2014/15 then this would reduce income by c.£62k p.a. – £320k over the 5 year period. This would be offset by grant income receivable of c. £36k p.a.

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. The indications are that a potential threshold will be 2.0% in future years (subject to confirmation by Ministers) - the impact of a 2.0% p.a. (with a 2% increase in 2014/15) is outlined below.

Council Tax

Last year's medium term financial plan identified ongoing increases of 2.5% per annum from 2014/15.

Each £1 increase in the band D Council Tax would raise approximately £20k per annum. For each 1% increase in Council Tax, the Council will receive c. £31k additional income per annum.

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

The indication is that the 'capping' threshold will be around 2.0% - following a freeze in 2011/12 & 2012/13 and a 2% increase for 2013/14, the impact of a 2.0% pa increase (Band D) is outlined below:

Model 1 Impact of 2.0% increase in Council tax in 2014/15 (followed by inflationary increases of 2.0% p.a.)

Year:	2014/15	2015/16	2016/17	2017/18	2018/19
Forecast:	£'000	£'000	£'000	£'000	£'000
Surplus/(Deficit)	(1,231)	(1,713)	(2,049)	(2,546)	(2,593)
Balances Remaining / (Overdrawn)	2,979	1,266	(783)	(3,329)	(5,922)
Increase	£3.00	£3.10	£3.15	£3.20	£3.25
% Increase	2.0%	2.0%	2.0%	2.0%	2.0%
Note: Resulting Band D Council Tax	£155.50	£158.60	£161.75	£164.95	£168.20

which indicates a potential shortfall in balances of £6.4million over the 5 year period - further savings of approx. £1.3million per annum would have to be identified.

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 2014/15 (followed by increases of 2% p.a.)

Year:	2014/15	2015/16	2016/17	2017/18	2018/19
Forecast:	£'000	£'000	£'000	£'000	£'000
Decrease in Council Tax £	(62)	(63)	(64)	(65)	(66)
Revised Surplus/(Deficit)	(1,293)	(1,776)	(2,113)	(2,611)	(2,659)
Balances Remaining / (Overdrawn)	2,917	1,141	(972)	(3,583)	(6,242)
Increase	£0.00	£3.05	£3.10	£3.15	£3.20
% Increase	0.0%	2.0%	2.0%	2.0%	2.0%
Note: Resulting Band D Council Tax	£152.50	£155.55	£158.65	£161.80	£165.00

Less £70k freeze grant over 2 years (2014/15 & 2015/16) - indicates a potential shortfall in balances of £6.7million over the 5 year period - further savings of approx. £1.3million per annum would have to be identified.

Model 1b Impact of 0% increase in Council tax in 2014/15 (followed by 2.5% p.a.)

Year:	2014/15	2015/16	2016/17	2017/18	2018/19
Forecast:	£'000	£'000	£'000	£'000	£'000
Decrease in Council Tax £	(61)	(47)	(32)	(15)	3
Revised Surplus/(Deficit)	(1,292)	(1,760)	(2,081)	(2,561)	(2,590)
Balances Remaining / (Overdrawn)	2,918	1,158	(923)	(3,484)	(6,074)
Increase	£0.00	£3.80	£3.90	£4.00	£4.10
% Increase	0.0%	2.5%	2.5%	2.5%	2.5%
Note: Resulting Band D Council Tax	£152.50	£156.30	£160.20	£164.20	£168.30

Less £70k freeze grant over 2 years (2014/15 & 2015/16) - indicates a potential shortfall in balances of £6.5million over the 5 year period - further savings of approx. £1.3million 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 2.5% increase in Council tax in 2014/15 (followed by increases of 2.5% thereafter)

Year:	2014/15	2015/16	2016/17	2017/18	2018/19
Forecast:	£'000	£'000	£'000	£'000	£'000
Increase in Council Tax £	15	31	49	68	89
Revised Surplus/(Deficit)	(1,216)	(1,682)	(2,000)	(2,478)	(2,504)
Balances Remaining / (Overdrawn)	2,994	1,312	(688)	(3,166)	(5,670)
Increase	£3.80	£3.90	£4.00	£4.10	£4.20
% Increase	2.5%	2.5%	2.5%	2.5%	2.5%
Note: Resulting Band D Council Tax	£156.30	£160.20	£164.20	£168.30	£172.50

which indicates a potential shortfall in balances of £6.2million over the 5 year period - further savings of approx. £1.2million 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

Model 3 Impact of 0% increase in Council tax in 2014/15 (followed by increases of 0% thereafter)

Year:	2014/15	2015/16	2016/17	2017/18	2018/19
Forecast:	£'000	£'000	£'000	£'000	£'000
Increase in Council Tax £	(61)	(125)	(190)	(256)	(324)
Revised Surplus/(Deficit)	(1,292)	(1,838)	(2,239)	(2,802)	(2,917)
Balances Remaining / (Overdrawn)	2,918	1,080	(1,159)	(3,961)	(6,8778)
Increase	£0.00	£0.00	£0.00	£0.00	£0.00
% Increase	0.0%	0.0%	0.0%	0.0%	0.0%
Note: Resulting Band D Council Tax	£152.50	£152.50	£152.50	£152.50	£152.50

Less £70k freeze grant over 2 years (2014/15 & 2015/16) - indicates a potential shortfall in balances of £7.3million over the 5 year period - further savings of approx. £1.5million per annum would have to be identified. Further grant funding may be available in future years (still to be confirmed).

Model 4 Impact of 1% increase in Council tax in 2014/15 (followed by increases of 1% thereafter)

Year:	2014/15	2015/16	2016/17	2017/18	2018/19
Forecast:	£'000	£'000	£'000	£'000	£'000
Increase in Council Tax £	(30)	(62)	(95)	(129)	(164)
Revised Surplus/(Deficit)	(1,261)	(1,775)	(2,144)	(2,675)	(2,757)
Balances Remaining / (Overdrawn)	2,949	1,174	(970)	(3,645)	(6,402)
Increase	£1.52	£1.54	£1.55	£1.57	£1.58
% Increase	1.0%	1.0%	1.0%	1.0%	1.0%
Note: Resulting Band D Council Tax	£154.02	£155.56	£157.11	£158.68	£160.26

which indicates a potential shortfall in balances of £6.9million over the 5 year period - further savings of approx. £1.4million per annum would have to be identified.

Also available to the Council to support expenditure otherwise funded from Council Tax are surpluses arising from the Council's share of surpluses (or deficits) within the Council Tax 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 Police Authority). At this stage it is estimated that there will be a surplus of £500k – this will be updated following finalisation of the estimated surplus/deficit calculation.

Year:	2014/15	2015/16	2016/17	2017/18	2018/19
Council Tax	£'000	£'000	£'000	£'000	£'000
Council Tax Income	3,171	3,249	3,330	3,412	3,497
Collection Fund Surplus	32	-	-	-	-

The County Council, Police Authority and Fire & Rescue Authority are due to finalise their budgets for 2014/15 during February 2014. The impact of the Borough Council tax proposals is shown for each Council Tax Band in **Appendix G**.

Balances

At the Council meeting on 26th February 2013 Members approved a minimum working level of balances of £0.5m. At 31st March 2014 General Fund revenue balances are estimated to be £4.2m.

Other than in case of emergency full Council approval would be required for any expenditure that would reduce balances below £250k. Balances held above the £250k level would be designated as a general contingency, from which expenditure could be approved by Cabinet. The minimum level of balances for planning purposes will remain at around £0.5m.

Summary and Conclusions

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

In addition, there remains a degree of uncertainty in a number of areas including future local authority pay settlements, the potential for interest rate changes, the future local government finance settlements and the outcome of the Icelandic Banks situation.

A summary of all the budget proposals is shown in the table below. The summary revenue budget for 2014/15, appears at **Appendix D**. A summary of the resulting budgets over the five year period appears at **Appendix F**.

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Base Budget	9,250	9,138	9,524	9,861	9,989
Proposed Policy Changes	(224)	(452)	(597)	(533)	(480)
Net Expenditure	9,026	8,686	8,927	9,328	9,509
Financing:					
RSG/NNDR	4,592	3,724	3,548	3,370	3,419
Collection Fund Surplus	32	-	-	-	-
Council Tax Income	3,171	3,249	3,330	3,412	3,497
Gross Financing	7,795	6,973	6,878	6,782	6,916
Surplus/Deficit (-)	(1,231)	(1,713)	(2,049)	(2,546)	(2,593)
Balances Remaining / Overdrawn (-)	2,979	1,266	(783)	(3,329)	(5,922)
Council Taxbase (Band D equivalent)	20,389	20,489	20,589	20,689	20,789

HOUSING REVENUE ACCOUNT

Technical Adjustments

The 2013/14 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 2014/15.

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

Technical Adjustments	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Base Budget	599	972	2,928	1,161	1,012
Committee Decisions	(10)	1,533	(2,212)	100	-
Inflation	137	133	137	141	145
Other	183	212	138	(454)	(391)
Pay Adjustments	99	78	170	64	63
Revised charges for non-general fund activities	(36)	-	-	-	-
Virements	-	-	-	-	-
Total	972	2,928	1,161	1,012	829

Revisions have been made to the 2013/14 base budget in order to produce an adjusted base for 2014/15 and forecast base for 2015/16 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**.

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

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2017/18 £'000
Estimated Net Surplus / (Deficit)	(972)	(2,928)	(1,161)	(1,012)	(829)
Proposed Policy Changes Income / (Cost)	(31)	(11)	1011	1013	1015
Surplus/(Deficit)	(1003)	(2939)	(150)	1	186
Balances Remaining / (Overdrawn)	3964	1025	875	876	1060

Indicating Housing Revenue Account (HRA) balances of £1.061m over the next 5 years (Minimum recommended balances are currently £0.5m).

However this includes contributions to capital spend of £7.7m over 3 years (£12.5m over the next 5 years) and the regeneration reserve - £4.7m over 3 years (£6.3m over 5 years)

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

- finalisation of the costs / income associated with the potential regeneration / redevelopment proposals – to inform the likely need from the Regeneration reserve.
- future impact of the Government's increased discounts to promote right to buy sales on housing stock numbers and associated income levels – 50 sales p.a. have been assumed in future years.

Rent Restructuring

The introduction of rent restructuring in April 2003 requires 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.

On 25th February 2003 the Council received a report detailing the implications of the rent restructure framework. This framework removes the flexibility to independently set rent levels from Social Landlords and replaces this with a fixed formula based on the value of the property and local incomes. It is the aim of the framework 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 are annually set a “limit rent” which restricts the level of rent increase in any one year.

Housing rents have been increased in accordance with the Rent Restructuring Framework for 2014/15. However, from 2015/16 an increase in line with CPI plus 1% has been assumed following receipt of Government Consultation proposals.

Balances

The forecast level of balances at 31st March 2014 is £5.0m. The impact on balances of the adjustments outlined in this report would be as follows:

Balances	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Proposed (Withdrawal from) / Addition to Balances	(1003)	(2939)	(150)	1	185
Balances Remaining / (Overdrawn)	3964	1025	875	876	1060

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

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

CAPITAL PROGRAMME 2014/15 to 2018/19

General Fund

There is a reported shortfall of £253k for the 3 year General Fund Capital Programme which will be addressed as the budget proposals are finalised. The main changes, since the programme was provisionally 3-year General Fund capital programme approved in February 2013, included at this stage (detailed at **Appendix H**) are:

- those already approved by Cabinet relating to Agile Working costs - £78k in 2014/15, £128k in 2015/16 and Electronic Document Records Management System (EDRMS) implementation, £50k in 2014/15 (partially met by reduced technology replacement budgets of £70k in 2014/15 & 2015/16 and £10k in 2014/15 Corporate Change Programme together with revenue contributions of £58k for 2014/15 and 2015/16);
- increased Disabled Facilities Grants budgets of £350k p.a. (previously £190k p.a.);

Housing

The proposed 5-year Housing capital programme is included at **Appendix I** – the main changes, since the programme was provisionally 3-year General Fund capital programme approved in February 2013, included at this stage are:

- major updates to planned works following receipt of the results of the stock condition survey;
- inclusion of inflationary increases to Regeneration Projects costs (c.£21m);
- Reduced Disabled Facilities Adaptations budgets c.£200k p.a. (previously c.£500k p.a.);
- Removal of c.£15k p.a. for fencing / boundary walls;
- The inclusion of £1.1m over 2 years for Fire upgrades to flats (previously c.£200k p.a. for 4 years);
- Removal of Enhancement to Flats and Sheltered Scheme budgets (previously c. £450k p.a. for 4 years);
- Reduced General Estate Works budget to c£250k p.a. (previously c.£750k p.a.);
- Phasing of Window and Door Replacement over 5 years c.£300k p.a. (previously £2.4m over 2 years);
- Inclusion of c. £2m p.a. from 2015/16 for new build / redevelopment schemes at Bloomfield Way and garage sites;
- Inclusion of the cost of Gas Heating installations at Belgrave c.£600k over 2 years – following consideration by Cabinet;
- Inclusion of c. £100k for Carbon Monoxide Detectors in 2014/15; and
- Inclusion of £50k for Agile Working costs in 2014/15.

It should also be noted that the timing of the spend on the regeneration schemes is under review and will be updated for the final proposals.

Based on the proposed capital programme, £5.57million would remain within HRA capital resources (including the regeneration reserve) at the end of the 5 year period.

Policy Changes Summary

General Fund

Workstream / Review Areas	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
1: Service Reviews	-	-	-	-	-
2: Shared Services / Joint Working	-	-	-	-	-
3: Terms & Conditions	-	-	-	-	-
4: Regeneration / New Homes (focus on key sites)	-	-	-	-	-
5: Staffing & Recruitment	-	-	-	-	-
6: Corporate Change Programme:					
Legal Services Review – external legal costs	(20)	(20)	(20)	(20)	(20)
Income Generation – Pre-planning advice	(10)	(10)	(10)	(10)	(10)
Agile Working – Marmion House income	(27)	(73)	(204)	(204)	(204)
7: Procurement & Commissioning (Collaborative Procurement savings)	(28)	(28)	(28)	(28)	(28)
Strategic Finance Potential Savings:					
Pension savings following negotiations	(83)	(151)	(228)	(233)	(238)
Updated Waste Management budget forecast	(32)	(32)	(32)	(32)	(32)
Revised car park payment	(25)	(25)	(25)	(25)	(25)
Updated New Homes Bonus	(25)	(113)	(50)	19	77
Benefits Admin Grant – LCTS New Burdens	(74)	-	-	-	-
Contingency	100	-	-	-	-
Total	(224)	(452)	(597)	(533)	(480)

Housing Revenue Account

	2014/15	2015/16	2016/17	2017/18	2018/19
Policy Changes Identified	£'000	£'000	£'000	£'000	£'000
Increase the subsidy of the Supported Housing service by £30,000 from 2014/15 onwards to compensate for the loss of Supporting People grant (Cabinet Report approved 24/10/13)	30	30	30	30	30
£10,000 from 2014/15 to meet residual sheltered housing staffing costs. The Council currently holds a contract with SCC for SP funding to deliver the sheltered housing service. Contractually the landlord service is required to provide on site cover. Where staff absence arises this results in a need for temporary cover with budgets often either going overspent or the transfer of money between cost centres to offset this	10	10	10	10	10
To increase the budget for tree works by £15,000 from 2014/15. The portfolio holder is keen to have a more proactive response to tree maintenance and this is being explored by street scene. Currently trees assessed as Diseased, Dead or Dangerous are treated. This additional money will ensure all works can be undertaken and planned in more responsive way rather than reactive. This coupled with works linked to the environmental capital programme will achieve key objectives in the service plan	15	15	15	15	15
Revised Pension costs following negotiations	(24)	(44)	(66)	(68)	(70)
Reduced contribution to Capital spend following Preparation of the Capital Programme	-	-	(1,000)	(1,000)	(1,000)
Total	31	11	(1,011)	(1,013)	(1,015)

HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2013/14

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Budget 2014/15 £	Budget 2015/16 £	Budget 2016/17 £	Budget 2017/18 £	Budget 2018/19 £
Director of Housing & Health	4,205,780	4,312,450	4,506,900	4,602,670	4,699,350
Director of Assets & Environment	(7,100)	(2,310)	7,970	12,360	15,760
HRA Summary	(3,226,920)	(1,381,860)	(3,353,710)	(3,602,570)	(3,885,900)
Policy Changes	31,390	11,160	(1,011,490)	(1,013,070)	(1,014,620)
Grand Total	1,003,150	2,939,440	149,670	(610)	(185,410)

General Fund Summary Revenue Budget for 2014/15

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Base Budget 2013/14 £	Technical Adjustments £	Policy Changes £	Budget 2014/15 £
Chief Executive	159,610	3,940	-	163,550
Executive Director Corporate Services	310,210	143,470	-	453,680
Director of Finance	(482,130)	33,660	-	(448,470)
Director of Technology & Corporate Programmes	860,800	48,760	-	909,560
Solicitor to the Council	575,860	3,540	-	579,400
Director of Transformation & Corporate Performance	1,001,320	49,650	-	1,050,970
Director of Communities, Planning & Partnerships	2,411,680	22,390	-	2,434,070
Director of Housing & Health	1,035,460	(7,190)	-	1,028,270
Director of Assets & Environment	3,087,970	(9,270)	-	3,078,700
Policy Changes	-	-	(224,400)	(224,400)
Total Cost of Services	8,960,780	288,950	(224,400)	9,025,330
Transfer (to) / from Balances	756,300	474,866	-	1,231,166
Revenue Support Grant	3,070,744	(731,556)	-	2,339,188
Retained Business Rates	12,199,200	407,350	-	12,606,550
Less: Tariff payable	(10,156,318)	(197,850)	-	(10,354,168)
Collection Fund Surplus	10,505	21,600	-	32,105
Council Tax Requirement	3,080,349	314,541	(224,400)	3,170,490

General Fund Technical Adjustments

	Technical Adjustments								Total Adjusted Base 2014/15 £
	Budget 2013/14 £	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	159,610	-	-	180	20	5,610	(1,870)	3,940	163,550
Executive Director Corporate Services	310,210	(4,640)	-	1,010	129,570	19,290	(1,760)	143,470	453,680
Director of Finance	(482,130)	45,600	(172,140)	2,190	149,090	26,840	(17,920)	33,660	(448,470)
Director of Technology & Corporate Programmes	860,800	(10,000)	-	12,590	39,330	14,480	(7,640)	48,760	909,560
Solicitor to the Council	575,860	-	-	4,540	(18,400)	12,580	4,820	3,540	579,400
Director of Transformation & Corporate Performance	1,001,320	48,420	-	3,130	(53,740)	24,290	27,550	49,650	1,050,970
Director of Communities, Planning & Partnerships	2,411,680	9,960	39,680	(4,640)	(75,530)	52,920	-	22,390	2,434,070
Director of Housing & Health	1,035,460	(500)	(13,970)	1,000	(13,840)	8,520	11,600	(7,190)	1,028,270
Director of Assets & Environment	3,087,970	(88,840)	-	15,200	(20,120)	73,240	11,250	(9,270)	3,078,700
Grand Total	8,960,780	-	(146,430)	35,200	136,380	237,770	26,030	288,950	9,249,730

HRA Technical Adjustments

	Technical Adjustments								Total Adjusted Base 2014/15 £
	Budget 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	3,953,690	169,520	-	35,360	(12,100)	93,140	(33,860)	252,060	4,205,750
Director of Assets & Environment	(10,910)	-	-	200	120	5,530	(2,040)	3,810	(7,100)
HRA Summary	(3,344,160)	(169,520)	(10,240)	102,200	194,800	-	-	117,240	(3,226,920)
Grand Total	598,620	-	(10,240)	137,760	182,820	98,670	(35,900)	373,110	971,730

General Fund Five Year Revenue Budget Summary

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Budget 2014/15 £	Budget 2015/16 £	Budget 2016/17 £	Budget 2017/18 £	Budget 2018/19 £
Chief Executive	163,550	169,550	182,280	186,270	190,340
Executive Director Corporate Services	453,680	472,420	522,660	538,130	553,360
Director of Finance	(448,470)	(559,570)	(705,280)	(652,230)	(746,810)
Director of Technology & Corporate Programmes	909,560	873,230	918,720	943,570	968,970
Solicitor to the Council	579,400	594,820	623,530	640,960	657,620
Director of Transformation & Corporate Performance	1,050,970	1,083,890	1,153,360	1,181,270	1,210,390
Director of Communities, Planning & Partnerships	2,434,070	2,400,110	2,435,570	2,469,340	2,508,610
Director of Housing & Health	1,028,270	883,010	898,610	904,890	911,290
Director of Assets & Environment	3,078,700	3,220,990	3,494,910	3,649,180	3,734,850
Policy Changes	(224,400)	(452,200)	(597,370)	(533,440)	(479,940)
Total Cost of Services	9,025,330	8,686,250	8,926,990	9,327,940	9,508,680
Transfer (to) / from Balances	1,231,166	1,712,903	2,048,718	2,545,629	2,593,013
Revenue Support Grant	2,339,188	1,595,904	1,316,322	1,268,335	1,222,097
Retained Business Rates	12,606,550	12,767,840	13,084,431	13,171,131	13,488,062
Less: Tariff payable	(10,354,168)	(10,639,952)	(10,852,751)	(11,069,806)	(11,291,202)
Collection Fund Surplus	32,105	-	-	-	-
Council Tax Requirement	3,170,489	3,249,555	3,330,270	3,412,651	3,496,710

Appendix G

Council Tax levels at each band for 2014/15

	Tamworth Council Tax 2013/14 £	Tamworth Borough Council £	* Staffordshire County Council £	* Office of the Police & Crime Commissioner (OPCC) Staffordshire £	* Stoke on Trent and Staffordshire Fire and Rescue Authority £	Total 2014/15 £	Total Council Tax 2013/14 £
Demand/Precept on Collection Fund		3,170,490	20,944,600	3,621,290	1,379,112	29,115,492	
Council Tax Band							
A	101.67	103.67	684.83	118.41	45.09	952.00	950.00
B	118.61	120.94	798.97	138.14	52.61	1,110.66	1,108.33
C	135.56	138.22	913.11	157.88	60.12	1,269.33	1,266.67
D	152.50	155.50	1,027.25	177.61	67.64	1,428.00	1,425.00
E	186.39	190.06	1,255.53	217.08	82.67	1,745.34	1,741.67
F	220.28	224.61	1,483.81	256.55	97.70	2,062.67	2,058.34
G	254.17	259.17	1,712.08	296.02	112.73	2,380.00	2,375.00
H	305.00	311.00	2,054.50	355.22	135.28	2,856.00	2,850.00

** Assuming no increase in Council Tax levels. At the time of printing precept information for the County Council, OPCC or the Fire Authority is still awaited.*

General Fund Capital Programme

	2014/15 £	2015/16 £	2016/17 £	Total £
<u>General Fund Capital Programme</u>				
Technology Replacement	-	-	70,000	70,000
Agile Working - Floor Refurbishment	78,000	80,000	-	158,000
Agile Working - Furniture	-	48,000	-	48,000
EDRMS implementation	50,000	-	-	50,000
Subtotal	128,000	128,000	70,000	326,000
Private Sector Grants - Disabled Facilities Grants	350,000	350,000	350,000	1,050,000
CCTV Camera Renewals (£15k)	15,000	15,000	15,000	45,000
Assembly rooms development	2,388,500	100,000	-	2,488,500
Gateways	50,000	50,000	50,000	150,000
Contingency	50,000	-	-	50,000
Subtotal	2,853,500	515,000	415,000	3,783,500
Total General Fund Capital	2,981,500	643,000	485,000	4,109,500
<u>Proposed Financing:</u>				
Grants - Disabled Facilities	179,960	224,000	224,000	627,960
Grants - Assembly Rooms	2,050,000	-	-	2,050,000
Grants - SCC (Assembly Rooms)	80,000	-	-	80,000
Public Contributions (Assembly Rooms)	8,500	-	-	8,500
General Fund Capital Receipts	-	128,250	4,000	132,250
Sale of Council House Receipts	305,040	130,000	4,100	439,140
General Fund Capital Reserve	300,000	102,750	-	402,750
Revenue Contribution to Capital Outlay in Year	58,000	58,000	-	116,000
Unsupported Borrowing	-	-	252,900	252,900
Total	2,981,500	643,000	485,000	4,109,500

Housing Capital Programme

	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	TOTAL £
<u>Housing Revenue Account</u>						
<u>Capital Programme</u>						
Bathroom Renewals	717,840	734,200	750,350	766,860	783,730	3,752,980
Disabled Facilities Adaptations	204,760	209,430	214,040	218,740	223,560	1,070,530
Electrical Upgrades	333,770	341,380	348,890	356,560	364,410	1,745,010
Gas Central Heating Upgrades and Renewals	545,130	557,560	569,830	582,360	595,170	2,850,050
Kitchen Renewals	818,800	837,460	855,890	874,720	893,960	4,280,830
Roofing - High Rise	43,000	43,980	-	-	-	86,980
High Rise Lift Renewal	327,620	335,090	342,460	349,990	-	1,355,160
Major Roofing Overhaul and Renewals	146,830	150,180	153,490	156,860	160,310	767,670
Fencing/Boundary Walls	-	-	-	-	-	-
Fire Upgrades to Flats	552,850	565,460	-	-	-	1,118,310
Enhancements to Flats	-	-	-	-	-	-
Sheltered Schemes	-	-	-	-	-	-
General Estate Works	255,950	261,790	267,540	273,430	279,450	1,338,160
Window and Door Renewals	285,790	292,310	298,740	305,310	312,030	1,494,180
Contingency	102,380	104,710	107,020	109,370	111,780	535,260
Capital Salaries	161,980	165,670	169,310	173,040	176,840	846,840
CDM Fees	9,730	9,950	10,170	10,390	10,620	50,860
Regeneration Schemes	5,079,790	10,954,470	3,429,610	1,830,130	-	21,294,000
Bloomfield Way / Other Garage sites	-	2,094,290	2,140,360	2,187,450	2,235,570	8,657,670
Gas Heating at Belgrave	278,470	284,820	-	-	-	563,290
Electric Heating removal at Belgrave	40,950	-	-	-	-	40,950
Carbon Monoxide Detectors	102,380	-	-	-	-	102,380
Agile Working	51,190	-	-	-	-	51,190
Total HRA Capital	10,059,210	17,942,750	9,657,700	8,195,210	6,147,430	52,002,300
<u>Proposed Financing:</u>						
Capital Receipts from additional Council House Sales	125,000	250,000	100,000	-	-	475,000
Sale proceeds	-	1,298,000	-	-	-	1,298,000
Regeneration Revenue Reserves	500,000	3,046,000	1,223,700	1,223,300	-	5,993,000
Major Repairs Reserve	4,482,060	4,482,060	4,482,060	4,482,060	4,482,060	22,410,300
Revenue Contribution to Capital Outlay in Year	1,365,450	3,049,390	1,995,940	2,489,850	1,665,370	10,566,000
Unsupported Borrowing	3,586,700	5,817,300	1,856,000	-	-	11,260,000
Total	10,059,210	17,942,750	9,657,700	8,195,210	6,147,430	52,002,300

Main Assumptions

Inflationary Factors	2014/15	2015/16	2016/17	2017/18	2018/19
Inflation Rate - Pay Awards	1.00%	1.00%	2.00%	2.00%	2.00%
National Insurance	7.20%	7.20%	10.60%	10.60%	10.60%
Superannuation	20.43%	21.45%	22.42%	22.42%	22.42%
Inflation Rate (RPI)	2.75%	2.60%	2.60%	2.60%	2.60%
Inflation Rate (CPI)	2.50%	2.00%	2.00%	2.00%	2.00%
Investment Rates	0.75%	1.25%	2.25%	2.75%	3.75%
Base Interest Rates	0.50%	0.75%	1.00%	1.75%	2.50%

1. Pay award – public sector pay will be capped for 2014/15 & 2015/16 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. Changes to the level of recharges between funds has been included;
6. Within the Comprehensive Spending review and subsequent Technical consultation released in July 2013, the Government proposed cuts of 15.4% to funding streams for 2015/16 – revised annual grant reductions have been included.
7. The Government has indicated its policy regarding council tax bills being frozen for the next year. It has indicated that a grant will be available to authorities that agree to freeze or reduce Council Tax in 2014/15;
8. The major changes to the previously approved policy changes are included within this forecast – Directors were issued with the provisional information in August to review, confirm & resubmit by the end of September;
9. Annual year-on-year increases in pension costs of c. 1% (as above) for 3 years following SCC triennial review.
10. Increases in rent levels are restricted by the Government guidelines & current indications that sales of council houses will be approximately 50 per annum.

Sensitivity Analysis

	Risk	Potential Budgetary Effect				
		2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Pay Award / National Insurance (GF)						
Impact +/- 0.5% Variance £'000	L	43	87	134	181	230
Budget Impact over 1 year	L	43				
Budget Impact over 3 years	L/M	264				
Budget Impact over 5 years	H	675				
Pay Award / National Insurance (HRA)						
Impact +/- 0.5% Variance £'000	L	12	25	39	52	67
Budget Impact over 1 years	L	12				
Budget Impact over 3 years	L	76				
Budget Impact over 5 years	M	195				
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	61	124
Budget Impact over 1 year	L	0				
Budget Impact over 3 years	L	0				
Budget Impact over 5 years	M	185				
3 year agreement in place - subject to stock market & membership changes						
Council Tax						
Impact on Council Tax income £'000		16	32	50	69	89
Budget Impact over 1 year	L	16				
Budget Impact over 3 years	L	98				
Budget Impact over 5 years	M	256				
Inflation / CPI						
Impact +/- 0.5% Variance £'000	L	39	79	119	162	205
Budget Impact over 1 year	L	39				
Budget Impact over 3 years	M	237				
Budget Impact over 5 years	H	604				
Government Grant						
Impact +/- 1.0% Variance £'000	L	46	83	118	151	185
Budget Impact over 1 year	L	46				
Budget Impact over 3 years	M	247				
Budget Impact over 5 years	H	583				

	Risk	Potential Budgetary Effect				
		2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Investment Interest						
Impact +/- 0.5% Variance £'000	L	126	230	317	400	484
Budget Impact over 1 year	L	126				
Budget Impact over 3 years	H	673				
Budget Impact over 5 years	H	1557				
Key Income Streams (GF)						
Impact +/- 0.5% Variance £'000	L	26	52	78	104	131
Budget Impact over 1 year	L	26				
Budget Impact over 3 years	L/M	156				
Budget Impact over 5 years	H	391				
Key Income Streams (HRA)						
Impact +/- 0.5% Variance £'000	L	91	185	280	376	475
Budget Impact over 1 years	L	91				
Budget Impact over 3 years	H	556				
Budget Impact over 5 years	H	1407				
New Homes Bonus						
Impact +/- 10% Variance £'000	L	52	114	184	244	297
Budget Impact over 1 year	L	52				
Budget Impact over 3 years	M	350				
Budget Impact over 5 years	H	891				

Contingencies 2014/15 - 2018/19

Revenue	2014/15	2015/16	2016/17	2017/18	2018/19
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
General Fund					
Specific Contingencies					
Vacancy Allowance	50	50	50	50	50
<i>General Contingency</i>	100	-	-	-	-
Total General Fund Revenue	150	50	50	50	50
Housing Revenue Account					
<i>HRA - General Contingency</i>	100	100	100	100	100
Total HRA Revenue	100	100	100	100	100

Capital	2014/15	2015/16	2016/17	2017/18	2018/19
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
General Fund					
Specific Contingencies					
<i>General Capital Contingency</i>	50	-	-	-	-
Total General Fund Capital	50	-	-	-	-
Housing Revenue Account					
<i>HRA - General Capital Contingency</i>	102	105	107	109	112
Total HRA Capital	102	105	107	109	112