

COUNCIL

24th February 2015

Report of the Leader of the Council

CORPORATE VISION, PRIORITIES PLAN, BUDGET & MEDIUM TERM FINANCIAL STRATEGY 2015/16

Purpose

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

- To approve the Single Corporate Vision & Strategic Priorities for 2015/16 **(attached at Appendix A)**.

- To approve the recommended package of budget proposals **(attached at Appendix B)** to enable the Council to agree the:
 - General Fund (GF) Revenue Budget and Council Tax for 2015/16;
 - Housing Revenue Account (HRA) Budget for 2015/16;
 - 3 Year General Fund Capital Programme (2015/18);
 - 5 Year HRA Capital Programme (2015/20);
 - 3 Year General Fund Medium Term Financial Strategy (MTFS) (2015/18);
and
 - 5 Year HRA Medium Term Financial Strategy (MTFS) (2015/20).

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

Recommendations

That Council approve:

1. the Single Corporate Vision & Strategic Priorities for 2015/16 (Appendix A);
2. the proposed revisions to Service Revenue Budgets (Policy Changes) (Appendix C);
3. the sum of £81,670 be applied from Council Tax Collection Fund surpluses in reducing the Council Tax demand in 2015/16 (Appendix E);
4. the sum of £728,023 be applied from Business Rates Collection Fund surpluses in 2015/16 (Appendix E);
5. that on 27th November 2014, the Cabinet calculated the Council Tax Base 2015/16 for the whole Council area as 20,628 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")];
6. that the Council Tax requirement for the Council's own purposes for 2015/16 is £3,271,601 (Appendix E);
7. the following amounts as calculated for the year 2015/16 in accordance with Sections 31 to 36 of the Act:
 - a. £54,565,489 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act (Outgoings excluding internal GF Recharges);
 - b. £51,293,888 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act (Income excluding internal GF Recharges);
 - c. £3,271,601 being the amount by which the aggregate at 6(a) above exceeds the aggregate at 6(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year (Item R in the formula in Section 31A(4) of the Act);
 - d. £158.60 being the amount at 6(c) above (Item R), all divided by Item T (at 4 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year;
8. the Council Tax level for the Borough Council for 2015/16 of £158.60 (an increase of £3.10 (1.99%) on the 2014/15 level of £155.50) at Band D;
9. an aggregate Council Tax (comprising the respective demands of the Borough Council, Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire and Stoke-on-Trent and Staffordshire Fire and Rescue Authority) of £1,452.45 at Band D for 2015/16 be noted (Appendix H);
10. the Council Tax levels at each band for 2015/16 (Appendix H);
11. the sum of £145,682 be transferred from General Fund Revenue Balances in 2015/16 (Appendix E);

- 12. the Summary General Fund Revenue Budget for 2015/16 (Appendix E);**
- 13. the Provisional Budgets for 2016/17 to 2017/18, summarised at Appendix G, as the basis for future planning;**
- 14. the minimum level for balances of £500k to be held for each of the General Fund, Housing Revenue Account, General Capital Fund and Housing Capital Fund;**
- 15. Cabinet be authorised to release funding from the General Contingency budget and that the release of funding for Specific Contingency items be delegated to the Corporate Management Team in consultation with the Leader of the Council;**
- 16. the proposed HRA Expenditure level of £15,388,430 for 2015/16 (Appendix D);**
- 17. rents for Council House Tenants in 2015/16 be increased by an average of £1.70 per week (1.96%) to £88.30 (2014/15 £86.60), over a 48 week rent year;**
- 18. rents for Council House Tenants due for 52 weeks in 2015/16 be collected over 48 weeks;**
- 19. the HRA deficit of £3,072,360 be financed through a transfer from Housing Revenue Account Balances in 2015/16 (Appendix D);**
- 20. the proposed 3 year General Fund Capital Programme of £6.9m, as detailed in Appendix I to the report;**
- 21. the proposed 5 year Housing Capital Programme of £54.1m, as detailed in Appendix J to the report;**
- 22. to delegate authority to Cabinet to approve/add new capital schemes to the capital programme where grant funding is received or there is no net additional cost to the Council;**
- 23. the Treasury Management Strategy Statement, the Treasury Management Policy Statement, Minimum Revenue Provision Strategy and Annual Investment Statement 2015/16 (as detailed at Appendix N);**
- 24. the Prudential and Treasury Indicators and Limits for 2015/16 to 2017/18 contained within Appendix N;**
- 25. the adoption of the Treasury Management Practices contained within ANNEX 7; and**
- 26. the detailed criteria of the Investment Strategy 2015/16 contained in the Treasury Management Strategy within ANNEX 3.**

Executive Summary

The last 12 months have been as challenging as previous years if not more so. The announcement in the last Autumn Statement that austerity measures are to continue would suggest that the key challenges that the Council are currently addressing are likely to become greater.

This sustained reduction in government grant and the wider constraints placed upon local government to balance their budgets are directly affecting the sustainability of services. Perhaps of even greater significance is the coincidental and unprecedented increase in demand for public services. The consequence in simple terms is that the gap between demand and the Council's ability to supply grows and the cost of meeting the growing demand becomes the deficit.

Last year's budget report detailed how the Council using the approved Sustainability Strategy as a framework, would deliver planned savings and efficiencies to help reduce the forecast deficit. As Members will be aware from the various financial and performance reports, this has and continues to deliver efficiencies. Indeed, this approach coupled with a number of efficiency drives and transformational change programmes have enabled the Council to sustain the majority of service levels and standards.

However; this represents a reactive response to the implications of reduced funding and has resulted in the Council operating as a 'Hybrid' service delivery model utilising a range of techniques – Outsourcing, Shared Services, Joint Working, In-house and commissioned services. It has sustained services on a "doing more for less" basis. It has not done anything to address the cause other than lobby via the LGA.

On the other hand, the Council could take a proactive approach to the other major challenge, that of ever increasing demand. By adopting the guiding principles, tools, techniques and transformational approaches, the Council can set about **managing demand** and thereby have greater control and the ability to align or target "supply" to managed "demand".

Utilising many of the cornerstones already in place – an empowered, agile and competent workforce; a nationally recognised strategic partnership environment; lean and efficient service delivery processes and a public sector commissioning framework, the Council is well placed.

The focus shall remain upon a Single Corporate Vision. The Strategic Priorities **To Aspire & Prosper and To be Healthier & Safer** are shared by all districts and boroughs across the County and are encapsulated by the County Council too in their stated priorities: **Regeneration & Growth; Safer more Resilient Communities and Healthier more Active Communities.**

The primary change is a shift away from trying to sustain a full suite of services at high standards with 40%+ budget reductions to understanding the needs of our customers and working with them to co-design how we meet those demands.

The adoption of a Demand Management operating model for the Council was approved by Cabinet on 19th February 2015. Through its implementation, the Council will have far greater control upon the alignment of services or 'supply' to the increased needs and expectations of the public or 'demand'.

Key to this will be the application of existing and new technology to capture, collate and analyse customer insight, intelligence and data so as to understand not just the 'need' but the cause, behaviours or decisions creating the need. Then by the application of locality based commissioning for example, it can commission services that either intervene or prevent future need thereby reducing demand. The report entitled ***Creating Opportunities From An Uncertain Future*** is available to all Members and is available to the public. In summary, by adopting the model, supporting its implementation and measuring its progress, it will enable the Council to achieve its Vision and Priorities and fulfil its obligations.

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

The headline figures for 2015/16 are:

- A General Fund total cost of services of £8,463,640 a reduction of 7.3% compared to 2014/15;
- A transfer of £145,682 from General Fund balances;
- The Band D Council Tax would be set at £158.60, an increase of £3.10 (1.99% - £0.06 per week) on the level from 2014/15 of £155.50;
- A General Fund Capital Programme of £6.9m for 3 years;
- a Housing Revenue Account (HRA) Expenditure level of £15,388,430 for 2015/16 (excluding interest & similar charges);
- A transfer of £3,072,360 from HRA balances;
- An average rent of £88.30 (based on CPI plus 1% plus £2, capped at formula Rent, over a 48 week rent year), which represents an increase of £1.70 (1.96% on the current average rent of £86.60) - this is above the Government's Guidance on rent increases, of CPI plus 1%, and equates to £81.51 on an annualised 52 week basis;
- A Housing Capital Programme of £54.1m (including c.£30.87m relating to the Regeneration Projects) for 5 years.

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

The medium term financial planning process is being challenged by the economic downturn / recession and Government austerity measures. The accomplishment of a balanced 3 year Medium Term Financial Strategy for the General Fund is a major achievement as the Council, like others, has planned to deliver its budget process in light of unprecedented adverse economic conditions with a great deal of uncertainty over future investment and income levels such as car parking, land charges and corporate property rents. It is also facing increased financial demands from Central Government for service improvements in areas such as local democracy and transparency – as well as substantial reductions in Government grant support in the future.

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

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

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

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

The Treasury Management Strategy Statement and report attached at **Appendix N** outlines the Council's Prudential Indicators for 2015/16 to 2017/18 and sets out the expected Treasury operations for this period.

The main issues for Members to note are:

- Members should understand the implications on Treasury Operations when setting the budget and Medium Term Financial Strategy;
- Members should be provided with access to relevant training – Members should ensure that they have the necessary skills and training.

The aim is for all Members to have ownership and understanding when making decisions on Treasury Management matters.

- With regard to Counterparty selection for investment, rather than adopt a Lowest Common Denominator (LCD) methodology, a broader Counterparty evaluation criteria is used as recommended by Capita (the Council's Treasury Management consultants).

Options Considered

As part of the budget setting process a number of options for the council tax and rent increase levels for 2015/16 and future years have been modelled / considered.

Council Tax	Option Modelled / Considered
Model 1	1.99% increase in Council tax in 2015/16 (followed by inflationary increases of c.1.99% p.a.)
Model 1a	0% increase in Council tax in 2015/16 (followed by increases of c.1.99% p.a.)
Model 2	2.5% increase in Council tax in 2015/16 (followed by increases of 2.5% thereafter)
Model 3	0% increase in Council tax in 2015/16 (followed by increases of 0% thereafter)
Model 4	1% increase in Council tax in 2015/16 (followed by increases of 1% thereafter)

Rent	Option Modelled / Considered
Option 1	CPI + 1% (capped at Formula Rent)
Option 2	CPI + 1% + £2 (capped at Formula Rent)
Option 3	All at Formula Rent

These are detailed within the Base Budget report to Cabinet on 27th November 2014 and the Draft Medium Term Financial Strategy report to Cabinet on 22nd January 2015 and Joint Scrutiny Committee (Budget) on 27th January 2015.

Resource Implications

A summary table of all the budget proposals is shown at the end of the report. The General Fund Summary Revenue Budget for 2015/16, appears at **Appendix E**. A summary of the resulting budgets over the 3 year period appears at **Appendix G**.

Closing balances over 3 years for the General Fund (GF) are estimated at £0.505m, above the minimum approved level of £0.5m. The draft Budget and Medium Term Financial Strategy is based on a council tax increase of 1.99% for 2015/16 (the maximum permitted under the Government set limits to trigger a referendum is 2.0%) followed by increases at 1.99% p.a. thereafter & in line with statutory requirements.

The Summary HRA Revenue Budget for 2015/16 appears at **Appendix D** (including a summary of the resulting budgets over the 5 year period). Closing balances over 5 years for the HRA are estimated at £1.4m (compared to the minimum approved level of £0.5m).

The 3-year General Fund Capital Programme has been formulated based on the predicted available resources. Assuming that the anticipated capital receipts will be received, this leaves a balance of £0.88m available (the minimum approved level is £0.5m).

The Council's uncommitted Housing Capital Resources will effectively be reduced to £2.1m over 5 years (the approved minimum level is £0.5m) including £0.4m remaining within the Regeneration Reserve.

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

Legal / Risk Implications

The Council's constitution requires Cabinet publish initial proposals for the budget, having first canvassed the views of local stakeholders as appropriate - budget proposals were considered at the Joint Scrutiny Committee (Budget) meeting on 27th January 2015. In line with the constitution a Joint Scrutiny Budget Workshop was held on 4th December 2014 to outline the issues affecting the MTFs arising from the base budget forecast.

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

Proposed amendments to the 2014/15 base budget, approved by Council on 25th February 2014, are detailed within the report.

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

Key Risks to Revenue and Capital Forecasts:

Risk	Control Measure
Major variances to the level of grant / subsidy from the Government (including specific grants e.g. Benefits administration, Business Rates Section 31 funding); (High)	Sensitivity modelling undertaken to assess the potential impact in the estimation of future grant levels; (Medium / High)
New Homes Bonus grant levels lower than estimated; Continuation of the scheme in its current form is uncertain – a further review is planned. (High/Medium)	Future levels included on a risk based approach in order to offset further grant reductions / uncertainty over additional property numbers; (Medium)

Risk	Control Measure
Potential 'capping' of council tax increases by the Government or local Council Tax veto / referendum; (Medium)	Current indications are that increases of 2% and above risk 'capping' (confirmed as 2% for 2015/16); (Low)
Potential change in Political control – Locally and Nationally – impact on MTFS; (High)	Regular update and review of impact on MTFS. (Medium/High)
The achievement / delivery of substantial savings / efficiencies will be needed to ensure sufficient resources will be available to deliver the Council's objectives through years 4 to 5. Ongoing; (High)	A robust & critical review of savings proposals will be required / undertaken before inclusion within the forecast; A minimum General Fund capital balance of £500k is a requirement – this has been financed in the past by revenue contributions (held in a revenue reserve). (High/Medium)
Pay awards greater than forecast; (Medium)	Forecast assumes a 2% increase p.a.; (Medium / Low)
Pension costs higher than planned / adverse performance of pension fund; (Medium)	Regular update meetings with Actuary; Increases of c.2% 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 3 years; (Medium)
Assessment of business rates collection levels to inform the forecast / budget (NNDR1) and estimates of appeals, mandatory & discretionary reliefs, cost of collection, bad debts and collection levels; New burdens (Section 31) grant funding for Central Government policy changes – including impact on levy calculation; Potential changes to the Business Rates Retention system by the DCLG in support of Town Centre Regeneration / equalisation of the scheme; (High)	Robust estimates included to arrive at collection target. Ongoing proactive management & monitoring will continue; Business Rates Collection Reserve - provision of reserve funding to mitigate impact of any changes in business rate income levels; Monitoring of the situation / regular reporting; (High / Medium)
Local Council Tax Reduction scheme implementation – potential yield changes and maintenance of collection levels; (High)	Robust estimates included. Ongoing proactive management & monitoring (including a quarterly healthcheck on the implications on the organisation – capacity / finance) will continue; (High / Medium)
Achievement of income streams in line with targets e.g. treasury management interest, car parking, planning, commercial & industrial rents etc.; (High / Medium)	Robust estimates using a zero based budgeting approach have been included; (Medium)

Risk	Control Measure
Insurance arrangements are due for re-tendering during 2015/16 – a hardening market may see significant premium increases above inflation; (High / Medium)	The tender will include options around excess levels and further use of self insurance. (Medium)
Delivery of the capital programme (GF / HRA – including Regeneration schemes) dependent on funding through capital receipts and grants (including DFG funding through the Better Care Fund); (High / Medium)	Robust monitoring and evaluation – should funds not be available then schemes would not progress; (Medium)
Dependency on partner organisation arrangements and contributions e.g. Waste Management (SCC/LDC). (High / Medium)	Memorandum of Understanding in place. (Medium)

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

Report Author:

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

Background Papers:-	Budget & Medium Term Financial Strategy 2014/15 – 2016/17, Council 25th February 2014
	Budget and Medium Term Financial Planning Process, Cabinet 21st August 2014
	Joint Scrutiny Budget Workshop, 4th December 2014
	Budget Consultation Report, Cabinet 23rd October 2014
	Draft Base Budget Forecasts 2015/16 to 2019/20, Cabinet 27th November 2014
	Treasury Management Strategy Statement & Annual Investment Strategy Mid-year Review Report 2014/15, Council 16th December 2014
	Draft Budget and Medium Term Financial Strategy 2015/16 to 2019/20, Cabinet 22nd January 2015
	Business Rates Income Forecast (NNDR1 return), Cabinet 22nd January 2015
	Treasury Management Practices 2015/16 (Operational Detail)
	Treasury Management Training slides, 4th February 2015

Summary of Appendices

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A SINGLE 'VISION' FOR TAMWORTH

“One Tamworth, Perfectly Placed”

(the People) (the Place)

This single, shared “Vision” for Tamworth is endorsed by all key partners in the local Partnership arena and underpinned by high level, evidence based priorities that focus upon both Tamworth (the place) and the communities served by the partner organisations (the people).

Strategic Priority 1

To Aspire and Prosper in Tamworth

Primary Outcome

To create and sustain a thriving local economy and make Tamworth a more aspirational and competitive place to do business.

To achieve this, we will:

- Raise the aspiration and attainment levels of young people
- Create opportunities for business growth through developing and using skills and talent
- Promote private sector growth and create quality employment locally
- Brand and market “Tamworth” as a great place to “live life to the full”
- Create the physical and technological infrastructure necessary to support the achievement of this primary outcome.

Strategic Priority 2

To be Healthier and Safer in Tamworth

Primary Outcome

To create a safe environment in which local people can reach their full potential and live longer, healthier lives.

To achieve this, we will:

- Address the causes of poor health in children and young people;
- Improve the health and well being of older people by supporting them to live active, independent lives;
- Reduce the harm and wider consequences of alcohol abuse on individuals, families and society;
- Implement ‘Total Place’ solutions to tackling crime and Anti-social behaviour (ASB) in designated localities;
- Develop innovative early interventions to tackle youth crime and ASB; and
- Create an integrated approach to protecting those most vulnerable in our local communities

Detailed Considerations

Introduction

The Council's approach to medium term planning aims to integrate the Council's Corporate and financial planning processes. In accordance with that approach this report contains firm proposals for 2015/16 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 2014/15 budget to arrive at the starting point for 2015/16. The report deals in turn with each of the key elements and towards the end of each section is a summary table. Each of these tables is brought together in the summary and conclusions section at the end of the report.

The Council's MTFs used as the basis for the 2015/16 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 have led to the economic downturn / recession;
- 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. There are a number of challenges affecting the Medium Term Financial Planning process for the period from 2015/16 which add a high level of uncertainty to budget projections.

- a) Potential changes to future New Homes bonus levels following the announcement that the Government will be reviewing the scheme again including the potential termination of the scheme from 2015/16;
- b) Future Revenue Support Grant levels for future years following the Chancellor's Autumn Statement on 3rd December 2015. The *Local Government Finance Settlement* confirmed by the DCLG in February 2015 details a revenue support grant reduction of 31.3% in 2015/16. A review on the potential redistribution on a needs basis could also adversely impact on the grant income levels;
- c) The impact of Business Rate Reform from 1st April 2013 and the associated forecast business rates receivable in 2014/15 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;

- d) The calculation of the level of business rate appeal costs – of which the Council has to fund 40% from its own budgets – a provision of £983k was set aside in 2013/14 (40% of which relates to the Council);
- e) Future Pension contribution levels - following the triennial review carried out by the Actuaries employed by the Pension Fund - indicative *ongoing* annual increases in Employer's contributions of c.2% p.a. for the next 3 years have been included. This now includes an ongoing lump sum (with an annual increase) relating to past liabilities and a set rate for future employer contributions of 16.5% p.a.

The Council has also made savings of c.£84k through pre-payment of pension contributions for the next 3 years – the accounting treatment for which was discussed / confirmed with Grant Thornton early in 2014/15. This however, will be reviewed as part of the 2014/15 audit process;

- 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, a 2.2% increase (plus other changes) has recently been agreed from 1st January 2015. 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;
- 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) Due to uncertainties around the Better Care Fund, a significant risk on the current grant funding for Disabled Facilities Grants (DFG) is highlighted after 2015/16. A grant of £224k p.a. has been assumed to be redistributed – in line with the funding notified for 2015/16;
- l) 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 'Plan for a Sustainable Future' overarching strategy to identify measures to help the Council cope with grant & income reductions in the coming years - potential savings arising from the Sustainability Plan workstreams have been included;

m) Review and finalisation of the revised budgets/policy changes and feedback from the scrutiny process – including the Council Tax increase for 2015/16 following confirmation of the referendum threshold.

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

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

Effect of x% movement:	% + / -	Impact over 1 year +/- £'000	Impact over 3 years +/- £'000	Risk
Pay Award / National Insurance (GF)	0.5%	42	259	M/H
Pension Costs	0.5%	-	58	L/M
Council Tax	0.5%	33	154	L/M
Inflation / CPI	0.5%	39	237	M/H
Government Grant	1.0%	42	240	M/H
Investment Interest	0.5%	104	566	H
Key Income Streams	0.5%	26	156	L/M
New Homes Bonus	10%	55	359	H
Business Rates	0.5%	66	400	H

GENERAL FUND

The final Local Government finance settlement figures for the Council for 2015/16 have recently been announced with no change from those provisionally released in December 2014. They show that the Government funding assessment (Revenue Support Grant (RSG) plus the business rates baseline retained income) totals £3.73m (£4.42m 2014/15).

The Council's actual reduction in combined Revenue Support Grant / assessed Business Rates baseline funding need is 15.7% for 2015/16 (which means that Government support will decrease by £0.69m over last year) compared to a reduction of 13.5% (£0.69m) in 2014/15.

External Finance	2014/15 £'000	2015/16 £'000	% Change (Increase) / Decrease
Business Rates Baseline	2,083	2,122	(1.9)%
Revenue Support Grant	2,340	1,608	31.3%
Total Funding Assessment	4,423	3,730	15.7%
% Change (Increase) / Decrease	13.5%	15.7%	

For future years, in light of indications of further grant reductions, it has been assumed that there will be a reduction in Revenue Support Grant as detailed below. 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.

External Finance	Actual 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Revenue Support Grant	2,340	1,608	1,204	867
% Change (Increase)/Decrease	23.8%	31.3%	25.1%	28.0%

It is anticipated that, by 2020, reliance on RSG will be minimal – key income streams will be Business Rates, Council Tax, New Homes Bonus and a commercial approach in business delivery.

Business Rates

Additional monthly monitoring has been implemented since the implementation of business rate retention from 2013/14 – following approval of the NNDR1 form (Business Rates estimates) by Cabinet in January 2015.

The Council received additional business rates during 2013/14 (above forecast / baseline) and had to pay a levy of £386k to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP). The latest estimates indicate additional business rates receivable above the baseline in 2014/15 and future years – of which the Council will receive 40% less the Government set tariff payment of c.£111m (and a 20% levy on any surplus over the baseline to the GBSLEP) - after deduction of the 50% Central Share, 9% County & 1% Fire & Rescue Authority shares).

This is mainly due to the additional rates income generated from the warehouse site at Bitterscote – however, the future position for 2015/16 is less certain. A robust check & challenge approach has been taken of any increases on the base figure, including a risk assessed collection level.

New Burdens (Section 31) grant is receivable for additional reliefs given by the Government relating to business rates from 1st April 2015 e.g. Small Business Rate Relief – of which 50% of any in excess of the baseline will be payable in levy to the GBSLEP. A prudent approach has been taken in respect of any new burdens funding – and, due to uncertainties & risk, the creation of an associated Business Rates Collection reserve to mitigate fluctuation in income.

The Local Government finance settlement figures for the Council for 2015/16 have recently been confirmed and show that the Government funding assessment (Revenue Support Grant (RSG) plus the new business rates baseline retained income) totals £3.73m.

This is the third local government finance settlement following the new arrangements for business rates retention that came into place on 1st April 2013. This meant that business rates were split into a central and a local share; each being 50% of the Expected Business Rates Aggregate (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 15.7% for 2015/16 (which means that Government support will decrease by £0.69m over last year) - 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 £145k in 2015/16 (Efficiency Support Grant - to keep the reduction within the announced maximum spending power decrease for a Council of 6.4%), when compared with the level which would be due if floors were not in force.

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
Business Rates Baseline	2,083	2,122	2,165	2,208
Revenue Support Grant	2,340	1,608	1,204	867
Total Funding Assessment	4,423	3,730	3,369	3,075
% Change (Increase)/Decrease	13.5%	15.7%	9.7%	8.7%

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

External Finance	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Retained Business Rates	2,373	2,629	2,754	2,582
Revenue Support Grant	2,340	1,608	1,204	867
Total Funding Assessment	4,713	4,237	3,958	3,449
% Change (Increase)/Decrease	7.8%	10.1%	6.1%	12.9%

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

Overall the Council saw an improvement of c.£50k p.a. when compared to the base budget forecast for 2015/16:

- RSG is c.£12k higher than expected in 2015/16 at £1.608m (£1.596m within the previous forecast). It represents a 31.3% reduction in RSG.
- The Business Rates tariff payment is lower than the base budget forecast for 2015/16 by £88k (however, this is explained by the Government having assumed a lower inflationary increase in 2015/16 than we have – 1.91% compared to our 2.76%).
- Overall, Government External Support (combined RSG/Baseline NNDR) is £6k lower than expected – the overall reduction in Government Support is 15.66% (compared to an assumed reduction of 15.5% - notified to us as a provisional figure last year).

However, when the reduced tariff payment and the effect on the levy payment is taken into account the Council should see an improvement of c.£50k p.a.

However, it should be noted that combined RSG / Business Rates income has now fallen from £6.8m in 2010/11 to £3.7m for 2015/16. A reduction of over £3m p.a. or 45.5% p.a. from 2015/16 - with indications arising from the 2014 Autumn Statement that the austerity will continue over the next few years.

There are still significant uncertainties relating to future years Business Rates income - specifically the treatment of:

- The estimated level of refunds of Business Rates following the Appeal process; and
- Provision of Section 31 grant funding (including Small Business Rate Relief Grant) – which could affect the calculation of any levy payment and thereby reduce retained Business Rate income.

The NNDR1 forecast was approved by Cabinet on 22nd January 2015 – for approval by 31st January 2015 in line with statutory requirements.

For 2015/16, a levy payment of £0.5m is estimated (included as a policy change) which will reduce the net business rates retained.

Technical Adjustments

Revisions have been made to the 2014/15 base budget in order to produce an adjusted base for 2015/16 and forecast base for 2016/17 onwards. These changes, known as technical adjustments have been calculated to take account of:

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

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

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

Technical Adjustments	2015/16 £'000	2016/17 £'000	2017/18 £'000
Base Budget B/Fwd	9,132	8,242	8,344
Committee Decisions	(1,099)	(291)	86
Inflation	36	47	50
Other	(75)	(69)	(76)
Pay Adjustments (Including pay award / reduction of 5% for vacancy allowance)	192	415	208
Revised charges for non-general fund activities	56	-	-
Total / Revised Base Budget	8,242	8,344	8,612

() denotes saving in base budget

Policy Changes

The policy changes provisionally agreed by Council in February 2014 have been included within the technical adjustments.

Long before the current austerity measures and on-going public sector spending cuts, the Council has been proactive in the design and implementation of innovative and effective measures for driving efficiency.

It has previously been recognised by the Council's Executive Management Team (a non-decision making forum of Cabinet Members and Chief Officers of the Corporate Management Team) that Members will need to focus on strategic decisions relating to high level financial issues given the need to identify substantial savings following the constraints in public spending (grant reductions of over 45% since 2010/11 and indications from the 2014 Autumn Statement of further grant reductions for District Councils).

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 and efficiencies designed to tackle the forecast deficit long before it becomes a reality. This includes exploring new and innovative ideas and to be more commercial in our approach to business.

The proposals arising 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 **essential services critical in supporting the most vulnerable in our communities at a time when demand is increasing and resources reduce.**

Potential savings arising from the Sustainability Plan workstreams (detailed below) have been identified during the Budget & Medium Term Planning Process and included within the latest forecasts.

a) Removal of 1 Cabinet Member & changes to SRA payable to Chair Licensing & Chair Audit & Governance Committees from 2015/16 - saving £12k p.a.

A review of the structure of Cabinet has been undertaken resulting in the removal of an Executive Member and a maximum Cabinet of 5 Members (including the Leader). This will result in the saving of one Special Responsibility Allowance payment (SRA) and subject to cross party agreements alter the Constitution to permanently change Cabinet to a maximum of 5 Members. Additional changes to the allowances for the Chair of Licensing Committee and Audit & Governance Committee are also included.

This will be part of a wider conversation with all Members regarding savings that can be generated from Members costs to help maintain public services.

b) Senior Management Review – savings target of £200k from 2017/18

Following the Service Review process and in light of the significant and ongoing grant reductions, it has been identified that the Council will need to be clear on what the organisation will look like and which services will be delivered in the future. This would then inform a review of Senior Management requirements - the likely savings would not be until 2017/18, given potential termination costs.

c) Events – Voluntary Contributions to be requested (income target of £10k p.a.)

It has been highlighted that there is scope to generate £10k p.a. from voluntary contributions which could be received during the events programme.

d) CPP Business Support Service Review – saving £10k p.a. from a reduction in 0.4 FTE (Business Support Admin.)

The service review process has highlighted a proposed reduction in Business Support staffing (currently vacant) within Communities, Planning & Partnerships (CPP).

e) Community Safety Service Review – additional funding for 2 years of £15k p.a.

Following the Service Review, additional funding from SCC has been secured to part fund a post for 2 years.

f) Community Development Service Review – saving £45k p.a. from a reduction in 1 FTE (Head of Service)

Community Development / Community Safety – an option to combine management roles was identified as part of the Service Review process.

g) Revenues & Benefits Service Review – Saving £30k p.a. from a reduction in 1 FTE (Benefits Advisor)

The service review process has highlighted a proposed reduction in staffing (currently vacant) given reducing levels of Government Benefits Administration Grant support.

The policy changes provisionally agreed by Council in February 2014 have been included within the technical adjustments for 2015/16 onwards. **A list of the proposed new policy changes for 2015/16 is attached at Appendix C and summarised below:**

Policy Changes Identified	2015/16 £'000	2016/17 £'000	2017/18 £'000
1) There is a requirement to increase the ICT budget (Application Software) to cover upgrade costs for Microsoft products. This requirement is for £35K p.a.	35	35	35
2) Contingency budget to allow for 'in year' decisions to be made by Cabinet & to provide for any potential further reductions in income as a result of the financial climate	100	-	-
3) Revised budgetary contribution required re Staffs Connects partnership & continued development of CRM system - as per Staffs Connects Strategic Advisory report and revised budget proposals agreed March 2014.	10	10	10
4) Agile Working Project - Deferral of receipt of projected income for Marmion House	102	-	-
5) Estimated increase in costs for Street Scene equipment when new contract let	30	30	30
6) Creative Quarter – revenue implications of capital scheme (net of contingency)	-	35	72
7) Business Rates Levy	498	511	415
8) Contribution to Transformation Reserve	-	-	360
9) Business Rates Section 31 grants	(367)	(324)	(228)
10) Revenues & Benefits Service Review – Saving 1 FTE (Benefits Advisor) (g)	(30)	(30)	(30)
11) Community Development Service Review – saving 1 FTE (Head of Service) (f)	(45)	(45)	(45)
12) Community Safety Service Review – additional funding for 2 years (e)	(15)	(15)	-
13) CPP Business Support Service Review – saving 0.4 FTE (Business Support Admin.) (d)	(10)	(10)	(10)
14) Events – Voluntary Contributions to be requested (c)	(10)	(10)	(10)
15) Senior Management Review (b)	-	-	(200)
16) Removal of 1 Cabinet Member & changes to SRAs (a)	(12)	(12)	(12)
Total New Items / Amendments	286	175	387

Capping / Local Referendum

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

The principles for 2015/16 are that authorities will be required to seek the approval of their local electorate in a referendum if, compared with 2014/15, they set council tax increases that are equal to or 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. A similar scheme will operate for 2015/16 should the Council freeze the council tax level – with indications that a grant equivalent to a 1% Council Tax increase would be payable for 2015/16– and built into baseline funding thereafter.

Should Council Tax be frozen at the 2014/15 level for 2015/16 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 increases of c.1.99% p.a. (with a 1.99% increase in 2015/16) is outlined below.

Council Tax

Last year's Medium Term Financial Plan identified ongoing increases of c.1.99% per annum from 2015/16.

Each £1 increase in the band D Council Tax would raise approximately £21k per annum. For each 1% increase in Council Tax, the Council will receive c. £32k additional income per annum.

The Council's provision for collection losses for 2015/16 has been approved at 2.1% (the same level as 2014/15). In order to meet the on-going expenditure requirements the Council will have to increase the underlying income base.

The Band D Council Tax would increase to £158.60 for 2015/16 (£155.50 - 2014/15).

Future levels of Council Tax and the projected impact on the General Fund revenue account forecast would be as follows:

Year:	2015/16	2016/17	2017/18
Forecast:	£'000	£'000	£'000
Surplus (-) /Deficit	146	1,141	2,039
Balances Remaining (-) / Overdrawn	(3,685)	(2,544)	(505)
£ Increase	3.10	3.15	3.20
% Increase	1.99%	1.99%	1.98%
Note: Resulting Band D Council Tax	158.60	161.75	164.95

which indicates potential balances of £0.505m (compared to the minimum approved level of £0.5m) is forecast as remaining over the 3 year period. As current capping guidance indicates a 'capping' threshold of 2.0%, this is considered a low risk option.

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

It is proposed that available surpluses be used (and that the relevant sums be made available to the other precepting authorities – the County Council, Fire & Rescue and Office of the Police & Crime Commissioner (OPCC). It is estimated that there will be a surplus of £0.75m for Council Tax and £1.2m for Business Rates.

Year:	2015/16	2016/17	2017/18
Council Tax	£'000	£'000	£'000
Council Tax Income	3,272	3,354	3,448
Collection Fund Surplus (Council Tax)	(81)	-	-
Collection Fund Surplus (Business Rates)	(728)	-	-

The County Council, OPCC and Fire & Rescue Authority are due to finalise their budgets for 2015/16 during February 2015. The impact of the Borough Council tax proposals is shown for each Council Tax Band in **Appendix H**.

Balances

At the Council meeting on 29th February 2000 Members approved a minimum working level of balances of £0.5m. At 31st March 2015 General Fund Revenue Balances are estimated to be £3.831m, compared with £1.968m anticipated a year ago.

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

Summary and Conclusions

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

A summary of all the budget proposals is shown in the table below. The summary Revenue Budget for 2015/16, appears at **Appendix E**. A summary of the resulting budgets over the 3 year period appears at **Appendix G**.

Summary	2015/16 £'000	2016/17 £'000	2017/18 £'000
Estimated Net Cost of Services	8,242	8,344	8,612
Proposed Policy Changes / Additional Costs Identified (Detailed at Appendix C) (Rounded)	286	175	387
Final Recharge & Inflationary Adjustments (after Policy Changes inclusion)	(64)	(66)	(63)
Net Expenditure	8,464	8,453	8,936
Financing:			
RSG	(1,608)	(1,204)	(867)
Collection Fund Surplus (Council Tax)	(81)	-	-
Collection Fund Surplus (Business Rates)	(728)	-	-
Tariff Payable	10,552	10,763	10,978
Non Domestic Ratepayers	(13,181)	(13,517)	(13,560)
Council Tax Income	(3,272)	(3,354)	(3,448)
Gross Financing	(8,318)	(7,312)	(6,897)
Surplus(-) / Deficit	146	1,141	2,039
Balances Remaining (-) / Overdrawn	(3,685)	(2,544)	(505)
Per Council, 25 th February 2014	(1,968)	(500)	-

HOUSING REVENUE ACCOUNT

Technical Adjustments

The 2014/15 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 2015/16.

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

Technical Adjustments	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Base Budget	984	3,187	658	604	446
Committee Decisions	1,509	(3,212)	100	-	-
Inflation	127	143	148	151	156
Other	556	407	(369)	(374)	(383)
Pay Adjustments	61	133	67	65	57
Revised charges for non-general fund activities	(50)	-	-	-	-
Total / Revised Base Budget	3,187	658	604	446	276

Revisions have been made to the 2014/15 base budget in order to produce an adjusted base for 2015/16 and forecast base for 2016/17 onwards. These changes, known as technical adjustments, are largely beyond the control of the Council and have been calculated to take account of:

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

and are summarised in **Appendix F2**.

Proposals

The proposed policy changes for inclusion in the base budget for the next 5 years are detailed at **Appendix C**.

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

Summary	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Estimated Net (Surplus) / Deficit	3,187	658	604	446	276
Proposed Policy Changes / Additional Costs Identified (Rounded)	(183)	(254)	(592)	(681)	(333)
Final Recharge & Inflationary Adjustments (after Policy Changes inclusion)	68	66	63	61	57
Surplus (-) / Deficit	3,072	470	75	(174)	-
Balances Remaining (-) / Overdrawn	(1,774)	(1,304)	(1,229)	(1,403)	(1,403)
Per Council, 25 th February 2014	(1,394)	(1,265)	(1,285)	(1,492)	-

Indicating a Housing Revenue Account (HRA) balances of £1.4m over the next 5 years (Minimum recommended balances are currently £0.5m).

However this includes contributions to capital spend of £5.1m over 3 years (£7.8m over 5 years) and the regeneration reserve - £6.5m over 3 years (£11.1m 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 regeneration / redevelopment schemes – to inform the likely need from the Regeneration reserve;
- The impact of restructuring following Supporting People funding reductions;
- The effect of potential service charges implementation following the ongoing review;
- Results of ongoing structural surveys e.g. High Rise;
- The impact of Welfare Benefit Reform on rent collection levels – limited so far but further measures are to be rolled out (e.g. Universal Credit);
- Future impact of the Government's increased discounts to promote right to buy sales on housing stock numbers and associated income levels – 50 sales p.a. have been assumed in future years. There is also still uncertainty over retained receipt levels (pending further Government guidance) and spending plans

Rent Restructuring

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

This framework removed the flexibility to independently set rent levels from Social Landlords and replaced it with a fixed formula (RPI plus 0.5% plus £2.00) based on the value of the property and local incomes. The aim of the framework was to ensure that by a pre-set date all social landlord rents have reached a 'target rent' for each property that will reflect the quality of accommodation and levels of local earnings. In achieving this target rent councils were also annually set a "limit rent" which restricted the level of rent increase in any one year.

Housing rents were increased in accordance with the Rent Restructuring Framework for 2014/15. However, from 2015/16, it is for the Council to decide locally at what level to increase rents. An increase in line with Government Guidance would mean that rents would increase by CPI plus 1%.

However, it is recommended that the Council agree to vary this level, **for 2015/16 only**, in order to generate additional funding to support increased maintenance costs and the regeneration of key housing areas within the Borough.

Housing rents have therefore been increased in line with CPI plus 1% plus £2, with individual rents capped at the (convergence) formula rent level – which would mean an average rent of £88.30 (over a 48 week rent year), which represents an increase of £1.70 (1.96% on the current average rent of £86.60). This is above the Government's Guidance on rent increases, of CPI plus 1%, and equates to £81.51 on an annualised 52 week.

As outlined within the Draft MTFs report to Cabinet and Joint Scrutiny Committee (Budget) in January 2015, the Tenant Consultative Group Chair, supported by the group, indicated anecdotal feedback in support of this rent increase for 2015/16.

It should be noted that under Benefit regulations and circulars issued by the DWP, the Rent Rebate Subsidy Limitation scheme penalises the Council should the average rent be above the notified limit rent – for 2014/15 this was £80.85 (per circular HB S5/14 received in June 2014, after rent setting for 2014/15). The guidance on rent increases stated a CPI + 1% increase which, when applied to the 2014/15 limit rent, would give a limit rent for 2015/16 of £82.63 which would suggest that the above increase would not mean a loss of Housing Benefit subsidy grant.

It should also be noted that when the budget for 2015/16 and provisional budgets for 2016/17 onwards were set, CPI inflation was expected to be 2.5% p.a. For September 2014 (the month when the Government suggest the guideline increase) CPI was just 1.2% - a reduction of 1.3% which has impacted on forecast rent income for 2015/16 and future years.

Balances

The forecast level of balances at 31st March 2015 is £4.85m. The impact on balances of the adjustments outlined in this report would be as follows:

Balances	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Proposed Withdrawal from / Addition to (-) Balances	3,072	470	75	(174)	-
Balances Remaining (-) / Overdrawn	(1,774)	(1,304)	(1,229)	(1,403)	(1,403)

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

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

CAPITAL PROGRAMME

Following a review of the Capital Programme approved by Council on 25th February 2014, a revised programme has been formulated including additional schemes which have been put forward for inclusion.

Each scheme has been assessed with regard to:

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

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

General Fund

It is estimated that approximately £6.9m (excluding the £0.5m approved minimum balance) will be needed during the period to 2019/20 for future capital spending (including the usable capital receipts generated from the sale of council housing) - resulting in balances of £0.88m over 3 years (including minimum balances of 0.5m).

Details of the proposed capital programme are shown in **Appendix I**. It includes Contingency budgets relating to the next phase of the Agile working project – subject to consideration of updated business case information by Cabinet – together with a contingency for Equipment and Plant Purchases – to allow in year decisions on capital purchases instead of leasing where the business case demonstrates that this represents better value for money – which would be financed by prudential borrowing at a lower rate than the financing rates by leasing the asset.

Housing

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

It is estimated that approximately £54.1m (excluding the £0.5m approved minimum balance) will be needed during the period to 2019/20 for future capital spending (including revenue contributions from the HRA of £11.3m, Regeneration reserve balances of £11m & additional borrowing of £7.2m – the 'headroom' in line with the HRA Government debt cap is £11.3m) - resulting in balances of £2.1m over 5 years (including minimum balances of 0.5m)..

The capital programme has been reviewed and updated to include the new year 5 costs – with costs then smoothed over the new 5 year planning period. In addition, the Regeneration and certain demand led schemes have been reviewed and updated to reflect current projections and trends.

Policy Changes Summary

DIRECTORATE	Sheet No.	Budget Changes 15/16	Budget Changes 16/17	Budget Changes 17/18
		£'000	£'000	£'000
Chief Executive		-	-	-
Executive Director Corporate Services	1	(30.0)	-	-
Director of Finance	2	231.0	(44.3)	160.2
Director of Technology & Corporate Programmes	3	35.0	-	-
Solicitor to the Council	4	(12.0)	-	-
Director of Transformation & Corporate Performance	5	10.0	-	-
Director of Communities, Planning & Partnerships	6	(80.0)	35.3	51.8
Director of Housing & Health		-	-	-
Director of Assets & Environment	7	132.3	(102.3)	-
Total		286.3	(111.3)	212.0
Cumulative Cost / (Saving)		286.3	175.0	387.0

	Sheet No.	Budget Changes 15/16 £'000	Budget Changes 16/17 £'000	Budget Changes 17/18 £'000	Budget Changes 18/19 £'000	Budget Changes 19/20 £'000
Housing Revenue Account	8	(182.7)	(70.9)	(338.3)	(88.7)	347.3
Total		(182.7)	(70.9)	(338.3)	(88.7)	347.3
Cumulative Cost / (Saving)		(182.7)	(253.6)	(591.9)	(680.6)	(333.3)

Policy Changes Summary Staffing Implications

DIRECTORATE	Sheet No.	Budget Changes 14/15 £'000	Budget Changes 15/16 £'000	Budget Changes 16/17 £'000
Chief Executive		-	-	-
Executive Director Corporate Services	1	(1)	-	-
Director of Finance	2	-	-	-
Director of Technology & Corporate Programmes	3	-	-	-
Solicitor to the Council	4	-	-	-
Director of Transformation & Corporate Performance	5	-	-	-
Director of Communities, Planning & Partnerships	6	(1.4)	-	-
Director of Housing & Health		-	-	-
Director of Assets & Environment	7	-	-	-
TOTAL		(2.4)	-	-

	Sheet No.	Budget Changes 14/15 £'000	Budget Changes 15/16 £'000	Budget Changes 16/17 £'000	Budget Changes 17/18 £'000	Budget Changes 18/19 £'000
Housing Revenue Account	8	(1)	-	-	-	-
TOTAL		(1)	-	-	-	-

EXECUTIVE DIRECTOR CORPORATE SERVICES

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
				15/16 £'000	16/17 £'000	17/18 £'000
ED1	SAV	Revenues & Benefits Service Review – Saving £30k p.a. from a reduction in 1 FTE (Benefits Advisor)	The service review process has highlighted a proposed reduction in staffing (currently vacant) given reducing levels of Government Benefits Administration Grant support	(30.0)		
Total New Items / Amendments				(30.0)	-	-

STAFFING IMPLICATIONS

				15/16 FTE	16/17 FTE	17/18 FTE
ED1		Revenues & Benefits Service Review – Saving £30k p.a. from a reduction in 1 FTE (Benefits Advisor)	The service review process has highlighted a proposed reduction in staffing (currently vacant) given reducing levels of Government Benefits Administration Grant support	(1.0)		
TOTAL				(1.0)	-	-

DIRECTOR OF FINANCE

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
				15/16 £'000	16/17 £'000	17/18 £'000
DF1	OTHE R	Corporate Finance - General Contingency	Contingency budget to allow for 'in year' decisions to be made by Cabinet & to provide for any potential further reductions in income as a result of the financial climate	100.0	(100.0)	
DF2	SAV	Senior Management Review – savings target of £200k from 2017/18 to be included within Corporate Management cost centre	Following the Service Review process and in light of the significant and ongoing grant reductions, it has been identified that the Council will need to be clear on what the organisation will look like and which services will be delivered in the future. This would then inform a review of Senior Management requirements - the likely savings would not be until 2017/18, given potential termination costs.			(200.0)
DF3	CORP	Revenue impact of Capital Programme	Contingency budget to allow for changes in revenue implications	-	-	-
DF4	CORP	Business Rates Section 31 Grant Income	New burdens funding for Government schemes to reduce rates charges	(367.0)	42.7	96.2
DF5	CORP	Business Rates Levy	Estimated levy - based on NNDR1	498.0	13.0	(96.0)
DF6	CORP	Contribution to Transformation Reserve	To support the Transformation process / MTFS			360.0
Total New Items / Amendments				231.0	(44.3)	160.2

STAFFING IMPLICATIONS

Item No		Proposal/(Existing Budget)	Implications	15/16 FTE	16/17 FTE	17/18 FTE
DF2		Senior Management Review – savings target of £200k from 2017/18 to be included within Corporate Management cost centre	As above	TBA		
TOTAL				-	-	-

DIRECTOR TECHNOLOGY & CORPORATE PROGRAMMES

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			15/16 £'000	16/17 £'000	17/18 £'000
TC1	CORP There is a requirement to increase the ICT budget (Application Software) to cover upgrade costs for Microsoft products. This requirement is for £35K p.a.	From March 2015, our current versions of Microsoft Office and Exchange will become unsupported and Microsoft will no longer release patches and fixes to deal with security vulnerabilities. It is a requirement of the government Code of Connection (PSN) to maintain the security of these products. There is the potential to off-set an element of this policy change but until the ICT Strategy has been agreed, this is worst case	35.0		
Total New Items / Amendments			35.0	-	-

STAFFING IMPLICATIONS

			15/16 FTE	16/17 FTE	17/18 FTE
TOTAL			-	-	-

SOLICITOR TO THE COUNCIL

Item No	Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
			15/16 £'000	16/17 £'000	17/18 £'000
SOL1	SAV Removal of 1 Cabinet Member & changes to SRA payable to Chair Licensing & Chair Audit & Governance Committees from 2015/16	A review of the structure of Cabinet has been undertaken resulting in the removal of an Executive Member and a maximum Cabinet of 5 Members (including the Leader). This will result in the saving of one Special Responsibility Allowance payment (SRA) and subject to cross party agreements alter the Constitution to permanently change Cabinet to a maximum of 5 Members. Further amendments to SRAs following Members Remuneration Panel review.	(12.0)		
Total New Items / Amendments			(12.0)	-	-

STAFFING IMPLICATIONS

Item No	Proposal/(Existing Budget)	Implications	15/16 FTE	16/17 FTE	17/18 FTE
TOTAL			-	-	-

DIRECTOR OF TRANSFORMATION & CORPORATE PERFORMANCE

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
				15/16 £'000	16/17 £'000	17/18 £'000
TCP1	CORP	Revised budgetary contribution required re Staffs Connects partnership & continued development of CRM system - as per Staffs Connects Strategic Advisory report and revised budget proposals agreed March 2014.	Additional budgetary contribution required for 3 years but then an ongoing saving as a result of reduced partner contributions.	10.0		
Total New Items / Amendments				10.0	-	-
STAFFING IMPLICATIONS						
				15/16 FTE	16/17 FTE	17/18 FTE
TOTAL				-	-	-

DIRECTOR COMMUNITIES, PLANNING & PARTNERSHIPS

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
				15/16 £'000	16/17 £'000	17/18 £'000
CPP1	SAV	Events – Voluntary Contributions to be requested (income target of £10k p.a.)	It has been highlighted that there is scope to generate £10k p.a. from voluntary contributions which could be received during the events programme.	(10.0)		
CPP2	SAV	CPP Business Support Service Review – saving £10k p.a. from a reduction in 0.4 FTE (Business Support Admin.)	The service review process has highlighted a proposed reduction in Business Support staffing (currently vacant) within Communities, Planning & Partnerships (CPP).	(10.0)		
CPP3	SAV	Community Safety Service Review – additional OPCC funding for 2 years of £15k p.a.	Following the Service Review, additional funding from the OPCC has been secured to part fund a post for 2 years.	(15.0)		15.0
CPP4	SAV	Community Development Service Review – saving £45k p.a. from a reduction in 1 FTE (Head of Service)	Community Development / Community Safety – an option to combine management roles was identified as part of the Service Review process.	(45.0)		
CPP5	CORP	Revenue impact of Capital Programme	Implications from Cultural Quarter Capital Scheme - Assembly Rooms	-	35.3	36.8
CPP6	CORP	Revenue impact of Capital Programme	Implications from Cultural Quarter Capital Scheme - Phil Dix	-	-	-
Total New Items / Amendments				(80.0)	35.3	51.8

STAFFING IMPLICATIONS

Item No		Proposal/(Existing Budget)	Implications	15/16	16/17	17/18
				FTE	FTE	FTE
CPP2		CPP Business Support Service Review – saving £10k p.a. from a reduction in 0.4 FTE (Business Support Admin.)	The service review process has highlighted a proposed reduction in Business Support staffing (currently vacant) within Communities, Planning & Partnerships (CPP).	(0.4)		
CPP4		Community Development Service Review – saving £45k p.a. from a reduction in 1 FTE (Head of Service)	Community Development / Community Safety – an option to combine management roles was identified as part of the Service Review process.	(1.0)		
TOTAL				(1.4)	-	-

DIRECTOR ASSETS & ENVIRONMENTAL SERVICES

Item No		Proposal/(Existing Budget)	Implications	Budget Change	Budget Change	Budget Change
				15/16 £'000	16/17 £'000	17/18 £'000
AE1	SAV	Agile Working Project - Deferral of receipt of projected income	Marmion House Rental Income budget - Increased income from rental part ground, 1st and 3rd floor	74.8	(74.75)	
AE2	SAV	Agile Working Project - Deferral of receipt of projected income	Increased income from service charges 3rd floor	27.5	(27.50)	
AE3	OTHER	Estimated increase in costs for Street Scene equipment when new contract let	Revised Estimate prepared	30.0		
Total New Items / Amendments				132.3	(102.3)	-

STAFFING IMPLICATIONS

Item No		Proposal/(Existing Budget)	Implications	15/16	16/17	17/18
				FTE	FTE	FTE
TOTAL				-	-	-

HOUSING REVENUE ACCOUNT

Item No		Proposal/(Existing Budget)	Implications	Budget Change				
				15/16 £'000	16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000
HRA1	SAV	Potential savings arising from Service Review options	Delete apprenticeship post in Investment team	(6.6)	-	-	-	-
HRA2	OTHER	To transfer funds from PTP to Capital to fund Energy Efficiency Improvements	Reduced PTP budget	(50)	-	-	-	-
HRA3	OTHER	To transfer funds from PTP to Capital to fund Energy Efficiency Improvements	Contribution to Capital Programme	50	-	-	-	-
HRA4	CORP	Revenue impact of Capital Programme	Lost rental income (offset by reduced repairs costs) associated with Regeneration Schemes at Tinkers Green & Kerria	218	131	(336)	(536)	(150)
HRA5	CORP	Reduced Revenue Contribution to Capital Regeneration Reserve	Reduced contribution following revised estimates on completion of updated build programme for the Regeneration of Tinkers Green & Kerria	(1,450)	-	-	1,450	-
			Additional Contribution to allow for development of acquisitions strategy	1,000	-	-	(1,000)	500
HRA 6	OTHER	Rent increase of CPI + 1% + £2 per week		(144.1)	(1.9)	(2.3)	(2.7)	(2.7)
HRA 7	OTHER	Contingency - Supporting People	Funding from SCC ceased - subject to Cabinet report March 2015	200.0	(200.0)			
Total New Items / Amendments				(182.7)	(71)	(338)	(89)	347

STAFFING IMPLICATIONS

Item No		Proposal/(Existing Budget)	Implications	15/16	16/17	17/18	18/19	19/20
				FTE	FTE	FTE	FTE	FTE
HRA1	SAV	Potential savings arising from Service Review options	Delete apprenticeship post in Investment team	(1)				
TOTAL				(1)	-	-	-	-

HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2015/16

Summary	Base Budget 14/15	Technical Adjustments	Policy Changes	Revised Budget 15/16	Revised Budget 16/17	Revised Budget 17/18	Revised Budget 18/19	Revised Budget 19/20
	£	£	£	£	£	£	£	£
Income								
Dwelling Rents	(18,238,710)	(58,680)	95,250	(18,202,140)	(18,302,080)	(18,924,730)	(19,802,560)	(20,297,810)
Non-Dwelling Rents	(347,490)	(8,040)	-	(355,530)	(364,320)	(373,330)	(382,570)	(392,040)
Charges for Services and Facilities	(371,390)	(2,370)	-	(373,760)	(376,180)	(378,660)	(381,210)	(382,380)
Contributions Towards Expenditure	(1,552,200)	(56,050)	-	(1,608,250)	(1,610,780)	(1,612,630)	(1,614,560)	(1,616,560)
Subtotal	(20,509,790)	(125,140)	95,250	(20,539,680)	(20,653,360)	(21,289,350)	(22,180,900)	(22,688,790)
Expenditure								
Repairs and Maintenance	4,115,500	91,990	(71,350)	4,136,140	4,246,930	4,363,750	4,490,060	4,618,750
Supervision and Management	5,932,590	148,430	193,400	6,274,420	6,244,670	6,343,600	6,441,790	6,534,150
Rents, Rates, Taxes and Other Charges	30,470	450	-	30,920	31,340	31,770	32,210	32,660
Increase in Provision for Bad Debts	470,000	-	-	470,000	470,000	470,000	470,000	470,000
Depreciation and impairment of non-current assets	4,467,270	(8,010)	-	4,459,260	4,459,260	4,459,260	4,459,260	4,459,260
Debt Management Costs	16,230	1,460	-	17,690	17,820	17,230	17,310	17,310
Subtotal	15,032,060	234,320	122,050	15,388,430	15,470,020	15,685,610	15,910,630	16,132,130
Net cost of HRA Services per Authority I&E	(5,477,730)	109,180	217,300	(5,151,250)	(5,183,340)	(5,603,740)	(6,270,270)	(6,556,660)
Corporate and Democratic Core	4,600	(240)	-	4,360	4,480	4,600	4,730	4,860
Net Cost of HRA Services	(5,473,130)	108,940	217,300	(5,146,890)	(5,178,860)	(5,599,140)	(6,265,540)	(6,551,800)
Interest Payable and Similar Charges	2,983,460	13,610	-	2,997,070	3,101,580	3,090,170	3,090,170	3,090,170
Interest Receivable and Similar Income	(66,460)	(85,600)	-	(152,060)	(156,630)	(220,560)	(252,990)	(292,210)
Surplus/ Deficit for the year	(2,556,130)	36,950	217,300	(2,301,880)	(2,233,910)	(2,729,530)	(3,428,360)	(3,753,840)

Statement of Movement on the HRA Balance

Surplus or Deficit for the year	(2,556,130)	36,950	217,300	(2,301,880)	(2,233,910)	(2,729,530)	(3,428,360)	(3,753,840)
Additional Items required to be taken into account:								
Capital Expenditure funded by the HRA	3,540,390	2,233,850	(400,000)	5,374,240	2,704,330	2,804,330	3,254,330	3,754,330
(Increase)/ Decrease in HRA Balances	984,260	2,270,800	(182,700)	3,072,360	470,420	74,800	(174,030)	490

General Fund Summary Revenue Budget for 2015/16

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Base Budget 2014/15 £	Technical Adjustments £	Policy Changes £	Budget 2015/16 £
Chief Executive	156,670	4,510	-	161,180
Executive Director Corporate Services	340,230	39,710	(30,000)	349,940
Director of Finance	79,890	(1,014,360)	231,010	(703,460)
Director of Technology & Corporate Programmes	894,600	(49,660)	35,000	879,940
Solicitor to the Council	554,590	8,480	(12,000)	551,070
Director of Transformation & Corporate Performance	939,450	(52,360)	10,000	897,090
Director of Communities, Planning & Partnerships	2,337,020	(42,330)	(80,000)	2,214,690
Director of Housing & Health	1,033,190	(121,000)	-	912,190
Director of Assets & Environment	2,796,650	272,100	132,250	3,201,000
Total Cost of Services	9,132,290	(954,910)	286,260	8,463,640
Transfer to / (from) Balances	(1,195,653)	1,049,971	-	(145,682)
Revenue Support Grant	(2,339,798)	732,244	-	(1,607,554)
Retained Business Rates	(12,727,008)	(454,121)	-	(13,181,129)
Less: Tariff payable	10,354,168	197,851	-	10,552,019
Collection Fund Surplus (Council Tax)	(53,509)	(28,161)	-	(81,670)
Collection Fund Surplus (Business Rates)	-	(728,023)	-	(728,023)
Council Tax Requirement	(3,170,490)	185,149	(286,260)	(3,271,601)

General Fund Technical Adjustments 2015/16 (before Policy Changes)

<i>Figures exclude internal recharges which have no bottom line impact</i>	Budget 2014/15	Technical Adjustments							Total Adjustments £	Total Adjusted Base 2015/16 £
		Virements £	Committee Decisions £	Inflation £	Other £	Pay Adjustments £	External Recharge Changes (non-GF Activities) £			
Chief Executive	156,670	-	-	160	(650)	5,780	(2,210)	3,080	159,750	
Executive Director Corporate Services	340,230	-	73,710	(640)	(51,720)	16,360	2,230	39,940	380,170	
Director of Finance	79,920	-	(324,300)	3,050	(696,820)	20,950	(15,700)	(1,012,820)	(932,900)	
Director of Technology & Corporate Programmes	894,590	-	-	11,720	(85,750)	17,990	17,690	(38,350)	856,240	
Solicitor to the Council	554,580	-	-	4,520	130	9,430	(5,440)	8,640	563,220	
Director of Transformation & Corporate Performance	939,450	-	(50,380)	2,630	1,020	19,240	(17,700)	(45,190)	894,260	
Director of Communities, Planning & Partnerships	2,337,010	-	(84,610)	(1,850)	1,340	42,800	-	(42,320)	2,294,690	
Director of Housing & Health	1,033,190	-	(183,710)	1,010	11,390	4,370	76,500	(90,440)	942,750	
Director of Assets & Environment	2,796,590	-	(530,140)	15,190	746,420	54,780	910	287,160	3,083,750	
Grand Total	9,132,230	-	(1,099,430)	35,790	(74,640)	191,700	56,280	(890,300)	8,241,930	

HRA Technical Adjustments 2015/16 (before Policy Changes)

	Budget 2014/15	Technical Adjustments						Total Adjusted Base 2015/16 £	
		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>									
Director of Housing & Health	4,052,290	-	(10,450)	31,770	(7,600)	57,610	(59,210)	12,120	4,064,410
Director of Assets & Environment	12,280	-	(13,510)	190	520	3,730	9,080	10	12,290
HRA Summary	(3,080,310)	-	1,533,170	94,680	563,280	-	-	2,191,130	(889,180)
Grand Total	984,260	-	1,509,210	126,640	556,200	61,340	(50,130)	2,203,260	3,187,520

General Fund 3 Year Revenue Budget Summary

<i>Figures exclude internal recharges which have no bottom line impact.</i>	Base Budget 2014/15 £	Budget 2015/16 £	Budget 2016/17 £	Budget 2017/18 £
Chief Executive	156,670	161,180	169,520	173,250
Executive Director Corporate Services	340,230	349,940	364,710	376,510
Director of Finance	79,890	(703,460)	(921,770)	(713,550)
Director of Technology & Corporate Programmes	894,600	879,940	916,540	941,470
Solicitor to the Council	554,590	551,070	571,460	585,580
Director of Transformation & Corporate Performance	939,450	897,090	896,490	919,170
Director of Communities, Planning & Partnerships	2,337,020	2,214,690	2,282,810	2,376,170
Director of Housing & Health	1,033,190	912,190	922,750	928,240
Director of Assets & Environment	2,796,650	3,201,000	3,250,930	3,348,740
Total Cost of Services	9,132,290	8,463,640	8,453,440	8,935,580
Transfer to / (from) Balances	(1,195,653)	(145,682)	(1,141,333)	(2,039,064)
Revenue Support Grant	(2,339,798)	(1,607,554)	(1,204,322)	(866,893)
Retained Business Rates	(12,727,008)	(13,181,129)	(13,516,635)	(13,559,828)
Less: Tariff payable	10,354,168	10,552,019	10,763,060	10,978,321
Collection Fund Surplus (Council Tax)	(53,509)	(81,670)	-	-
Collection Fund Surplus (Business Rates)	-	(728,023)	-	-
Council Tax Requirement	(3,170,490)	(3,271,601)	(3,354,209)	(3,448,115)

Appendix H

Council Tax levels at each band for 2015/16

Authority:	Tamworth Council Tax 2014/15 £	Tamworth Borough Council £	* Staffordshire County Council £	* Office of the Police & Crime Commissioner (OPCC) Staffordshire £	* Stoke on Trent and Staffordshire Fire and Rescue Authority £	Total 2015/16 £	Total Council Tax 2014/15 £
Demand/Precept on Collection Fund		3,271,601	21,603,272	3,663,739	1,422,507	29,961,119	
Council Tax Band							
A	103.67	105.73	698.19	118.41	45.97	968.30	952.00
B	120.94	123.36	814.55	138.14	53.64	1,129.69	1,110.66
C	138.22	140.98	930.92	157.88	61.30	1,291.08	1,269.33
D	155.50	158.60	1,047.28	177.61	68.96	1,452.45	1,428.00
E	190.06	193.84	1,280.01	217.08	84.28	1,775.21	1,745.34
F	224.61	229.09	1,512.74	256.55	99.61	2,097.99	2,062.67
G	259.17	264.33	1,745.47	296.02	114.93	2,420.75	2,380.00
H	311.00	317.20	2,094.56	355.22	137.92	2,904.90	2,856.00
% increase	1.97%	1.99%	1.95%	0%	1.95%	1.71%	0.21%

*

Staffordshire County Council - Medium Term Financial Strategy 2015/20 and 2015/16 Budget and Council Tax, 12th February 2015

Staffordshire Police and Crime Panel - Police and Crime Commissioner for Staffordshire - Draft Revenue Budget and Precept 2015/16, 26th January 2015 (notified 10th February)

Stoke on Trent and Staffordshire Fire and Rescue Authority Strategy and Resources Committee - Revenue Budget 2015/16, 16th February 2015

General Fund Capital Programme 2014/15 – 2016/17

General Fund	2015/16 £	2016/17 £	2017/18 £	Total £
<u>Capital Programme</u>				
Technology Replacement Contingency - Agile	60,000	60,000	60,000	180,000
Working - Floor Refurbishment Contingency - Agile	228,000	-	-	228,000
Working - Furniture	48,000	-	-	48,000
Subtotal	336,000	60,000	60,000	456,000
Private Sector Grants - Disabled Facilities Grants	300,000	250,000	250,000	800,000
CCTV Camera Renewals	15,000	15,000	15,000	45,000
Cultural Quarter	200,000	2,135,300	2,078,100	4,413,400
Gateways Plant & Equipment Contingency	50,000 1,000,000	50,000 -	50,000 -	150,000 1,000,000
Subtotal	1,565,000	2,450,300	2,393,100	6,408,400
Total General Fund Capital	1,901,000	2,510,300	2,453,100	6,864,400
<u>Proposed Financing:</u>				
Grants - Disabled Facilities	224,000	224,000	224,000	672,000
Grants - Assembly Rooms (HLF)	200,000	613,100	90,300	903,400
Grants - Assembly Rooms (SLGF)	-	841,900	1,124,100	1,966,000
Grants - SCC (Assembly Rooms)	-	500,000	-	500,000
Public Contributions (Assembly Rooms)	-	25,000	25,000	50,000
General Fund Capital Receipts	-	302,200	912,200	1,214,400
Sale of Council House Receipts	210,000	4,100	57,300	271,400
General Fund Capital Reserve	139,000	-	20,200	159,200
Revenue Contribution to Capital Outlay in Year	128,000	-	-	128,000
Unsupported Borrowing	1,000,000	-	-	1,000,000
Total	1,901,000	2,510,300	2,453,100	6,864,400

Appendix J

Housing Capital Programme 2015/16 – 2019/20

<u>Housing Revenue Account</u>	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
	£	£	£	£	£	£
<u>Capital Programme</u>						
Bathroom Renewals	755,370	774,250	795,540	817,420	839,900	3,982,480
Disabled Facilities Adaptations	300,000	307,500	315,960	324,650	333,580	1,581,690
Gas Central Heating Upgrades and Renewals	557,560	569,830	582,360	595,170	608,260	2,913,180
Kitchen Renewals	897,000	919,430	944,710	970,690	997,380	4,729,210
High Rise Lift Renewal	335,090	342,460	349,990	-	-	1,027,540
Major Roofing Overhaul and Renewals	152,950	156,770	161,080	165,510	170,060	806,370
Fencing/Boundary Walls	30,000	30,000	30,000	30,000	30,660	150,660
Fire Upgrades to Flats	300,000	265,460	-	-	-	565,460
Structural Works	200,000	100,000	100,000	100,000	100,000	600,000
High Rise Balconies	525,000	525,000	525,000	525,000	-	2,100,000
Sheltered Schemes	250,000	-	-	-	-	250,000
General Estate Works	200,000	200,000	200,000	200,000	200,000	1,000,000
Energy Efficiency Improvements	50,000	50,000	50,000	50,000	50,000	250,000
Window and Door Renewals	292,310	298,740	305,310	312,030	318,900	1,527,290
Gas Heating at Belgrave	284,820	-	-	-	-	284,820
Agile Working	50,000	-	-	-	-	50,000
Contingency	100,000	100,000	100,000	100,000	100,000	500,000
Capital Salaries	165,670	169,310	173,040	176,840	180,730	865,590
CDM Fees	9,950	10,170	10,390	10,620	10,850	51,980
Regeneration Schemes						
Kerria	240,000	848,150	1,810,640	3,805,250	-	6,704,040
Tinkers Green	1,314,340	2,162,050	6,640,000	1,634,000	-	11,750,390
Redevelopment of Garage sites	2,620,000	2,000,000	2,000,000	1,500,000	1,500,000	9,620,000
Other acquisitions	800,000	500,000	500,000	500,000	500,000	2,800,000
Total HRA Capital	10,430,060	10,329,120	15,594,020	11,817,180	5,940,320	54,110,700
<u>Proposed Financing:</u>						
Capital Receipts from add'l Council House Sales	750,000	1,668,200	250,000	175,000	-	2,843,200
Regeneration Revenue Reserves	3,043,340	1,600,000	1,325,000	3,047,950	2,000,000	11,016,290
Major Repairs Reserve	4,482,060	4,482,060	4,482,060	4,327,930	3,890,320	21,664,430
Revenue Contribution to Capital Outlay in Year	973,660	336,860	161,320	50,000	50,000	1,571,840
Revenue Contribution to Capital Outlay in Year	1,181,000	-	4,403,640	4,216,300	-	9,800,940
Unsupported Borrowing	-	2,242,000	4,972,000	-	-	7,214,000
Shortfall						-
Total	10,430,060	10,329,120	15,594,020	11,817,180	5,940,320	54,110,700

Main Assumptions

Inflationary Factors	2015/16	2016/17	2017/18	2018/19	2019/20
Inflation Rate - Pay Awards	2.20%	2.00%	2.00%	2.00%	2.00%
National Insurance	7.10%	10.50%	10.50%	10.50%	10.50%
Superannuation	16.50%	16.50%	16.50%	16.50%	16.50%
Inflation Rate (RPI)	2.50%	2.75%	2.75%	2.75%	2.75%
Inflation Rate (CPI)	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Rates	1.25%	2.25%	2.75%	3.25%	3.25%
Base Interest Rates	1.00%	1.75%	2.25%	2.75%	2.75%

1. Pay award – it has been assumed that public sector pay will rise in line with the latest consultation for 2014/15 & 2015/16 (generally 2.2% from 1st January 2015 plus other one-off payments) 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 provisional settlement for 2015/16 was announced in December 2014, the Government proposed cuts of 15.5% to the Council's 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 been announced that a grant will be available to authorities that agree to freeze or reduce Council Tax in 2015/16;
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 of c.2% in the pension lump sum element for past liabilities have been included (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 (3 years)

	Risk	2015/16 £'000	2016/17 £'000	2017/18 £'000
Pay Award / National Insurance (GF)				
Impact +/- 0.5% Variance £'000	L	42	86	131
Budget Impact over 1 year	L	42		
Budget Impact over 3 years	L/M	259		
Pay Award / National Insurance (HRA)				
Impact +/- 0.5% Variance £'000	L	13	26	40
Budget Impact over 1 years	L	13		
Budget Impact over 3 years	L	79		
Budget Impact over 5 years	M	201		
Pension Costs				
Impact +/- 0.5% Variance £'000	L	0	0	58
Budget Impact over 1 year	L	0		
Budget Impact over 3 years	L	58		
Council Tax				
Impact on Council Tax income £'000		33	51	70
Budget Impact over 1 year	L	33		
Budget Impact over 3 years	L	154		
Inflation / CPI				
Impact +/- 0.5% Variance £'000	L	39	79	119
Budget Impact over 1 year	L	39		
Budget Impact over 3 years	M	237		
Government Grant				
Impact +/- 1.0% Variance £'000	L	42	82	116
Budget Impact over 1 year	L	42		
Budget Impact over 3 years	M	240		

	Risk	2015/16 £'000	2016/17 £'000	2017/18 £'000
Investment Interest				
Impact +/- 0.5% Variance £'000	L	104	190	272
Budget Impact over 1 year	L	104		
Budget Impact over 3 years	H	566		
Key Income Streams (GF)				
Impact +/- 0.5% Variance £'000	L	26	52	78
Budget Impact over 1 year	L	26		
Budget Impact over 3 years	L/M	156		
Key Income Streams (HRA)				
Impact +/- 0.5% Variance £'000	L	92	184	280
Budget Impact over 1 years	L	92		
Budget Impact over 3 years	H	556		
Budget Impact over 5 years	H	1412		
New Homes Bonus				
Impact +/- 10% Variance £'000	L	55	120	184
Budget Impact over 1 year	L	55		
Budget Impact over 3 years	M	359		
Business Rates				
Impact +/- 10% Variance £'000	L	66	133	201
Budget Impact over 1 year	L	66		
Budget Impact over 3 years	M	400		

Contingencies**Contingencies 2015/16 - 2019/20**

Revenue	2015/16	2016/17	2017/18	2018/19	2019/20
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
General Fund					
Specific Contingencies					
Vacancy Allowance	50	50	50		
General Contingency	100	-	-		
Total General Fund Revenue	150	50	50		
Housing Revenue Account					
Specific Contingencies					
Supporting People	200	-	-	-	
HRA - General Contingency	100	100	100	100	100
Total HRA Revenue	300	100	100	100	100

Capital	2015/16	2016/17	2017/18	2018/19	2019/20
Specific Earmarked &	£'000	£'000	£'000	£'000	£'000
General					
General Fund					
Specific Contingencies					
Contingency - Agile Working - Floor Refurbishment	228	-	-		
Contingency - Agile Working - Furniture Plant & Equipment Contingency	48	-	-		
General Capital Contingency*	1,000	-	-		
Total General Fund Capital	1,276	-	-		
Housing Revenue Account					
HRA - General Capital Contingency	100	100	100	100	100
Total HRA Capital	100	100	100	100	100

* The 2014/15 Contingency budget of £50k is to be reprofiled to 2015/16.