

**CALDERDALE MBC**

9

**WARDS AFFECTED: ALL**

**CABINET**

**10th SEPTEMBER 2012**

**MEDIUM TERM FINANCIAL STRATEGY 2013/14 TO 2015/16**

**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 2013/14 to 2015/16

**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 2013/14 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 latest statement of priorities so that the Council can keep 'Moving Forward in Challenging Times'. The MTFS has been re-focussed this year but is still similar in structure to that used last year extended to cover a new third year (i.e. 2015/16) 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 Council has already reduced the amount of money it spends each year by £40m (equivalent to more than 15% of its total budget) since 2010. The base forecast in the MTFS shows that further savings of around £4.4m are expected to be required next year with additional savings of £6.2m being likely to be needed in 2014/15 rising to £14.4m by 2015/16. Taking into account the Council's reduced spending since 2010 we expect to be making savings of £71m per year (more than a quarter of the budget) by the end of the next three year period, rising to £84m, or nearly one third of our budget, in five years time.
- 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. changes to local authority funding, localism etc).
- 4.5 This uncertainty has led to the necessity of making more assumptions than usual. 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.

## **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 further savings are expected to be required in each of the 3 years.

6.2 The Council needs to commence the budget process for 2013/14 bearing in mind that the savings are expected to increase as the period of the MTFS progresses.

## **7. Equality and Diversity**

7.1 The equality and diversity implications of the budget proposals arising from the MTFS 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.

Reference: ACC/NB/MTFSreport  
Report No: Medium Term Strategy 13/14 to 15/16  
Date: 31<sup>st</sup> August 2012

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**CALDERDALE MBC**

**MEDIUM TERM FINANCIAL STRATEGY**

**2013/14 TO 2015/16**

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## **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 are 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 the 2010 (2011/12-2014/15) National Spending Review updated for further announcements made since. 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:-

- providing for the additional cost of landfill and superannuation
- social care needs to reflect changes in client numbers, in particular for increasing numbers of adults with learning difficulties
- the increasing requirements of children in care
- other budget pressures and previous savings targets

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 2012)
2. Confirmation of Resource Prioritisation and necessary consultation (October – December 2012)
3. Preparation and presentation of the consultation budget (January 2013)
4. Presentation of final budget proposals to Budget Council (25th February 2013)

## **Section 2 The Policy Framework**

### **MOVING FORWARD IN CHALLENGING TIMES**

The context for determining the priorities is set by the impact of the economy in Calderdale, the wave of new government policy and our developing understanding of the needs of our communities for long term health and well-being.

Much has changed in our environment in the recent past - the sharp deterioration in economic prospects, reduced public sector funding, a number of radical policy changes whose impacts in Calderdale is becoming clear (in welfare and benefit reform, planning frameworks, skills and education provision and NHS restructuring) and major organisational change in many parts of the public sector. In addition, there have been the exceptional events of flooding in the Upper Calder Valley in June and July. While the emergency response from the Council and many others was very significant it is also clear that some aspects of the recovery programmed will be reflected in planned activity and investment over a number of years. These activities will be addressed as specific objectives within the relevant corporate priorities, most significantly relating to the economy.

These national and local events have introduced a raft of changes, threats and challenges to the prospects for Calderdale and for the delivery of council services in the near future.

The priorities for the Council are set in this challenging context – a level of challenge that seems to have escalated rapidly. Our response is intended to address these issues and to focus on making a difference in the short term as well as planning for the future.

Our priorities are designed to drive the Council's efforts so that Calderdale and the Council can keep 'Moving Forward in Challenging times'.

### **THE MAJOR CHALLENGES**

#### **Avoiding another wasted generation**

Over 2000 young people in Calderdale are now out of work. More are struggling in low-paid, part time jobs, worrying how they will ever find decent work and afford a home and family life. Working with partners and through its Economic Task Force, the council will do everything it can to help our younger generation get started in their adult working lives.

#### **Making sure our children are safe**

The quality of care of our most vulnerable children is a key concern. Changes are under way and we will make sure we deliver sustainable improvements in safeguarding and caring for the most vulnerable youngsters, whilst supporting those in need throughout our communities.

## **Caring for older and vulnerable people**

Across the country, care services for older people and other adults with disabilities are struggling to balance increasing demand against real pressures on funding. Until the national system is reformed, the Council will seek to ensure that sufficient resources are made available to maintain local care standards, both in terms of quality and cost.

## **Protecting local services**

Despite the massive funding cuts we face, the council will continue working to protect the frontline services which people tell us are their highest priority: gritting roads in winter, keeping streets, parks and open spaces clean and safe – and we will resist the closure of any libraries or children’s centres.

To make a clear difference in the next 2 years we have identified our priorities for development and effort and also set out how we want to shape our organisation and ways of working to better achieve the impact we need to have in our communities.

These are intended to guide and shape the focus for effort, resources and investment across the range of the Council’s activities and responsibilities. The purpose is to identify a number of areas where the Council will concentrate its efforts to achieve selected outcomes. These may be achieved through its own services, often through its contribution to partnerships and sometimes through strong advocacy to government and other bodies.

The priorities are:

- Supporting a thriving local economy
- Improving Children’s Services
- Supporting vulnerable and Older People
- Rationalising and simplifying access to information and services
- Pursuing our Green Agenda
- Tackling inequalities in health and well being
- Maintaining delivery of priority local services

We also need our organisation to develop its ways of working. Our priorities for organisational change are:

- Reducing costs and increasing value for money
- Further developing integration of service delivery in neighbourhoods

- Enabling our workforce to be adaptable and effective
- Growing our approach and capacity to support people and communities in developing independent, voluntary and community led services
- Strengthening our ability to speak up for Calderdale
- Working effectively with our regional partners to achieve investments that benefit Calderdale

The Council is also active in delivering a wide range of statutory and partnership strategies and plans as well as undertaking regulatory activities and service operations. Some of these will contribute to the new priorities, others may be able to adjust to provide additional support and yet others will simply continue to deliver to their agreed objectives.

The priorities for 2012 – 14 sit within the performance and accountability frameworks used in Calderdale in recent years. Each area of work within the 2012 – 14 programme ‘Moving Forward in Challenging Times’, will be led by the identified portfolio holder and senior responsible officer who will be responsible for defining, engaging, involving and consulting on proposals and managing work through to delivery. The programme will form the basis of the performance and accountability framework.

As outlined in previous year’s reports to Cabinet there are four parts of the framework:

- Everyone Different Everyone (still) Matters
- Moving Forward in Challenging Times programme
- Directorate Strategic Overviews and Service Improvement Plans
- Individual key Work Objectives

The Moving Forward in Challenging Times Programme set out above forms part of the Council’s overall planning framework. The two sub-elements of the Programme which detail how it will be delivered are summarised as follows:-

- 1) Directorate Strategic Overviews (DSOs)** show the directorate contribution to the Council’s priority programme, 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 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 5 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
- Public Health responsibility transfer to local authorities
- Technical Changes to Council Tax
- Leeds City Region/City Deal

Other key policies which may also have a financial impact on the Council but cannot be easily quantified at this time and are therefore not factored in to the MTFS include:-

- Other Localism Changes (e.g. Council Tax veto, community rights over service provision)
- Housing Benefit transfer to DWP from Councils
- Introduction of the Universal Credit

- Free Nursery Provision
- Public Sector Pension Provision

Potential implications to the Council and to its customers/residents of these other policy changes can be found in the section below.

## Implications of the localism agenda

Area	Key dates	Impact on service delivery	Impact on community/customers	Financial implications
<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)	Will affect other public sector agencies and private asset owners as assets of community value can be privately owned, e.g. local pub. Affects ability to dispose of property quickly.	Will restrict our ability to dispose of unwanted assets but no substantial financial implications were highlighted in the Property Disposal Policy and Strategy (Cabinet 9 <sup>th</sup> July 2012)
<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>	If veto used, yes – because it will affect funding available for services	If veto used, Yes – because will affect services delivered	Yes, if used (see above)
Local Healthwatch	<ul style="list-style-type: none"> <li>April 2013: Launch of Local Healthwatch</li> </ul>	No areas for concern/ other action: Local Healthwatch (LHW) will replace existing involvement structure. No contractual or staff issues for the Council in this process as planned.	None	Yes - Expectation is that LHW will be funded from existing element of formula grant allocated for LINK, other Government grant and some Council base budget provision. Details of grant funding still to be announced.
Police and crime commissioning	<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>	Youth offending team currently part of CYPS Youth Services. We're also expecting changes to way that Local Community Partnership allowed to use Community Safety Fund.	None	<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
<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>PCT to transfer public health duties to local authorities by 31 October 2012</li> <li>Formal handover of public health responsibilities to local authorities on 31 March 2013</li> <li>Actual grants for the first year of the new system (2013/14) to be announced in late 2012</li> <li>Detailed developments on</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</li> </ul>	<p>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:</p> <ul style="list-style-type: none"> <li>Increased choice for 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</li> </ul>	<p>The Government has indicated that it is committed to ensuring that local authorities are 'adequately funded' for their new responsibilities. This will be based initially on baseline expenditure analysis submitted by the PCT for 2010/11. Work is still ongoing with the PCT and in consultation with the Department of Health about whether this will be sufficient to fund existing public health commitments. The proposed formula for distributing public health funding has been recently subject to consultation. Actual allocations</p>

Area	Key dates	Impact on service delivery	Impact on community/ customers	Financial implications
	<p>health premium still to be undertaken.</p>	<p>assessment – elements of the healthy child programme.</p> <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 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>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>will not be known until late this year. The grant will be ring-fenced for public health services.</p>

Area	Key dates	Impact on service delivery	Impact on community/ customers	Financial implications
		Directors of Public Health, employed by L.A.s will take the strategic lead on public health matters.		
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 L.A.s and the NHS.	A section 75 agreement is being entered into with Calderdale and Huddersfield NHS Foundation Trust (CHFT) for an integrated intermediate tier service to be led and managed by CHFT for an initial 12 month period. The integrated single point of access to social care is to become a permanent joint service led and managed by the Council.	Scope for greater coordination of acute and community services to prevent readmissions within 30 days of discharge and improving the experience for the service user.	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. It is assumed that this funding will continue for the remainder of the current planning period. Budgets of around £2.1m from CMBC and £1.7m from CHFT are to be aligned in the pilot period.

### Implications of Sure Start / Early Years changes

<b>Area</b>	<b>Key dates</b>	<b>Impact on service delivery</b>	<b>Impact on community/ customers</b>	<b>Financial implications</b>
Provision of 15 hours of free nursery provision for disadvantaged 2-year-olds	New statutory duty from 2013	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.	More families will benefit from free nursery provision (96 places in 2011/12 to increase to approximately 560 by 2015)	Government funding is increasing year on year until 2014-15. Funding in 2013/14 likely to be included in that to schools.

## **Section 3 The Budget Process**

Given the expected reductions in Government grants that the public sector will experience over the life of this Parliament and potentially beyond, 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 has established a series of budget review groups to support the development of the Council's budget proposals. They consisted of five Member-led cross party review groups based on the Directorates of Children & Young People, Adults Health & Social Care, Economy & Environment, Communities and Chief Executive/Cross-council. The budget review groups examined the prioritisation of services and budget proposals for 2012/13 and later years. The budget process and the potential use of budget review groups still need to be agreed for 2013/14.

## 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 commitment to consultation as set out in the Moving Forward in Challenging Times 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 2013 which will form the starting point for discussions at Council on 25<sup>th</sup> February when the budget and council tax will be set for 2013/14.

## Budget Timetable

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

Date	Milestone
10 <sup>th</sup> September 2012	Cabinet considers the MTFS
27 <sup>th</sup> September 2012	Council approval of the MTFS
Oct/Nov 2012	Budget proposals brought forward for Member consideration/prioritisation
Late November/Early December 2012	Local Government Finance Settlement is announced including detailed grant allocations for local authorities
January 2013	Consultation budget agreed by Cabinet
February 2013	End of consultation period and political groups prepare their budget proposals
25 <sup>th</sup> February 2013	Budget Council to agree budget and council tax for 2013/14 and indicative figures for the two subsequent years

## **Section 4 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 2015/16 the Council will be spending around £121m on progressing schemes as follows:-

- 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 (£50m)
  - Housing (£6m)
  - Roads (£19m)
- Other rolling programmes of improvements, e.g. Council buildings, play areas and car parks (£4m)
- Regeneration initiatives (£2m)
- One off schemes for example:
  - Cromwell Bottom (£4m)
  - Piece Hall (£19m)
  - Flood Prevention (£1m)
  - Customer First (£1m)
  - Town Centre Office Strategy (£12m)
  - 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

This report makes use of the Capital allocation made as part of the latest Spending Review with estimates being made for future years after this based on the information received. Future year's 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 Government no longer provides supported borrowing (i.e. where loan costs are paid to the Council through RSG) for new schemes. Capital expenditure prior to 2011/12 financed this way will continue to be financially supported by Government and this is already built into the underlying budget of the Council.

The Council's overall policy is to pool capital receipts and invest in priorities. The Council's Property Disposal Policy and Strategy was approved by Cabinet on the 9<sup>th</sup> July 2012. The disposals process is managed by the Corporate Asset and Facilities Management (CAFM) Team which is also undertaking a phased Asset Management review in conjunction with Directorates 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. When prudential borrowing is carried out the cost of this is charged to the revenue account as principal and interest. The revenue financing cost of any prudential borrowing previously agreed is already factored into this MTFS.

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), 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.

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 Approved Capital Financial Forecast

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	Total £m
Directorate Spend:-					
Adults Health & Social Care	0.8	0.3	0.0	0.0	1.1
Economy & Environment	14.7	14.0	10.8	9.5	49.0
Communities	2.1	8.2	9.9	0.0	20.2
Children and Young People's	18.8	16.6	10.0	5.0	50.4
<b>Total Expenditure</b>	<b>36.4</b>	<b>39.1</b>	<b>30.7</b>	<b>14.5</b>	<b>120.7</b>
Financed by:-					
Grants and Contributions	24.1	28.7	15.6	10.6	79.0
Revenue Funding & Reserves	2.6	1.5	0.0	0.0	4.1
Ring fenced/Prudential Borrowing	1.7	5.3	9.0	3.1	19.1
Use of Pooled Resources	16.8	0.0	0.0	0.0	16.8
<b>Total Capital Finance Available</b>	<b>45.2</b>	<b>35.5</b>	<b>24.6</b>	<b>13.7</b>	<b>119.0</b>
<b>Surplus (+) /Deficit (-)</b>	<b>8.8</b>	<b>-3.6</b>	<b>-6.1</b>	<b>-0.8</b>	<b>-1.7</b>

There is an existing deficit of £1.7m in the capital programme. It is currently anticipated that, excluding any receipts from income earning assets where the policy is to repay debt to compensate for the loss of income, around a further £2.9m of capital resources will become available in the medium term. This, with the existing deficit, will make available £1.2m of resources towards the Council's investment priorities.

Any other schemes brought forward (such as further investment in new schools) not funded by Central Government would add to these costs and require compensating savings to be found from elsewhere within the Council. In addition, the Council will need to consider contributions to a number of regional development opportunities such as West Yorkshire broadband, the West Yorkshire Transport Fund and the Leeds City Region Investment Fund. The costs associated with these developments are uncertain at this stage but provision has been made within the MTFs for a potential revenue contribution or prudential borrowing costs of £300k in 2013/14, £700k in 2014/15 and £1.0m in 2015/16.

## **Section 5 The Revenue Budget Forecast**

### **Introduction**

The main focus of this document is the revenue budget as it involves the majority of the Council's expenditure and provides its main sources of income. 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) General Government Revenue Support/Top-up Grant
- 2) Non-Domestic Rates
- 3) Council Tax
- 4) Specific Government Grants
- 5) Fees and Charges
- 6) Partnership Funding (e.g. NHS)

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%

#### *Local Government Finance Settlement December 2011*

The Secretary of State announced the Local Government Finance Settlement on the 8th December 2011 which included detailed proposals of government grants for individual Local Authorities. This covered the last year of a two settlement as it was intended that a review will be undertaken into the financing of local government and in particular the 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 it will again cover two years to take us to the end of the Spending Review period.

### *Budget Council February 2012*

At Budget Council, new savings of £2.9m, £8.8m and £13.7m for 2012/13, 2013/14 and 2014/15 respectively were approved. These were on top of existing savings agreed in previous budget rounds, such that the total savings already required in 2013/14 are around £52m. 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 this 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	2013/14	2014/15	2015/16
<u>Income Assumptions</u>			
Council Tax	+3.5%	+3.5%	+3.5%
Fees and Charges	+2%	+2%	+2%
<u>Expenditure Assumptions</u>			
Budgeted Pay Rise	+1%	+1%	+2%
Budgeted Price Increases	+2%	+2%	+2%

### *Government Funding*

As described above, the changes to formula grant built in to the forecast are in line with previous Government announcements. The Government is also partially bringing 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.

Exactly how the localisation of National Non Domestic Rates (NNDR) will affect Calderdale is still unclear but Government released a technical paper on its proposals on the 17<sup>th</sup> July 2012. This paper provides details of how the transition from the current formula funding system to the new business rates retention scheme from 2013/14 would work.

It was previously assumed that the effect on Calderdale over the period of this MTFS would be neutral. However, following analysis of the proposals and applying the overarching principles to Calderdale's position it is now anticipated that the Council could lose resources of around £2.3m from the way that the new funding scheme and new data is to be implemented as explained below.

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 is going to be replaced by Calderdale retaining half of the NNDR it collects locally, a top-up grant (as we generate less NNDR than we need to run services) fixed until 2020 and Revenue Support Grant (RSG) funded by the remaining business rates taken centrally by Government.

Government is also intending to roll a number of previously separate core and specific grants into the business rates retention scheme the most important ones being Council Tax Support Grant and Early Intervention Grant (EIG) as well as taking some funding out of the scheme to create new specific grants, the main one being the formula funding element relating to central services to schools (LACSEG). This will in future be paid via a direct grant to the Council and individual academies on the basis of the number of pupils. The funding shown in the MTFS reflects the number of pupils estimated to be in Calderdale maintained schools over the period, i.e. all of Calderdale's secondary schools and half of primary schools will have become academies by 2015/16.

Government is additionally top slicing £350m nationally from the Local Government pot to fund a capitalisation/safety net for Councils (which are facing a significant drop in their business rates) and a further £150m of EIG for central use. The effect overall on Government funding of all these changes are reductions for Calderdale of £2.3m, £1.8 and £2.6m in 2013/14, 2014/15 and 2015/16 respectively.

New Homes Bonus (NHB) has also been top sliced by Government out of the scheme at a national level to provide sufficient funding for the maximum 6 years. Government has promised that after New Homes Bonus payments have been paid out to Councils any remaining funding would be returned later in each year as a special grant. The MTFS assumes that Calderdale will continue to receive NHB earned to date, and, for forecasting purposes, that the remaining national top slice will be returned to us on the basis of our old relative needs formula equating to approximately £6.2m per annum in total. This is subject to change should actual future allocations of NHB be different to the formula used.

#### *Council Tax Income/Removal of Exemptions*

The MTFS forecast is based on Council Tax increases of 3.5% in each of the 3 years.

Councils were previously required to exempt certain properties from Council Tax (such as empty homes). The Local government Finance Bill, introduced on the 19th December 2011, contains technical changes to the council tax system which gives more discretion to local authorities over the level of exemptions residents are entitled to. Calderdale has agreed (subject to formal Council approval) that 2<sup>nd</sup> homes, unfurnished/empty properties and properties undergoing major repairs will no longer attract a Council Tax discount. The extra income generated from these measures has been included in the MTFS forecast and is estimated to be £1.7m per annum.

### *Inflation*

Inflation continues to be above the Government's target of 2% (currently standing at 2.6% after a slight increase in July) 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 pay and price inflation for the next 3 years but this has not yet been allocated out to Directorates. The approach of effectively top-slicing budgets by not allocating this budget out (as done in previous years) could potentially be replicated in future years to produce a saving. 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 (on top of any other specific savings targets given to income generating areas).

In 2015/16 the amount required to finance a rise in inflation and pay award equivalent to 2% in that year has been estimated at £4.7m. 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 the Moving Forward in Challenging Times programme of local priorities. There are also significant changes in the national agenda for local authorities expected over the next few years. The section below attempts to interpret the potential financial implications for Calderdale.

### *Council Tax Support*

Calderdale residents currently receive Council Tax benefit of around £16.2m per annum. From 2013/14 onwards Government is transferring the responsibility for managing Council Tax Support to Local Authorities along with grant funding to cover some of the cost (now rolled in to Revenue Support Grant). Cabinet in July set out its preference for Council Tax Discount (previously Council Tax benefit payments) to be kept at the same level as before transfer in 2013/14 with reductions in 2014/15 onwards to bring the cost back within budget. The MTFS assumes that the final scheme will follow these principles, although, at the time of writing the MTFS, this proposal was still out for consultation.

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, i.e. that any loss of grant (e.g. Housing and Council Tax Benefit Admin Grant) will be offset by compensating reductions in expenditure.

### *NHS Funding for Social Care/Health Benefits*

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. It is currently assumed at this stage that this £2.4m annual funding will still be available to the Council from 2013/14 onwards for the remainder of the current Comprehensive Spending Review period, reducing in later years reflecting a continuation of the Government's austerity measures.

### *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 £7.5m is currently being spent by the NHS in this area in Calderdale per annum. The MTFS assumes that the cost of public health to the Council will be fully met from the grant provided by Government to pay for it.

Government is planning eventually to move away from current spend towards its preferred relative distribution of resources to local authorities. This is to be based on population health need but progress towards this goal is "likely to be slow". Early indications would suggest that Calderdale would benefit from this new distribution methodology. However, as the timescales are unclear, and, given that the grant is ring fenced for public health (so any new grant will be matched by additional expenditure) no adjustment has been made to the MTFS for this.

In addition to the core public health funding, Government is considering introducing a Health Premium Incentive to reward high performance from 2015/16 onwards. Again, as no firm details are known, the potential benefit of this has been excluded from the MTFS.

### *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. Growth of £500k has again been included in the third year for social services demographics along with £400k for Landfill Tax increases in continuation of previous financial policy. An allowance has also been included of £500k in the third year to cover additional superannuation costs as a result of actuarial review but the requirement for this may change as the Government's pension scheme reforms are brought in.

It is increasingly likely that further growth of anywhere up to £2m will be required from 2013/14 onwards for Children's Social Care and this has now been included in the forecast.

### *Previously Agreed Savings*

At the last three 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 £1.9m rising to £3.4m 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. In recognition of these pressures a provision of £1.5m has been made in each year of the MTFS to deal with these issues and any other budget pressures or political priorities as necessary.

*Potential contribution to regional development*

As previously mentioned, the Council is likely to need to consider various opportunities for regional development through the Leeds City Region and the City Deal for example. The MTFS provides for an estimated contribution of £300k in 2013/14 rising to £1.0m by 2015/16.

*Previous years' growth reallocated*

Where growth has been agreed in budgets in previous years but is no longer fully required then it can be utilised towards the overall savings target.

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.

**3 YEAR GROSS BUDGET FORECAST 2013/14 TO 2015/16**

 2013/14 2014/15 2015/16  
 £m £m £m

**Funding Forecast**

Retained NNDR Income	28.1	28.1	28.1
Top-up Grant	10.1	10.1	10.1
Revenue Support Grant (Incl. Data Changes)	48.3	42.2	38.1
<b>Retained local share and RSG</b>	<b>86.5</b>	<b>80.4</b>	<b>76.3</b>
Council Tax Income	69.9	72.3	72.3
Council Tax Reforms/Removal of Exemptions	1.7	1.7	1.7
<b>Estimated Council Tax Income</b>	<b>71.6</b>	<b>74.0</b>	<b>74.0</b>
Housing and Council Tax Benefit Admin Grant	1.7	1.7	1.7
Community Safety Grant	0.1	0.0	0.0
NHS Funding Transfer Social Care & Health Benefits	2.4	2.2	2.2
LACSEG Specific Grant	2.9	2.2	1.5
Additional Funding Free Places for 2yr olds	2.3	2.8	2.8
Public Health Grant	7.5	7.5	7.5
Fees and Charges	42.7	43.9	43.9
<b>Estimated other income</b>	<b>59.6</b>	<b>60.3</b>	<b>59.6</b>

**Forecast Income Prior to Changes**

217.7 214.7 209.9

Reallocation of New Homes Bonus Topslice	6.2	6.2	6.2
Increase NNDR Income	0.0	0.0	0.0
Increase CT 15/16 @ 3.5%			2.5
Inflationary Increase in Discretionary Income 2015/16 @ 2%			0.7

**Revised Forecast Income**

223.9 220.9 219.3

**Forecast**

Gross Service Controlled Budget	200.3	199.7	198.6
Gross Central Controlled Budget	24.6	24.5	24.5
Contribution To (+) / From(-) Balances	0.8	-1.1	0.0
<b>Budget as agreed at Budget Council</b>	<b>225.7</b>	<b>223.1</b>	<b>223.1</b>

**Pay and Prices**

General Provision Pay/Prices (@2%) excluding Income			4.7
Superannuation Fund Actuarial Review (0.5% increase p.a. 2015/16 )			0.5
Increase in landfill tax £8 per tonne			0.4
	0.0	0.0	5.6

**Other Growth/Realignment**

Social Services Demographics			0.5
Additional Childrens Social Care Costs	2.0	2.0	2.0
	2.0	2.0	2.5

**Other Issues**

Achievement of Previous years savings/growth	1.5	1.5	1.5
Potential contribution to Regional Development	0.3	0.7	1.0
Previous years growth reallocated	-0.4	-0.2	0.0
Change to agreed allocation to Balances	-0.8	0.0	0.0
	0.6	2.0	2.5

**Forecast Total Expenditure**

228.3 227.1 233.7

**Summary**

Forecast of Funding Available	-223.9	-220.9	-219.3
Forecast of Net Expenditure	228.3	227.1	233.7
<b>Forecast Surplus(-) / Deficit(+)</b>	<b>4.4</b>	<b>6.2</b>	<b>14.4</b>

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 above are **over and above any budget decisions already agreed by the Council**.

### 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 31/03/13	8.9
Assumed Contribution to Balances in 2013/14	0.0
Estimated Available General Fund Revenue Balances as at 31/03/14	8.9
Assumed Contribution from Balances in 2014/15	-1.1
Estimated Available General Fund Revenue Balances as at 31/03/15	7.8
Assumed Contribution to/from Balances in 2015/16	0.0
Estimated Available General Fund Revenue Balances as at 31/03/16	7.8

This assumes that any forecast overspends in the current financial year can be absorbed by directorates.

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 6 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 2011:-

- The lack of a three year government settlement from 2013/14 onwards makes medium term financial planning less robust.
- 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 5) 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 than normal to predict all three 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 13/14 £m	Impact 14/15 £m	Impact 15/16 £m
Children's Social Care growth not required	-2.0	-2.0	-2.0
Previously agreed savings delivered in full	-1.5	-1.5	-1.5
Retained NNDR Increases by Govt GDP Forecasts	-0.6	-1.4	-2.3
<b>Improvement in Base Forecast/Decrease in Savings Required</b>	<b>-4.1</b>	<b>-4.9</b>	<b>-5.8</b>

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

Assumption	Impact 13/14 £m	Impact 14/15 £m	Impact 15/16 £m
Further reductions in Formula/Other Government Grants	2.4	4.7	7.0
Lower Achievement of Previous Years Savings	0.4	1.0	1.9
Retained NNDR Decreases by Govt GDP Forecasts	0.6	1.4	2.3
<b>Deterioration in Base Forecast/Increase in Savings Required</b>	<b>3.4</b>	<b>7.1</b>	<b>11.2</b>

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	2013/14	2014/15	2015/16
Best Case	0.3	1.3	8.6
Base/Current Forecast	4.4	6.2	14.4
Worst Case	7.8	13.3	25.6

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 2014/15 and 2015/16.

## **Section 7 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 Council has already reduced the amount of money it spends each year by £40m (equivalent to more than 15% of its total budget) since 2010 and expects to be making savings of £71m per year (more than a quarter of the budget) by the end of the next three year period, rising to £84m, or nearly one third of our budget, in five years time.

The base forecast shows that additional savings are expected to be required in each year of the new MTFs. Although the savings of £4.4m in 2013/14 and £6.2m in 2014/15 are high, there is a pronounced jump in 2015/16 mainly due to an allowance for inflation and other growth which has not yet been budgeted for (2013/14 and 2014/15 inflation was included in previous years' MTFs and therefore compensatory savings have already been planned for these).

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. changes in funding for local authorities, 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 support levels. Other factors are only partly under Council control (e.g. Council Tax which may be subject to a local referendum if the increase is above a government approved level) 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 but especially in 2015/16. 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.

If the worst case scenario came to pass it could effectively double the level of savings required in each of the three years. Likewise if the best case scenario occurred, savings in 2013/14 and 2014/15 are expected to be significantly reduced, although, in reality, measures would still have to be introduced early in the period to be able to meet the target of nearly £9m in 2015/16.

It is therefore felt that the Council should concentrate its efforts on delivering its existing savings targets and identifying further savings using the central assumptions within the MTFs but retaining sufficient flexibility to adapt its plans as its financial

position becomes clearer. There is some scope to utilise balances on a short term basis but unless these are replenished with more savings a permanent reduction would occur weakening the Council's financial resilience.

As in previous years a budget process will need to be initiated to identify the level of savings forecast within the MTFS.