

WYRE FOREST DISTRICT COUNCIL

CABINET 22ND DECEMBER 2015

Medium Term Financial Strategy 2016-19 Revised Version updated for Provisional Finance Settlement received 17th December 2015

OPEN	
CABINET MEMBER:	Councillor N J Desmond
RESPONSIBLE OFFICER:	Chief Financial Officer
CONTACT OFFICER:	Tracey Southall, Ext 2100 tracey.southall@wyreforestdc.gov.uk
Appendix 1 Appendix 2 Appendix 3 Appendix 4 – Part 1 Appendix 4 – Part 2 Appendix 4 – Part 3 Appendix 5 Appendix 6	Base Budget Projections 2016-19 Variance Analysis Cabinet Proposals Part 1 – Fees and Charges for Noting Part 2 – Fees and Charges - Cabinet Part 3 – Fees and Charges - Council Risk Management Analysis Capital Programme 2015-16 onwards <i>The appendices to this report have been circulated electronically and a public inspection copy is available on request. (See front cover for details.)</i>

1. PURPOSE OF REPORT

- 1.1 In accordance with the Council's Budget and Policy Framework Procedure Rules and in line with the Wyre Forest Forward programme, to provide the Cabinet with financial information in order to make proposals for the Budget Strategy for the period 2016-19.

2. RECOMMENDATIONS

The Cabinet is asked to NOTE:

- 2.1 **The fees and charges as set out in Appendix 4 – Part 1.**
- 2.2 **The savings currently assumed within this report of up to £250,000 pa as a result of the partnership working with the new Kidderminster Town Council from 2016-17. This will be confirmed within the February budget report.**

The Cabinet is asked to APPROVE:-

- 2.3 **The fees and charges as set out in Appendix 4 – Part 2.**

The Cabinet is asked to ENDORSE and RECOMMEND to the Cabinet Financial Strategy Advisory Panel for scrutiny:

2.4 The Council's updated Medium Term Financial Strategy;

2.4.1 Cabinet Proposals – taking into account the impact on the Council's Capital and Revenue Budgets for 2016-19 (Appendix 3) including;

- a) Approval of £500,000 capital funding to act as match funding towards the delivery of the reintroduction of traffic into Worcester Street as part of the Council's commitment to the regeneration of Kidderminster Town Centre. This will represent a significant step forward in realising the redevelopment of the wider Eastern Gateway as well as continuing the Council's strategy of attracting external investment into the regeneration of the town centre. This is the next phase of the Council's commitment to revitalising Kidderminster Town Centre by investing additional funding to accelerate the improvements to Worcester Street; opening it up to one-way traffic from Coventry Street and providing on street parking, thus improving the profile of this part of the town and increasing footfall. This builds on the Council's delivery of £2m of public realm improvements to Vicar Street, High Street and Exchange Street. This significant investment will support the Council's vision for the future of Worcester Street.**
- b) The creation of a single Localism Fund of £50k to continue the good work done so far with Parish and Town Councils and extend it to other organisations. There will continue to be flexibility around grant funding from this new fund to facilitate more clarity and easier access where appropriate, to pump prime the work of Parish Councils and Community Groups where it complements work and priorities of this Council and benefits local residents.**
- c) Approval for the Community Leadership Fund for 2016-17 of £33k.**
- d) Approval of increased targets for savings under the Wyre Forest Forward Programme in 2017-18 onwards (paras 4.21 and 7.2).**

2.4.2 The level of net expenditure and resultant Council Tax for 2016-19 as per paragraph 7.3;

2.4.3 The fees and charges in line with this strategy and the impact on the Council's Revenue Budget for 2016-19, as shown in Part 3 of Appendix 4;

2.4.4 The Base Capital Programme and Vehicle, Equipment and Systems Renewals Schedule as set out in Appendix 6, Appendices A and B;

2.4.5 The variations to the Capital Programme and Vehicle, Equipment and Systems Renewal Schedule in accordance with the Council's Budget Process.

3. THE ROLE OF THE CABINET FINANCIAL STRATEGY ADVISORY PANEL

3.1 The cross-party Cabinet Financial Strategy Advisory Panel was established in August 2014 and has been continued to assist with this year's budget process.

The work of the panel will inform the Cabinet's proposed strategy for the meetings on the 22nd December 2015 and 9th February 2016.

- 3.2 The first meeting of the Panel on the 23th November set out the Challenging Financial Landscape and updated our base financial position; it also included a Business Rates Briefing. The main focus of the second meeting on the 20th January 2016 will be Alternative Budget Proposals and the final meeting on the 28th January will cover final Cabinet proposals. The process feeds into key decisions about the shape of the strategy to be approved by full Council in February 2016, when the council tax will also be set.

4. CONTEXT AND OVERVIEW OF THE FUTURE

- 4.1 The most significant issue facing the Council remains its financial position. Its net revenue budget will have reduced from £16.4m in 2009-10 to £11.47m in 2017-18 based upon current plans. This represents a fall of around 30% in absolute terms, and more in real terms. The Council has continued to protect key front-line services despite significant reductions in government grant. It is streamlining services as part of the Wyre Forest Forward Programme. The approved budget proposals go a considerable way towards closing the gap between what we are spending and our income. Alongside this work, the Council is overseeing its most significant capital investment programme in many years, including the new leisure centre, for which construction is well under-way, as well as major injections of finance in its key priority of securing the economic prosperity of the district. The Spending Review (SR) has set the scene for another challenging budget cycle for 2016-19 and the Provisional Settlement received on 17th December has provided further information confirming an even more fiscally challenging time for district councils than previously anticipated that is covered in this report.

Government funding and controls over council expenditure

- 4.2 Significant funding challenges will continue for local government throughout this Parliament. The Government has ring-fenced the NHS, international development, defence and parts of education, meaning departments such as Communities and Local Government face significant reductions. Each unprotected department was asked to come up with savings plans of between 25% and 40% of their budget as part of the Summer Budget announced in early July 2015 launching the Chancellor's spending review with a call for £20bn reductions to Whitehall budgets. The outcome has been announced in the Autumn Statement on 25 November. Total funding for local government is expected to fall as follows:

Table 4.2 Local Government Funding amounts as per SR15

	2015/16	2016/17	2017/18	2018/19	2019/20
	£bn	£bn	£bn	£bn	£bn
DCLG Local Government DEL	11.5	9.6	7.4	6.1	5.4
DCLG Local Government DEL % change		-16.5%	-22.9%	-17.6%	-11.5%
Locally Financed Expenditure	28.8	29.0	31.5	33.6	35.1
Locally Financed Expenditure % change		0.7%	8.6%	6.7%	4.5%

Figure 4.2 Local Government Funding amounts as per SR15

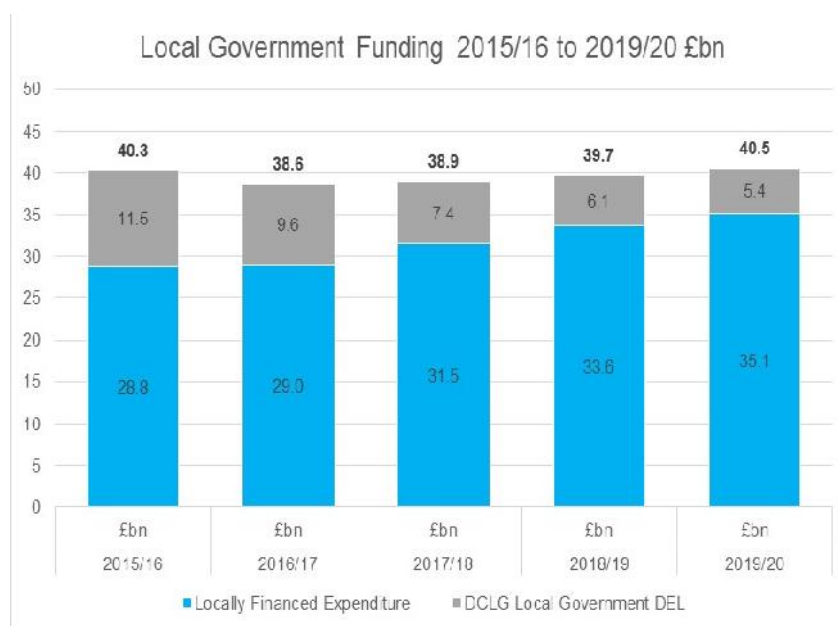


Table 4.2 shows:

- A reduction in funding of £6.1bn in local government Departmental Expenditure Limit (DEL) over the period. This equates to a 53% reduction in funding. The SR report shows the “Cumulative real growth” for this change as -56% (i.e. including the impact of forecast inflation).
- Total funding increases from £40.3bn to £40.5bn.
- In order to put the 53% funding into perspective, it is necessary to consider this in the context of current Settlement Funding Assessment (SFA) levels (i.e. including the business rates element). For 2015/16, total funding from SFA is £22.2bn. Therefore, a reduction of £6.1bn over the Spending Review period would represent a reduction of 27.5%. For the three years of the Financial Strategy the equivalent reduction is £5.4bn or 25%.

Some main points of highlight within the Spending Review overall were:

- A target budget surplus of £10.1bn by 2019/20;
- Reductions to tax credits will no longer be introduced;
- The plans in SR2015 will deliver reductions to government spending as proportion of GDP from 45% in 2010 to 36.5% by the end of SR2015;
- 12bn of savings to government departments

4.3 The Provisional Settlement was received on the 17th December and contained more detail on funding that is reflected in this report. This confirms that Revenue Support Grant will disappear by 2019-20 however New Home Bonus will continue on the current basis for 2016-17. The position beyond 2016-17 is not yet confirmed as it is subject to consultation although it will continue albeit on a reformed basis. The consultation on what proposals for the move to 100% business rates retention may look like is expected to be issued in June 2016. The 27.5% reduction in Government grant for councils over the coming 4 years takes

into account forecast business rates growth and is the average position: the reduction is expected to be greater for district councils because of the protection being given to social services authorities.

4.4 Other key elements of the Provisional Settlement and Autumn Statement so far as it relates to local government are:

- A new methodology for determining authorities' RSG allocations has been proposed within the provisional settlement. Rather than applying the same percentage cut to all authorities, the new approach takes into account individual authorities' council tax raising ability and the type of services provided. This is a significant change in the methodology and would appear to favour social services authorities, with significantly larger funding reductions for district councils. It reduces government funding assuming continuing increases in housing growth and council tax increases and may prove to be unrealistic and therefore punitive.
- Central government intend for local government to be able to spend the same level by the end of this Parliament in cash terms as it does today – therefore a real terms reduction;
- **A social care council tax 'precept'** of 2% will allow councils responsible for delivering adult social care such as Worcestershire County Council to raise up to £2 billion a year by 2019-20. Local authorities will be given this additional 2% flexibility on their current council tax referendum threshold to be used entirely for adult social care. This is a new power for relevant councils to increase council tax to specifically pay towards social care in their areas;
- **An extra £1.5bn for the Better Care Fund** by the end of the Parliament – more information needed to understand the impact of this;
- Continuation of New Homes Bonus but subject to reform following consultation. The payments for 2016-17 will continue on the current basis but in future years this funding stream will definitely reduce significantly for districts. The figures included within this report are based on information and examples included within the Provisional Settlement and New Homes Bonus Technical Consultation Paper. This will not be confirmed until spring 2016 as the consultation runs until 10th March. The financial strategy adopted in February 2015 had assumed that New Homes Bonus would not continue beyond the General Election and therefore, despite the changes to the scheme, the result is a positive contribution to the Council's approved funding position. The Consultation will include a preferred option for savings of at least £800m for social care funding and propose reducing the length of payments from 6 years to 4 years including legacy payments for years already approved.
- An end to Uniform **Business Rates**; introduction of 100% retention of business rates for local government and phasing out of RSG as well as introduction of new responsibilities;
- The extension of **Small Business Rate Relief** to continue for another year – this is good news for local businesses and for our Business Rates Accounts;
- "Local authorities running education to become a thing of the past, delivering £600m savings to Education Services Grant";
- Plans to build an additional 400,000 affordable homes by the end of the decade.
- An apprenticeship levy will be introduced in April 2017 at a rate of 0.5% of an employer's pay bill, to deliver 3 million apprenticeship starts by 2020. This is estimated to cost this Council around £30k pa from 2017-18.

- Over £500 million by 2019-20 for the Disabled Facilities Grant to fund up to 85,000 housing adaptations pa. More detail on this proposal is needed to fully understand the impact of this change;
- **Homelessness** - increased funding of £10m available to invest in innovative ways of preventing and reducing homelessness. More detail on this proposal is needed to fully gauge the impact;
- Restrictions on **shared ownership** to be removed and planning system reformed to deliver more homes;
- **Real-terms protection for the police budget.**

Some further interesting points were included:

- Proposal to reform services and make them more efficient, a package of new flexibilities will be introduced to encourage local authorities to **release surplus assets**. Local authorities will be able to spend 100% of their fixed asset receipts investing in making services more efficient (local authorities currently hold £225 billion in assets). Under this guidance councils will be able to use new capital receipts from April 2016 to March 2019 to pay for the revenue set up costs of projects that are designed to make revenue savings. It will be for individual local authorities to decide if a project qualifies. In order to qualify, councils will be required to prepare an annual efficiency strategy listing all qualifying projects and this strategy, and any variations to it, will need to be approved by full council.
- Like other unprotected areas of spending, local government will need to make a contribution to fiscal consolidation to ensure that the country is able to live within its means. **The main grant to local government will be phased out; this currently represents less than a quarter of local government total resources.** Other sources of income such as council tax and business rates are forecast to grow in cash terms by £6.3 billion by 2019-20, based on the OBR's forecast for local authority self-financed expenditure. Forecasts included show that taking this into account, overall local government spending is forecast to be higher in cash terms by 2019-20 than in 2015-16, a real terms reduction of 1.7% per year. However the assumed 3.1% a year real terms growth in council tax and business rates is far greater than has actually happened in recent years so this will be a real challenge for small districts like Wyre Forest and puts increased emphasis on locally raised income from Council Tax and external income streams.
- It is proposed that the regime of referenda for "excessive" council tax increases will continue at the current rate of 2 percent. Council's are asked to be mindful of prevailing inflation rates when considering increases and the DCLG have confirmed that there is no council tax freeze grant offer for 2016-17. This does not affect past allocations which are locked into the revenue settlement.

Devolution:

- The Local Growth Fund, created following the Heseltine Review, will place money under the direct control of business-led Local Enterprise Partnerships. The government confirms it will deliver its commitment to a £12 billion Local Growth Fund between 2015-16 and 2020-21.
- The government is to create 26 new Enterprise Zones, including expanding 8 Zones on the current programme.
- In addition, a wide range of regional specific schemes are outlined in detail.

Information yet to be announced:

- Although some further detail on the proposed business rates reform was included with the Provisional Settlement this was limited and more is needed to understand the impact of this proposal. Consultation is due sometime in 2016.
- More detail on New Homes Bonus reform, this will emerge in spring following the end of the consultation period on 10th March 2016.

Business rates

- 4.5 In early October plans to allow councils to keep 100% of business rates were announced at the Conservative Party conference. This change will not take effect until 2020 and will involve significant redesign of the local government finance system. The Chancellor announced that, as a result, core revenue support grant would be phased out, the uniform rate would be “scrapped” (although see below) and certain unspecified additional responsibilities would be transferred to local government. The proposal does not involve transferring responsibility for setting the poundage, except that all councils would be able to reduce rates (a power they already have) and elected Mayors would be able to increase the poundage by up to 2p but only for infrastructure projects and only with the support of business leaders through the local enterprise partnership. The proposal means that it will be even more important for Wyre Forest to invest in activities that support economic growth (as this ultimately translates into business rates). However it is accompanied by the increased risk that it and other councils will not be able to shield local communities if there are future significant reductions in business rate income, whether because of closures, economic downturn or successful appeals against valuations – the council will not be able to increase the poundage to make good the impact of any loss of business rates income.
- 4.6 The nature of this risk has already been exposed by the experience of the Worcestershire business rates pool in 2014-15. It was unable to protect the member Councils including Wyre Forest against the severe impact of the GP Surgery appeals. This resulted in a lower contribution to General Reserves of circa £260k from the 2014-15 accounts, which represents a reduction of around £290k as a direct result of business rate appeals compared to the pre-audit reported saving of £550k for this year.
- 4.7 The ongoing annual reduction in Business Rates payable by GP surgeries as a result of these appeals, most of which relates to the 2010 rating list, is £133,000 a year for this Council. This has reduced Business Rates funding for the 2015-16 budget and onwards, subject to the overall Pool position. The Southern Worcestershire local authorities of Malvern Hills, Wychavon and Worcester City have been hit much harder than Wyre Forest since they have also had to pay out for such appeals going back to the 2005 rating list in 2014-15.
- 4.8 Members received a detailed Strong Leader Cabinet Report in Mid October 2015 setting out a review of the operation of the Worcestershire Business Rates Pool for 2013-14 and 2014-15, given that Malvern Hills District Council have decided to withdraw from the Pool for 2016-17 in order to access the Government safety net.

- 4.9 The report outlined that, at that point in time, being part of a revised Worcestershire Pool for business rates in 2016-17, excluding Malvern Hills DC, seemed to be in the Council's best interests. In line with the delegation to the Chief Financial Officer in consultation with the Cabinet Member for Resources, the final decision was to join the new revised Worcestershire Business Rates Pool; an application was made to DCLG and we have received formal confirmation of approval.

The Context in Wyre Forest

- 4.10 Following the whole council elections in May 2015 and the reduction in size of the council from 42 to 33 members the Council continues with the two approved Corporate Plan priorities:

- **Support you to contribute to a successful local economy.**
- **Support you to live in clean, green and safe communities.**

- 4.11 The Council continues to respond positively to austerity and has an excellent track record in delivering savings, with almost £5m achieved from 2010 to 2015. This proactive approach to service delivery within a reduced funding envelope must clearly continue over the term of this budget strategy and beyond. The Council's approach to aligning its expenditure with income over time has successfully used three main levers:

- a) Making the Council as efficient as it can be in its structures and external and internal processes. This is driven through the Wyre Forest Forward transformation programme, supported by work to ensure that services are on line and digital by default and by the ICT strategy;
- b) Implementing alternative delivery structures where this represents best value. Examples include the shared services that have been implemented since 2010 and the Council's strong track record in localism, transferring responsibility for assets and services to local organisations, including town and parish councils;
- c) Growing its income. For example, the depot has increased its external income forecast by circa £250,000 since 2013/14, while over £160k a year of income has been generated from tenancies and ICT support charges at Wyre Forest House.

- 4.12 The Council is progressing well with the Wyre Forest Forward programme of savings. Already around 93% of the target savings have been achieved for 2015-16 and over £2.12m or 89.1% have been achieved against the target of £2.374m in 2018-19. This has been helped greatly by the savings from the new leisure centre and the good news on the rentals for Wyre Forest House. However, each efficiency saving found reduces the potential for efficiencies in future years. Many councils are being forced to look for savings from service reductions. Wyre Forest continues to deal with funding reductions by efficiencies and income generation wherever possible with service reductions a last resort.

- 4.13 While the Council is performing well with ambitious savings plans to bridge the gap between reducing funding and the cost of services, it will become increasingly challenging to maintain the pace of change. The creation of the new Town Council for Kidderminster and other proactive transformation work streams will provide some mitigation of risk during the next budget cycle and help ensure continuity of a sustainable budget.

- 4.14 The Council continues to use systems thinking in order to drive change to how it delivers services. There is focus on the customer and meeting their needs in the most effective way possible, driving down cost by simplifying processes and reducing waste. The approved purposes of Wyre Forest District Council are set out in the chart that can be viewed on the following link to our website: http://www.wyreforestdc.gov.uk/media/144533/Outcomes_Diagram.pdf
- 4.15 Even in priority areas, it has been recognised that services should not continue to be organised and funded without challenge, as all areas need to make a contribution to making our financial situation sustainable through growing income, transformation and reviews to reduce waste. Adopting only two priorities has allowed the Council wider scope for seeking savings from other areas of activity, the Council will find it difficult to remain financially sustainable if extensive areas are categorised as a priority and shielded from change or reductions.
- 4.16 There will be opportunities for more shared services in the future, and we should actively seek opportunities for Wyre Forest District Council to host them in line with our strengths. We will continue to consider opportunities in the future, subject to each business case for change and alignment with our transformation programme. There is not a dogmatic approach that seeks externalisation or shared services, as has been seen with the recent decision to bring the HR function in house from April 2016 when the current service level agreement with the County Council comes to an end.
- 4.17 The Council is not joining the proposed West Midlands Combined Authority at this time as a non-constituent member. The devolution deal for the West Midlands was announced in November and includes some elements that might be relevant to the footprint of three local enterprise partnerships, which would therefore include North Worcestershire. However it remains to be seen what impact this would have on economic development and regeneration or other aspects relevant to the financial strategy. In respect of Worcestershire, devolution proposals accompanied by a public services leaders' board are due to be submitted and discussed with Government Ministers in January. Some of the proposals for public service reform could have various implications for Wyre Forest in terms of committing the Council, as part of the Worcestershire public services family, to examine different ways of working. Examples include:
- a pioneering service delivery model focused around a single vehicle comprised of resource from multiple organisations, working to coordinate the public sector approach to moving individuals and families from dependency to independence. The pilot goes live in Redditch in January 2016 with the expectation of roll out across the county towards the end of 2016/early 2017;
 - to consider working towards ensuring all principal authorities in Worcestershire that are not already members of the Place Partnership commission and procure estates services through the partnership by late 2016/early 2017. This could affect as a minimum, activities such as facilities management and property surveyors.
- 4.18 The Council continues to take positive steps with the objective of empowering parish councils and local groups to deliver more services. The Council will continue to support this local devolution to increase the pace of change to help

preserve services. Good progress continues to be made and the creation of a town council for Kidderminster presents excellent opportunities for joint working, now and in future. The detail of financial savings together with revised service arrangements for this Council as a result of this new partnership is not yet finalised. At this stage a saving of up to £250,000 a year from 2016-17 has been assumed within the Strategy. This will be confirmed in the February reports.

4.19 The challenge for budgets over the next 5 years will continue to be how to maintain our services as far as possible within the shrinking funding envelope. In line with steps taken over the last few years, there is therefore an increased impetus for growing the Council's income:

- a) growing business rates income in line with government forecasts so the local economy can benefit from the funding we are able to retain under the changing regime;
- b) growing council tax income by supporting housing growth, including through the review of the local development plan;
- c) increasing fees and charges where possible ahead of inflation. This ensures that users of services contribute more to support those services than council tax payers as a whole;
- d) continuing the Council's commercial income from a variety of sources such as ticket sales and events, rents, work undertaken for other organisations and private households, advertising and sponsorship. External income generation to supplement other funding is a cornerstone of our financial strategy. The success of the Income Generation Group has helped the Wyre Forest Forward Transformation programme and must be maintained in the future.

The significant savings from Wyre Forest House of circa £500kpa and income of around £160kpa from tenancies from a local accountancy firm and Worcestershire Regulatory Services (WRS) are helping to protect front-line services. A further tenancy has recently being secured for the former Cabinet Office and the marketing of our assets will continue to provide new income streams to reduce costs of services.

4.20 Another innovative example of Council's approach is the Evergreen Fund initiative by Council, which was approved in July 2014. It will provide a sustainable source of funding for future investments in approved projects. The fund, which currently stands at £310k and is projected to increase by £910k in the next 12 months, will help the Council to realise the regenerative benefits of some of its vacant and underused assets by investing capital receipts in commercial projects and other developments to secure long term revenue returns. The fund will shortly be of sufficient size to consider worthwhile investments. Each business case will be considered by Overview and Scrutiny Committee prior to decision by the Cabinet.

4.21 The gap between expenditure and the projected total funding resources available grows significantly in 2018-19 due to the impact of proposals for the reform of New Homes Bonus and new methodology for calculation of core funding and subsequent accelerated reduction in Revenue Support Grant. Therefore, the Council will continue on the trajectory towards becoming a much leaner organisation. This will require bold and far-reaching decisions by the Council in the coming period including changes that are likely to be challenging for the public and councillors alike. Given that these changes need to be implemented

before April 2018, the council has two years in which to agree a programme of reform and implement it. In order to ensure that there can be confidence about the Council's financial viability in 2018-19, the Cabinet will take relevant decisions no later than the end of 2016 on changes within its remit and for any that require full Council approval they will feature in the Financial Strategy prepared in the latter part of 2016.

5. KEY ISSUES - BASE POSITION, PRESSURES AND ASSUMPTIONS

- 5.1 Attached at **Appendix 1** is the forecast base budget position for the period 2016-17 to 2018-19. The Capital Programme together with the details to support the related recommendations in this report is contained in Appendix 6.
- 5.2 The Base Budget shown at Appendix 1 includes the financial implications of all previously approved Cabinet Proposals which reduced costs in areas such as the Wyre Forest Forward Programme. New Cabinet Proposals are considered within this report at Section 7 and Appendix 3.
- 5.3 Inflation has been included in the Base Budget for 2016-19 onwards as follows:

Table 5.3 Inflation Assumptions

Inflation Assumptions	2016-17 %	2017-18 %	2018-19 %
Pay (local agreement for first two years)	0.50	0.50	1.00
Living Wage Posts	2.78	2.78	2.78
Business rates (to be confirmed in due course)	0	1.0	1.0
Other contractual commitments	included at actual	included at actual	included at actual

- 5.4 No other inflation has been included in the estimates for the financial strategy.
- 5.5 The Base Budget takes account of the current position in relation to the forecast level of interest that the Council can expect to receive. It is expected that the current base rate of 0.5% will remain in place until the summer 2016. The current assumptions that have been used within the Base Budget are as follows:
- Expected returns in 2016-17 based on investment returns of 0.75%;
 - Expected returns in 2017-18 based on investment returns of 1.00%;
 - Expected returns in 2018-19 based on investment returns of 1.25%.
- 5.6 Summary of other main assumptions
- **Government funding – reductions as set out in Section 6.**
 - A freeze in Council tax for 2016-17 and 2017-18 followed by increases of just under 2% for 2018-19 and beyond.
 - £134k/year for increased National Insurance contributions from 2016.

- Fees & charges 5% minimum increase a year but note proposal for generating additional external income that may change some of these assumptions for items such as Garden Waste and Trade Waste and to recommend new fees and charges for services previously either not provided or provided at no cost. An important exception to this is for Hackney carriages for which no increase is recommended for the third year due to the statutory requirement that this service is breakeven in terms of cost recovery.
- The construction of the new Leisure Centre is progressing to programme with the commencement date for the opening of the new leisure centre on target for July 2016. The Council has generated annual savings towards the Wyre Forest Forward savings target of well over the projection of £390,000 pa. This is due to favourable borrowing rates achieved so far of on average £20,000 per million loan taken so up to around £200,000 pa additional savings compared to the base business case.
- Savings from partnership working with the new Kidderminster Town Council of up to £250,000 pa from 2016-17.
- There is a further Pensions Fund triennial revaluation in 2017. Although current approved budgets include annual increases in pension deficit contributions, this review is likely to be challenging. Treasurers across Worcestershire will work together with the actuary to contain costs within existing funding levels and are cautiously optimistic this will be achievable. To recognise the risk costs may increase, an additional £50,000 has been included in 2017-18 and £100,000 in 2018-19.
- An increase of 913 Band D equivalent properties or a healthy 2.87% in the 2016-17 Council Tax Base. The increase is made up of new homes constructed and coming into occupation and also reductions in exemptions, discounts and benefit claimants that all contribute to a higher chargeable Council Tax Base for the district. The increase of 2.87% is around that achieved for the previous year. Ongoing growth of 1% each year has now been assumed. This is lower than assumed in the Provisional Settlement but considered to be more realistic.
- A Collection Fund surplus of £90k has been assumed for 2016-17. £50,000 has been assumed for 2017-18 and 2018-19.

5.7 In terms of external Prudential Borrowing, the Council will enter into further external borrowing in 2016-17. This will continue over the medium and longer term and an average interest rate of 4% rising to 5% has been assumed within the base budget to fund the cost of this.

5.8 In addition to the position on investment returns the Base Budget position also assumes the continued return of the two remaining Council's Icelandic investments. To date out of the £9m original investments the Council has received £8.17m. Further dividend payments are expected throughout the period of the Medium Term Financial Strategy and it is hoped that this matter can be closed in the next few years.

5.9 In 2015-16, the County Council passported its local welfare support funding to district councils. Our share was £105k. In addition to this, the County Council further committed to providing a total allocation from their own budgets of £0.4 million for 2015-16 as long as the allocation is matched by district councils. This Council's share of the funding was £84k match funded in total, for the greater part by our renewed funding of the homelessness budget from our own resources rather than use of the previously passported monies. The funding is currently

being used to assist people in financial crisis. These new funding arrangements with the County Council will mitigate what would otherwise have been a significant impact in terms of services for these individuals and our running costs. Based on expenditure so far it is hoped the 2015-16 funding will last a further two years.

- 5.10 It has been necessary to reschedule savings targets as part of the revised budget process as some have been more challenging and resource intensive to deliver within existing capacity. The savings shortfall of £51,380 for Wyre Forest Forward Savings and £88,450 for Cabinet Proposals in 2015-16 add pressure to the new Medium Term Financial Strategy. However, this shortfall in savings has been matched in 2015-16 by other reductions, including reduced and deferred borrowing costs due to slippage in Capital schemes. The rescheduled generic savings for future years are shown below; the table that follows shows the breakdown and proposed use of reserves after Cabinet Proposals in the revised budget to illustrate the scale of the financial gap the Council needs to address. A separate row is included to show the new Cabinet Proposal for further savings:

Wyre Forest Forward Savings to be achieved in revised budget (before Cabinet Proposal)

Year	Amount
2015-16	- <i>Note savings not achieved have been rescheduled in the revised budget</i>
2016-17	£261,020
2017-18	£234,430
2018-19	£257,890

Table 5.10 How the Strategy addresses the Financial Gap

	2015-16	2016-17	2017-18	2018-19
	£	£	£	£
Financial Gap				
Wyre Forest Forward Savings not yet achieved*	£51,380	£102,030	£60,700	£84,430
Cabinet Savings from 2014-17 Financial Strategy not yet achieved*	£88,450	£158,990	£173,730	£173,460
New Cabinet Proposal for further Savings	£0	£0	£100,000	£750,000
SUB- Total	£139,830	£261,020	£334,430	£1,007,890
Use of reserves from Proposed 2016-19 Strategy	£401,410	(£414,400)	£232,900	£850,640
TOTAL	£541,240	(£153,380)	£567,330	£1,858,530
* The 2015/16 savings have been rescheduled into future years in the revised budget				

- 5.11 To create capacity to support the pace and scale of change the Corporate Leadership Team has previously allocated £50k from the Transformation Fund to meet the cost of additional resource required to meet the ambitious income generation targets. The Transformation Fund has been topped up by £150k as part of the last budget process and currently stands at £254k taking into account all known commitments.
- 5.12 However there is confidence that the savings target that needs to be achieved for both Wyre Forest Forward and Cabinet Proposals over the next three years to close the funding gap and to avoid drawing on reserves is around £1.7m.

- 5.13 The introduction of the local council tax reduction scheme has generally been smooth. We charged a minimum of 8.5% in 2013, rising to 10% in 2014 of council tax to people of working age. The impact on collection rates so far has been modest. Following extensive consultation Council on the 9th December approved increasing the minimum charge from to 20% in line with other local schemes across Worcestershire. The saving to this Council from this change is estimated at around £60k. WCC has agreed in principle to pay a contribution of £75k a year towards additional Hardship and other costs as a consequence of moving to the new scheme from 1 April 2016. These changes have been reflected in the Budget Strategy. The demographics of the district, including rising pensioners who are protected and number of working age unemployed, albeit that this is on a downward trend, represent pressures on our Local Scheme.
- 5.14 Worcestershire County Council has committed to a transformation programme including moving to a commissioning authority and is running a raft of “Future Fit” projects. It has significant target savings to achieve against each of these projects and is consulting with district councils in respect of initiatives that may impact on the district as follows:
- **Worcestershire Regulatory Services (WRS)** – the withdrawal of the Trading Standards service by the County Council from April 2016 represents a risk to the ongoing sustainability of this Shared Service due to the reduced capacity for the recovery of fixed overheads. To mitigate this, the County have agreed to pay a contribution to the Shared Service in compensation. It is expected that this will cover the first two years giving an opportunity for review of the overall position in the meantime.
 - **Strategic Housing – Homelessness-** Worcestershire County Council has confirmed it will allocate £300k to the District Councils for homeless services for the next 3 years. This funding will be held by Worcester City Council on behalf of the 6 Districts with responsibility for the commissioning and monitoring of this service delegated to the Strategic Housing Partnership. The distribution of the £300k between the Districts will be done relative to service need so it is anticipated this Council may receive more than an equal share.

The District Council cannot afford to bridge any funding gaps. The impact upon our budget can only be determined once the County Council have made final budget decisions that impact on services this council provides.

The local development plan

- 5.15 If the Council does not plan for further significant growth in population in the medium to long-term, there is a significant risk of losing resources over time as Wyre Forest’s population declines relative to the population of England. Significant growth could be delivered only through the next review of the local development framework which is planned for adoption in 2017, so it is therefore highly unlikely to contribute anything significant in the 2016-19 period.
- 5.16 The Council is committed to 4,000 new dwellings in the period to 2026. WFDC’s funding position is “safe” so long as the Council delivers housing growth in line with or faster than the English average.

Census	1991	2001	2011
Wyre Forest	95,000	97,000	98,000
Percentage change **	-	+2.3%	+1.1%
Worcestershire	510,000	542,000	566,000
Percentage change **	-	+6.4%	+4.4%
England	47,875,000	49,451,000	53,013,000
Percentage change **	-	+3.3%	+7.2%

** compared to previous census

- 5.17 Population will always be a major driver of any Government funding that is provided. The 4,000 dwellings in the local development framework for the period to 2026 would imply an increase of about 9,000 residents. This is a rate of growth over the next 12 years that would roughly match what Worcestershire and England achieved over the previous 20 years. However, the probability is that this Council's long-term population growth will continue to lag behind others, unless a changed policy on approach is adopted. The latest 2012 population projections show that population is projected to grow in Wyre Forest from 98,100 in 2012 to 101,200 by 2031. This is an increase of 3.2%. Worcestershire is projected to grow by 6.9% and England by 12.9% over the same period.
- 5.18 Significant growth can continue to help with our income and tax base in the long-term. The Council will have to provide some additional services (e.g. refuse collection) but many others are not elastic in response to population (e.g. museum, economic development, town centre, street cleaning). More people living locally would mean greater competition and demand for some services and provide greater opportunities for external income generation than might otherwise have been the case.

6. FUNDING: LOCAL AUTHORITY REVENUE FINANCE SETTLEMENT FOR 2016-17, BUSINESS RATES AND NEW HOMES BONUS

- 6.1 The Provisional Local Government Settlement was announced on the 17th December and followed the Chancellor's "Autumn" Statement on 25th November 2015. These announcements contained the following information impacting directly on the funding assumptions included in this report. The overall reduction in funding for RSG, New Homes Bonus and Business Rates between 2015-16 and the revised forecast for 2018-19 is 28% for this Council and is much worse than previously anticipated.
- Continuation of New Homes Bonus but subject to reform following consultation. The payments for 2016-17 will continue on the current basis but in future years this funding stream will definitely reduce significantly for districts. The figures included within this report are based on information and examples included within the Provisional Settlement and New Homes Bonus Technical Consultation. These may be revised in the February report following any further announcements but will not be confirmed until later in 2016 as consultation runs until 10th March.
 - The impact of the Provisional Settlement can be reasonably contained in both 2016-17 and 2017-18 since RSG reductions are offset by New Homes Bonus increases and a modest increase for assumed growth in the council tax base. However, the further significant reductions in both these funding streams in

2018-19 presents a real challenge to the 3 year budget Strategy. This is further detailed in the tables in Paras 6.3, 6.4 and 6.6.

- Introduction of an apprenticeship levy of 0.5% of payroll costs less a £15k allowance;
- An end to uniform Business Rates; introduction of 100% retention of business rates and phasing out of Revenue Support Grant as well as introduction of new responsibilities.

6.2 The Provisional Settlement issued on the 17th December supplements the broad details included within the Autumn Statement providing information on funding for 2016-17 and illustrative figures for the following 3 years. The consultation on the New Homes Bonus proposals was also included in the suite of publications and preferred proposals would see significant reductions in this important funding stream in 2018-19. It is certain that Public sector funding reductions look to continue until 2020, with increasing reliance on local raised income including Council Tax and the funding outlook for local government, districts in particular, is set to become significantly more challenging.

6.3 Table 6.3.1 below identifies the revised overall position in relation to the Government Grant, Business Rates, and New Homes Bonus and Council Tax income (as a result of new growth assumptions of 1% a year). The further table in 6.3.2 shows just Revenue Support grant and Table 6.3 shows changes in Council Tax income. These are based on the Provisional Settlement and may be subject to further change when the Final Settlement is published. The results of the consultation on New Homes Bonus will not be known until the spring. The revised figures show a significantly faster rate of reduction in the RSG funding stream than previously anticipated. There is a risk that we will not achieve the growth in business rates to offset these funding reductions. This would reduce balances significantly and will be kept under review. The table in 6.6 shows the value of the retained business rates separately for further information.

Table 6.3.1 Total Funding including RSG, New Homes Bonus, and Business Rates and Council Tax Base (no growth after 2016-17) as previously assumed

Year	Total Funding including Business Rates, NHB and Council Tax - Previous Assumptions £	Government Support including Business Rates, NHB and Council Tax - Provisional Settlement £	Variance-Brackets = reduction £
2015-16	12,783,490	12,783,490	0
2016-17	12,771,230	12,937,400	166,170
2017-18	12,430,290	12,333,510	(96,780)
2018-19	12,352,440	11,488,860	(863,580)
Total	50,337,450	49,543,260	(794,190)

Table 6.3.2 Revenue Support Grant Funding changes from previous assumptions compared to Provisional Settlements

Year	Revenue Support Grant - Previous Assumptions £	Revenue Support Grant - Provisional Settlement £	Variance-Brackets = reduction £
2014-15	2,912,210	2,912,210	0
2015-16	2,019,010	2,019,010	0
2016-17	1,514,260	1,179,060	(335,200)
2017-18	1,174,260	510,220	(664,040)
2018-19	964,260	100,680	(863,580)
Total	8,584,000	6,721,180	(1,862,820)

Table 6.3.3 Council Tax Income Improvement due to new assumption for 1% growth

Year	Council Tax - Previous Assumptions £	Council Tax with 1% annual growth £	Variance-increase in Funding £
2017-18	6,720,820	6,782,420	61,600
2018-19	6,851,070	6,976,670	125,600
Total	13,571,890	13,759,090	187,200

- 6.4 The Council has estimated the income which it expects to receive from New Homes Bonus and this has been built into the base budget. For estimates past 2015-16, figures from the Provisional Settlement and accompanying illustrations in the New Homes Bonus Technical Consultation paper have been used. These estimates include a progression to 4 rather than the current 6 years of funding and reductions in the number of years of payment starting with the 2012-13 legacy payments. The financial strategy adopted in February 2015 had assumed that New Homes Bonus would not continue beyond the General Election. The new projection based on the Provisional Settlement is much better than previously assumed but this “gain” has been more than eliminated by the much faster reduction in Revenue Support Grant. The latest projections compared to those previously assumed are shown in Table 6.4 below:

Table 6.4 - Revised Projections of New Homes Bonus

Year	Value of New Homes Bonus - Previous Assumptions £	Value of New Homes Bonus - Provisional Settlement £	Variance-Brackets = reduction but overall increase £
2015-16	1,684,610	1,684,610	0
2016-17	1,914,610	2,350,460	435,850
2017-18	1,836,190	2,237,640	401,450
2018-19	1,782,260	1,500,000	(282,260)
Total	7,217,670	7,772,710	555,040

- 6.5 The new arrangements pose a serious challenge to future financial sustainability for this and many other councils as the Council uses the bonus to fund its revenue activities, including important work on economic regeneration and development. This change is even more significant given the transition to the new funding model where business rates growth is of increased importance. **The proposed reform represents a significant financial challenge if the preferred proposal included within the Consultation paper is progressed, where New Homes Bonus payments previously promised are not now going to be paid. The effect of this will start to be felt from 2017-18.**
- 6.6 Business Rate projections based on the Worcestershire pooling agreement are shown in the table below. These take into account the Council's share of forecast growth from major redevelopments, appeals, reliefs, economic regeneration work; forecast increases in the multiplier for inflation and other Business Rates market intelligence. These estimates may require updating following completion of the statutory 2016-17 estimates for the DCLG in January 2016. The Table below shows the revised assumptions based on information from the Provisional Settlement compared to previous estimates.

Table 6.6- Revised Value of Retained Business Rates –

Year	Value of Retained Business Rates - Previous Assumptions	Value of Retained Business Rates - Provisional Settlement	Variance- - Increase
	£	£	£
2013-14	2,435,300	2,435,300	0
2014-15	2,300,280	2,300,280	0
2015-16	2,546,550	2,546,550	0
2016-17	2,621,540	2,687,060	65,520
2017-18	2,699,020	2,803,230	104,210
2018-19	2,754,850	2,911,510	156,660
Total	15,357,540	15,683,930	326,390

7. CABINET PROPOSALS

- 7.1 This report presents the Cabinet's proposed spending plans for the next three years.

Council tax

Inflation as measured by CPI is running below zero at present (-0.1%, in the latest available figures for October 2015). It is not expected to rise significantly by the time that the Council sets council tax for 2016-17 at the end of February. In line with the political commitment to keep increases below inflation over the medium term, it is proposed that the Wyre Forest element of council tax will be frozen for 2016-17 and 2017-18 followed by a rise by 1.94% a year. This freeze reflects current extremely low levels of inflation and supports all households in Wyre Forest, including those in Kidderminster which will face higher bills in 2016 because of the creation of the Town Council. It also recognises the impact on household budgets of welfare initiatives, including the changes to Wyre Forest's council tax reduction scheme which take effect in April.

Spending proposals

7.2 The Cabinet Proposals are once again few in number this year, building on previously approved proposals for transforming the Council and focus on regeneration that should grow business rates reducing the funding gap. They include three areas of limited growth and one proposal for an increased level of savings from the Wyre Forest Forward Transformation Programme as attached at Appendix 3. The Cabinet has considered changes to:

- Approval of £500,000 capital funding to act as match funding towards the delivery of the reintroduction of traffic into Worcester Street as part of the Council's commitment to the regeneration of Kidderminster Town Centre. This will represent a significant step forward in realising the redevelopment of the wider Eastern Gateway as well as continuing the Council's strategy of attracting external investment into the regeneration of the town centre. This is the next phase of the Council's commitment to revitalising Kidderminster Town Centre by investing additional funding to accelerate the improvements to Worcester Street; opening it up to one-way traffic from Coventry Street and providing on street parking, thus improving the profile of this part of the town and increasing footfall. This builds on the Council's delivery of £2m of public realm improvements to Vicar Street, High Street and Exchange Street. This significant investment will support the Council's vision for the future of Worcester Street;
- Agree the creation of a single Localism Fund of £50k to continue the good work done so far with Parish and Town Councils and extend it to other organisations. There will continue to be flexibility around grant funding from this new fund to facilitate more clarity and easier access where appropriate, to pump prime the work of Parish Councils and community Groups where it complements work and priorities of this Council and benefits local residents;
- Approval for the Community Leadership Fund for 2016-17 (£33k/year), following the review of the effectiveness of this funding.
- Approval of a further tranche of Wyre Forest Forward savings of £100k in 2017/18 and £750k in 2018/19 towards mitigation of the increased funding gap as a result of the latest government proposals for funding reductions. These are the minimum savings required.

7.3 Details of Cabinet Proposals are attached in Appendix 3. The following table demonstrates the forecast position for the Council when all of the Cabinet Proposals are incorporated into the Base Budget. The Council is forecast to hold a balance of £1.488m at the end of 2018-19 (see reserves table in 8.2):

Table 7.3 – Revised Forecast Financial Position including Cabinet Proposals

	Revised 2015/16 £	2016/17 £	2017/18 £	2018/19 £
Net Expenditure on Services (per Appendix 1)	13,260,000	12,743,000	12,929,410	13,352,500
Kidderminster Town Council		(250,000)	(250,000)	(250,000)
Total Net Expenditure on Services (per Appendix 1)	13,260,000	12,493,000	12,679,410	13,102,500
Less				
Cabinet Proposals identified in Appendix 3	0	120,000	(63,000)	(713,000)
Net Expenditure	13,260,000	12,613,000	12,616,410	12,389,500
Contribution (from)/to Reserves	(401,410)	414,400	(232,900)	(850,640)
Net Budget Requirement	12,858,590	13,027,400	12,383,510	11,538,860
Less				
Revenue Support Grant	2,019,010	1,179,060	510,220	100,680
Business Rates	2,546,550	2,602,060	2,653,230	2,731,510
Business Rates Growth	0	85,000	150,000	180,000
New Homes Bonus	1,684,610	2,350,460	2,237,640	1,500,000
Collection Fund Surplus	75,100	90,000	50,000	50,000
Council Tax Income	6,533,320	6,720,820	6,782,420	6,976,670
WFDC Council Tax @ 1.94% increase 2018/19 onwards	205.36	205.36	205.36	209.34

- 7.4 The Cabinet proposals identified in Appendix 3 build on the savings identified within all previous Financial Strategies with three growth items for funding for the regeneration of Worcester Street, a new single Localism Fund, continuation of the Community Leadership Fund and one proposal for increased Wyre forest Forward Savings.

8. WORKING BALANCES, RESERVES AND PROVISIONS

- 8.1 The Council has adopted the general principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Local Authority Reserves and Balances.
- 8.2 The following Reserves are available to assist the Council in meeting General Fund Expenditure 2016-19 as part of the Financial Strategy.

Table 8.2 - New Reserves table after all Cabinet Proposals

Reserves Statement	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Reserves as at 1st April	2,559	2,158	2,572	2,339
Contribution (from)/to Reserves	(401)	414	(233)	(851)
Reserves as at 31st March	2,158	2,572	2,339	1,488

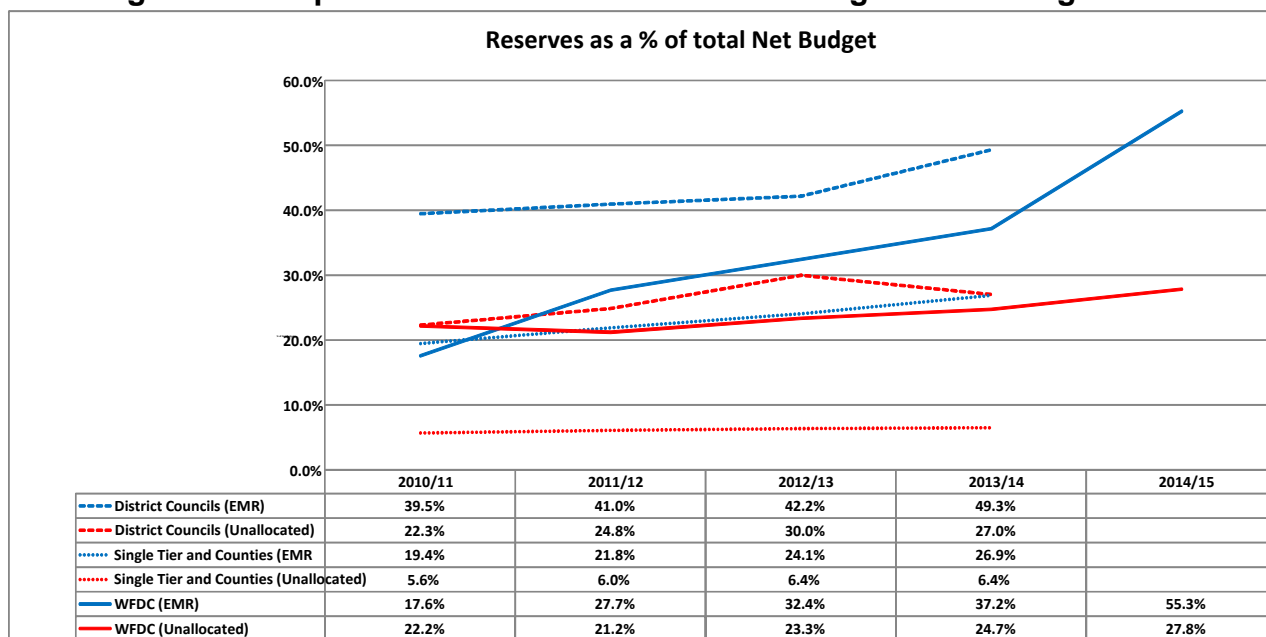
- 8.3 In addition the Council holds a working balance of £1m.
- 8.4 The Council also currently holds earmarked reserves of £6.729m (as at 30th November 2015). It should be noted that the Council has commitments against such earmarked reserves and it includes a Business Rates Deficit Reserve of £1.8m previously held as a provision.

8.5 The following graph shows that both our general unallocated reserves (including the working balance) and our levels of earmarked reserves are a relatively small percentage of our annual net revenue budget. It also shows that our reserve levels are falling below those held by other district councils.

The anomalies in accounting for the current Business Rates Retention System is causing a spike in the latest year's earmarked reserves due to increased reserves for appeals, which we have been obliged to allocate at the external auditor's request. We should be mindful that these EMRs are for specific purposes and will be almost certainly be required. In the extremely unlikely event that they were all imprudently, released for revenue expenditure they would not cover even 6 months' expenditure.

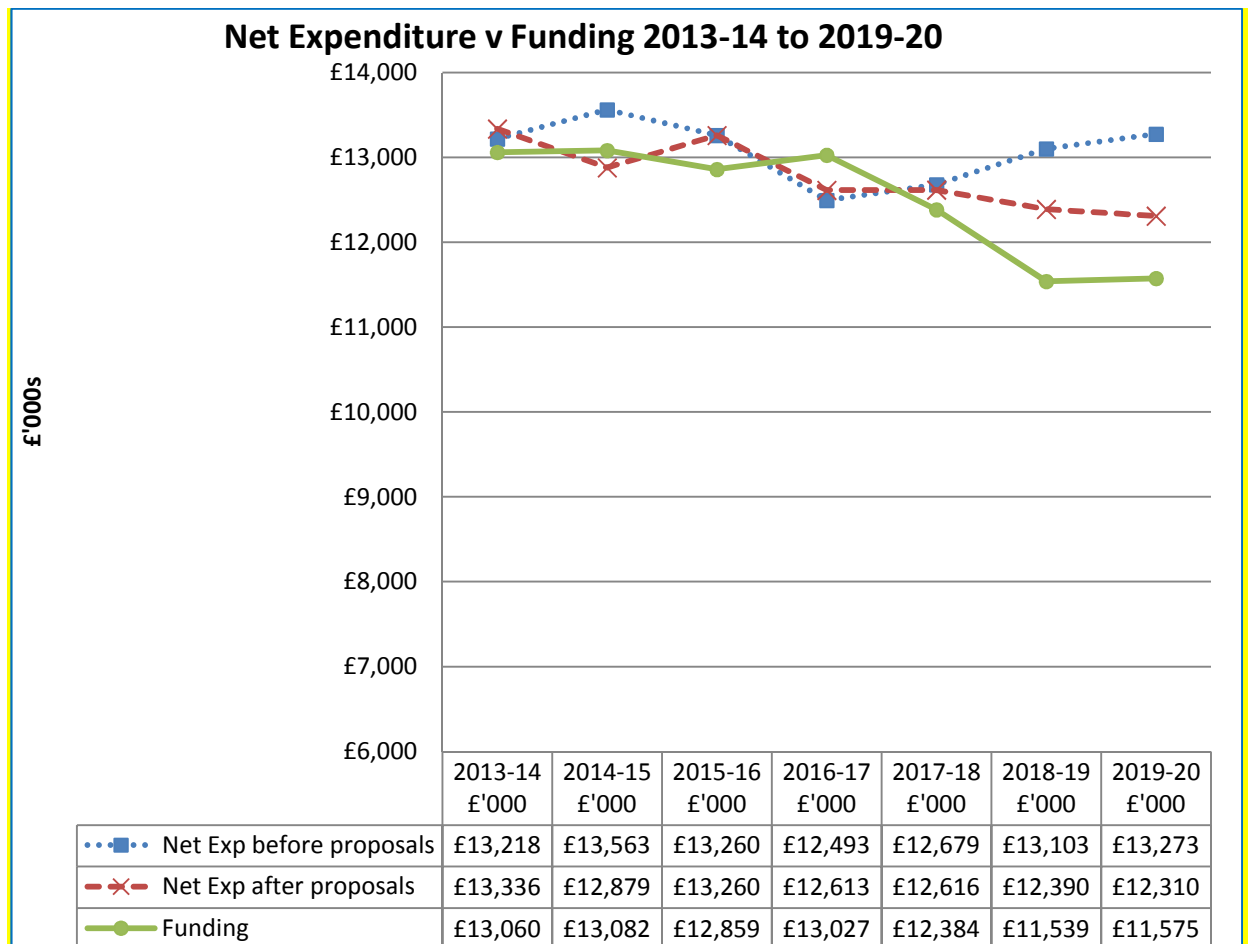
This analysis, together with the diminishing reserves shown in the table in 8.2, means this Council has extremely limited capacity to draw further on reserves to meet extra costs/further funding reductions. Indeed, with increased financial risk there is pressure to hold larger reserves to mitigate the impact of potential service reductions.

Figure 8.5 Graph to show Reserves as a Percentage of Net Budget Actuals



8.6 The following graph shows the net expenditure against available funding (excluding reserves) and illustrates the increasing funding gap as the years progress.

Figure 8.6 Revised Graph to show Net Expenditure compared to Funding 2013-14 to 2019-20



9. CAPITALISATION OF REVENUE EXPENDITURE

9.1 The Chief Financial Officer will apply any unallocated Capital Receipts to fund suitable expenditure at year end in consultation with the Chief Executive in accordance with delegated authority.

9.2 No applications have been made for capitalisation directions for 2015-16.

10. FINANCE STRATEGY

10.1 The Council needs a Medium Term Finance Strategy to maintain a sound financial structure for the future.

10.2 The Key Objectives are proposed as follows:

- To reduce expenditure to a sustainable level.
- A balanced budget within resources available identified into the medium term.
- To manage the Council's assets in order to achieve maximum efficiency.
- To manage the Council's investments efficiently and effectively to maximise interest generation, whilst protecting principal.
- To make realistic provisions for inflation, pensions, committed growth and legislative requirements whilst securing the Council's financial position.

- To set aside any available balances, initially to be used primarily for “one-offs” (e.g. investment, service or corporate growth) and/or depending on the amount of balances, used in a phased manner beyond one year to avoid fluctuations in the level of the Council Tax.
- To ensure the early recognition of emerging issues associated with assessment of risk and appropriate management of the budget process in relation to the assessment of the degree of risk.
- To direct available financial resources in line with approved service priorities and reallocate from low/nil priority areas in line with Council Policy to maximise achievement of approved Key Commitments.
- For the years in which increases in Council Tax are proposed, the Council should aim to keep to a maximum increase of just below 2% to avoid the risk of triggering a referendum.
- Maximise external income generation opportunities.

11. BUDGET CONSULTATION STRATEGY

- 11.1 Following the presentation of this year’s Financial Strategy, to Cabinet in December 2015 there will be external and internal consultation through an online questionnaire on the Council’s website and specific distribution to interested parties, including staff and unions, Parish and Town Councils and partners such as Community Housing Group and other housing associations.

12. POWERS TO LIMIT EXCESSIVE INCREASE IN COUNCIL TAX AND REFERENDUMS

- 12.1 The Localism Act abolished the ability for central government to cap the level of Council Tax increase that a local authority can charge. However, to replace these powers government have introduced a ‘local tax lock’.
- 12.2 These powers allow local people a vote to stop council tax going up if their local authority increases Council Tax by more than an amount specified by government. For this report it has been assumed that any council tax increases in 2018-19 above 2% would trigger a referendum. If the local electorate votes against that increase, the local authority will have to revert to a council tax level that is compliant. This means the Council must keep our increases to just below the 2% threshold.

13. EQUALITY IMPACT NEEDS ASSESSMENT (EIA)

- 13.1 Where the Cabinet Proposals represent significant changes to service delivery, an EIA on the protected groups has been undertaken.

14. BUDGET RISK MANAGEMENT

- 14.1 Achieving financial sustainability is the most significant risk facing the Council. The work done by the Cabinet Financial Strategic Advisory Panel provided a range of recommendations for the Cabinet to consider in making its recommendations on the Medium Term Financial Strategy.

14.2 The Accounts and Audit (England) Regulations 2011 require Local Authorities to fully consider and manage Risk as part of the Budget process. Attached at Appendix 5 is an analysis of the significant financial risks which are affecting the Council.

14.3 All local authorities are required to formalise their approach to risk management and evidence it more directly as part of the budgetary process. This requirement has arisen as a result of:-

- a. *Regulation 3 of the Accounts and Audit Regulations 2015 state that:*
“A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.”

In addition Regulation 4 of the Accounts and Audit Regulations 2015 also state that:

“The financial control systems determined must include measures to ensure that risk is appropriately managed”.

- b. *Prudential Framework:-*
The assessment of affordability of financial plans requires a judgement about risk. Prudential Indicators are the monitoring tool to assess performance and risk.
- c. *CIPFA Guidance on Reserves and Balances:-*
Highlights the need to consider risks facing the authority; the risks posed by the continuing austerity measures place pressure on the Council to hold higher levels of reserves to ensure ongoing sustainability.

14.4 The base budget makes no allowance for headroom for additional investment in priorities. In summary, other pressures not yet known and/or not taken into account at this stage are:

- Redundancy costs of further staffing reductions.
- Any additional reductions in other government grants or impact of significant changes to the Business Rates Retention system.
- Any additional impact of the reform to New Homes Bonus following the consultation process.
- Potential nationalisation of land charge searches in 2016 or 2017. Might affect some or all of income stream of £157k pa.
- Future impact of welfare reforms including rising number of pensioners.
- Pressure to hold higher reserves because of higher risks/decreased funding.
- Future impact of Bromsgrove Street redevelopment on car park income.
- Any future implications of the potential depot relocation.
- The impending pension fund triennial revaluation in 2017 – over and above the additional £150k contributions included within this Strategy.
- Worcestershire Regulatory Services – no additional costs have been allowed in year 3 potentially arising as a result of the withdrawal of Worcestershire County Council Trading Standards service from the Shared Service.

15. LOCAL GOVERNMENT ACT 2003

- 15.1 Local Government Act 2003 (Sections 25-29) places duties on Local Authorities on how they set and monitor budgets.
- 15.2 Sections 25-27 require the Section 151 Officer to report on the robustness of the estimates and the adequacy of its proposed financial reserves. This will be reported to Council on 24th February 2016.
- 15.3 Section 28 places a statutory duty on an authority to review its budget from time to time during the year. If the Budget Monitoring Report shows that there has been deterioration in the Authority's financial position, the authority must take such action as it concludes necessary. The Council currently reviews the Budget on a quarterly basis, with CLT/Cabinet receiving monthly budget monitoring reports, and this practice will continue.

16. CONSULTEES

- 16.1 Corporate Leadership Team
- 16.2 Cabinet

17. BACKGROUND PAPERS

- 17.1 Accounts and Audit (England) Regulations 2015
- 17.2 Cabinet Report on the Fees and Charges 2015-16 onwards
- 17.3 Agendas and Minutes of the Cabinet Financial Strategy Advisory Panel
- 17.4 Strong Leader Report on Business Rates Pooling 13th October 2015 and related Decision 28th October 2015

WYRE FOREST DISTRICT COUNCIL

REVENUE BUDGET TOTAL REQUIREMENTS - DISTRICT COUNCIL PURPOSES

SERVICE	2015/16		2016/17			2017/18			2018/19		
	Original Estimate £	Revised Estimate £	At Nov.15 Prices £	Inflation £	TOTAL £	At Nov.15 Prices £	Inflation £	TOTAL £	At Nov.15 Prices £	Inflation £	TOTAL £
CHIEF EXECUTIVE	5,213,930	5,485,020	5,508,730	29,370	5,538,100	5,764,150	58,060	5,822,210	5,926,220	102,360	6,028,580
COMMUNITY WELL-BEING AND ENVIRONMENT	6,426,240	6,223,120	5,411,990	76,520	5,488,510	4,990,520	141,790	5,132,310	5,084,960	240,570	5,325,530
ECONOMIC PROSPERITY AND PLACE	2,482,470	2,582,300	2,506,020	24,200	2,530,220	2,403,530	59,760	2,463,290	2,355,900	103,600	2,459,500
LESS: CAPITAL ACCOUNT	14,122,640	14,290,440	13,426,740	130,090	13,556,830	13,158,200	259,610	13,417,810	13,367,080	446,530	13,813,610
INTEREST RECEIVED	(652,870)	(923,710)	(616,380)	410	(615,970)	(193,620)	830	(192,790)	(55,530)	1,550	(53,980)
INCREASES IN FEES AND CHARGES	(76,540)	(106,730)	(113,660)	0	(113,660)	(100,000)	0	(100,000)	(100,000)	0	(100,000)
	0	0	(84,200)	0	(84,200)	(195,610)	0	(195,610)	(307,130)	0	(307,130)
TOTAL NET EXPENDITURE ON SERVICES	13,393,230	13,260,000	12,612,500	130,500	12,743,000	12,668,970	260,440	12,929,410	12,904,420	448,080	13,352,500
LESS: REVENUE SUPPORT GRANT	(2,019,010)	(2,019,010)			(1,179,060)			(510,220)			(100,680)
BUSINESS RATES	(2,537,130)	(2,537,130)			(2,602,060)			(2,653,230)			(2,731,510)
BUSINESS RATES GROWTH	(25,490)	(9,420)			(85,000)			(150,000)			(180,000)
COMMUNITY RIGHT TO BID/CHALLENGE	0	0			0			0			0
COLLECTION FUND SURPLUS	(75,100)	(75,100)			(90,000)			(50,000)			(50,000)
NEW HOMES BONUS	(1,684,610)	(1,684,610)			(2,350,460)			(2,237,640)			(1,500,000)
PROJECTED NEW HOMES BONUS (2016-17 onwards)	0	0			0			0			0
GENERAL EXPENSES -											
COUNCIL TAX INCOME	(6,533,320)	(6,533,320)			(6,720,820)			(6,782,420)			(6,976,670)
(SURPLUS) / DEFICIT FOR YEAR	518,570	401,410			(284,400)			545,900			1,813,640
COUNCIL TAX LEVY		205.36			205.36			205.36			209.34
COUNCIL TAX BASE		31,814			32,727			33,027			33,327

WYRE FOREST DISTRICT COUNCIL**DRAFT CABINET PROPOSALS 2016/17 ONWARDS**

Cost Centre	ACTIVITY AND DESCRIPTION OF CABINET PROPOSAL	KEY	2016/17 £	2017/18 £	2018/19 £	After 2018/19 £
			£	£	£	£
SUCCESSFUL LOCAL ECONOMY						
R705	Economic Regeneration Activities Approval of £500,000 capital funding to act as match funding towards the delivery of the reintroduction of traffic into Worcester Street as part of the Council's commitment to the regeneration of Kidderminster Town Centre. This will represent a significant step forward in realising the redevelopment of the wider Eastern Gateway as well as continuing the Council's strategy of attracting external investment into the regeneration of the town centre. This is the next phase of the Council's commitment to revitalising Kidderminster Town Centre by investing additional funding to accelerate the improvements to Worcester Street; opening it up to one-way traffic from Coventry Street and providing on street parking, thus improving the profile of this part of the town and increasing footfall. This builds on the Council's delivery of £2m of public realm improvements to Vicar Street, High Street and Exchange Street. This significant investment will support the Council's vision for the future of Worcester Street.	C R S	500,000 37,000 -	- 37,000 -	- 37,000 -	- 37,000 -
CLEAN, GREEN AND SAFE COMMUNITIES						
R335	Parish Localism Funds To create a single Parish Localism Fund of £50k to continue the good work done so far with Parish and Town Councils and other local organisation. The award criteria will be flexible to facilitate easier access and more clarity. This will include a review of the Parish Support fund in 2016/17 with a view to changing the distribution methodology from 2017/18.	C R S	- 50,000 -	- - -	- - -	- - -
R720	Community Leadership Fund In light of the impending review of the use and effectiveness of this fund, to retain this funding stream of £1,000 per Member for 2016/17.	C R S	- 33,000 -	- - -	- - -	- - -
R726	Wyre Forest Forward Further target for savings from the Wyre Forest Forward Efficiency Programme	C R S	-	100,000 CR	750,000 CR	1,000,000 CR
	TOTALS	C R S	500,000 120,000 -	- 63,000 CR -	- 713,000 CR -	- 963,000 CR -

KEY - Changes in Resources

- C Capital
- R Revenue
- S Staffing - Stated in FTEs