

**CALDERDALE MBC**

**WARDS AFFECTED: ALL**

**CABINET**

**19<sup>th</sup> SEPTEMBER 2011**

**MEDIUM TERM FINANCIAL STRATEGY 2012/13 TO 2014/15**

**REPORT OF THE HEAD OF FINANCE**

**1. Reason for Report**

1.1 The reasons for this report are to:

- (i) Review and update the Medium Term Financial Strategy (MTFS) in light of the latest information.
- (ii) Inform members of issues identified relevant to the update of the MTFS and,
- (iii) Note the proposed approach to the budget process for 2012/13 to 2014/15

**2. Need for a Decision**

2.1 To complete the annual update of the Council's Medium Term Financial Strategy and provide a framework for Members to develop budget proposals for 2012/13 and beyond.

**3. Recommendations**

3.1 That the appended Medium Term Financial Strategy be approved for recommendation to Council.

3.2 That draft budget proposals are brought forward by Cabinet for consultation in accordance with the approach outlined in the report.

## **4. Introduction and Overview of the MTFS and Forecasts**

- 4.1 The Medium Term Financial Strategy (MTFS) is a key element within the Council's overall strategic planning framework. The Strategy takes a three-year perspective and sets a framework for how budget pressures will be prioritised within the best estimates of available capital and revenue resources.
- 4.2 The MTFS includes a summary of the overall planning framework including the Calderdale Coalition Programme and the priorities within it. It has been re-focused this year but is still similar in structure to that used last year extended to cover a new third year (i.e. 2014/15) and updated to reflect current issues.
- 4.3 The Council has set itself ambitious goals across a wide spectrum of services as can be seen in the policy section of the attached strategy. The base forecast in the MTFS shows that no further savings are expected to be required next year but additional savings of £4.1m are likely to be needed in 2013/14 rising to £13.7m by 2014/15 (N.B. these figures assume that existing approved savings targets will be fully delivered).
- 4.4 It is usual for the MTFS to be framed in the context of some uncertainty but there is more uncertainty than ever this year given the lack of a 3 year settlement and major policy changes occurring at a national level (e.g. with the abolition of PCTs, localism etc).
- 4.5 This uncertainty has led to the necessity of making more assumptions than usual especially in 2013/14 and 2014/15. Therefore, in addition to the Council's base case scenario detailed above, best and worst case assumptions have also been modelled so that the upside and downside risks to the Council's strategy can be seen (although it is conceivable that the position could eventually turn out to be outside even these scenarios given the level of uncertainty).

## **5 Consultation**

- 5.1 The MTFS assumes that at the moment the Council wishes to continue the improvements to its procedures for consultation and that the information to support consultation will as last year be provided in three phases:
- Presentation of Medium Term Forecast, Strategy and Priorities (October)
  - Presentation of Draft Budget proposals for consultation (January)
  - Presentation of the Final Budget to Budget Council (February)
- 5.2 This report and the MTFS therefore represent the first of three main stages in setting the Council's final budget.
- 5.3 The draft MTFS was considered by the Use of Resources Scrutiny Panel on 1<sup>st</sup> September 2011. No changes were recommended.

## **6. Corporate and Financial Implications**

- 6.1 Although this report does not have any direct financial implications, the base forecast in the MTFs shows that no further savings are expected to be required next year but additional savings of £4.1m are likely to be needed in 2013/14 rising to £13.7m by 2014/15 (these figures assume that existing savings targets will be fully delivered).
- 6.2 The Council needs to commence the budget process for 2012/13 bearing in mind that the savings are expected to be required to be made in the latter two years of the strategy.

## **7. Equality and Diversity**

- 7.1 The equality and diversity implications arising from the MTFs and the budget proposals will need to be considered. One of the guiding principles of the budget process is, in fact, to identify the impact of our decisions on the economy, environment and equality and fairness for people.

## **8. Conclusion**

- 8.1 The Council has developed the MTFs as the cornerstone of the budget process and it has been instrumental in guiding this process. The scale of the reductions in spending required over the period of the plan is, although not unprecedented, nonetheless substantial. The budget process will therefore have to reflect the fact that the Council will need to challenge its existing priorities and make some tough decisions in order to meet the financial challenge particularly in 2014/15.

Reference: ACC/NB/MTFSreport  
Report No: Medium Term Strategy 12/13 to 14/15  
Date: 15 August 2011

Pete Smith  
Head of Finance  
Calderdale MBC

### **FOR FURTHER INFORMATION ON THIS REPORT CONTACT:**

Nigel Broadbent Telephone: Hx 393505

### **DOCUMENTS ARE AVAILABLE FOR INSPECTION AT:**

Princess Buildings, Princess Street, Halifax HX1 1TP

**CALDERDALE MBC**

**MEDIUM TERM FINANCIAL STRATEGY**

**2012/13 TO 2014/15**

## **CONTENTS**

	Pages
Section 1 – Introduction	3
Section 2 – The Policy Framework	4 - 14
Section 3 – The Budget Process and Consultation	15 - 16
Section 4 – Joint Council/Main Partner MTFS	17
Section 5 – The Capital Budget Forecast	18 - 20
Section 6 – The Revenue Budget Forecast (Incl. Balances)	21 - 27
Section 7 – Risk and Sensitivity Analysis	28 - 30
Section 8 – Summary and Conclusions	31
Appendix 1 – Timeline for national policy changes	32 - 37

## **Section 1 Introduction**

The Medium Term Financial Strategy (MTFS) is a key element within the Council's strategic planning framework. The Strategy takes a three year perspective and sets the overarching forecasts to inform how budgets will be prioritised within the best estimates of available capital and revenue resources. A continuous review of Value for Money is implicit in order to ensure that budgets can be maximised and allocated to meet community needs. Given the reductions in public spending required over the next few years this prioritisation will be particularly important.

This document outlines how revenue and capital budgets will be allocated to priorities set out in the Council's corporate strategies and plans. This is prepared in the context of significantly constrained resource availability and clear community and national expectations regarding affordable council tax levels.

Although the outcome of last year's Local Government Finance Settlement is now known, at the time of publication of this MTFS, the resources allocated to the Council in future years especially after 2012/13 is uncertain. Prudent assumptions have therefore been made within this document in respect of the anticipated levels of funding over the next three years based on last year's national Spending Review. The strategy has also been modelled to provide alternative forecasts should any of the assumptions vary to those which have been estimated.

Along with the need to plan for further efficiencies and reductions in spending this updated MTFS identifies additional provision for the following priority areas and pressures:-

- extraordinary increases in energy costs
- providing for the additional cost of landfill
- social care needs to reflect changes in client numbers, in particular for increasing numbers of adults with learning difficulties
- other underlying pressures, particularly children in care

The MTFS is the first of four phases in the process for setting the Council's budget:-

1. Preparation of the MTFS (July to September 2011)
2. Confirmation of Resource Prioritisation and necessary consultation (October – December 2011)
3. Preparation and presentation of the consultation budget (January 2012)
4. Presentation of final budget proposals to Budget Council (27th February 2012)

## **Section 2 The Policy Framework**

### **Local Policy Framework**

#### **FRESH START: the second year and beyond**

Building on the success of leadership of Calderdale Council last year, we now want to make sure that the Council consolidates its role and services for local people.

We intend to do this by:

1. **Open Council:** we want to continue to consult, listen and respond to local people, in particular by:
  - Finding cheap and easy ways of keeping in touch;
  - Making sure that ward forums continue to meet regularly.
2. **Getting things done:** A number of important projects and reviews were started last year and we want to see these through, including:
  - Completing the funding application for the Piece Hall
  - working out the plans for the future provision of council office space and the Northgate House site (including the central library and archives);
  - completing and implementing service reviews
3. **Caring for people:** continuing and seeing through the changes that are needed:
  - Making sure that child protection services are brought up to standard and adults with care needs safeguarded;
  - Developing an “early intervention strategy” to help support children, young people and their families
  - Building new partnerships with schools
  - Responding to the increasing demand for service for older and disabled people, and developing personalised and community-based support
  - Developing the Health and Wellbeing Strategy – especially to work on “narrowing the gap” across Calderdale.
4. **Local services:** making sure that important services are there for local people:
  - Clarifying and implementing a localism strategy
  - Providing Customer First one-stop shops in the main centres – especially in central Halifax;
  - Reviewing libraries and developing them as “community hubs”
  - Making sure that there are youth activities in local areas
  - Examining the role of volunteers within local services
5. **Environmental action:** reducing carbon in Calderdale
  - Providing more renewable energy and affordable warmth

- Investing in better integrated transport including cycling and walking
- Increasing the provision of allotments to help people grow their own food.

**6. Clean and Safe Streets:**

- maintaining local teams and services:
- Keeping Neighbourhood Police Teams and PCSOs
- Maintaining winter gritting to keep roads open and town centre paths safe
- Working through the Parking review

**7. Supporting local businesses:** working more closely with them.

- regular business breakfasts examining issues of common interest
- investing in business start-ups
- developing skills and apprenticeship schemes
- supporting the development of social enterprise businesses

**8. More Value for money:** making sure that the Council reduces its costs:

- Completing the Asset and Facilities Management review of Council buildings
- Sharing services within the Council, with other local services and Councils
- Putting budget plans into action across the Council and learning lessons.

The above programme defines the work required to deliver the Fresh Start for Calderdale priorities over the next 12 months and forms the basis of a longer term programme of work supported by the vision of 'a Council that is open, treats everyone fairly and gets things done'.

The fresh start programme forms part of the Council's overall planning framework which has a further two elements:-

- 1) Directorate Strategic Overviews (DSOs)** show the directorate contribution to Calderdale Coalition Priorities, partner and council strategy implementation, directorate step change projects and continuous service improvement in core service delivery in order to give an overview of the Directorate Delivery priorities. They are living documents which are reviewed and revised as required.
- 2) Service Improvement Plans (SIPs)** show actions to deliver continuous improvement in service delivery. They are living documents which are reviewed and revised as required.

Underpinning these and the fresh start priorities are council commitments from partners and Council strategies such as the Equality and Diversity Scheme, Older People Strategy and external regulatory requirements. The overall framework is shown in the diagram below:-



The MTFS and budget process will need to consider all of the above priorities when resources are allocated.

#### National Policy Framework

There are a significant number of planned changes in the national agenda for local authorities over the next few years. Section 6 of the MTFS attempts to interpret the potential financial implications for Calderdale of some of the key policies which include:-

- Continued Transfer of Schools to Academy status
- Local Government Resource Review (especially business rates retention)
- Localisation of Council Tax benefit
- Housing Benefit transfer to DWP from Councils
- Public Health responsibility transfer to local authorities

Other key policies which may also have a financial impact on the Council but cannot be easily quantified at this time include:-

- Public Sector Pension Provision
- Community Budgets
- Other Localism Changes (e.g. Council Tax veto, community rights over service provision)
- Review of Statutory duties
- The Opening Public Services White Paper

The following section considers the implications to the Council and to its customers/residents of the current policy changes. A more detailed timeline for the changes is shown in Appendix 1.

## Implications of the localism agenda

Area	Key dates	Impact on service delivery	Impact on community/ customers	Financial implications
Localism <ul style="list-style-type: none"> <li>Power of competence</li> </ul>	<ul style="list-style-type: none"> <li>All introduced with effect from April 2012</li> </ul>	Will give us the opportunity to expand into services/ activities we don't currently deliver, but nothing identified at the moment	Nothing anticipated.	Unknown at this stage
<ul style="list-style-type: none"> <li>Right to buy</li> </ul>		Will affect our ability to dispose of property; will need to be built into timescales etc for decisions about property/assets; will need to establish & maintain register (new service) and decide whether /what level of support given to community.	Will affect other public sector agencies and private asset owners. *Assets of community value can be privately owned, e.g. local pub. Affects their ability to dispose of property quickly.	Will restrict our ability to dispose of unwanted assets, so needs to be considered in timescales.  Work to manage process being included in work programmes within existing staff teams
<ul style="list-style-type: none"> <li>Right to challenge</li> </ul>		Will have significant implications for any service challenged, and if provider changes as a result, will have implications for overall pattern of provision.	Will have significant impact on customers and service users.	Yes – but not possible to quantify at this stage. Will involve work to process challenges, but we expect this to be at a level that can be met from balances.
<ul style="list-style-type: none"> <li>Right to request referendum</li> </ul>		May delay decision making if referendum called because of action we're proposing	Depends on subject of referendum and outcome	Yes – cost of each referendum estimated at £150k - £250k plus outcome implications

Area	Key dates	Impact on service delivery	Impact on community/ customers	Financial implications
<ul style="list-style-type: none"> <li>Veto Council tax</li> </ul>	<ul style="list-style-type: none"> <li>All introduced with effect from April 2012</li> </ul>	<p>If veto used, yes – because it will affect funding available for services</p>	<p>If veto used, Yes – because will affect services delivered</p>	<p>Yes, if used</p>
<p>Local Healthwatch</p>	<ul style="list-style-type: none"> <li>Oct 2012: launch of Local Healthwatch with influence and signposting functions (LHW)</li> <li>April 2013: LHW takes on complaints advocacy</li> </ul>	<p>No areas for concern/ other action: Local Healthwatch (LHW) will replace existing involvement structure, which will be decommissioned from Sept 2012. No contractual or staff issues for the Council in this process as planned.</p>	<p>None</p>	<p>Yes - Expectation is that LHW will be funded from existing element of formula grant allocated for LINK but will need to be reviewed as part of budget setting process for 2012 onwards.</p>
<p>Police and crime commissioning</p>	<ul style="list-style-type: none"> <li>Police &amp; Crime Commissioners established – initially from May 2012.</li> <li>Date when they take over commissioning responsibilities to be confirmed</li> </ul>	<p>Youth offending team currently part of CYPS Youth Services. We're also expecting changes to way that local partnership allowed to use Community Safety Fund (currently £190k, allocated by local Community Safety Partnership – funding expected to continue but at significantly reduced level)</p>	<p>None</p>	<p>Yes – implications for youth offending team?</p> <p>May change funding allocated through Community Safety Fund?</p>

Area	Key dates	Impact on service delivery	Impact on community/ customers	Financial implications
Benefits				
<ul style="list-style-type: none"> <li>Changes to Council tax benefits</li> </ul>	April 2013 – Council Tax Benefit becomes Council Tax System which will be localised (in consultation till Oct 2011)	Anticipated increased workload due to administration of scheme and funding arrangements. Potential impact on CT collection rates and recoverability of increased debts.	Some customers will be unaffected but others may lose entitlement altogether depending on the rules of the new scheme.	Yes- funding will be reduced by 10% and will become a grant from DCLG. (See MTFs section 6) Formerly 100% reimbursed from the DWP.
<ul style="list-style-type: none"> <li>Universal credit</li> </ul>	April 2013-2017	Full details not yet established. Potentially reduced caseload in benefits during the transition period	Customer contact will be lost to DWP who will administer the Universal Credit. Administration of legacy claims will remain with LAs till 2017.	Yes - The Benefits Admin Grant will be reduced to take account of the reduced workload. No further information on this at present.

### Implications of forthcoming NHS changes

Area	Key dates	Impact on service delivery	Impact on community/ customers	Financial implications
Public Health	<ul style="list-style-type: none"> <li>Shadow grants for L.A.s to be announced by end of 2011</li> <li>Actual grants for the first year of the new system (2013/14) to be</li> </ul>	Local Authorities will be responsible for all three domains of public health – health improvement, health protection and population healthcare, and will be required to deliver certain services.	It is unknown at this stage what the implications will be to citizens locally of the public health proposals. However, the implications of the wider NHS reforms are more easily identifiable: <ul style="list-style-type: none"> <li>Increased choice for</li> </ul>	The Government is proposing maximum flexibility of conditions for the ring-fenced grant – no decision as yet on the amount of funding or the funding allocation formula (an estimated current spend is given in section 6). The

Area	Key dates	Impact on service delivery	Impact on community/customers	Financial implications
	<p>announced in late 2012</p> <ul style="list-style-type: none"> <li>• Detailed developments on health premium to be undertaken in autumn 2011.</li> </ul>	<p>The following will be mandatory for local authorities to deliver:</p> <ul style="list-style-type: none"> <li>– appropriate access to sexual health services</li> <li>– measures to protect the health of the population, with the DPH having a duty to ensure there are plans in place for this</li> <li>– ensuring that NHS commissioners receive the public health advice they need the national child measurement programme</li> <li>– NHS Health Check assessment</li> <li>– elements of the healthy child programme.</li> </ul> <p>Other areas of responsibility for local authorities will include: tobacco control, alcohol and drug misuse, obesity and community nutrition, physical activity, public mental health, public dental health (apart from</p>	<p>citizens, with more localised contracts and increased emphasis on more personalised, preventive services. However, in order to achieve greater economies of scale clinical commissioning groups may seek to commission some services jointly, which may in turn lead to a reduction in the type of services available locally.</p> <ul style="list-style-type: none"> <li>• The piloting of personal health budgets will consider how they can be used to give people greater control over and flexibility of their care pathway.</li> </ul>	<p>Advisory Committee for Resource Allocation is continuing to consider what it will recommend as an appropriate formula for the local authority grant. And the Government has indicated that it is committed to ensuring that local authorities are 'adequately funded' for their new responsibilities.</p>

Area	Key dates	Impact on service delivery	Impact on community/ customers	Financial implications
		<p>specialist dental public health), accidental injury prevention, population level interventions to reduce birth defects, lifestyle campaigns to prevent cancer and long term conditions, workplace health initiatives, reducing seasonal mortality, community safety, tackling social exclusion, and supporting/reviewing NHS delivered public health services such as immunisation programmes.</p> <p>Directors of Public Health, employed by L.A.s will take the strategic lead on public health matters.</p>		
Integrated Commissioning	New social care funding of £500m in 2011/12, will rise to £1bn in 2013/14, along with an additional £1bn through NHS budget to support joint working between	Local Authorities will take on the function of integrated commissioning of local NHS services, social care and health improvement. The new commissioning arrangements and the establishment of health	The expected outcome of the additional investment is a reduction in the use of NHS services in line with NHS Quality, Innovation, Productivity and Prevention (QIPP) and service transformation programmes.	In Calderdale the additional social care monies is around £2.5m in 2011/12 and £2.4m in 2012/13, and NHS Calderdale and the Council have agreed a process for investing this in social care in line with the priorities agreed in the single commissioning plan. At present this has only been

Area	Key dates	Impact on service delivery	Impact on community/ customers	Financial implications
	L.A.s and the NHS.	and wellbeing boards should give councils much greater influence over wider commissioning and should help to make joint working and integration much stronger.		announced for the two years – see section 6 of the MTFS.
Workforce Planning	<ul style="list-style-type: none"> <li>•The HR Transition Framework is due to be published 'shortly'. This will be used to guide all transfer, selection and appointment activities across the entire NHS reform programme.</li> <li>•Work is also underway on a 'Concordat', which will be developed between the NHS, DH and local government. The Concordat</li> </ul>	The local PCT cluster will ensure capacity is sustained in order to maintain expertise, talent and capability, by retaining individuals to support the new emerging structures, and in order to manage the planned staff reductions fairly and effectively. The cluster will ensure that the GP consortia has access to commissioning support up to April 2013 and will oversee the development of the GP consortia ahead of its formal authorisation.	Staff redundancies from PCT, and transfers to the Council.	Implications from NHS Redundancy Schemes/transfer of staff on NHS terms and conditions.

Area	Key dates	Impact on service delivery	Impact on community/ customers	Financial implications
	will cover the principles relating to the transfer, selection and appointment processes affecting public health staff moving to local authorities.			

### **Implications of Sure Start / Early Years changes**

Area	Key dates	Impact on service delivery	Impact on community/ customers	Financial implications
Sure Start Reform Programme - New core purpose for Sure Start Children's Centres	<p>Consultation on revised statutory guidance for Sure Start Children's Centres expected later in 2011.</p> <p>It is not clear when any new core purpose would be introduced.</p>	<p>Children's Centres would need to review the services they offer based on an assessment of need.</p> <p>Different service delivery models encouraged– e.g. mutuals/co-ops</p>	<p>Parents to be more involved in the running of children's centres.</p> <p>Range of services available may vary from centre to centre</p>	<p>To be determined</p> <p>Potential to be profit making if other business models pursued</p>

Area	Key dates	Impact on service delivery	Impact on community/ customers	Financial implications
Payment by results	<p>Evaluation of trials – date to be confirmed</p> <p>Trials will inform wider roll out from 2013-14.</p>	<p>Increase emphasis on performance</p> <p>Services may be re-designed to target areas where performance is measured</p>	<p>More vulnerable families accessing services</p> <p>Improved outcomes for service users</p>	<p>To be determined when payment structures/schedules published</p> <p>Lack of revenue certainty</p>
Provision of 15 hours of free nursery provision for disadvantaged 2-year-olds	<p>Evaluation of trials – date to be confirmed</p> <p>New guidance – date to be confirmed</p> <p>New statutory duty from 2013</p>	<p>Current scheme operates in North Halifax, Central Halifax and Elland. Providers outside these areas will need to be attracted to operate a Calderdale wide scheme.</p>	<p>More families will benefit from free nursery provision (96 places in 2011/12 to increase to approximately 560 by 2015)</p>	<p>Government funding is increasing year on year until 2014-15. After 2014/15 it is expected that there will be a different route for the funding.</p> <p>Exact impact will not be known until local authority allocations are confirmed.</p> <p>Dependent on new definition of 'disadvantage'</p>

## **Section 3 The Budget Process**

Given the expected reductions in Government grants that the public sector will experience over the life of this Parliament, comprehensive prioritisation of all the expenditure is required to be undertaken to ensure that the Council is directing its scarce resources to the areas where stakeholders most need them. Cabinet previously agreed a number of guiding principles for the prioritisation of Council spending.

### **Guiding principles**

- Our starting point will be what matters for local people and businesses
- We will always seek to explain the positive or negative impact of the decisions that are taken
- Nothing will be ruled in or out at this stage
- We will aim to ensure that services are at least good enough but not necessarily 5 star
- We will take responsibility and be accountable

### **Prioritisation criteria**

The service prioritisation process will then be based on the following criteria:

- Services which must be provided
- Services which should be provided if at all possible
- Services that we won't provide or pay for in the future

### **Key questions**

In order to prioritise the following key questions will be considered:

- What level of service is good enough?
- How do we achieve the new/existing level of service?
- Who should provide this?
- How much should it cost?

### **Budget review groups**

As an example of all party working, Cabinet agreed to the establishment of a series of budget review groups to support the development of the Council's budget proposals last year. They consisted of five Member led cross party review groups based on the directorates of Children & Young People, Adults Health & Social Care, Economy & Environment, Safer & Stronger Communities and a combined Chief Executive/Deputy Chief Executive service. The budget review groups examined the prioritisation of services and budget proposals for 2011/12 and later years. The budget process and the potential use of budget review groups still need to be agreed for 2012/13.

## Consultation

The Council wants to make sure that the tough decisions it has to make on future budgets and service provision are made with a good understanding of what is important to local people by engaging with local communities. This is consistent with the objective of increased consultation as set out in the new coalition programme and the prioritisation guiding principles.

The fundamental principle is to provide a wide range of opportunities for local people to give their views and to make it as easy as possible to contribute. Where decisions on resourcing need to be made, appropriate consultation will be arranged so that views can be sought.

As in previous years the Cabinet will issue a Consultation budget in January 2012 which will form the starting point for discussions at Council on 27<sup>th</sup> February when the budget and council tax will be set for 2012/13.

## Budget Timetable

The key timelines for the budget process are set out below:-

Date	Milestone
1 <sup>st</sup> September 2011	Use of resources Scrutiny Panel considers the draft MTFS
19 <sup>th</sup> September 2011	Cabinet considers the MTFS
6 <sup>th</sup> October 2011	Council approves the MTFS
Oct/Nov 2011	Budget proposals brought forward for Member consideration/prioritisation
Late November/Early December 2011	Local Government Finance Settlement is announced including detailed grant allocations for local authorities
January 2012	Consultation budget agreed by Cabinet
February 2012	End of consultation period and political groups prepare their budget proposals
27 <sup>th</sup> February 2012	Budget Council to agree budget and council tax for 2012/13 and indicative figures for the two subsequent years

## **Section 4 Joint Council/Main Partner MTFS**

The Council works with a number of partners including NHS Calderdale, Pennine Housing, Police, the voluntary sector etc in providing and commissioning services. Clearly NHS Calderdale has a significant role in a range of services across the Council.

Calderdale Council engaged with NHS Calderdale in 2009 to undertake a major review of the future direction of adult social care and NHS community services in the context of the Department of Health publication 'Transforming Community Services'.

The intention of this review was to develop the opportunity to integrate both commissioning and service provision wherever possible between the organisations. Whilst there has been some discussion on the integration of service provision, the main emphasis of the review was the commissioning of community services.

The new coalition Government released its own plans for the NHS in the White Paper 'Liberating the NHS' in July 2010.

The main proposals of the White Paper were:-

- the development of GP commissioning consortia
- the creation of the NHS Commissioning Board paving the way for the abolition of Strategic Health Authorities (SHAs) in 2012/13 and Primary Care Trusts (PCTs) 2013.
- maintenance of NHS spending in real terms (excluding efficiencies in total NHS management costs to offset rising demographic demands)
- new roles and resources (in the form of a ring-fenced public health grant) for local councils in public health from 2013/14 onwards

At the moment, there is little clarity around how the NHS will look going forwards and the resultant impact this may have on the Council. Any proposals though will clearly affect the forecasts within the MTFS. The overriding assumption made at this stage is that any changes will be financially neutral for the Council in terms of public health and commissioned services for the NHS. To balance this, in its base case MTFS, the Council is assuming that the transfer of £2.4m of funding from the NHS announced in last year's settlement for 2011/12 and 2012/13 will not recur in future years. A revised MTFS will need to incorporate any new information that becomes available on these issues.

## **Section 5 The Capital Budget Forecast**

### **Background**

Capital expenditure relates to spending on assets which are to be used by the Council over the long term. This includes the purchase of equipment and the purchase, construction or improvement of land and buildings.

The Council has an agreed Capital Strategy which demonstrates how the Capital Programme supports corporate priorities. It sets the framework for developing the capital investment programme to deliver these priorities and is intrinsically linked with the Medium Term Financial Strategy of the Council.

The purpose of the Capital Strategy is to maximise the use of resources, to provide a clear framework for decisions relating to capital expenditure and to establish a corporate approach to generating capital resources.

### **Forecast Expenditure**

It is currently expected that over the 4 year period to the end of 2014/15 the Council will be spending around £125m on progressing schemes. These include:-

- Major annual programmes of work funded by specific Government allocations, or where Members have chosen to “passport” resources for example:-
  - Schools and children’s centres (£81m)
  - Housing (£6m)
  - Roads (£20m)
- Other rolling programmes of improvements, e.g. Council buildings, play areas and car parks (£5m)
- Regeneration initiatives (£3m)
- One off schemes for example:
  - Cromwell Bottom (£4m)
  - Piece Hall (£2m)
  - Flood Prevention (£1m)
  - Other Schemes (£3m)

### **Capital Resources**

The majority of the Council’s capital spend is financed by Central Government and the current Capital Programme fully utilises all of its future anticipated government funding updated as appropriate. Additional sources of funding from asset disposals, partnership arrangements and grant funding are continually being sought to maximise resources available to provide Council services.

The main elements of capital financing are: -

- 1) Government-funded Grants
- 2) Capital Receipts
- 3) Unsupported (Prudential) Borrowing
- 4) Alternative sources of finance including reserves

Funding to service the loans element of government funding is provided by central Government through the Revenue Support Grant. As the Government has announced that they will not be providing supported borrowing from 2011/12 onwards, additional borrowing costs previously assumed in the budget for future years will no longer be required. This is reflected in the revenue budget projections in this MTFs.

The Council's overall policy is to pool capital receipts and invest in priorities. Calderdale has a forward programme of capital receipts covering surplus property, planning release of accommodation and development opportunities. Through a combination of Service Asset Management Plans and consideration of incentives to encourage Services to release surplus assets (e.g. the Invest to Sell Scheme) the Council is working hard to make the best use of its resources. The disposals process is managed by the Land Disposal Working Team which is a cross service group including the Council's Planning, Legal, Engineering and Land and Property Services. The Council is also undertaking an Asset Management review which should generate the revenue savings required by the existing budget but which will also help realise further capital receipts.

Additionally the Council now has the power to supplement this funding through prudential borrowing but has a prudent strategy of only borrowing when it is sustainable via compensatory savings and ideally backed by a valid business case.

The Council also works in partnership to maximise value for money and return on capital, examples of this are working with Heritage Lottery Fund (HLF), Learning Skills Council (LSC), Business Link, Primary Care Trust (PCT), West Yorkshire Local Transport Group (WYLTP), Housing, PH2K and Government Departments. On-going development with partners to provide a joined up service to the community is well established in Calderdale. Examples include sharing accommodation with the Police and PCT to streamline services and costs.

This report makes use of the Capital allocation made as part of the Spending Review for 2011/12 with estimates being made for future years after this based on the information received. Future years allocations will be revised as and when better information becomes available. Although most funding is now unringfenced, Council policy is still to passport this to specific work programmes. Virtually all this funding is therefore directed towards school, road and housing schemes. Programmes for this work are being determined now that allocations are finalised. All other schemes rely principally on external support (e.g. securing grant funding), prudential borrowing, or the pool of capital receipts (funding raised by the sale of Council assets).

There is less clarity around the impact on Children's Services capital than there is on the revenue funding side. No adjustment has therefore been made to estimated future year allocations as a result of schools converting to Academy status. Although

there is a consultation process taking place on the funding mechanisms for the future, no decisions have yet been made. These forecasts will be updated once better information becomes available.

The timing and size of specific capital receipts is fairly uncertain and no estimate has been made of anticipated capital receipts. Capital receipts are therefore included in the forecast only in so far as they have been physically received. The Council has taken a prudent line in only committing itself to capital spending reliant on anticipated receipts where prudential borrowing resources have been properly identified to finance any temporary deficit until resources are secured.

#### Overall Capital Financial Forecast

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m
Directorate Spend:-					
Adults Health & Social Care	0.8	0.6	0.0	0.0	1.4
Economy & Environment	11.4	14.4	6.7	5.4	37.9
Safer & Stronger	2.8	1.6	0.3	0.0	4.7
Children and Young People's	33.6	20.1	18.2	8.7	80.6
Chief/Deputy Chief Executive's	0.2	0.0	0.0	0.0	0.2
<b>Total Expenditure</b>	<b>48.8</b>	<b>36.7</b>	<b>25.2</b>	<b>14.1</b>	<b>124.8</b>
Financed by:-					
Grants and Contributions	36.0	26.0	23.8	14.1	99.9
Revenue Funding & Reserves	5.9	2.9	0.0	0.0	8.8
Ring fenced/Prudential Borrowing	0.7	2.2	0.0	0.0	2.9
Use of Capital Receipts	12.1	0.0	0.0	0.0	12.1
<b>Total Capital Finance Available</b>	<b>54.7</b>	<b>31.1</b>	<b>23.8</b>	<b>14.1</b>	<b>123.7</b>
<b>Surplus (+) /Deficit (-)</b>	<b>5.9</b>	<b>-5.6</b>	<b>-1.4</b>	<b>0.0</b>	<b>-1.1</b>

The existing deficit of £1.1m in the capital programme includes a £2m accrual for Broad St. This money is currently earmarked for office accommodation and is therefore not available for other new capital schemes. Excluding this, there is a deficit of £3.1m. It is anticipated that, excluding receipts associated with office accommodation, and any receipts from income earning assets where the policy is to repay debt to compensate for the loss of income, around £3.1m of capital receipts will be realised in the medium term. This is sufficient to meet the existing deficit. At this stage, therefore, there are no new resources identified as being available for new capital schemes.

Further capital receipts or prudential borrowing will be required to fund existing Capital Programme priorities, particularly around the Piece Hall and the office accommodation strategy.

## **Section 6 The Revenue Budget Forecast**

### **Introduction**

Revenue expenditure is the day to day spending of the Council which is necessary to provide its services to the public. These running costs include employee salaries, premises costs such as utilities & rates, supplies and services etc. and are financed from a number of sources the key ones being:-

- 1) Government Grant/Formula Funding
- 2) Council Tax
- 3) Core Grants & Local Services Support Grant
- 4) Fees and Charges
- 5) Partnership Funding (e.g. NHS)
- 6) Efficiencies

As can be seen later in this document, some of these funding sources are outside the direct control of the Council and some are inside its control. A number of assumptions have therefore been made which will be reviewed in future versions of the MTFS as and when more information is available.

### **Background**

#### *Spending Review – Autumn 2010*

The outcome of the Government's spending review was published on Wednesday 20th October 2010. This set out the Government's national spending plans for the years 2011-12 to 2014-15. In 'The Spending Review Framework', the Government published details of the process and principles that will underpin the Spending Review. In terms of the main effect on the Council, cuts to overall formula grant for authorities were announced as follows:-

	2012/13	2013/14	2014/15
Notional Formula Grant	£23.4bn	£23.2bn	£21.9bn
	-6%	-1%	-6%

It is not known for certain why the reduction in grant in 2013/14 is not as severe as other years. However, it may reflect the number of significant policy and structural changes affecting local government in that year, many of which will come with their own efficiency targets.

#### *Local Government Finance Settlement December 2010*

The Secretary of State announced the Local Government Finance Settlement on 13th December 2010 which included detailed proposals of government grants for individual Local Authorities. The Settlement covered two years only, 2011/12 and 2012/13 as it is intended that a review will be undertaken into the financing of local government and in particular the possible return of business rate income to local control prior to any announcement for 2013/14 and subsequent years.

It is currently assumed that this year follows the pattern of previous years in that the Government will publish its Local Government Finance Settlement around late November/December. It is also assumed at this point that this will simply be an update of the previously announced settlement for 2012/13 rather than a more fundamental one covering future years.

*Budget Council February 2011*

At Budget Council in February 2011, savings of £15m, £23.7m and £29m for 2011/12, 2012/13 and 2013/14 respectively were approved. In a similar manner at Budget Council, additional budget was provided to Directorates mainly to improve children’s care services and support areas in Adults social care suffering due to pressures from demographics.

General Key Assumptions and Policy Decisions in the MTFS

As in earlier versions of the MTFS key general assumptions of changes in income and expenditure from the previous year have been built in to the forecast. For this year’s MTFS these are as follows:-

Assumption	2012/13	2013/14	2014/15
<u>Income Assumptions</u>			
Formula Grant/Top-up Grant	-6%	-1%	-6%
Core Grants (excl. Direct Schools Grants)	0%	0%	0%
Council Tax	+2%	+3%	+3%
Fees and Charges	+2%	+2%	+2%
<u>Expenditure Assumptions</u>			
Budgeted Pay Rise	0%	+1%	+2%
Budgeted Price Increases	0%	+2%	+2%

*Formula Grant/Top-up Grant*

As described above, the changes to formula grant built in to the forecast are in line with previous Government announcements. The Government is also proposing to bring business rates back under control of each Council as opposed to the current system whereby all business rates are pooled nationally and re-allocated back to individual authorities via formula grant.

The exact mechanism of how the localisation of National Non Domestic Rates (NNDR) will work is still to be determined but it is assumed at the moment that the effect on Calderdale over the period of this MTFS will be neutral. Within the consultation the Government states that it intends, at the moment, to adhere to the Spending Review control totals and top slice any additional resources generated by localisation of business rates

Formula grant as a whole will be replaced by NNDR collected locally and a top-up grant (if an authority is like Calderdale and collects less NNDR than it needs to run services). Although the MTFs shows that business rates will not change it is still expected that the percentage reductions announced in last year's spending review will be adhered to. There is therefore a disproportionate reduction expected in the Council's top-up grant especially from 2014/15 onwards as this will be the only element of the new funding mechanism under direct Government control.

### *Inflation*

Inflation continues to be above the Government's target of 2% and this is having a generally negative effect on the Council's finances. However, consumer price rises do not necessarily affect the type of expenditure incurred by a Council and pay has been frozen in recent years (and it is anticipated that pay rises will be subdued going forwards).

An allowance has already been made within the budget for inflation in 2012/13 and 2013/14 but this has not yet been allocated out to Directorates. This MTFs assumes that the 2012/13 inflation provision is not allocated out thereby reducing the forecast deficit in 2012/13 to nil (N.B. this is before the risk of non-achievement of meeting savings targets). This approach of effectively top-slicing budgets could potentially be replicated in future years. The inflation target on fees for Council services is still in place meaning that the budget assumes that overall prices charged such as Parking and Sports will rise by 2% every year.

In 2014/15 the amount required to finance a rise in inflation and pay award equivalent to 2% in that year has been estimated at £3.7m. This has been included in this MTFs, but, again, could be available to reduce the amount of specific savings required to be found in the future.

### National and Local Priorities

The Council is experiencing a number of existing budget pressures in order to maintain its services on top of its commitment to a fresh start programme of local priorities. There are also significant changes in the national agenda for local authorities expected over the next few years. A timeline of these national policy changes can be found in an earlier chapter of this document but the section below attempts to interpret the potential financial implications for Calderdale.

### *Transfer of Schools to Academy Status*

Following the transfer of a school to academy status the Council, in addition to the loss of the School's own budget, has its own share of Dedicated Schools Grant and Formula Grant reduced. These are effectively given to the school to allow them to fund certain previously centrally provided services themselves.

In the short term the Government is reviewing the amount of funding withdrawn from local authorities from the creation of Academies to date. The Government is consulting on how local authority funding will be affected in future. The projections for 2012/13 are based on the latest experience of Academies being formed. It is assumed by 2014/15 for financial planning purposes that all of Calderdale's secondary schools and half of primary schools will have become academies in line with Government projections.

### *Buyback of Services by Academies*

There is the potential for schools that have become academies to buy back services previously supplied by the Council. For the purposes of this MTFS the rate of buyback has been estimated to be 25% of the value of grant lost.

In addition to these education related services, the Council currently trades around £7.5m in other services with schools, e.g. for catering, cleaning, ICT etc. The MTFS assumes that these services will continue to be traded in future but clearly there is a risk that as schools become more independent they may review how they arrange services that they need.

### *Council Tax Benefit Grant*

Government has already signalled its intent to reduce the amount spent on Council Tax benefit by 10% and for its control to revert to local authorities from 2013/14 onwards. Calderdale residents currently receive Council Tax benefit of around £16m per annum so this reduction would mean a loss of grant of around £1.6m. This MTFS assumes that overall Council Tax benefit payments are kept at the same level as before transfer and that the £1.6m loss of grant will require compensatory savings within the Council. Clearly though, the Council has the option of reducing the cost of its Council Tax benefit scheme accordingly.

The Government also plans to transfer responsibility for new Housing Benefits claims to the Department for Work and Pensions (DWP) starting in October 2013. The MTFS currently assumes this will be financially neutral to the Council until further details become available.

### *Core Grants/New Homes Bonus*

The MTFS assumes no further reductions in core grants. New Homes Bonus earned for 2011/12 is already included in core grants and payment is assumed in each year of the MTFS. There is also the potential to earn additional New Homes Bonus in each subsequent year paid for by top-slicing of formula grant when it exceeds the funding set aside by Government. The likelihood is that any top-slicing of formula grant will negate any financial benefits achieved so additional New Homes Bonus for 2012/13 onwards has not been assumed.

### *Public Health Grant*

Government has signalled its intent to transfer certain public health responsibilities from the NHS to Councils in 2013/14 along with a ring fenced grant to pay for them. Although no firm details are available as yet, it has been estimated that £12.3m is currently being spent by the NHS in this area per annum. The MTFS assumes that the cost of public health to the Council will be met from the grant provided by Government to pay for it.

### *NHS Funding*

In the latest Local Government Finance Settlement additional NHS funding to support social care and benefit health was provided to PCTs for transfer to local authorities. A commitment was only given for two years for this grant (2011/12 and 2012/13) and it is therefore assumed at this stage that this £2.4m (£2.5m in the current year) is not available for the Council from 2013/14 onwards.

### *On-going Budget Pressures*

The Council is continuing to face a range of financial pressures relating mainly to increasing demand in social care and the economic environment. This MTFS allows for an additional allocation of £1m per annum from 2012/13 onwards to cope with these pressures. Growth of £500k has previously been agreed for social services demographics and this is already taken account of in the forecast. As the MTFS has rolled forward a year a further £500k has also been included in 2014/15 for this.

### *Previously Agreed Savings*

At the last two Budget Councils significant savings targets were approved as part of Calderdale's necessary transformation to reflect the new economic realities of a changing funding regime. Some of these individual planned savings are more challenging than others. The current estimate of the savings at risk for a mid-range forecast suggests that the figure may be around £2m rising to £2.5m but the position is being closely monitored by the Leader, Chief Executive and Portfolio Holders. As time goes on and more work is done to achieve savings it is hoped that these risks should reduce with compensatory savings being identified if necessary. For this reason they have not been included in the forecast at this time.

All the above assumptions form the basis of the three year forecast of savings that the Council will have to make in order to deliver a balanced budget. The revenue forecast for the next 3 years below is the base case. These assumptions are consistent with what is known at this present time as the most likely course of events taking account of the understanding of professional organisations (e.g. CIPFA, Sigoma), political commentators and other public sector bodies.

The sensitivity analysis and risk assessment which can be found in a later chapter of this document models the forecast under a different set of assumptions to show what could be described as worst case and best case scenarios. The constantly changing national agenda, however, means that the funding position is particularly volatile. The savings requirements highlighted in this year's MTFS and detailed in the table below are **over and above any budget decisions already agreed by the Council**.

**3 YEAR BUDGET FORECAST 2012/13 to 2014/15**

		2012/13	2013/14	2014/15
		£m	£m	£m
<b>Funding Forecast</b>				
<u>Central Funding</u>				
RSG/NNDR - Formula Grant		75.0	-	-
NNDR Top-up Grant		-	20.2	15.7
Reduction in Formula Grant/DSG as result of transfer to Academies		-1.7	-2.9	-4.0
Buyback of Central Services by Schools (25% of funding lost)		0.4	0.7	1.0
Council Tax Benefit Grant		-	14.4	14.4
Core Grants		16.7	16.7	16.7
Local services Support Grants		0.6	0.4	0.0
Public Health Grant		-	12.3	12.3
NHS Funding Transfer		2.4	0.0	0.0
<u>Local Funding</u>				
CT Income Per Budget Council	Increase of 2%, 3% and 3%	82.2	84.6	87.2
NNDR		-	54.1	54.1
<b>Forecast Income per Budget Council</b>		<b>175.6</b>	<b>200.5</b>	<b>197.4</b>
<b>Expenditure Forecast</b>				
<u>Approved Budget</u>				
Approved Budget		172.8	171.6	172.3
Expenditure Previously Funded by the NHS		2.4	2.4	2.4
Contribution To (+) / From(-) Balances		-0.1	-0.9	-
<b>Approved Council Budget (excluding inflation on Pay and Prices)</b>		<b>175.1</b>	<b>173.1</b>	<b>174.7</b>
<u>Transfers of Responsibility</u>				
Public Health		-	12.3	12.3
Council Tax Benefits		-	16.0	16.0
		<b>0.0</b>	<b>28.3</b>	<b>28.3</b>
<u>Pay and Prices</u>				
Pay		1.1	2.1	4.2
Prices		0.9	2.6	4.2
Superannuation Fund Actuarial Review (from 16.5% in 13/14 to 16.9% in 14/15)		-	-	0.3
Extraordinary increase in energy		0.3	0.3	0.3
Increase in landfill tax £8 per tonne		-	-	0.4
		<b>2.3</b>	<b>5.0</b>	<b>9.4</b>
<u>Changes to Currently Agreed Inflation Provision</u>				
Pay and Prices inflation not allocated for 2012/13		-2.0	-2.0	-2.0
		<b>-2.0</b>	<b>-2.0</b>	<b>-2.0</b>
<u>Impact of Capital Programme</u>				
Fall out of Supported Borrowing		-0.8	-0.8	-0.8
		<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>
<u>Other Growth/Realignment</u>				
New Social Services Demographics Growth		-	-	0.5
Underlying Budget Pressures		1.0	1.0	1.0
		<b>1.0</b>	<b>1.0</b>	<b>1.5</b>
<b>Forecast Total Expenditure</b>		<b>175.6</b>	<b>204.6</b>	<b>211.1</b>
<b>Summary</b>				
Forecast of Funding Available		-175.6	-200.5	-197.4
Forecast of Net Expenditure		175.6	204.6	211.1
<b>Forecast Surplus(-) / Deficit(+)</b>		<b>0.0</b>	<b>4.1</b>	<b>13.7</b>

## Revenue Balances Forecast

General balances are kept to help the Council manage cost, income and other fluctuations by providing short term funding to support budgets.

The following table shows the level of balances that will be available at each year end over the period of the MTFs. The contributions to and from balances included in the table have already been approved by Members.

	£m
Estimated Available General Fund Revenue Balances as at 31/03/12	6.8
Assumed Contribution to Balances in 2012/13	2.2
Estimated Available General Fund Revenue Balances as at 31/03/13	9.0
Assumed Contribution from Balances in 2013/14	-0.9
Estimated Available General Fund Revenue Balances as at 31/03/14	8.1
Assumed Contribution to/from Balances in 2014/15	0.0
Estimated Available General Fund Revenue Balances as at 31/03/15	8.1

This assumes that the forecast overspends in the current financial year can be absorbed by directorates. If this is not possible then the balances available at 31/03/15 would reduce to around £5.9m.

As can be seen, balances would remain above the minimum requirement of £5m throughout the 3 years of this MTFs. If, however, balances were used to further support the Council's budget (i.e. over and above those currently approved) this would have a direct impact on the above estimate. It should be noted balances are one-off reserves and use of them for anything other than for short term issues would not be sustainable. Given the extent of the savings/expenditure reductions which are required over the planning period, the additional balances could be used on a one-off basis to support services to achieve their reductions.

## **Section 7 Risk and Sensitivity Analysis**

### **Risk Assessment**

The council has a very strong risk management framework in place. The core of this framework is set out in the corporate risk management strategy and corporate risk register. In addition to the corporate register, each directorate has its own operational risk register which integrates with the relevant directorate performance management strategy, improvement plans and budgets.

Some of the risk categories remain broadly the same as in 2010:-

- The lack of a three year government settlement from 2013/14 onwards now makes medium term financial planning less robust.
- Uncertainty persists over future pay awards and the general direction of inflation (especially energy).
- EU Landfill Directive/Landfill Allowance Trading/Other Environmental Regulations
- Insurance and Other Claims.
- Impact of National and International uncertainties on the Local Economy

In addition to the above more recent developments have given rise to further risks:-

- Transfer of Non-domestic rates to local authorities in 2013/14
- Schools leaving the Council to become academies
- Council Tax benefit responsibility coming to Councils in 2013/14
- Transfer of responsibility for new Housing Benefits to DWP in 2013
- NHS Re-organisation and Public Health responsibilities transfer in 2013/14
- Non-achievement of previously agreed savings targets
- Continuing demographic and other pressures on social care

The integration of risk, performance and budgets ensures that the council can respond positively to mitigate the potential impact of perceived risks. The main processes to mitigate the key financial risks set out above can be found in detail in the updated Corporate Risk Register.

In summary, the Council works closely with regional Councils and other partners such as the PCT and Schools Forum, keeping abreast of developments and announcements by Government especially through various agencies such as the Local Government Association (LGA), Sigoma and Local Government Yorkshire & the Humber (LGYH). The MTFs is a living document which is formally reviewed by Council on an annual basis along with intermediate updates for Senior Management as further information becomes available. These early warning systems together with robust quarterly monitoring of progress on achieving savings targets and a prudent approach to making assumptions provide the Council with a solid risk management platform on which to base its financial decisions.

## Sensitivity Analysis

The Council's current forecast contains a number of assumptions (the key ones being set out in Section 6) which impact on the level of its income and expenditure. Changes in these assumptions can have a fundamental effect on the bottom line savings the Council may need to make over the next 3 years.

It is more difficult to predict the two later years of the MTF5 as government funding is as yet unknown (although some broad indication has been given in last year's spending review). It is therefore vital that different scenarios or sensitivities are modelled so that the Council is able to adapt its finances should the central/base forecast be incorrect.

Therefore, in addition to the Council's base scenario detailed above, best and worst case assumptions have also been modelled so that the upside and downside risks to the Council's strategy can be seen. It should be stressed though that this gives the likely range of scenarios so, depending how the exact mix of variables eventually turn out, the forecast should conceivably be at any point between the two views. Given the constantly changing political agenda it is also possible that the position could also be outside of these parameters.

### Impact of Best Case Assumptions on the Base Case

Assumption	Impact 2012/13 £m	Impact 2013/14 £m	Impact 2014/15 £m
Buy back of Services from Schools @ 50%	-0.4	-0.7	-1.0
NHS Funding doesn't drop out	-	-2.4	-2.4
Council Tax Benefit Grant = Benefit Payments	-	-1.6	-1.6
Underlying Budget Pressures Ease	<u>-1.0</u>	<u>-1.0</u>	<u>-1.0</u>
Improvement in Base/Expected Forecast	-1.4	-5.7	-6.0

### Impact of Worst Case Assumptions on the Base Case

Assumption	Impact 2012/13 £m	Impact 2013/14 £m	Impact 2014/15 £m
Additional 2% cut in formula grant 13/14 & 14/15	-	1.5	3.0
No Buy back of Services from Schools	0.4	0.7	1.0
Pay rise agreed at 1% in 2012/13	1.1	1.1	1.1
Underlying Budget Pressures Deteriorate	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Deterioration in Base/Expected Forecast	2.5	4.3	6.1

Translating the above assumptions into a best and worst case scenario for overall savings requirements to balance the Council's budget over the next 3 years, the likely range of potential situations could be as follows:-

Projected Deficits/Savings Requirements

Scenario	2012/13	2013/14	2014/15
Best Case	-£1.4m	-£1.6m	£7.7m
Base/Current Forecast	£0m	£4.1m	£13.7m
Worst Case	£2.5m	£8.4m	£19.8m

As mentioned previously, at the last two Budget Councils, significant savings targets were approved. The above scenarios **do not** allow for the non-delivery of these savings. The best case would be that they are either fully achieved (or potentially over-achieved on) but the worst case would mean that additional savings of £4m may be required in 2012/13 rising to £5m by 2013/14 onwards **on top of** the savings shown above.

No attempt has been made to determine the probability or likelihood of any of the scenarios referred to above. At this stage, however, it would be advisable to plan for at least the base case scenario in terms of the additional savings required in 2013/14 and 2014/15.

## **Section 8 Summary and Conclusions**

The Council has set itself ambitious goals across a wide spectrum of services as can be seen in Section 2 of this strategy. These are expected to be even more challenging given the economic climate that we are likely to be facing over the next three years.

The base forecast in the MTFS shows that no further savings are expected to be required next year on the assumption that any pay award in 2012 can be absorbed within existing budgets. Savings of £4.1m are likely to be needed in 2013/14 rising to £13.7m by 2014/15 (these figures assume that existing savings targets will be fully delivered).

It is usual for the MTFS to be framed in the context of some uncertainty but there is more uncertainty than ever this year given the lack of a 3 year settlement and major policy changes occurring at a national level (e.g. with the abolition of PCTs, localism etc).

Some developments are within the Council's control such as the provision of additional budget for inflation and the future setting of Council Tax benefit levels. Other factors are only partly under Council control (e.g. Council Tax which is subject to capping) and others are not under our control at all (transfers of responsibility, academies, Government grant etc).

This uncertainty has led to the necessity of making more assumptions than usual especially in 2013/14 and 2014/15. Therefore, in addition to the Council's central scenario detailed above, best and worst case assumptions have also been modelled so that the upside and downside risks to the Council's strategy can be seen. It should be stressed though that this gives the likely range of scenarios, but depending how the exact mix of variables eventually turn out, the forecast could conceivably be at any point between these two positions or even outside them given the level of uncertainty.

Even if the 'worst case' scenario came to pass in 2012/13 the Council should be able to manage the impact within available balances (assuming there has been no further use of these balances in the meantime). It is therefore felt that the Council should concentrate its efforts on delivering its existing savings targets and identifying further savings for 2013/14 and 2014/15 using the central assumptions within the MTFS but retaining sufficient flexibility to adapt its plans as its financial position becomes clearer.

The normal budget process is geared towards finalising the Council's budget in February but as the savings highlighted mainly fall in the later years of this MTFS a revised approach may have to be taken this year.

## APPENDIX 1

### Timeline for Key Policy Developments affecting Local Government

This timeline has been revised following the publication in May 2011 of updated business plans for government department, with the exception of the Department for Health plan, which will be published after the NHS listening exercise.

#### By April 2011

- Phasing out of ring-fenced government revenue grants DCLG
- Phasing out of default retirement age BIS
- Proposals from groups interested in setting up a free schools DfE
- Publicly funded schools can become Academies (Academies Act 2010) DfE
- Localism Bill introduced DCLG
- Local Sustainable Transport Fund bidding commences DfT
- Green Paper on sentencing and rehabilitation published MoJ
- Growth paper published BIS
- Regional Growth Fund - first bidding round BIS
- Local Transport White Paper published DfT
- Ofsted new inspection regime for children's homes launched DfE
- Launch fundamental structural review of public service pension provision HM Treasury
- Recommendations published on fair pay in the public sector HM Treasury
- Public Health Responsibility Deal launched DoH
- Launch of initial guidance on HealthWatch transition DoH
- Child Poverty Strategy published DfE/DWP
- Social mobility strategy published Cabinet Office
- First 11 Enterprise Zones announced BIS
- Pupil Premium Fund transferred to schools DfE
- Local authorities to prepare for implementation of housing benefit policy changes DWP
- Commencement of a phased national roll-out of migration of DWP

Incapacity Benefit recipients to Employment and Support Allowance

- Post-discharge tariff requiring the NHS and social care services to work jointly to support people in the 30 days after discharge from hospital introduced DoH
- Community Budget pilots launched in 16 places targeting families with multiple problems DCLG
- Proposals for a new local audit regime published DCLG

**May 2011**

- New standards for employers of social workers who work with children DfE
- More flexibility given to local authorities to tackle traffic problems DfT
- Proposals for Community Payback published MoJ
- Strategic framework for road safety published (*new date*) DfT
- Publish White Paper on Giving (*new action*) Cabinet Office

**June 2011**

- Rollout started of an integrated welfare to work programme DWP
- Introduction of Early Intervention Grant DfE
- Implementation completed of powers to allow the police to charge directly for more routine offences Home Office
- Removal of regulations in order to free up local community safety partnerships from unnecessary bureaucracy Home Office
- National Citizen Service pilots start for 16 year-olds Cabinet Office
- Publish a Natural Environment White Paper setting out measures to: protect wildlife, promote green spaces and wildlife corridors; and value natural capital, DEFRA

**July 2011**

- Longer-term ambitions set for public sector emissions reduction DECC
- Delivery of local government resource review, including exploring options for local authorities to retain locally collected business rate revenues HM Treasury

- Report from commission on funding care and support published DoH
  - Draft National Planning Policy Framework published for consultation (summer) DCLG
  - Plans to expand all forms of employee ownership in the public sector published in Public Service Reform White Paper by increasing the number of new structures including co-operatives, mutuals and spin outs (*new date*) Cabinet Office
  - Report published on common set of principles for economic regulation including whether further cross-sectoral action is required. BIS
  - Development of Sure Start Children's Centres reform programme, and local authorities to increase VCS involvement, improve accountability arrangements, increase use of evidence-based interventions, and introduce greater payment by results (*new date*) DfE
  - Consult on and publish new light touch best value guidance for local authorities, to provide clarity on the scope for authorities to consider social value in their functions and clearer expectations for voluntary and community organisations in their relationship with local authorities (includes plans to repeal statutory duties regarding the Duty to Involve and the Duty to Prepare a Sustainable Community Strategy) (*new action*) DCLG
  - Disseminate best practice for civil society organisations, business and local government to encourage sustainable living at local level DEFRA
- September 2011**
- First free Schools opened DfE
  - Sustainable Communities Act 2007: Inspiring the Big Society; DCLG Response to Consultation published DCLG
  - Complete National Citizen Service pilots for 10,000 young people (*action updated*) Cabinet Office
  - Work with Local Enterprise Partnerships hosting Enterprise Zones to help them identify the most suitable site maximizing growth potential (*new action*) BIS
  - Run a competition to identify a further 10 Enterprise Zones seeking to make decisions on these zones in the summer (*new action*) BIS
  - Implement the recommendations of the independent review of the Work Capability Assessment (*action updated*) DWP
- October 2011**
- Complete phasing out of default retirement age BIS

- Consult on the initial list of local authority statutory duties and then collate responses (with a view to reducing burdens and regulations) **(action updated)** DCLG

#### **November 2011**

- Regional Growth Fund – run a second bidding round and announce successful bids **(action updated)** BIS
- Analyse consultation responses to Green Paper on rehabilitation and sentencing reform and develop detailed policy proposals **(action updated)** MoJ

#### **December 2011**

- School inspection system reformed DfE

#### **March 2012**

- Prepare for Police and Crime Commissioners' role in commissioning youth crime prevention services **(new action)** Home Office

#### **April 2012**

- Councils given power of competence DCLG
- Residents able to instigate local referendum on any local issue DCLG
- Residents able to veto Council tax increases DCLG
- Councils allowed to return to the committee system should they wish to DCLG
- Communities given right to save local facilities threatened with closure DCLG
- Communities given right to bid to take over local state-run services DCLG
- Production and publication of New National Planning Framework (ambition to complete by end of 2011) DCLG
- Support provided to Local Enterprise Partnerships to enable them to establish their roles and functions BIS
- "Publication of single data list of requirements placed on local government (replaces National Data Set) DCLG
- New health and wellbeing role for local authorities fully established DoH
- Health and Wellbeing Boards operating in shadow form DoH
- Establishment of HealthWatch DoH

- Monitor in place as an economic regulator DoH
- Local authority public health allocations introduced in shadow form DoH
- May 2012**
- Local authority children's services inspection regime reformed DfE
- Introduction of legislation to achieve reforms set out in White Paper on social care DoH
- White Paper on social care published DoH
- Hold elections of Police and Crime Commissioners Home Office
- September 2012**
- Complete National Citizen Service pilots for 30,000 young people (*action updated*) Cabinet Office
- October 2012**
- National roll out of personal health budgets for chronic/long term conditions started DoH
- December 2012**
- Develop and implement a new local audit regime DCLG
- January 2013**
- Start to implement community budgets across the country DCLG
- March 2013**
- Publish evaluation of community budgets DCLG
- April 2013**
- Localisation of council tax benefit DCLG/DWP
- Public Health becomes the responsibility of local authorities and Public Health England DoH
- Local authorities commission NHS complaints advocacy DoH
- Health and Wellbeing Boards go live DoH
- Local public health budgets allocated DoH
- Personal budgets for ongoing social care granted DoH
- Report published on review of English parliamentary boundaries Boundary Commission

- Regional Growth Fund – run a third bidding round (if required) (**action updated**) for England  
BIS
  - Deliver proposals for the future development of community budgets (in phase two of Local Government Resource Review) (**action updated**) DCLG
- October 2013**
- Begin national implementation of the Universal credit DWP
- May 2014**
- Completion of national roll-out migration of Incapacity Benefit recipients to Employment and Support Allowance DWP
- September 2014**
- Early Years Framework in place (in progress) DfE
- No deadline**
- Sustainable Communities Act 2007: Inspiring the Big Society - a consultation on regulations under the Sustainable Communities Act. There are no deadlines for the submission of proposals, which can now be submitted straight to the Government at any time (**updated action**) DCLG