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| Report of: | Head of Finance |
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| Key Decision: | No |
| Report Track: | Cabinet: 29/01/15 Council: 11/02/15 |

CABINET
29 JANUARY 2015
GENERAL FUND BUDGET AND CAPITAL PROGRAMME 2015-16 TO 2017-18

1 Purpose of Report

- 1.1 To consider the current position of the General Fund Revenue Budget for 2015-16 to 2017-18 and the updated capital programme 2015-16 to 2017-18.

2 Recommendations

- 2.1 That, subject to the approval of the “ Introduction of the Living Wage”- included as a separate item on the Agenda - the following be recommended to Council as part of the formal budget setting process:-
- (a) the level of net spending for the General Fund Revenue Budget for 2015-16 be set at £12.702 million; with indicative net spending for 2016-17 and 2017-18 of £12.769million and £13.085 million respectively;
 - (b) the detailed portfolio budgets as set out in **Appendix 2**
 - (c) the forecast outturn net budget of £14.391 million including a Revenue Contribution to Capital Outlay of £1.5 million
 - (d) the use of Government Grants in 2015-16 of £1.347 million with indicative figures of £1.512 million and £1.661 million for 2016-17 and 2017-18 respectively;
 - (e) the working balances be set at £0.698 million; £0.879 million and £1.040 million for 2015-16 to 2017-18 respectively;
 - (f) that a Council Tax freeze be recommended to the Council for 2015-16; with indicative increases of 1.95% to the level of Council Tax for 2016-17 and 2017-18;
 - (g) the Council’s Tax base be set at 26,902.88

- (h) the revised capital programme, including new schemes, as set out in **APPENDICES 3 and 4.**

3 Key Issues and Reasons for Recommendation

- 3.1 The report sets out a draft standstill budget for 2015-16 as well as indicative budgets for 2016-17 and 2017-18 and associated issues and also includes current indications of the impact that this will have on Council Tax. It also sets out the updated capital programme, and it sets out the capital resources available to the authority to finance the capital programme.

4 Relationship to Corporate Priorities

- 4.1 The revenue budget and capital programme reflect the Council's priorities.

5 Report Detail

- 5.1 As a precursor to the consideration of the overall General Fund Revenue Budget, Cabinet approved the General Fund Financial Plan for the period 2015-16 to 2017-18 on 20 November 2014.
- 5.2 The General Fund Revenue Budget for the period 2015-16 to 2017-18 has now been compiled following the principles agreed in the Financial Plan.
- 5.3 The detailed Portfolio Budgets together with Variation Statements as compared with the Budget Approved by Council last year are attached as Appendix 2 to the report. The following paragraphs highlight the background to the compilation of the Revenue Budget.

5.4 Budget issues

Costs and Inflation

- 5.4.1 Inflation provision for Pay awards has been amended to reflect the agreed settlement for Local Government that covers the period 1 January 2015 to 31 March 2016. The settlement is in line with the assumptions for 2015-16 however the impact on 2015-16 and future years is an increase of 0.18% which amounts to £23,000 per annum.
- 5.4.2 The assumptions contained within the indicative budgets as approved last year and reflected in the Financial Plan were that pay would increase by a maximum of 2% in 2016-17 and a similar figure had been provided in relation to 2017-18. The 2014 Autumn Statement of the Chancellor however stated that "the government will need to continue to reform, and take tough decisions on, public sector pay while it continues to reduce the current budget deficit until 2017-18, and would expect to deliver commensurate savings". The budget has therefore

been amended to reflect a 1% pay provision in each of those years with a corresponding reduction in Government Grant.

- 5.4.3 A separate report appears elsewhere on the Agenda in relation to the introduction of the Living Wage with effect from April 2015 and the financial implications of its implementation have been included in the Draft Budget for 2015-16 to 2017-18.
- 5.4.4 Business Rates Income has been amended to reflect the September RPI, which determines the NNDR multiplier for 2015-16, with a resultant 2.3% increase projected. The Chancellor announced in the 2014 Autumn Statement that the actual increase would be capped at 2%. The Budget therefore reflects a 2% increase in Business Rates with the 0.3% difference being compensated for by a Section 31 Grant from the Government.
- 5.4.5 No other material changes have been made to the assumptions for inflation as contained in the indicative budgets of the 2014-15 Budget report as updated by the 2015-16 to 2017-18 Financial Plan
- 5.4.6 In relation to cost pressures further provision has been made for an increase in Employer Contributions from the next triennial Actuarial Valuation of the Pension Fund. In accordance with the stabilisation methodology of the fund it is expected that overall amount of Employer Contributions will increase with effect from April 2017 by the equivalent of 2% per annum.
- 5.4.7 Provision has also been made to deliver the requirements of the Local Plan (Part 2) during the next three years and is to be funded from Earmarked Reserves. The Local Plan will require specialist technical assessments such as Sustainability and Habitat Appraisals, Housing Supply (incl. Birmingham supply issue), Retail requirements of the District, Green Belt Review etc. Expenditure will be incurred on a combination of recruiting fixed term employees and procuring external consultants over the three year period.
- 5.4.8 The Draft Budget also includes the transfer and rolling forward of funds earmarked to the LSP to provide a contribution to Pooled Funding. Provision of £50,000 exists within the 2014-15 budget for match funding for an apprenticeship scheme that is no longer applicable. The draft budget transfers this one off allocation to the Health & Wellbeing Locality Commissioning Partnership. The Cannock Chase Health & Wellbeing Commissioning Partnership is seeking to increase the amount of work that is jointly commissioned and/or delivered by the partnership. The purpose of this is to deliver better and more cost effective initiatives to improve health and wellbeing, thereby maximising the use of available financial resources. The transfer of existing resources to a Commissioning Pot for 2015-16 will enable the scheme be reviewed in relation to outcomes, to be evaluated against existing priorities and the level of resources available to the Council from 2016-17 onwards, and identify the scope of commissioning to be undertaken in future years.

Main streams of income

- 5.4.9 The economic climate continues to affect the Council's main income streams. Income for the first eight months is however above target with Waste &

Recycling; Land Charges and Markets showing positive variations. Off Street Parking; Cemeteries and Building Control however are down on target for the first two thirds of the year. The major issue is however Planning fees which was some down £185,000 on estimate in 2013-14, and although the current year is expected to show a surplus of £60,000 this reflects the slippage from 2013-14 and a number of major one –off applications that will not be repeated in future years. The underlying trend shows a shortfall of £100,000 to £150,000. Preliminary estimates indicate that additional one –off major applications will partly continue into 2015-16 however they are not sustainable. The situation is being monitored on a regular basis and if the overall downward trend continues into 2016-17 corrective action will be required in advance of the 2017-18 financial year. The 2017/18 budget includes the potential reduction in income with a comparable saving requirement.

- 5.4.10 In relation to future years, with the exception of Planning Fees and Land Charges, provision has been made for the ongoing effect of such changes in income. Any ongoing down turn in income for Planning Fees will require compensating savings to be identified; whereas the responsibility for Local Land Charges is anticipated to transfer to the Land Registry during 2015-16 although the date of transfer for the West Midlands Region is currently unknown.

Efficiency Savings and Sources of Additional Income

- 5.4.11 In the light of the financial difficulties facing the Council, the following savings and sources of additional income have been identified which have no impact on service provision to the public:

| Table 1 :Efficiency Savings reflected in the Draft Budget | | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Savings/Additional Income | 2014/15 £000 | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 |
| Senior Management Restructure | 132 | (147) | (252) | (254) |
| Efficiency Savings | (127) | (184) | (187) | (187) |
| Treasury Management | (56) | (40) | (40) | |
| Accommodation | | (10) | (10) | (10) |
| Total | (51) | (381) | (489) | (451) |

- 5.4.12 An interim Senior Management Restructure was approved by Council on 26 February 2014 with ongoing savings arising from the deletion of the Head of Policy Post; the savings have partly been offset in the short term by the establishment of the Head of Service LEP consultant post for a 2 year fixed period. Council at its meeting on the 14 January 2015 also approved the creation of a Managing Director post with the deletion of the Chief Executive and Corporate Director posts and the savings are now reflected in the proposed budgets.
- 5.4.13 In addition to the above further savings will be made to compensate for the reduction in Housing Benefit Admin Grant arising from the introduction of the Single Fraud investigatory Service and the implementation of Universal Credits. The Draft Budget reflects both the anticipated reduction in Grant and the efficiency savings required

5.4.14 A comprehensive review of the base budget has been undertaken based upon expenditure patterns over the last three years and a number of savings on consumables have been identified. In addition further efficiency savings have been identified from existing Shared Services for both Cannock and Stafford Borough lead services. The efficiency savings also include the provision of the Tree Maintenance service as part of the Parks and Open Spaces in-house service rather than external provision. Additional income was anticipated in relation to the sharing of accommodation, and although further savings have arisen in relation to sharing with the Clinical commissioning Group and Registrars (County Council), business cases are still to be developed for Phase 3 of the work with the Councils partners. No provision is therefore reflected in the budget at this stage although further savings may arise in 2016-17 and 2017-18.

5.5 Monitoring of the 2014-15 Revenue Budget

5.5.1 The Budget for 2014-15 is monitored each month against the profiled budget. The position based on the November figures, updated for known changes in the forecast outturn is set out in the following table:

| Table 2 : Budget Monitoring as at 30 November 2014 | | | | | |
|---|------------------------|------------------------|-----------------------|-----------------|-------------------------|
| 2014-15 | | | | | |
| | Approved Budget | Profiled Budget | Actual to date | Variance | Forecast Outturn |
| | £000 | £000 | £000 | £000 | £000 |
| Portfolio Budgets | 12,209 | 3,141 | 2,976 | (165) | 12,033 |
| Investment income | (99) | (66) | (57) | 9 | (155) |
| Technical Adjs. | 657 | - | - | - | 773 |
| RCCO | - | - | - | - | 1,500 |
| Collection Fund | 240 | - | - | - | 240 |
| Net Spending | 13,007 | 3,075 | 2,919 | (156) | 14,391 |

5.5.2 The monitoring statement includes a projection to the financial year end of the forecast outturn position. It is currently expected that there will be an overall net saving of £176,000 on Portfolio Budgets compared with the original budget by the end of the financial year.

5.6 Reserves and Balances

5.6.1 Reserves and balances comprise general reserves, the working balance and earmarked reserves. The general strategy for using unallocated reserves is that they are used to meet shortfalls in the net budget during the year. This is particularly important in the current economic circumstances when sources of income are particularly volatile.

5.6.2 The Council's General Fund working balance currently stands at £2.275 million. In setting the 2014-15 budget it was anticipated that a further transfer of £0.017 million would be made, this is now likely to increase to £ 0.524 million. Reflecting the portfolio outturn saving as above combined with the additional income in relation to the sharing mechanism for the Greater Birmingham and Solihull Business Rates Pool. The prudent level of Working Balance is recommended to be £0.698 million as set out in **APPENDIX 1**, but rising to

£1.040 Million in 2017-18 thus identifying at this stage £1.5 million to be made available to support the budget from 2015-16 onwards.

- 5.6.3 A budget shortfall of £411,000 exists in 2017-18 and although Working Balances will provide sufficient additional resources to meet the shortfall, the Councils Budget Strategy assumes that further savings will need to be identified as part of the Medium Term strategy to meet any shortfall. Balances as such are used to enable the Council to mitigate the impact of downsizing, restructuring and to meet any associated severance/termination costs.
- 5.6.4 The cost of servicing the Council's debt is forecast to be £546,000 in 2017-18 and by adopting a similar policy to 2014-15 the cost can be reduced by £90,000 per £1.0 million of debt reduction or avoidance of borrowing. It is therefore proposed to transfer £1.5 million to an RCCO reserve and its application to be determined in 2017-18 reflecting the financial position of the Council at that time.
- 5.6.5 The Council holds a number of earmarked reserves for specific purposes. Earmarked reserves have been reviewed and those that are no longer required have been incorporated in the Council's general reserves. A summary of earmarked reserves incorporating their planned use over the next four years is detailed overleaf with a more detailed analysis of Other General reserves attached at **APPENDIX 6**.

| Table 3 :General Fund Earmarked Reserves | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 31/03/2015 | 31/03/2016 | 31/03/2017 | 31/03/2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Ring Fenced Grants | 131 | 131 | 131 | 131 |
| Section 106 | 968 | 888 | 888 | 888 |
| Commuted Sums | 207 | 185 | 164 | 143 |
| Bond | 145 | 167 | 189 | 211 |
| Shared Services | 167 | 167 | 167 | 167 |
| Partner | 210 | 66 | 69 | 43 |
| RCCO | 2,500 | 1,500 | 1,500 | |
| General - Other | 2,302 | 1,963 | 1,777 | 1,610 |
| Total | 6,630 | 5,067 | 4,885 | 3,193 |

- 5.6.6 **APPENDIX 7** sets out the required report on the robustness of the budget estimates and the adequacy of the Council's reserves.

5.7 Local Government Finance Settlement 2015-16

- 5.7.1 The provisional Local Government Finance Settlement for 2015-16 was received by the Council on 18 December. The 2015-16 provisional settlement represents the second year in which the Business Rates Retention (BRR) scheme is the principal form of local government funding. The settlement provides the Council with a combination of its provisional Revenue Support Grant allocation and its baseline figures within the BRR scheme.
- 5.7.2 The provisional figures show a reduction of funding of 15.9% in 2015/16 amounting to a cash reduction of £905,000.

- 5.7.3 In comparison with the Financial Plan considered by Cabinet in November no material change has occurred with the shortfall in the provisional allocations being offset by an anticipated Section 31 Grant in relation to the Business Rates Multiplier.
- 5.7.4 Table 4 compares the provisional settlement to the 2014-15 allocation and the Financial Plan (Indicative Settlement) as considered by Cabinet at its meeting on the 20 November 2014.

| Table 4 : Provisional Spending Assessments as compared to 2014-15 actual | | | |
|---|------------------------------|----------------------------------|----------------------------|
| Settlement | 2014-15 Actual £m | 2015-16 Indicative £m | 2015-16 Provisional |
| Business Rates | 2.712 | 2.787 | 2.764 |
| Revenue Support Grant | 3.034 | 2.052 | 2.128 |
| Sub Total | 5.746 | 4.839 | 4.892 |
| Less Integration C. Tax Freeze Grant | | | (0.062) |
| Less LCTS(Parish allocations) | (0.090) | (0.090) | (0.090) |
| Sub Total | 5.656 | 4.749 | 4.74 |
| Section 31 Grant – 2% NNDR Multiplier | 0.029 | 0.029 | 0.040 |
| Total | 5.685 | 4.778 | 4.78 |
| Reduction | | (0.907) | (0.905) |
| | | | |

- 5.7.5 The settlement represents a one year allocation with the awards for 2016-17 and 2017-18 remaining unknown. However, clear indications have been given that reductions in public expenditure will continue for the foreseeable future with the firm likelihood that Revenue Support Grant will eventually disappear completely. The Formula Grant figures included in the indicative budgets for 2016-17 and 2017-18 include our best estimate of formula funding based on the assumption that significant reductions in Formula Grant will continue.
- 5.7.6 The Chancellor in his Autumn Statement indicated that reductions in funding are likely to continue at the same rate as between 2010-11 and 2015-16. The proposals however suggest that the reductions would be over the first two years of the parliament rather than the four years as contained in the financial plan.
- 5.7.7 Paragraph 5.4.2 indicated that control over Public Sector Pay would be a key tool in providing commensurate savings. The provision for pay awards in 2016-17 and 2017-18 have been reduced accordingly and the reduced cost reflected in a lower Revenue Support Grant settlement for each of the years.

- 5.7.8 The anticipated reductions in Government support, excluding the increases arising from the incentive elements of the Local Government Financing Regime, i.e. New Homes Bonus and Business Rates Retention, are as follows:-

| Table 5 : Local Government Financial Settlements 2013-2017 | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2013-14 £'000 | 2014-15 £'000 | 2015-16 £'000 | 2016-17 £'000 | 2017-18 £'000 |
| 2013-14 Settlement Net Parish Grant | 3,909 (91) | | | | |
| Net Settlement | 3,818 | 3,818 | 3,818 | 3,818 | 3,818 |
| 2014-15 Settlement | | (874) | (874) | (874) | (874) |
| 2015-16 Provisional | | | (969) | (969) | (969) |
| Future Settlements | | | | (608) | (1,103) |
| Govern. Funding | | 2,944 | 1,975 | 1,367 | 872 |

- 5.7.9 It can be seen from above that Revenue Support Grant will have reduced by 77% by 2017-18.

5.8 Business Rates Retention Scheme

- 5.8.1 The Business Rates Retention Scheme forms part of the new Funding regime for Local Government and incentivises Councils to promote economic growth in their area as they are entitled to retain a share of business rates growth.
- 5.8.2 In determining the amount of overall Government funding allocated to the Council a baseline figure for 2015-16 of £2.764 million has been set which is used in determining the amount of Business Rates to be retained by the Council. The Baseline is updated each year to reflect inflation.
- 5.8.3 The chancellor announced a number of changes in relation to Business Rates in his Autumn Statement that related to 2015-16. These included
- Business Rates increase for 2015-16 is to be capped at 2% rather than the rate of inflation
 - The temporary increase in Small Business Rates Relief is to be extended for another 12 months.
 - The business rates discount of £1,000 for retail and food and drink premises with a rateable value below £50,000 will be increased to £1,500 for 2015/16.
- 5.8.4 The impact of the changes is financially neutral for 2015-16 with compensating grants (section 31) being provided by the Government. The continuation of Small Business Rates Relief formed part of the assumptions as contained in the Financial Plan.

- 5.8.5 The autumn statement also included other changes including a review of the future structure of business rates; reference to the interim findings on Business Rates Administration review; Transitional arrangements; backdating and rates avoidance .However these are more than likely to apply to the 2016-17 or 2017-18 financial years and at this stage have no impact on the budget.
- 5.8.6 The draft budget for 2015-16 onwards assumes that the Council will receive additional funding of £910,000 from the Business Rates Retention Scheme in respect of “growth” compared with the Government’s baseline.
- 5.8.7 The Resources forecast for the current and future years also includes the retention of additional business rates in accordance with the Business Rates Pooling agreement. Agreement has been reached with the Greater Birmingham and Solihull (GB&S) Business Rates Pool on a distribution mechanism of the levy paid by each authority to the pool whereby the generating authority will retain 32.5% of the levy that it pays into the pool. The agreement is for an initial three year period ending 2016-17, however the Draft Budget assumes that a retained pool levy will also apply in future years. **Appendix 5** provides an analysis of the Retained Business Rates Income for the Council.
- 5.8.8 A large number of appeals are also still outstanding which could have a detrimental impact on income. In particular the proposed limit on the period for which appeals can be backdated may lead to a substantial increase in the number of appeals received by the 1 April 2015 cut off date. The level of income is affected by many other factors, including the number of empty business properties and the levels of mandatory and discretionary rate relief granted and forecasts are therefore subject to regular review.
- 5.8.9 The business rates scheme brings more uncertainty into setting the Council’s future budgets. There may be situations where the Council may face reductions in business rate income during a financial year which would not have been budgeted. In those circumstances, the Council’s General Fund Working Balance would be used to meet any shortfalls in that year and the following year’s budget would be adjusted to reflect the changed circumstances.

5.9 New Homes Bonus.

- 5.9.1 Provisional allocations for the New Homes Bonus Grant for 2015-16 were announced by the Department for Communities and Local Government on the 16th December 2014
- 5.9.2 The provisional allocations now received indicate additional resources of £6,000 for New Homes Bonus for 2015-16 reflecting an increase in the National Band D Council Tax amount as compared with 2014-15.
- 5.9.3 The New Homes Bonus grant is a six year rolling programme that commenced in 2011-12. The cumulative level of grant for 2015-16 amounts to £1.212 million and is anticipated to increase by £200,000 and a further £148,000 in 2016-17 and 2017-18 respectively.

- 5.9.4 New Homes Bonus Grant now forms a major element in this authority's funding but the scheme is likely to be subject to some form of reform at the end of its initial six year period.

6 General Fund Revenue Draft Budget 2015-16 to 2017-18

- 6.1 The table below sets out the Council's current draft General Fund Revenue Budget position for 2015-16 and indicative budgets for 2016-17 and 2017-18.

| Table 6 :General Fund Draft Budget 2015-16 to 2017-18 | | | |
|--|---------------------------|---------------------------|---------------------------|
| | Budget 2015-16 | Budget 2016-17 | Budget 2017-18 |
| | £000 | £000 | £000 |
| Net Expenditure | | | |
| Portfolio budgets | 11,946 | 12,275 | 12,551 |
| Investment interest | (130) | (130) | (90) |
| Technical items | 886 | 624 | 624 |
| Net Spending | 12,702 | 12,769 | 13,085 |
| Less: Government Grants | | | |
| NNDR Multiplier | (40) | (40) | (41) |
| Council Tax Freeze Grant | (61) | (61) | (61) |
| New Burdens Funding | (35) | | |
| New Homes Bonus | (1,211) | (1,411) | (1,559) |
| Budget Requirement | 11,355 | 11,257 | 11,424 |
| Financing | | | |
| Business Rates | (3,969) | (4,163) | (4,245) |
| Revenue Support Grant | (2,128) | (1,520) | (1,025) |
| Council Tax Income | (5,407) | (5,578) | (5,743) |
| Total Financing | (11,504) | (11,261) | (11,013) |
| Transfer to Working Balances | 149 | 4 | |
| Transfer from Working Balances | | | (411) |

- 6.2 The budget for 2015-16 shows Total Financing exceeds the Budget Requirement by £149,340 and represents a Contribution to Working Balances in that year. A balanced budget is now forecast for 2016-17 however a saving requirement of £411,140 does exist for 2017-18.
- 6.3 It should be noted that the position outlined above is draft and could marginally change between now and the Council Tax being set by Council in late February. Costs relating to capital charges and the allocation of departmental and support services recharges have been disregarded as they do not affect the level of expenditure to be met from Council Tax.

- 6.4 In accordance with the recommendations contained in the report the level of working balances as at 31 March each year is as follows:

| Table 7 : Level of Working Balances | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 31/03/15 | 31/03/16 | 31/03/17 | 31/03/18 |
| | £000 | £000 | £000 | £000 |
| Balance B/fwd. | 2.275 | 1.299 | 1.448 | 1.452 |
| Applied in Year | (0.976) | 0.149 | 4 | (0.411) |
| Balance C/fwd. | 1.299 | 1.448 | 1.452 | 1.041 |
| Minimum | (0.716) | (0.698) | 0.879) | (1.040) |
| Surplus to Support Budget | 0.583 | 0.696 | 0.573 | 0.001 |

7. Council Tax Base and Collection Fund

- 7.1 The final part of the consideration of the Budget is the Council Tax base. This is the number of properties in the district expressed in terms of Band D equivalents. The amount of money that the Council can raise per £1 charge for a Band D equivalent property can be established from the tax base.
- 7.2 The Council's gross tax base for budget purposes will see an increase of 1.9% in 2015-16 reflecting new properties being built in the district, and a reduction in the cost of the Local Council Tax Reduction Scheme.
- 7.3 The Council's Tax Base is now calculated on the following basis:

| | |
|--|-------------------|
| Council Tax base for budget setting purposes | 30,906.29 |
| Less: impact of Local Council Tax Reduction Scheme | <u>(4,003.41)</u> |
| | 26,902.88 |

- 7.4 Details of the tax base, broken down over parishes are set out in **APPENDIX 8**. In order to ensure parish council's are not disadvantaged by the local scheme, some of the Council's grant funding is credited to Parish Councils to ensure that they are no worse off.
- 7.5 The Council's Collection Fund has been reviewed as part of the budget process and is expected to break even in 2015-16.

8. Council Tax 2015-16

- 8.1 In determining the level of Council Tax for 2015-16 Cabinet will need to take into account the medium term financial position; the Council Tax Referendum Thresholds and the level of Council Tax Freeze compensation available from the Government.
- 8.2 The Localism Act 2011 contains provisions to veto excessive Council Tax increases by means of a referendum. The Council Tax Referendum threshold principles for 2015-16 remain the same as in 2014-15 with an increase of 2% or more requiring a referendum.

- 8.3 Authorities planning to set excessive council tax increases would be required to draw up shadow budgets with both budgets being approved as part of the budget process and a referendum held in May. If the rise in Council Tax is rejected the shadow budget would be adopted immediately and refunds made to residents in accordance with a predetermined timetable.
- 8.4 The Financial Plan as considered by Cabinet in November was based upon the 2% increase as assumed as part of the 2015-16 budget. A 1% increase amounts to £53,000 per annum. Indicative figure provided by the government indicate that £61,300 would be available as compensation if a Council Tax Freeze was implemented in 2015-16.
- 8.5 The provisional settlement for 2015-16 incorporates the 2014-15 Council Tax Freeze Grant as part of the overall settlement and results in the grant not being time expired as under previous regulations whereby a specific grant was given for a specified number of years. A similar policy will apply if the council freezes the grant in the current year.
- 8.6 In light of the above considerations Cabinet are proposing that the Band D Council Tax for 2015-16 will be unchanged at £200.95.
- 8.7 The final level of Council Tax levied will be determined by Council on 25 February 2015. The figures set out in this report may require minor amendment if any further information emerges before then.
- 8.8 The total Council Tax for the Borough will reflect the spending decision made by the County Council, the Office of the Police and Crime Commissioner and the Fire Authority. In addition, in certain areas, parish council precepts are also added to the overall bill.
- 9. Medium Term Outlook**
- 9.1 There is currently great uncertainty over how a Government will fund Councils into the future. This is reflected in the short term nature of the current settlement only relating to 2015-16 and the potential for a fundamental review of Local Government funding following next years General Election.
- 9.2 A balanced budget is currently forecast for 2015-16 and 2016-17 however the scale of Government funding reductions for 2016-17 will not be known until this time next year.
- 9.3 A residual savings target of £411,000 currently exists in 2017-18 however this may be reduced to £276,000 by the application of the £1.5 million RCCO to reduce the debt burden of the Council. The Financial position of all costs is most uncertain at this stage and it is possible that should the frontloading of cuts be applied disproportionately in 2016-17 a shortfall may exist earlier than anticipated and to a much greater degree.
- 9.4 A number of options exist to address the shortfall as follows:
- Use of General Fund Balances - the Local Government Finance Act 2002 requires the Chief Financial Officer to make a recommendation to the Council

as to the proper level of balances for each financial year. The Council's policy is to maintain a minimum working balance reflecting the higher amount as determined by the Budget Risk analysis or 5.5% of net expenditure (Audit Commission Recommendation);

- Other Reserves and Provisions - the Council has a number of earmarked reserves or amounts set aside for known future events some of which are available to support the budget. Some of these will be used in supporting the budget into the future;
- The Council's Priorities - it is important to continue to reflect clearly the Council's priorities in its budget and the redirection of resources to those priorities;
- Capital Programme – the programme had both direct and indirect revenue implications and the existing programme will be reviewed to ensure it reflects current priorities whereas new initiatives will also be evaluated based upon an Invest to Save criteria;
- Capital Financing – the budget setting process will review both existing and forecast borrowing requirements to determine if alternative financing strategies are available including the use of Revenue Contributions to Capital Outlay;
- External Funding - there are sources of funding available to local authorities to support specific initiatives. It is necessary as part of budget setting to explore the availability of such funding;
- Fees and Charges - a significant amount of support for the Council's Budget comes from fees and charges. Key sources of fees and charges are development control (planning), building control fees, parking and market rents which are under the direct control of the Council. In addition to increasing fees and charges for current Council services it is possible to consider charging for discretionary services and introducing new charges to raise new income streams;
- Asset Management – in addition to the current sharing of accommodation initiatives, all other aspects of asset management including rationalisation of assets; disposal of land and building and invest to save initiatives including energy efficiency measures will be explored;
- Senior Management Restructure – The senior management restructure is subject to regular review reflecting the Councils current and future budgetary requirements and future strategic needs. Paragraph 5.4.11 referred to the creation of a Managing Director and in light of the deficit in 2017-18 a further strategic review is likely to be undertaken;
- Procurement - The Council continues to review its procurement strategy to ensure services are commissioned that provide value for money and that prices are not only competitive but the services actually reflect the right level of demand. The Council have recently entered into a collaborative arrangement with Staffordshire County Council to deliver procurement savings and an analysis of spend is to be undertaken to prioritise work within this arrangement in order to maximise such savings;

- Local Enterprise Partnership /Business Rate Pooling – The Council is a member of two LEPS and GBSLEP Business Rate pool and scope exists for efficiency saving/ contributions to core funding by the pooling and alignment of revenue and capital resources, sharing and developing economic development activities and re-allocating resources to grant earning activities;
- Efficiencies and service variations are constantly under review to deliver savings. However it is clear that with the background of significant cuts in Government support that this will not always be possible without impacting on service delivery. Alternative methods of service delivery exist including in-house provision, trust and partnership working and shared services and all such options provide opportunities to ensure services are provided in the most effective and efficient manner.

10 Capital Programme 2015-16 to 2017-18

10.1 On the 12 February 2014 the Council approved a capital programme to 2016-17. This programme has been updated to include approved changes, re-profiled to reflect current spend estimates reflecting slippage in schemes and more up to date information on costs. The updated programme is attached at **APPENDIX 3** with anticipated expenditure and resources as reflected by the Capital Budget included at **APPENDIX 4**. The capital resources position, based on the approved capital programme, for the period 2014-15 to 2017-18 is summarised below:

| Table 7:Uncommitted Capital Resources | | |
|--|---------------------|--------------------|
| | General Fund | Section 106 |
| | £000 | £000 |
| Capital resources brought forward at 1 April 2014 | 1,897 | 1,228 |
| Estimated Capital Receipts 2014-15 to 2017-18 | 1,942 | |
| Estimated Capital Grants 2014-15 to 2017-18 | 3,448 | 6 |
| Estimate of Joint Investment Fund resources 2014-15 to 2017-18 | 2,979 | |
| Revenue contribution to Capital Outlay | 1,873 | |
| Use of Reserves | 571 | |
| Draft Capital Programme 2014-15 to 2017-18 | (11,873) | (856) |
| Remaining resources at 31 March 2018 | 837 | 378 |

11 Implications

11.1 Financial

The continued loss of Formula Funding from the Government is a key risk which will undoubtedly impact on the Council’s ability to deliver services in the future.

The impact can be reduced (or increased) as a result of the New Financial Regime and the opportunities / risks associated with the Business Rates Retention scheme.

11.2 Legal

The legal implications are set out throughout the report including the statutory requirement for the Council to set a balanced budget.

11.3 Human Resources

None

11.4 Section 17 (Crime Prevention)

None

11.5 Human Rights Act

None

11.6 Data Protection

None

11.7 Risk Management

Risk management issues have been covered in the report detail.

11.8 Equality & Diversity

In preparing a balanced budget for consultation Cabinet will need to ensure that due regard is made to Equality and Diversity implications as well as financial considerations. The standstill budget will reflect the Council's current Equality and Diversity policy whereas changes to service provision will need to be addressed as part of the Delivering Change process.

11.9 Best Value

None

12 Appendices to the Report

| | |
|------------|--|
| APPENDIX 1 | Risks considered in determining the Working Balance |
| APPENDIX 2 | Detailed Portfolio Budgets and Variation Statements |
| APPENDIX 3 | Capital Programme 2015-16 to 2017-18 |
| APPENDIX 4 | General Fund and Section 106 Capital Budgets 2015-16 to 2017-18 General Fund and Section 106 Capital Resources |

- APPENDIX 5 Business Rates Retained Income
- APPENDIX 6 Other General Fund Earmarked Reserves
- APPENDIX 7 Robustness of the Budget Estimates and the Adequacy of the Council's Reserves
- APPENDIX 8 Council Tax Base –Parishes

Previous Consideration

Financial Plan 2014-15 to 2017-18

Cabinet

20 November, 2014

Background Papers

RISKS CONSIDERED IN DETERMINING THE WORKING BALANCE

| ASSUMPTION | RISK | MAXIMUM COST | | | REQUIRED BALANCES | | | COMMENTS |
|-----------------------|------|--------------|-------------|-------------|-------------------|-------------|-------------|--|
| | | 15-16 £m | 16-17 £m | 17-18 £m | 15-16 £m | 16-17 £m | 17-18 £m | |
| Resources | | | | | | | | |
| Revenue Support Grant | Med | | +0.200 | +0.200 | | +0.100 | +0.100 | <p>There is currently great uncertainty over how a Government will fund Councils into the future. This is reflected in the short term nature of the current settlement only relating to 2015-16 and the potential for a fundamental review of Local Government funding following next years General Election.</p> <p>Although the award for 2016/17 and 2017/18 is still unknown there are clear indications that reductions in public expenditure will continue for the foreseeable future with the firm likelihood that Revenue Support Grant will eventually disappear completely.</p> <p>The budget assumes reductions of 30% and 36% respectively however reductions may be further frontloaded</p> |

ITEM NO. 7.18

APPENDIX 1 cont.

RISKS CONSIDERED IN DETERMINING THE WORKING BALANCE

| ASSUMPTION | RISK | MAXIMUM COST | | | REQUIRED BALANCES | | | COMMENTS |
|--------------------------------|---------|--------------|-------------|-------------|-------------------|-------------|-------------|---|
| | | 15-16 £m | 16-17 £m | 17-18 £m | 15-16 £m | 16-17 £m | 17-18 £m | |
| - Volatility in Business Rates | Med/Low | +1.403 | +1.535 | +1.559 | +0.351 | +0.384 | +0.390 | The Council will be exposed to volatility or reduction in its business rates due to the failure or temporary closure of a key industry and the impact of Appeals against Rateable Values. This is particularly acute for Cannock Chase with Rugeley Power Station representing 9% of its rateable value. A Safety Net exists via Pooling arrangements which guarantees 92.5% of Business Rates Baseline Funding. The provisional Baseline for 2015-16 amounts to £2.8m with a resultant safety net requirement of £207,000 in 2015-16. Current projections indicate actual Business Rates will be £910,000 above the baseline and hence in addition to Safety Net requirements. In addition the Council will receive a contribution of 32.5% (£296,000 in 2015-16) of such growth in relation to the Levy Paid into the GB&S Business Rates Pool. |

RISKS CONSIDERED IN DETERMINING THE WORKING BALANCE

| ASSUMPTION | RISK | MAXIMUM COST | | | REQUIRED BALANCES | | | COMMENTS |
|-------------------------|------|--------------|--------------|--------------|-------------------|--------------|--------------|--|
| | | 15-16 £m | 16-17 £m | 17-18 £m | 15-16 £m | 16-17 £m | 17-18 £m | |
| Council Tax Base | Med | | +/- 0.053 | +/- 0.053 | | +/- 0.026 | +/- 0.026 | The Council Tax base for 2015-16 is based upon a cut off point each year and although figures are up to date at November 2014 they will vary as properties become occupied /unoccupied etc. and the impact of new properties coming in line during the next financial year. The major risk relates to whether the forecast increase in Council Tax base can be achieved. . The budget assumes a 1% increase in 2016-17 and 2017-18. A 1% variation amounts to approximately £53,000. |
| Council Tax | Low | 0.270 | | | | | | Council Tax increases will be subject to a referendum if considered excessive by the Government. The Council Tax level determines the resource base for future years and any “capping” will impact upon the Medium term Plan. No provision exists for the additional administrative costs of a referendum and rebilling |

ITEM NO. 7.20

APPENDIX 1 cont.

RISKS CONSIDERED IN DETERMINING THE WORKING BALANCE

| ASSUMPTION | RISK | MAXIMUM COST | | | REQUIRED BALANCES | | | COMMENTS |
|------------------------|------|--------------|--------------|--------------|-------------------|--------------|--------------|---|
| | | 15-16 £m | 16-17 £m | 17-18 £m | 15-16 £m | 16-17 £m | 17-18 £m | |
| New Homes Bonus | Low | | +/- 0.200 | +/- 0.200 | | +/- 0.050 | +/- 0.050 | The provisional New Homes Bonus Grant for 2015-16 has been published and is in line with the Councils own estimate. The risk relates to future years funding. The scheme is a six year rolling programme that commenced in 2011-12 and hence is likely to be reviewed by a new Government post the General Election and in advance of 2017-18 (the first year of the next six year regime). Future years allocations, subject to the current regime being maintained will also be directly dependent upon the number of net new properties being completed by October next year. In addition the risk can also be partly managed by ensuring a pro active approach in ensuring properties are assessed for eligibility for council tax purposes as soon as practically possible and Long Term empty properties are effectively managed. |

RISKS CONSIDERED IN DETERMINING THE WORKING BALANCE

| ASSUMPTION | RISK | MAXIMUM COST | | | REQUIRED BALANCES | | | COMMENTS |
|--|------|--------------|-------------|-------------|-------------------|-------------|-------------|--|
| | | 15-16 £m | 16-17 £m | 17-18 £m | 15-16 £m | 16-17 £m | 17-18 £m | |
| <u>Realism of standstill budget</u> | | | | | | | | The budget is based upon realistic estimates with the strategy assuming all budgets will be controlled within agreed levels. However, a number of budgets are not within the control of the Council or involve a risk element. |
| Staff Turnover | Low | +0.330 | +0.340 | +0.350 | | +0.034 | +0.034 | The budget contains annual savings of approximately £0.330m due to staff turnover. The current economic climate restricts the opportunities for external migration however corporate budgetary control exists to ensure that the employee budget is contained within the overall budget. |
| Provision for Bad Debts | Med | +0.100 | +0.100 | +0.100 | +0.050 | +0.050 | +0.050 | The introduction of the Council Tax Reduction scheme resulted in an increase in the amount some people previously in receipt of council tax benefit are required to pay to the Council. It is unknown how much of this additional debt will be collectable and so the level of bad debts for the Council may increase. |

ITEM NO. 7.23

APPENDIX 1 cont.

RISKS CONSIDERED IN DETERMINING THE WORKING BALANCE

| ASSUMPTION | RISK | MAXIMUM COST | | | REQUIRED BALANCES | | | COMMENTS |
|--------------------------|------|--------------|--------------|--------------|-------------------|--------------|--------------|--|
| | | 15-16 £m | 16-17 £m | 17-18 £m | 15-16 £m | 16-17 £m | 17-18 £m | |
| Planning Fees | Med | +/- 0.100 | +/- 0.200 | +/- 0.200 | + 0.050 | +/- 0.100 | +/- 0.100 | Planning fees income was some down £185,000 on estimate in 2013-14, and although the current year is expected to show a surplus of £60,000 this reflects the slippage from 2013-14 and a number of major one –off applications. The underlying trend shows a shortfall of £100,000/ £150,000. The situation is being monitored on a regular basis and if this trend continues corrective action will be required in advance of the 2017/18 financial year. |
| Recycling Credits | Med | | | +0.120 | | | +0.080 | Whilst the County Council's MTFS includes budget reductions in respect of "green waste" recycling credits, County Council officers have stated repeatedly, that these will only be achieved through "joint efficiency savings" and will not be "passed on" to District Councils. Therefore there is a degree of certainty that the Council's green waste recycling credits will not be reduced in the immediate future |

RISKS CONSIDERED IN DETERMINING THE WORKING BALANCE

| ASSUMPTION | RISK | MAXIMUM COST | | | REQUIRED BALANCES | | | COMMENTS |
|------------------|---------|--------------|-------------|-------------|-------------------|-------------|-------------|--|
| | | 15-16 £m | 16-17 £m | 17-18 £m | 15-16 £m | 16-17 £m | 17-18 £m | |
| <u>Inflation</u> | Low | | | | | | | Annual inflation of 2% for prices and 1% for pay and 2% income have been included within the standstill budget. |
| Pay Awards | Low/Med | | +0.100 | +0.200 | | | +0.050 | A two year settlement has been agreed that covers the period to 31 March 2016. The Chancellor announced as part of his Autumn statement this year that restraint on Public Sector pay will apply for 2016-17 and 2017-18. The Pay Award has therefore been reduced to 1% for each of these years. A risk therefore exists in relation to these years. A 1% variation amounts to £100,000 net of recharges. Normal policy is that any excess above the budgeted pay award will be managed via efficiency savings. |
| Interest Rates | Med | - 0.018 | - 0.090 | - 0.090 | | -0.030 | -0.030 | The amount earned depends on the prevailing interest rates and the level of cash balances held. . |

RISKS CONSIDERED IN DETERMINING THE WORKING BALANCE

| ASSUMPTION | RISK | MAXIMUM COST | | | REQUIRED BALANCES | | | COMMENTS |
|-------------------------|-------------|--------------|-------------|-------------|-------------------|--------------|--------------|---|
| | | 15-16 £m | 16-17 £m | 17-18 £m | 15-16 £m | 16-17 £m | 17-18 £m | |
| Rates | Low | | +0.024 | +0.036 | | | | Variations to the budget will arise if the NNDR multiplier increases are in excess of the Council inflation assumption. Recent Government announcements suggest that increases will be lower than the September inflation levels. |
| Energy | Low/ Med | | | | | | | Energy prices are subject to volatility and although a time lag exists between changes in wholesale food and energy costs and actual charges the budget reflects the latest contracts for energy supply. |
| General Contingency | | | | | +0.200 | +0.150 | +0.100 | Future year's budgets reflect the ongoing aggregate implications of assumptions that have a high risk identified unless separately identified. Provision will however be required for unforeseen events |
| Maximum | | | | | 0.666 | 0.879 | 1.040 | |
| Minimum | | | | | 0.566 | 0.527 | 0.538 | |
| Average | | | | | 0.616 | 0.703 | 0.789 | |
| Audit Commission | | | | | 0.698 | 0.702 | 0.720 | |



APPENDIX 3

| Capital Programme 2014-15 to 2017-18 | | |
|--|---------------------|--------------------|
| | General Fund | Section 106 |
| | £000 | £000 |
| Environment | | |
| Additional Cemetery Provision | 1,500 | - |
| Stile Cop Cemetery | 286 | - |
| Home Security | 168 | - |
| Contaminated Land | 25 | - |
| Wolseley Road POS Improvements | - | 20 |
| Replacement -Vehicles- cleansing | 83 | |
| Sub Total – Environment | 2,062 | 20 |
| Housing | | |
| Disabled Facilities Grants | 2,358 | - |
| Private Sector Decent Homes | 134 | - |
| Sub Total – Housing | 2,492 | |
| Culture and Sport | | |
| Hednesford Park Improvements (part s106 funding) | 2,052 | 182 |
| Hednesford Signal Box | 6 | - |
| Relocation Arthur Street Play Area | - | 3 |
| Artificial Pitch Cardinal Griffin | 3 | 8 |
| Multi Use Games Area, Laburnum Avenue | - | 121 |
| Refurbishment Heath Hayes Park/Pitch | - | 116 |
| Mining Memories | 49 | - |
| Replacement Vehicles | 418 | - |
| Hednesford ATP | 980 | - |
| Play Area Refurbishment * | 50 | - |
| Stadium Development | 2,063 | - |
| Sub Total – Culture and Sport | 5,621 | 430 |
| Economic Development & Planning | | |
| Economic Development & Physical Assets | 400 | - |
| Sub Total – Econ Dev. | 400 | - |
| Corporate Improvement | | |
| Civic Centre Accommodation Sharing | 218 | - |
| Vehicle Workshop * | 500 | |
| ICT – San Server * | 70 | |
| Sub Total – Corp. Improvement | 788 | - |
| Town Centre Regeneration | | |
| Town Centre Improvement | 210 | - |
| Rugeley Town Centre Conservation | 239 | 25 |
| Bus Shelter Refurbishment * | 48 | - |
| Rugeley Pedestrian /Cycle Linkage | 13 | 381 |
| Sub Total – Town Centres | 510 | 406 |
| Total Capital Programme | 11,873 | 856 |

| GENERAL FUND AND SECTION 106 CAPITAL BUDGETS 2014-15 TO 2017-18 | | | | |
|--|----------------|----------------|----------------|----------------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
| | £'000 | £'000 | £'000 | £'000 |
| ENVIRONMENT | | | | |
| Additional Cemetery Provision | 500 | 1,000 | - | - |
| Stile Cop Cemetery Phase 1 | 36 | - | - | - |
| Stile Cop Cemetery Phase 2 | 250 | - | - | - |
| Home Security | 50 | 46 | 36 | 36 |
| Contaminated Land | 25 | - | - | - |
| Wolseley Road POS Improvements | - | 20 | - | - |
| Replacement -Vehicles- cleansing | 83 | - | - | - |
| Total | 944 | 1,066 | 36 | 36 |
| HOUSING | | | | |
| Disabled Facilities Grants | 732 | 414 | 328* | 328* |
| Private Sector Decent Homes | - | 134 | - | - |
| Total | 732 | 548 | 328 | 328 |
| CULTURE AND SPORT | | | | |
| Hednesford Park Improvements | 1,130 | 1,104 | - | - |
| Hednesford Signal Box | - | 6 | - | - |
| Relocation Arthur Street Play Area | - | 3 | - | - |
| Artificial Pitch Cardinal Griffin (part s106 funding) | 11 | - | - | - |
| Multi Use Games Area, Laburnum Avenue | - | 121 | - | - |
| Refurbishment Heath Hayes Park/Pitch | 1 | 34 | 81 | - |
| Replacement Vehicles | 359 | 59 | - | - |
| Hednesford ATP | 120 | - | - | - |
| Stadium Development | 172 | 1,210 | - | - |
| Mining Memories | 49 | - | - | - |
| Total | 1,842 | 2,537 | 81 | - |

ITEM NO. 7.72

| GENERAL FUND AND SECTION 106 CAPITAL BUDGETS 2014-15 TO 2017-18 | | | | | |
|--|--|----------------|----------------|----------------|----------------|
| | | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
| | | £'000 | £'000 | £'000 | £'000 |
| CORPORATE IMPROVEMENT | | | | | |
| | Civic Centre Accommodation Sharing | 58 | 160 | | |
| | Total | 58 | 160 | | - |
| TOWN CENTRE REGENERATION | | | | | |
| | Town Centre Improvement 12-13 | 68 | - | - | - |
| | Town Centre Improvement 13-14 | 98 | 44 | - | - |
| | Rugeley Town Centre Conservation 11-12 | 44 | - | - | - |
| | Rugeley Town Centre Conservation 12-13 | 220 | | | |
| | Rugeley Pedestrian /Cycle Linkage | 262 | 132 | - | - |
| | Total | 692 | 176 | - | - |
| | | - | - | - | - |
| TOTAL CAPITAL BUDGET | | 4,268 | 4,487 | 445 | 364 |
| * | Subject to Better Care Fund allocation | | | | |

ITEM NO. 7.73

| GENERAL FUND AND SECTION 106 CAPITAL RESOURCES TO 2017-18 | | | | | |
|--|-----------------------------|----------------|----------------|----------------|----------------|
| | | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
| | | £'000 | £'000 | £'000 | £'000 |
| Resources B/fwd. | | | | | |
| | General Fund | (1,897) | (1,304) | (733) | (785) |
| | Section 106 | (1,228) | (597) | (459) | (378) |
| | Total | (3,125) | (1,901) | (1,192) | (1,163) |
| Capital Receipts | | | | | |
| | Bungalows | (73) | - | - | - |
| | Right to Buy | (338) | (89) | (88) | (88) |
| | Red Lion Lane, Norton Canes | (1,250) | - | - | - |
| | Other | (16) | - | - | - |
| | Total | (1,677) | (89) | (88) | (88) |
| Capital Contributions | | | | | |
| | SCC – Joint investment Fund | (172) | (866) | - | (1941) * |
| | English Heritage | (135) | - | - | - |
| | Environment Agency | (26) | - | - | - |
| | WLCT – Museum | (48) | - | - | - |
| | Other | (1) | - | - | - |
| | Total | (382) | (866) | - | (1,941) |
| Revenue Contribution to Capital Outlay | | | | | |
| | | (627) | (1,246) | - | - |
| Capital Grants | | | | | |
| | Disabled Facilities Grants | (338) | (414) | (328) | (328) |
| | Heritage Lottery | (726) | (1,104) | - | - |
| | Section 106 | (6) | - | - | - |
| | Total | (1,070) | (1,518) | (328) | (328) |

ITEM NO. 7.74

| GENERAL FUND AND SECTION 106 CAPITAL RESOURCES TO 2017-18 | | | | |
|--|----------------|----------------|----------------|----------------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
| | £'000 | £'000 | £'000 | £'000 |
| Reserves | | | | |
| Internal Leasing | (442) | (59) | - | (70) * |
| Total | (442) | (59) | - | (70) |
| TOTAL IN YEAR RESOURCES | | | | |
| | (4,198) | (3,778) | (416) | (2,427) |
| Less Expenditure | | | | |
| Capital Budget | 4,268 | 4,487 | 445 | 364 |
| Capital Programme | 1,154 | | | 2,011 |
| | 5,422 | 4,487 | 445 | 2,375 |
| Resources C/Fwd. | | | | |
| General Fund | (1,304) | (733) | (785) | (837) |
| Section 106 | (597) | (459) | (378) | (378) |
| Total | (1,901) | (1,192) | (1,163) | (1,215) |
| * Year of application to be determined | | | | |

Appendix 5

| Business Rates Retention - Retained Income | | | |
|--|--------------------|--------------------|--------------------|
| | 2015-16 | 2016-17 | 2017-18 |
| <u>Business Rates Collection Fund</u> | £ | £ | £ |
| Gross Rates | -42,220,656 | -43,487,090 | -44,346,940 |
| Less Reliefs etc. | | | |
| Mandatory Relief | 3,279,300 | 2,141,290 | 2,184,120 |
| Discretionary relief | 238,680 | 59,850 | 61,050 |
| Exemptions | 894,540 | 912,430 | 930,680 |
| Cost Of Collection | 141,780 | 144,620 | 147,510 |
| Losses on collection | 1,264,487 | 1,289,780 | 1,315,570 |
| Business Rates Collectable | -36,401,869 | -38,939,120 | -39,708,010 |
| Less amount due to | | | |
| Government | 18,200,935 | 19,469,560 | 19,854,010 |
| County | 3,276,168 | 3,504,520 | 3,573,720 |
| Fire | 364,019 | 389,390 | 397,080 |
| Net Business attributable to CCDC | -14,560,748 | -15,575,650 | -15,883,200 |
| <u>B. General Fund determination of retained Business Rates</u> | | | |
| Net Business Rates attributable to CCDC | -14,560,748 | -15,575,650 | -15,883,200 |
| less Tariff | 10,532,110 | 10,732,750 | 10,946,410 |
| Core Funding | 2,764,220 | 2,829,500 | 2,887,090 |
| Growth | -1,264,418 | -2,013,400 | -2,049,700 |
| Plus New Burdens funding subject to Levy | | | |
| Small Business Rates Relief | -481,440 | | |
| Retail relief | -73,440 | | |
| Amount subject to levy | -1,819,298 | | |
| Levy | 909,649 | 1,006,700 | 1,024,850 |
| Business Rates Growth | -909,649 | -1,006,700 | -1,024,850 |
| GB&S Redistribution of Levy | -295,636 | -327,180 | -333,080 |
| Retained Business Rates | | | |
| Core Funding | -2,764,220 | -2,829,500 | -2,887,090 |
| Growth | -909,649 | -1,006,700 | -1,024,850 |
| GB&S Redistribution of Levy | -295,636 | -327,180 | -333,080 |
| | -3,969,505 | -4,163,380 | -4,245,020 |

| APPENDIX 6 | | | | |
|---|---------|---------|---------|---------|
| OTHER GENERAL FUND EARMARKED RESERVES | | | | |
| | 1/04/15 | 1/04/16 | 1/04/17 | 1/04/18 |
| | £'000 | £'000 | £'000 | £'000 |
| Building Maintenance | 319 | 319 | 319 | 319 |
| Landlord's contingency and refurbishment reserve utilisation to be reviewed as part of the comprehensive Asset Management Review | | | | |
| Internal Leasing Reserve/ IT | 327 | 327 | 397 | 467 |
| Fund to enable procurement of new Information Technology hardware, and internal leasing requirements of the Council, to be reimbursed by annual charge to revenue | | | | |
| Actuarial Valuation | 140 | 140 | 140 | 0 |
| Reserve to mitigate impact of next Actuarial Valuation | | | | |
| Budget Support | 198 | 198 | 97 | 0 |
| General Reserve earmarked for additional Local Plan expenditure | | | | |
| Insurance Liabilities | 190 | 190 | 190 | 190 |
| Estimated amount of further claims to be received re earlier years to be funded by CCDC as part of excess policy | | | | |
| Corporate Initiatives | 152 | 152 | 152 | 152 |
| Fund to meet the costs and assessments / feasibility work for corporate/ legislative initiatives | | | | |
| Communications | 124 | 124 | 124 | 124 |
| Reserve to assist with the replacement and development of all communication systems | | | | |
| Discretionary Rate Relief | 120 | 120 | 120 | 120 |
| Reserve to meet the costs to CCDC arising from reliefs granted under the Localism Act | | | | |
| Central Training | 36 | 20 | 20 | 20 |
| Fund to meet non recurring corporate training initiatives | | | | |
| Hednesford Regeneration | 38 | 20 | | |
| Balance of contribution received in relation to additional works required as part of regeneration scheme. | | | | |
| CCTV Replacement | 100 | 40 | 40 | 40 |
| Reserve to assist with the replacement and re-location of CCTV | | | | |
| Economic Development LEP | 42 | 42 | 42 | 42 |
| Balance of monies relating to support provided to GB&S LEP | | | | |
| Refuse Service | 100 | 100 | | |
| Reserve re additional costs of new Waste Contract/provision of additional round | | | | |

| APPENDIX 6 ctd | | | | |
|--|----------------|----------------|----------------|----------------|
| OTHER GENERAL FUND EARMARKED RESERVES | | | | |
| | 1/04/15 | 1/04/16 | 1/04/17 | 1/04/18 |
| | £'000 | £'000 | £'000 | £'000 |
| Rail Revenue | 24 | 24 | 24 | 24 |
| Reserve to meet the potential one off additional contributions in relation to the incremental rail services | | | | |
| Benefits- New Burdens | 148 | 16 | | |
| Balance of monies provided to support the additional costs to the Revenue and Benefits Service arising from changes in Welfare Benefits & LCTS | | | | |
| Homelessness | 60 | 20 | 20 | 20 |
| Balances carried forward to fund additional homelessness prevention measures | | | | |
| Civic Duties and Hospitality | 17 | 17 | 17 | 17 |
| Reserve to meet additional one off costs relating to civic Duties | | | | |
| Other | 167 | 94 | 75 | 75 |
| Total | 2,302 | 1,963 | 1,777 | 1,610 |

CABINET
29 JANUARY 2015
General Fund Revenue Budget 2015/16 to 2017/18 and Capital Programme
2014/15 to 2017/18

Report of the Chief Finance Officer on the Robustness of the Budget Estimates and the Adequacy of the Council's Reserves

Introduction

Section 25 of the Local Government Act 2003 places a duty on the Chief Financial Officer (Head of Finance) to make a report to the Council on the robustness of budget estimates and the adequacy of the Council's reserves. The Council must have regard to this report when making its decisions about budgets and council tax for the forthcoming year. This is because the Council is setting the council tax before the commencement of the year and cannot increase it during the year. An understanding of the risks of increased expenditure during the year in terms of likelihood and impact is therefore important.

Robustness of Budget Estimates

The Council's budget estimates for 2015/16 to 2017/18 have been prepared by appropriately qualified and experienced staff in consultation with service managers. Budgets have been discussed and fully managed by the Leadership Team. The budgets are considered to accurately reflect likely expenditure in 2015/16, being based on historic information, experience of expenditure in previous years and latest projections where appropriate. The indicative budgets for 2016/17 and 2017/18 are similarly based upon the best information available at this moment in time.

A full risk assessment of the Council's Budget 2015/16 has been carried out - APPENDIX 1).

Inflation equivalent to an average of 2.2% has been allowed for the staff pay award within 2015/16 budgets, this is in accordance with the Local Government Pay Settlement with the 2.2% relating to the period 2014-15 to 2015/16.. Allowance has also been made for staff incremental progression. Sufficient provision has been built in for current employer pension contributions, in line with the most recent actuarial valuation. Different vacancy rates have been assumed for Council services based on past experience.

Inflation on contractor costs has been allowed based on the projected retail prices index increases and on energy budgets based on anticipated tariff increases. Inflation has been provided on fees and charges, but excluding Car Parks and Allotments. Given the demand led nature of some of the more significant income budgets, such as for parking, development control and land charges, prudent but

realistic assumptions have been made about estimated income. The current economic climate is expected to continue to have a significant impact on fees and charges generally during 2015/16. Major sources of income will continue to be closely monitored throughout the year with a view to protecting overall income to the Council as far as possible.

Investment income of £130,000 has been included within 2015/16 budgets. This has been based on current projections of bank rate remaining at ½ % during the first part of 2015/16 but increasing for the last two quarters. Prudent assumptions about cash flow have been made and the advice of the Council's treasury management consultants has been taken into account in determining the average rate of return.

No specific contingency budget is provided in 2015/16 as it is considered that the Council's overall revenue balances are sufficient to act as an overall contingency (see below). However, robust budget monitoring arrangements are in place and will continue throughout the year. These arrangements also include Business Rates Monitoring and New Homes Bonus forecasts. In addition to budget monitoring by officers, all Cabinet members will receive a monthly update and there will be quarterly reports to the Cabinet and Scrutiny Committee.

Significant expenditure and income budgets will be monitored closely during the year. Any projected variances will be addressed in a timely manner.

The Council has a Risk Management Strategy and has identified its key corporate risks. Significant financial risks will be managed appropriately. In addition, some financial risks will be mitigated by the Council's insurance arrangements.

I can therefore confirm that the budget estimates as presented are robust.

Adequacy of the Council's Reserves

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance on local authority reserves and balances. It sets out three main purposes for which reserves are held:-

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events or emergencies;
- A means of building up funds to meet known or predicted liabilities, known as earmarked reserves.

The Council held General Fund revenue balances of £2.275 million at 31 March 2014. In addition to this, earmarked revenue reserves amounting to £2.302million are forecast to be available as at 31 March 2015.

The Council also has a planned four year capital programme which is financially sustainable based on current capital resources and a prudent assessment of future capital resources. The financial strategy includes the use of unallocated reserves and

a Revenue Contribution to Capital Outlay to supplement capital resources and mitigate any borrowing requirement; nevertheless Prudential Borrowing to finance the Council's capital programme will be used where there is a robust business case.

The Council has set a policy of a minimum level of 5.5% of net expenditure or the amount calculated by the risk analysis. The Budget for 2015/16 has been constructed on the basis that there will be a level of general reserves at 31 March 2014 in excess of the £0.698 million risk analysis requirement.

I can therefore confirm that the Council's reserves are adequate.

Bob Kean
Head of Finance
14 January 2015

APPENDIX 8

Council Tax Base 2015/16

| Parish | Band D Equivalents |
|----------------------------|-------------------------------|
| Brereton and Ravenhill | 1,783.81 |
| Bridgtown | 441.67 |
| Brindley Heath | 219.81 |
| Cannock Wood | 390.98 |
| Heath Hayes and Wimblebury | 3,949.44 |
| Hednesford | 4,617.34 |
| Norton Canes | 1,991.62 |
| Rugeley | 5,077.72 |
| Unparished | 8,430.49 |
| | 26,902.88 |