Medium Term Financial Strategy 2017/18-2019/20
and Four year Efficiency Plan to 2019/20
# MEDIUM TERM FINANCIAL STRATEGY AND EFFICIENCY PLAN TO 2019/20

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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. Given the reductions in public spending required over the next few years this prioritisation will be particularly important. A continuous review of Value for Money has previously been implicit in order to ensure that budgets can be maximised and allocated to meet community needs. This year, in order to take up the Government’s offer of a funding guarantee, an efficiency plan has been produced setting out explicitly how value for money will be achieved.

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.

The MTFS aims to ensure that the Council’s resources are aligned with its priorities. This will be demonstrated through the budget process and the budget consultation exercise.

The MTFS is framed within the potential of eventually becoming a self-sufficient local authority (i.e. no longer in receipt of revenue support grant). An income generation strategy is also being developed to assist the Council in maximising the other sources of funding available to it.

The latest Local Government Finance Settlement released in February 2016 provided the level of general grant that the Council could expect to receive in 2016/17 and indicative allocations for the following three years. This has been used as the starting point for our forecast.

Along with the need to plan for further reductions in grant funding announced in the final 2016/17 settlement this MTFS updates assumptions previously made and identifies future pressures that need to be managed such as:-

- risk of not achieving previous years’ savings targets
- the ongoing effect of the new national living wage (especially on our care contracts)
- inflation (especially on major contracts and pay)
- social care needs to reflect changes in client numbers, in particular for increasing numbers of adults with learning difficulties
- the introduction of the Schools National Funding Formula
- NNDR Revaluation

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

1) Preparation of the MTFS (July to September 2016)
2) Resource Prioritisation/Savings Options (October to December 2016)
3) Cabinet’s Draft Budget proposals for consultation (January 2017)
4) Presentation of the Final Budget to Budget Council (February 2017)
Section 2 The Context and Timescales of the Budget Process

The environment in which the budget process stands is continually moving with a significant number of changes in the national agenda for local authorities having been introduced over the last 6 years.

Local authorities have taken on responsibility for Public Health and Health Visitors. Councils’ Social Care budgets and NHS funding have been integrated into the Better Care Fund and housing benefit administration is due to be transferred to the Department for Work and Pensions in the near future.

In addition to these changes there have been three different funding regimes for Local Government since 2010, more recently characterised by a move away from a centralised funding model to one where councils retain half of the Business Rates they collect and set the level of Council Tax Benefit in their areas.

Government is also consulting on a new system of 100% Business Rates Retention. The additional income for Calderdale would amount to £30m (based on current valuations) but Government would like to make this fiscally neutral for councils by transferring responsibilities to us and/or taking away certain grants (e.g. Public Health, RSG). It is unclear when this might happen although it is most likely that it will be from 2020/21 onwards, i.e. outside of this current MTFS period.

There are also a number of other issues that are not currently allowed for in our forecast but which may have a major impact should they be/when they are brought in, the main ones being the Fair Cost of Care, Schools Funding Formula Changes, the 2017 rates revaluation exercise and the impact of the EU Referendum. These could all have a potential multi-million pound impact on the Council.

Given the above, it is a challenge to accurately assess the exact reduction in government funding since the introduction of the austerity measures, but, as reductions in Government funding are expected to continue until at least 2019/20, the Council will have to prioritise all expenditure and demonstrate value for money in everything that it does. The Efficiency Plan appended to the MTFS sets out how the Council intends to achieve this.

The key expected milestones for this budget process can be seen below:-

<table>
<thead>
<tr>
<th>Date</th>
<th>Milestone</th>
</tr>
</thead>
<tbody>
<tr>
<td>12th September 2016</td>
<td>Cabinet considers the MTFS</td>
</tr>
<tr>
<td>29th September 2016</td>
<td>Approval of the MTFS is sought from Council</td>
</tr>
<tr>
<td>Sept - Dec 2016</td>
<td>Development of Budget Proposals</td>
</tr>
<tr>
<td>December 2016</td>
<td>Provisional Local Government Finance Settlement/grants announced</td>
</tr>
<tr>
<td>Mid-January 2017</td>
<td>Cabinet releases its consultation budget</td>
</tr>
<tr>
<td>Mid-February 2017</td>
<td>End of consultation/political groups finalise their proposals</td>
</tr>
<tr>
<td>27th February 2017</td>
<td>Budget Council to agree budget and Council Tax for 2017/18</td>
</tr>
</tbody>
</table>
Section 3 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 buying of equipment and the purchase, construction or improvement of land and buildings.

The Council’s 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.

The current programme includes provision for the Council’s major projects including the regeneration of the Piece Hall, the new Halifax Central Library and the Town Centre Office Strategy. These key projects alone will have resulted in the Council investing well over £30m in the town centre with the economic benefits of this investment continuing far into the future.

Forecast Expenditure
It is currently expected that over the 4 year period to the end of 2019/20 the Council will be spending around £190m on progressing schemes as follows:-

- Major annual programmes of work funded by specific Government allocations, or where Members have chosen to “passport” resources:-
  - Schools (£48m)
  - Housing (£8m)
  - Roads (£24m)
- Other rolling programmes of improvements, e.g. Council buildings, play areas and car parks (£2m)
- Regeneration initiatives (£6m)
- One-off schemes:
  - Piece Hall (£9m)
  - West Yorkshire Transport Scheme (£54m)
  - Flood Prevention (£1m)
  - Flood Repairs (£24m)
  - Town Centre Office Strategy (£4m)
  - Halifax Pool (£2m)
  - Halifax Central Library (£6m)
  - Other Schemes (£2m)

Capital Resources
The main elements of capital financing are: -
1) Government-funded Grants
2) Unsupported (Prudential) Borrowing
3) Revenue and Reserves
4) Pooled Resources – Capital receipts

The largest proportion of Council capital spend is financed by Central Government grants. Although most of this is now un-ringfenced, Council policy is still to passport this to specific work programmes. Virtually all this funding is therefore directed towards school, road and housing schemes as can be seen above. All other schemes rely principally on other external support, prudential borrowing or the pooling of capital receipts (funding raised by the sale of Council assets).
The Government no longer provides supported borrowing (i.e. where loan costs are paid to the Council through RSG) for new schemes. However, the Council has the power to supplement funding through prudential borrowing where it is proved to be sustainable via compensatory savings, 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 Capital Programme includes over £9m of expenditure funded by prudential borrowing (the majority of which is on the three major town centre schemes). The annual cost of servicing this borrowing will be around £0.7m and this has been budgeted for in full as part of the MTFS.

On-going development with partners to provide a joined up service is well established in Calderdale. 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), NHS, West Yorkshire Combined Authority and Together Housing.

The latest monitor indicates that there is currently a surplus but it is noted that £2.7m is earmarked but awaiting Council approval to deal with the potential overspend on the Piece Hall and Central Library schemes. If approved, there would be a funding deficit of £1.2m.

It is anticipated that, excluding any receipts from income earning assets where policy is to repay debt to compensate for loss of income, around £1.9m of capital resources will become available in the medium term. This figure is heavily dependent on the sales of the Multure Hall Road site. If realised, the £1.9m will not only cover the existing deficit, but also will make available £0.7m resources for Members to invest in their priorities as can be seen below:-

### Overall Capital Financial Forecast

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £m</th>
<th>2017/18 £m</th>
<th>2018/19 £m</th>
<th>2019/20 £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Directorate Spend:-</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communities</td>
<td>9.2</td>
<td>0.7</td>
<td>0</td>
<td>0</td>
<td>9.9</td>
</tr>
<tr>
<td>Adults Health &amp; Social Care</td>
<td>0.4</td>
<td>0.6</td>
<td>0</td>
<td>0</td>
<td>1.0</td>
</tr>
<tr>
<td>Economy &amp; Environment</td>
<td>47.5</td>
<td>33.7</td>
<td>21.9</td>
<td>27.4</td>
<td>130.5</td>
</tr>
<tr>
<td>Children and Young Peoples</td>
<td>5.9</td>
<td>21.8</td>
<td>10.9</td>
<td>9.5</td>
<td>48.1</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>63.0</td>
<td>56.8</td>
<td>32.8</td>
<td>36.9</td>
<td>189.5</td>
</tr>
<tr>
<td><strong>Financed by:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and Contributions</td>
<td>41.1</td>
<td>49.9</td>
<td>32.6</td>
<td>36.8</td>
<td>160.4</td>
</tr>
<tr>
<td>Revenue Funding &amp; Reserves</td>
<td>2.4</td>
<td>1.2</td>
<td>0.2</td>
<td>0.1</td>
<td>3.9</td>
</tr>
<tr>
<td>Ring fenced/Prudential Borrowing</td>
<td>7.5</td>
<td>1.9</td>
<td>0</td>
<td>0.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Use of Pooled Resources</td>
<td>17.2</td>
<td></td>
<td></td>
<td></td>
<td>17.2</td>
</tr>
<tr>
<td><strong>Total Capital Finance Available</strong></td>
<td>68.2</td>
<td>53.0</td>
<td>32.8</td>
<td>37.0</td>
<td>191.0</td>
</tr>
<tr>
<td><strong>Potential Additional Resources</strong></td>
<td>0.2</td>
<td>1.7</td>
<td>0</td>
<td>0</td>
<td>1.9</td>
</tr>
<tr>
<td>Earmarked towards Piece Hall / Central Library</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-2.7</td>
</tr>
<tr>
<td>Possible Surplus (+) / Deficit (-)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.7</td>
</tr>
</tbody>
</table>
Section 4 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 and supplies & services 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 updates of the MTFS as and when more information becomes available.

Background

Since the first Spending Review under austerity in the autumn of 2010 a number of budget statements and other Government announcements have combined to determine the funding of councils over the period. The latest Local Government Finance Settlement was announced on the 8th February 2016 covering Government Funding for 2016/17 and indicative amounts for the following three years. This settlement was based on the cumulative effect of past changes to the funding regime and effectively gives the baseline from where any future cuts will be made.

The Chancellor also stated that “the government will look at transforming the approach to local government financing and further decentralising power, in order to maximise efficiency, local economic growth and the integration of public services”. It is unclear at the moment what the implications for local government are beyond the discussions on devolution.

At this stage it is also not known what impact the outcome of the EU referendum vote will have on local government but the Chancellor has announced that he will no longer be aiming to achieve a budget surplus by 2020.
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:-

<table>
<thead>
<tr>
<th>Assumption</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Assumptions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation on top-up grant/Business Rates</td>
<td>+2.0%</td>
<td>+2.0%</td>
<td>+2.0%</td>
</tr>
<tr>
<td>Council Tax Increases</td>
<td>+1.95%</td>
<td>+1.95%</td>
<td>+1.95%</td>
</tr>
<tr>
<td>Social Care Precept Increases</td>
<td>+2.0%</td>
<td>+2.0%</td>
<td>0%</td>
</tr>
<tr>
<td>Fees and Charges Increases*</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Expenditure Assumptions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgeted Pay Rises</td>
<td>+1.0%</td>
<td>+1.0%</td>
<td>+1.0%</td>
</tr>
<tr>
<td>Budgeted Price Increases</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Contract Price Inflation</td>
<td>+2.0%</td>
<td>+2.0%</td>
<td>+2.0%</td>
</tr>
<tr>
<td>Social Care Contract Price Inflation</td>
<td>+5.0%</td>
<td>+5.0%</td>
<td>+5.0%</td>
</tr>
</tbody>
</table>

*N.B. There is an existing savings target of £1m on fees and charges from 2017/18 onwards

The MTFS forecast that follows is made up of two main sections, the top half being the income forecast and the bottom half the expenditure forecast. The assumptions and rationale behind the figures can be found after the table:-
<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funding Forecast</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Core Funding</strong></td>
<td></td>
<td></td>
<td></td>
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<td>Revenue Support Grant</td>
<td>17.5</td>
<td>12.4</td>
<td>7.2</td>
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<tr>
<td>Local Share Retained Rates</td>
<td>30.2</td>
<td>30.8</td>
<td>31.4</td>
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<tr>
<td>Top-up Grant</td>
<td>9.8</td>
<td>10.1</td>
<td>10.3</td>
</tr>
<tr>
<td>New Homes Bonus</td>
<td>2.7</td>
<td>1.8</td>
<td>1.3</td>
</tr>
<tr>
<td>Council Tax (Increasing by 1.95% each year)</td>
<td>77.3</td>
<td>79.2</td>
<td>81.1</td>
</tr>
<tr>
<td>Social Care Precept (2% each year till 2019/20)</td>
<td>3.0</td>
<td>4.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Improved Better Care</td>
<td>0.3</td>
<td>3.3</td>
<td>6.3</td>
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<tr>
<td><strong>Total Core Funding</strong></td>
<td>140.8</td>
<td>142.2</td>
<td>142.2</td>
</tr>
<tr>
<td><strong>Other Grants</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Education Services Grant</td>
<td>1.1</td>
<td>0.5</td>
<td>0.5</td>
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<tr>
<td>Section 31 Grants related to Business Rates and Admin Subsidy Grant</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Public Health &amp; Under 5s Grant</td>
<td>13.6</td>
<td>13.3</td>
<td>13.0</td>
</tr>
<tr>
<td>Other Specific Grants and Contributions</td>
<td>31.8</td>
<td>31.8</td>
<td>31.8</td>
</tr>
<tr>
<td><strong>Total Other Grants</strong></td>
<td>49.4</td>
<td>48.5</td>
<td>48.2</td>
</tr>
<tr>
<td><strong>Other Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions from Earmarked Reserves</td>
<td>3.5</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Fees and Charges</td>
<td>36.9</td>
<td>36.9</td>
<td>36.9</td>
</tr>
<tr>
<td>Contribution From Balances</td>
<td>3.3</td>
<td>0.5</td>
<td>0.0</td>
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<tr>
<td><strong>Total Other Income</strong></td>
<td>43.7</td>
<td>37.5</td>
<td>37.0</td>
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<tr>
<td><strong>Forecast Total Income</strong></td>
<td>233.9</td>
<td>228.2</td>
<td>227.4</td>
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<tr>
<td></td>
<td></td>
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<tr>
<td><strong>Expenditure Forecast</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Budget</td>
<td>218.9</td>
<td>215.4</td>
<td>214.9</td>
</tr>
<tr>
<td>Public Health and Under 5s expenditure</td>
<td>14.4</td>
<td>14.1</td>
<td>13.8</td>
</tr>
<tr>
<td>Central spend on School related</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Flood Resilience Fund</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Add back Savings yet to be identified</td>
<td>0.0</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>Budget as agreed at Budget Council</strong></td>
<td>233.3</td>
<td>236.5</td>
<td>235.7</td>
</tr>
<tr>
<td>Pay and Prices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation - Pay 1% p.a., Large Contracts CPI</td>
<td>-0.1</td>
<td>-0.1</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total Pay and Prices</strong></td>
<td>-0.1</td>
<td>-0.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Adults Social care Changes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Services Demographics</td>
<td>0.0</td>
<td>0.0</td>
<td>0.5</td>
</tr>
<tr>
<td>Estimated Impact of 'New Living Wage' on Adult Care Contracts</td>
<td>0.0</td>
<td>0.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Increase in Social Care Contracts</td>
<td>0.0</td>
<td>0.0</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Other Issues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury Management - Debt Charges reductions</td>
<td>-0.3</td>
<td>-0.5</td>
<td>-0.6</td>
</tr>
<tr>
<td>Contribution to transport fund</td>
<td>0.0</td>
<td>0.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Pension fund triennial Revaluation</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total Other Issues</strong></td>
<td>0.7</td>
<td>0.5</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Forecast Total Expenditure</strong></td>
<td>233.9</td>
<td>236.9</td>
<td>240.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forecast of Funding Available</td>
<td>-233.9</td>
<td>-228.2</td>
<td>-227.4</td>
</tr>
<tr>
<td>Forecast of Net Expenditure</td>
<td>233.9</td>
<td>236.9</td>
<td>240.7</td>
</tr>
<tr>
<td><strong>Forecast Surplus(-) / Deficit(+)</strong></td>
<td>0.0</td>
<td>8.7</td>
<td>13.3</td>
</tr>
</tbody>
</table>
In effect this suggests that:

- Our latest forecast for 2017/18 is in line with previous forecasts but only if £1.5m of balances are used and provided that existing savings plans can be delivered and budget pressures managed.
- Our latest forecast shows that savings of just under £9m in 2018/19 and just over £13m in 2019/20 could now be required. This compares closely to the previous forecast, and, although dependent upon the eventual level of funding reduction to local authorities, it suggests that the Council should continue to plan for savings of this magnitude. The budget proposals for 2018/19 agreed at Budget Council this year included indicative savings to be identified of £7m (this is included in the £9million discussed above). These now need to be translated into more detailed savings.
- Our latest forecast for 2019/20 is that cumulative savings of £13m may be required, i.e. a further £5m on top of those to be identified for 2018/19.

The revenue forecast for the next 3 years above is the base case showing the expected savings that the Council will have to make in order to deliver a balanced budget. The following 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, Government and other public sector bodies.

The sensitivity analysis and risk assessment which can be found in a later chapter of this document shows how the forecast might change under a different set of assumptions. The constantly changing national agenda, however, means that the funding position is particularly volatile.

Funding Forecast Notes/Assumptions

1 Revenue Support Grant (RSG)
The forecast is for RSG levels to fall 72% by 2019/20 when compared to 2016/17’s level as set out in the latest Local Government Settlement. Although only indicative at the moment, as the Council is intending to take advantage of the Government’s offer of a minimum allocation by submitting an Efficiency Plan within this MTFS, there is significantly more certainty than last year when the Spending Review was awaited.

2 Local Share Retained Rates
Business Rates increase with Retail Prices Index (RPI) inflation as at September of the previous year. Government forecasts released with the Budget predicted a 2.4% rate in 2017 rising to 3.2% in 2020 (currently it is 1.6%). For the purposes of our forecast we are assuming 2.0% for all 3 years and will re-visit this assumption in future updates of the MTFS and budget rounds as inflationary expectations become clearer. From 2020 the Government is wishing to link Business Rates (and therefore presumably Top-up Grant as well) to CPI inflation which tends to be around 1% less than RPI.
No additional growth (or reductions) in rates has been assumed at this stage on top of inflationary increases but should any significant new developments be brought forward in Calderdale these will be reflected in future forecasts. Conversely, however, any movement in businesses away from Calderdale would impact negatively on the Council’s income. The forecast additionally assumes that the impact of the business rates revaluation, due to take place in 2017, will be financially neutral for the Council.

3 Top-up Grant
As Top-up Grant rises in line with RPI inflation similar assumptions have been made on this to National Non-domestic Rates.

4 New Homes Bonus (NHB)
NHB is based on the number of new homes or empty properties brought back into use in Calderdale each year.

New Homes Bonus reductions were announced in the Spending Review last November to effectively achieve £800m of annual savings from the scheme to recycle into Social Care by reducing the number of years that the grant is payable from 6 to 4 years with the first effects being felt in 2017/18. Government also put forward options to help with the transition of the grant being reduced.

The forecast assumes the reduction in payment years but with a short transitional period in 2017/18 where the year 5 payment of 2013/14’s NHB is protected. The MTFS also assumes additional NHB of £300k pa being earned for 2017/18, 2018/19 and 2019/20 (as well as the dropping out of previous allocations), a similar level to the new NHB awarded to the Council in 2016/17.

A consultation on the reductions in NHB ended 10th March 2016 and Government’s final proposals are still awaited.

5 Council Tax Increases
Budget Council agreed indicative Council Tax increases of 1.95% in 2017/18 and 2018/19. A continuation of this policy is built into the forecast for 2019/20 as well. Obviously each of these years will be subject to ratification at future Budget Councils and any referendum limit imposed by Central Government (currently set at 2%). The forecast also allows for a natural increase in the number of homes in Calderdale in line with historic trends.

6 Social Care Precept
The MTFS also assumes an additional Social Care Precept of 2% per annum in both 2017/18 and 2018/19, again, in line with Budget Council 2016. However, it has been assumed that this does not continue into 2019/20 as that is the first year that the Council fully benefits from the Improved Better Care Funding announced as part of the latest Local Government Finance Settlement.
7 Education Services Grant (ESG)

Education Services Grant is payable to local authorities to reflect the core functions they provide for schools. The current funding level of ESG is around £2.0m with the calculation being based on varying rates of payment for the different type of school in Calderdale (maintained, academy, special and Pupil Referral Unit).

The grant figures assume that the general funding for maintained schools drops out after 5 months of 2017/18 but the retained duties element, covering all pupils within Calderdale, continues. This assumption is in line with the Government’s proposals within their recent National Fair Funding Formula consultation document.

Previously, an estimate was made of the number of maintained schools transferring to academy status. This is still unclear and further confused by Government’s change of policy on the forcing of schools towards academy status. However, as the element of ESG relating to Calderdale’s maintained schools is the portion that is to be stopped during 2017/18 it is assumed that further transfers to academy status will have no additional impact.

As the MTFS does not assume any compensating cost savings from the areas funded by ESG in Childrens these will need to be brought out during the budget process.

8 Fees and Charges

Previously, the inflation target applied to income generating areas meant that the overall prices charged for such things as Parking and Sports should have risen by 2% every year (on top of any other specific savings targets given). As a piece of work is underway to agree a way of delivering £1m from fees and charges as agreed at Budget Council 2016, a general inflation target has not been added to fees and charges budgets for the MTFS period.

9 Use of Balances and Reserves

The MTFS assumes contributions from balances to support the budget in line with the decisions made at Budget Council and subsequent Council meetings. The forecast deficits in 2018/19 and 2019/20 partly reflect the significant use of one-off reserves and balances in the previous years. An up to date forecast of unallocated balances can be found below.

Expenditure Forecast

The starting point of the expenditure forecast is the budget that was agreed at Budget Council in February as adjusted for subsequent approvals by Members.

10 Inflation (Pay, Prices and Large Contract areas)

The two measures of inflation the Government use are CPI (Consumer Prices Index) and RPI (Retail Prices Index). CPI is the Government’s main measure of inflation but RPI is used in specific cases (e.g. increases in the business rates multiplier and Top-up Grant). Inflation (CPI) is currently 0.5% which is well below the government’s target of 2%. However, consumer price rises do not necessarily affect the type of expenditure incurred by a Council and it is assumed that Council’s pay inflation will follow the 1% agreement reached for 2016/17 and 2017/18.
An allowance has already been made within the budget for pay and large contract inflation for the next 2 years. The MTFS forecast for 2019/20 provides for a further 1% inflation on pay and 2% for large contract areas (as they normally have in-built inflation clauses). In keeping with previous MTFSs no additional budget will be provided for inflation on other general supplies and services and Directorates will be expected to absorb any inflationary pressures.

11 Adults Social Care
On top of the normal inflationary increase on large contract areas, the Council is also expecting to have to provide for the additional costs of the introduction of the Chancellor’s new National Living Wage (NLW) which is set to rise from £7.20 per hour in 2016 to £9 per hour by 2020.

Provision of 5% inflation has therefore already been allowed for in the budget for 2017/18 and 2018/19. This is in line with previous suggestions of a 5% annual rise in care fees by Care England and our experience of recent contract negotiations with care home operators. The same increase is required in 2019/20 as this new planning year has now been introduced in this year’s MTFS. The Council also normally allows a £0.5m budget increase in social care to cope with demographic demand. Again, provision has previously been made in respect of 2017/18 and 2018/19 but not in 2019/20 so this has now been added in too.

12 Other Issues and Previously Approved Savings
At previous 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.

There is no existing specific allowance in the Council’s budget to deal with the possibility of some savings not being delivered but the risks still remain (especially within Social Care, CAFM and the Future Workforce Programme). In the first instance balances would have to be deployed to cover any underachievement in agreed savings targets (although these have been built up to deal with day to day unforeseen issues the Council faces).

13 Pension Fund Revaluation
The triennial actuarial review of the West Yorkshire Pension Fund is due to be completed early next year. Although too early to say for certain, there is likely to be a negative impact caused by Government bond rates having dropped compared to the last time the Fund’s position was evaluated. This is because when pension payments are discounted back into today’s money using these rates, future liabilities of the pension fund appear higher than if interest rates were higher. A recent Government publication on unfunded pension schemes, such as the NHS and Police, suggested an increase of around 1% in employer contributions. As a proxy for a possible Local Government Pension Fund increase, 1% has also been used for our forecast. This is in keeping with increases being assumed by the other West Yorkshire councils.
Other Major Issues not included in the MTFS

There are a few key directorate issues which have not been included within in the MTFS but should at this stage be noted.

The MTFS makes no provision for additional prudential borrowing and in particular the new Halifax leisure facility with regard to the anticipated on-going efficiency savings being generated to service the prudential borrowing and the potential funding gap.

The capital funding is nearly fully committed leaving only approximately £0.7m available to fund the exiting pressures on our capital schemes and the demand for investment in heritage Buildings, Schools and other infrastructure as well as the Halifax leisure facility mentioned previously. If there is insufficient capital funding then alternative funding will be required to progress the initiatives.
Section 5 Revenue Balances Forecast

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

The following table shows the level of balances that are currently expected to be available at each year end over the period of the MTFS. The contributions to and from balances included in the table have previously been approved by Members (apart from the additional use of £1.5m in 2017/18). Clearly as an alternative the Council could agree to bring forward further savings or implement 2018/19 savings earlier than planned. It is also assumed that any forecast overspends in the current financial year will ultimately be absorbed by directorates.

<table>
<thead>
<tr>
<th></th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revised available General Fund Revenue Balances as at 31st March</strong></td>
<td></td>
</tr>
<tr>
<td>Planned contribution to (+)/(−) from Balances</td>
<td>2016/17</td>
</tr>
<tr>
<td><strong>Estimated available General Fund Revenue Balances as at 31st March</strong></td>
<td></td>
</tr>
<tr>
<td>Planned contribution to (+)/(−) from Balances</td>
<td>2017/18</td>
</tr>
<tr>
<td>Additional use of balances to bring budget into Balance</td>
<td>2017/18</td>
</tr>
<tr>
<td><strong>Estimated available General Fund Revenue Balances as at 31st March</strong></td>
<td></td>
</tr>
<tr>
<td>Planned contribution to (+)/(−) from Balances</td>
<td>2018/19</td>
</tr>
<tr>
<td><strong>Estimated available General Fund Revenue Balances as at 31st March</strong></td>
<td></td>
</tr>
<tr>
<td>Planned contribution to (+)/(−) from Balances</td>
<td>2019/20</td>
</tr>
<tr>
<td><strong>Estimated available General Fund Revenue Balances as at 31st March</strong></td>
<td></td>
</tr>
<tr>
<td>Planned contribution to (+)/(−) from Balances</td>
<td>2020</td>
</tr>
</tbody>
</table>

As can be seen, balances would remain above the minimum requirement of £5m throughout the 3 years of this MTFS with £1.3m being available for use as part of the budget process. This assumes using £1.5million additional balances in 2017/18 to address the forecast budget pressures and grant reductions identified in this MTFS.

It should also be noted that 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, any 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 works closely with regional Councils, other partners such as the NHS, Sigoma and the LGA to keep abreast of developments. The MTFS is a living document with intermediate updates for Senior Management as further information becomes available. The Council also has a very strong risk management framework in place as set out in the Corporate Risk Management Strategy and Corporate Risk Register with each directorate having its own operational risk register which integrates with the relevant directorate performance management strategy, improvement plans and budgets. Some of the key risks for the MTFS are:-

Key Risks for items modelled in the MTFS Forecast
- The inflationary increases budgeted for
- High levels of assumed Council Tax increases
- No additional costs associated with Improved Better Care Fund

Other Risks not Currently Allowed for
- Devolution, 100% Rates Retention, EU Regulations & exit from the EU
- Potential non-achievement of previously agreed savings targets
- National Funding Formula for schools, high needs and early years
- The National Rates Revaluation in 2017
- Fair Cost of Care

Sensitivity Analysis
The Council’s current forecast therefore contains a number of assumptions 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. The impact of a 1% change on our main assumptions has been calculated and can be seen in the following table:-

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Impact £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Rates Growth +/-1%</td>
<td>+/- £0.3m</td>
</tr>
<tr>
<td>Pay Awards +/-1%</td>
<td>+/- £0.9m</td>
</tr>
<tr>
<td>Council Tax +/-1%</td>
<td>+/- £0.8m</td>
</tr>
<tr>
<td>RPI Inflation +/-1%</td>
<td>+/- £0.6m</td>
</tr>
</tbody>
</table>

In terms of the “worst case” scenario on funding assumptions, if there were no Council Tax, Social Care Precept or Improved Better Care Funding increases over the next 3 years then the base MTFS savings forecast would increase as shown below (bearing in mind a similar analysis on expenditure assumptions could also be undertaken).

<table>
<thead>
<tr>
<th></th>
<th>2017/18 £m</th>
<th>2018/19 £m</th>
<th>2019/20 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTFS Base Forecast Deficit</td>
<td>0</td>
<td>8.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Council Tax – basic</td>
<td>1.5</td>
<td>3.1</td>
<td>4.7</td>
</tr>
<tr>
<td>Council Tax – Social Care precept</td>
<td>1.5</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Improved Better Care Funding Costs</td>
<td>0.3</td>
<td>3.3</td>
<td>6.3</td>
</tr>
<tr>
<td>Potential Worst Case Deficits</td>
<td>3.3</td>
<td>18.2</td>
<td>27.4</td>
</tr>
</tbody>
</table>
Section 7 Summary and Conclusions

The Council has already put plans in place to make savings of £93m at the same time as delivering a Capital Programme which will result in the investment of £190m over the next 4 years in Calderdale including over £30m eventually in Halifax Town Centre. This will be financed from a combination of government grants, the sale of surplus assets and the use of borrowing where appropriate.

The forecast suggests that the savings now required in 2018/19 could be approximately £8.7m which is above the previous forecasts. This savings gap increases on a cumulative basis to £13.3m in 2019/20 mainly due to contract and pay inflation, substantial cuts to Government funding and the use of one-off reserves to support the budget in the previous year offset by increases in Council Tax and Business Rates income.

Some developments are within the Council’s control such as the provision of additional budget for inflation and growth. Other factors are only partly under Council control (e.g. Council Tax which is subject to a government approved limit) and others are not under our control at all (transfers of responsibility, Government policy, Government grant etc).

Due to all of the above, in addition to the Council’s central/base scenario, changes to the most significant assumptions have also been modelled in Section 6 so that the upside and downside risks to the Council’s strategy can be seen. It should be stressed though that the final outcome will depend on how these variables turn out.

As in previous years a budget process will need to be initiated to identify the level of savings forecast within the MTFS. It is felt that the Council should concentrate its efforts on delivering its existing savings targets and identifying further savings for at least 2018/19. There is some scope to utilise the £1.3m of spare 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. This would also be dependent upon the Council being able to contain existing budget pressures. The budget process will also need to involve planning for further savings of at least £5m in 2019/20 (on top of those for 2018/19).

Although the potential reductions forecast in the MTFS are high and are after significant efficiencies have already been achieved, they are not unprecedented and the Council should be confident it can rise to the challenge it faces given the savings that have been delivered to date.

The MTFS also highlights the position on the Capital Programme. It is currently forecast that there will be a £0.7m surplus assuming £1.9m of future asset sales being generated. The Economy & Investment Panel is carrying out a review of the Capital Programme including the prioritisation of future schemes so the use of any surplus resources will be considered as part of that process.
THE COUNCIL’S 4 YEAR EFFICIENCY PLAN

1. Introduction

As part of the Local Government Finance Settlement 2016/17, Government set out its commitment to provide minimum allocations for each year of the Spending Review period (2016/17 to 2019/20).

The allocations included in the multi-year settlement offer are Revenue Support Grant (RSG), Transitional Grant (TG) and Rural Services Delivery Grant (RSDG) allocations. As Calderdale does not receive TG or RSDG, the certainty in allocations relates purely to RSG. The Council’s RSG in 2016/17 will be set at £25.3m, dropping to £17.5m in 2017/18, £12.4m in 2018/19 and £7.2m in 2019/20.

Barring exceptional circumstances the Government expects the RSG figures quoted above to be the amounts presented to Parliament each year. Possible events highlighted by Government include the transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between authorities and the implementation of 100% business rates retention.

2. Requirements of an Efficiency Plan

Efficiency Plans were first announced on the 17th December 2015 to give the opportunity for councils to achieve greater certainty and confidence from a 4 year budget.

Government has not been prescriptive on their content, preferring them to be locally owned and locally driven. Government has also made it clear that any additional reporting requirement in return for certainty about future funding arrangements should not be too onerous and Efficiency Plans do not need to be a separate document and so can be combined with Medium Term Financial Strategies.

For a council to accept the offer they must have published an efficiency plan and sent a web link of this to Government by the 14th October. The Council is intending to take up Government’s offer.

3. Calderdale’s Efficiency Plan

Medium Term Financial Planning, which is open and transparent, already includes efficiency at its heart and is therefore inextricably linked to the Efficiency Plan.

In order for the Council to achieve and deliver its required change and transformation work in the coming years, and for staff and residents to have a clear narrative that supports this going forward, the Council’s vision and priorities have been reviewed and, following Council approval, the ambition statement “Calderdale – Be the Best Borough in the North” and priorities have been agreed.

The council’s priorities identified to assist in achieving the mission are:
• Grow the economy
• Reduce inequalities and
• Build a sustainable future

The tools being used to enable the council to bring about these aims are:
• Underlying performance of the council
• Change programmes
• Major projects

The Council’s change programme is comprised of seven elements designed to reshape and streamline the services provided by the authority which will lead to an efficient and more responsive council. The Efficiency Plan below is built around these themes but to keep the Efficiency Plan focussed only the key points have been brought out (although full details of the programmes are available on request).

The programmes are:-

• Prosperous Towns/Stronger Communities
• Active Borough
• Managing Demand
• Prevention/Early Intervention
• Digital Leadership
• Future Council
• Commercialisation

These programmes all come under the Transformation umbrella and work together towards the council achieving its vision and priorities within funding constraints. These are the tools the Council is using to achieve the target savings identified in the 2016/17 budget council and those identified in this MTFS. In addition to the above themes an additional one has been added to show how the Council is bearing down on costs.

The savings currently agreed into the budget from 2016/17 in terms of these themes are as follows:-

<table>
<thead>
<tr>
<th>Detail savings/efficiencies to address funding gap</th>
<th>2016/17 £’million</th>
<th>2017/18 £’million</th>
<th>2018/19 £’million</th>
<th>2019/20 £’million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Demand</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Future Council</td>
<td>3.5</td>
<td>6.2</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Commercialisation</td>
<td>0.7</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Prevention/Early Intervention</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Digital Leadership</td>
<td>0.1</td>
<td>0.6</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Funding Gap to be addressed</td>
<td>4.8</td>
<td>11.7</td>
<td>13.1</td>
<td>13.1</td>
</tr>
<tr>
<td><strong>Total Savings for period 2016/17 to 2019/20</strong></td>
<td><strong>4.8</strong></td>
<td><strong>11.7</strong></td>
<td><strong>21.8</strong></td>
<td><strong>26.4</strong></td>
</tr>
</tbody>
</table>

Further work to address the identified funding gap using the efficiencies highlighted and approach to the budget setting are covered later in the Efficiency Plan.

The full mission statement and priorities and how the efficiency programmes fit together can be seen diagrammatically below:-
4. The Transformation programmes

A summary of the work being undertaken under each of the transformation programmes is provided below:

i) Prosperous Towns/Stronger Communities - Promote and develop our market towns to stimulate the economy and build resilience in our communities.

A number of developments in the wider economy, regeneration agenda and in community involvement and civic society have combined to put a renewed spotlight in the best means of bringing together all the talents to take forward regeneration activity and the involvement of community organisations in service delivery in Calderdale’s principal town centres.

To bring this about and include community and local involvement is the creation of Town boards with representatives from local Ward Councillors, local businesses and community groups. Each town board will have a limited core membership to aid progress and the decision making process. When required the boards will consult and involve a wider group of stakeholders and interested parties. This is to be funded £800k which was approved into the budget via the Council’s Economy and Investment Panel at budget Council 2015.

The Town Board idea fits well with Calderdale’s continuing work to involve local communities, businesses and enterprise in key decision making in the Borough. It will support work such as the business improvement (BID) proposition in Halifax and the excellent work already done by business and community groups in a number of towns.

There is increasing evidence that the Council and partners can improve a range of outcomes in communities by working collaboratively with key locally based voluntary and community sector organisations.

The development of the Town Boards can fit into a wider context of a developing localism agenda in Calderdale, and associated agendas of public involvement, community capacity building and driving neighbourhood working. The diagram below illustrates how a number of themes come together around a core idea of pursuing prosperous towns and strong neighbourhoods.
Current initiatives include:

- Economic Task force – to provide investment aimed at increasing employment opportunities within the borough
- BID – the establishment initially of a Halifax town centre Business Improvement District
- Sowerby Bridge Copley Valley Scheme – the regeneration of an area of brownfield land to create new employment opportunities, improve transport accessibility and housing growth
- Sale of surplus sites – to provide funding for investment
- Clifton Enterprise Zone – the designation by DCLG of an area of land for enterprise zone status.
- Formation of area development boards – the creation of 6 town boards with business and community representation to take forward coordinated regeneration working with local communities
- Town Office Strategy – the rationalisation of the Council’s office accommodation to release investment into assets to be retained and generate additional savings for wider use by the Council.
ii) **Active Borough** – To make Calderdale more active and address performance in key areas of health and wellbeing

Increasing physical activity is well recognised as one of the most effective ways of improving population health. The Council is committed to developing and implementing a coherent programme of physical activity interventions, driven by insights derived from data and analytics to engage and inform our citizens and stakeholders to increase levels of activity across our community. Calderdale – Better Living movement is a key change programme to support the councils stated goals of economic development and improved quality of life.

For 3 weeks six IBM experts worked with Calderdale Council at no cost to analyse data from the Council, the NHS, Public health England, Calderdale Clinical Commissioning Group, Calderdale and Huddersfield NHS Foundation trust, Sports England and West Yorkshire Sport.

IBM also analysed the Council’s health marketing campaigns, technology and the support in place for activities in Calderdale to start up and keep going, and how local people can find out about them. The focus was on how this could all be set up to help people live healthier lives. IBM’s findings confirmed that improving health is everyone’s business, we need to work with other organisations, residents and business and build on existing community activities.

IBM’s advice to the council was:

- Work with current and new voluntary organisations and people that run any type and size of activities, groups and classes across Calderdale to create even more activities, and make it easier for local people to find out about what’s going on in their area.
- Understand and give residents more information about how healthy they currently are. This could help inspire them to take action themselves and start the journey to making healthy choices to move more in their daily lives. It could also help the Council signpost local people to the health services they need from information using a wide range of sources.
- Help residents to be the new leaders and role models promoting health among their families, friends and wider communities.
- Advise, share expertise and help new activities to set up, whilst encouraging and tracking this growth, to help make the vision of a healthier, happier Calderdale a reality.

Current initiatives include:

- Establish baseline data
- Identify partners and participants
- Develop and implement physical activity strategy
- Better living movement into action/technology platform
- 1km a day initiative across all schools in Calderdale
- Work place physical activity, health and wellbeing
- Establish network of community activators
- Establish network of local sports clubs to champion Active Borough Calderdale
- Run communication campaign targeting message
iii) Managing Demand – Better understand our customers to shape demand and positively influence customer behaviour.

The Programme’s aim is to:
- Shape demand
- Improve services
- Review
- Identify waste

This will be achieved by:
- Managing customer requirements and expectations
- Understanding the demand for services and diverting it to alternative providers
- Cultivating resilience, independence, self-sufficiency, sustainability and self-service
- Preventing demand by early intervention
- Changing and influencing behaviours by using ‘nudge’, self-service, changing responsibilities and using different language.
- Ask if we need to do it?

To provide a lean responsive workforce the council will identify:
- If we do need to do it, then do so efficiently
- Find waste and eliminate it
- How does the customer view the service/ what value do you add to the customer
- Continuous improvement

Current initiatives include:
- Formation of Demand and Service Transformation Team works in conjunction with Audit who signpost services where need identified to the Team who offer a packaged support tailored to improve/transform that service
- Lean and demand training
- Consistent approach to transformation messages – internal and external
- Collaboration with procurement
- Rationalise systems – minimise waste
- Identify potential areas of savings within services
- Examination of alternative service delivery models
- Customer Services Chanel Shift
iv) Prevention/Early Intervention – We will intervene early and prevent problems before they occur.

The majority of early intervention work is not a statutory duty. It is something that the Council could choose not to do making it an area of potential savings. The main focus of the early intervention programmes is areas of high needs and vulnerable people. Where successful, these projects delay and prevent the resident’s needs for more costly, often statutory duties. These projects propose that we work sooner in a preventative style doing both the right thing and saving money in the long term. The challenge for the council is to:

- Keep funding the early intervention in a time of austerity
- Make sure the early intervention has maximum impact and
- Make sure we save the funds allocated to statutory duties as and when the demand reduces.

Current early intervention programmes operated by the Council are:

- Troubled families
- Skills and Employment
- Sustainable Housing and Environment
- Homelessness Service
- Supported self-managed care and primary prevention
- Public Health – position brief

The Council’s Social Care Mutual

The Council agreed in November 2015 to establish a service user-led public sector mutual as a vehicle for delivery of community social work practice in Calderdale. Currently this is operating from a shop front location on a 12 month pilot basis but an initial savings target of £1.25m by 2018/19 has already been set.

The idea of the mutual is to encourage Social Workers to have different, creative and therapeutic conversations which draw on Asset Based Community Development approaches, and capture information about what really matters to the person and their family. Traditional service solutions which result in a statutory community care assessment for a Personal Budget would only be considered after natural and community supports have been exhausted.

There are already plans to generate a further £500k pa from the mutual by transferring in learning Disability and Mental health Functions as well to maximise service users’ independence, resilience and control over how their own needs are met. There are no limits to rolling the mutual approach out within the Council but Children’s’ Services are considered to have the most scope for this exciting development.

The mutual approach cuts across most of the Council’s change programmes but especially Managing Demand, Early Intervention and Future Council. It also helps forge partnerships as the Council is working with the Disability Partnership and the learning disability User Led Organisation Lead the Way, supported by the NDTI and the Public Health England Centre for Disability Research hosted by Lancaster University.
v) **Digital Leadership** – Embed digital innovation and leadership that support the way we work, communicate and transact our business both internally within the council and our residents/businesses.

The Digital and ICT Strategy 2015 – 2020 runs in parallel to the Demand management programme. The principles of the strategy are:

- Customer focus – rather than service focus
- Self-service wherever possible – driving channel shift
- Shape demand – redirect resources to where they are most needed
- Resilience–delivering fit for purpose infrastructure for today & tomorrow
- Value for money – delivering cost effective services
- Digital – embedded as business as usual
- Engagement with communities & businesses–by digital & social media

The aim of this programme is to change people’s expectations about their relationship with government. Calderdale needs to support this shift from addressing citizen and business needs to citizens and businesses addressing their own needs – delivering them in partnership with local government.

To achieve this the council will:

- Ensure greater transparency, openness and inclusiveness in our processes and operations to improve accessibility, trust and accountability
- Encourage greater participation in policy making and service design by facilitating more targeted engagement through social media, adopting guidelines on procedures and responsibilities, by developing a framework to empower businesses, citizens and other organisations in the development of a digital government eco-system.
- Create a data driven culture to lead to better policy making and service redesign
- Strengthen regional co-operation to serve citizens better to improve opportunities for businesses that cross borders
- Secure leadership, skills and capacity on the wider digital agenda to provide co-ordination across regional and national government and with relevant stakeholders to drive the alignment of strategic objectives.

Our delivery plan is focused around seven interlinking themes:

- Access to services
- Digital inclusion
- Partnerships/Shared Services
- Economic growth and prosperity
- Technology
- Improvements in transactional processing
- Digital Benefit Verification/Revise visiting processes
vi) Future Council – We will look for and exploit opportunities to collaborate and pool resources with partners at a local and regional level to achieve public sector outcomes.

Partnerships Approach
In order to be able to afford the expertise required for specific service delivery and maintain services in times of economic constraint the Council has looked to forge partnerships with the local community, other local authorities, the private and public sectors and the customers themselves. These arrangements need to support the Council’s outcomes and demonstrate a value for money.

The Council has demonstrated a strong history of joint working with others and continues to explore opportunities to work more closely with other local authorities and local partners as well as opportunities for co-location and integration of services.

The Council has membership of:

- West Yorkshire Joint services – provides the services for the five members (Trading Standards, Archaeological services, Archive services, Ecology, Materials Testing and Analytical services). There is a formal shared committee and shared resources. Consideration is being given to adopting Trading Company status which could lead to more shared activity.

- Yorkshire Purchasing Organisation – this is a company owned by 13 councils and evolved from a structure initially set up in 1974. The company procures on behalf of the owner council’s and each owner council receives a dividend at year end. Any public sector organisation can purchase the procurement services provided by YPO with the additional income benefitting the members.

- West Yorkshire and York Combined Authority (WYYCA) – This is a recently established legal structure to share high-level planning and projects for infrastructure (e.g. Transport planning) and economic investment. This collaborative working ensures an integrated approach to the investment in the region. Monies retained locally as a result of business rate pooling have been invested in the WYYCA. (This additional revenue would have been paid to central government in the form of a levy had the pool not been set up).

In addition to formal membership of the above organisations, West Yorkshire Legal Services was formed 2 years ago as WYLaw based on a memorandum of understanding between the 5 West Yorkshire districts. Shared work on activities such as the transfer of Public Health functions, responding to new legislation, setting up the Combined Authority, and the West Yorkshire Care Proceedings Pilot, have saved time and money.

Other collaborative arrangements include:

- Yorkshire and Humber Children’s services working together on projects such as fostering campaigns and a purchasing consortium
• Calderdale providing Social Care IT to a neighbouring authority (income generating)
• Calderdale hosting joint plant nursery arrangements with a neighbouring authority
• Various mutual arrangements with other councils to provide each other with training and other support

The way forward is to expand the current arrangements by WYJS becoming a trading company and WY Law developing a training arm and providing services to the private sector.

More exploration is being made into collaboration between 2 to 3 councils rather than just West Yorkshire as some work programmes can take too long to deliver. The Council is also looking at joint working with Greater Manchester Councils.

All the above are arrangements with other local authorities but partnership working is not just about local authority agreements. Calderdale is looking at how we can collaborate and share more with partners such as Calderdale Police, NHS, the voluntary Sector, customers/clients and within the different services of the Council.

Council Savings can be achieved by setting up Trusts to run specific services previously run by the council. In 2013 the Piece Hall Charitable Trust was established to manage and sustain the future of the property. The board members were specifically chosen to provide the expertise and experience required to ensure the success of the future running of the property on completion of the capital project.

The transformation of the Piece hall is a major part of the Council’s vision to regenerate Halifax Town Centre. On completion of the conservation and regeneration scheme the ownership of the Piece Hall will be transferred over to the Trust and it will operate independently of the Council. Another trust set up by the Council now successfully runs the music service which was previously run by the Council

Other areas the Council is looking into are:
• Sharing expertise and resources on training and organisational development
• Co-locating teams
• More joint working on health and social care
• Shared projects on big issues such as Domestic violence
• The introduction of the mutual approach pilots within Adults, Health and Social Care

Current Initiatives
• Asset Management
• Future Workforce Programme
• Skills to match the job
• Leaner Management Structures
• Collaborative/shared working
• Streamlining/integrating services
Asset Management

CAFM’s business planning aims as part of the Property Asset Management Strategy 2016/2021 are:

1. DATA – A robust and consistent understanding of the estate exists
2. COMPLIANCE – Effective operational arrangements to improve property performance and minimise risk
3. OPTIMISATION – Analyse, appraise and implement options to identify and realise efficiencies
4. DIVESTMENT – Release liability and support the Capital Programme
5. COLLABORATION – Information sharing within an external to the organisation for shared benefit

Current and planned work supporting transformational activity and increasing efficiency within the council:

- Town Centre Office Strategy
  - provides credibility for change programmes to deliver efficiencies and cashable outputs
  - deliver a financial model which will identify the financial implications of different strategic options
  - “Smarter Working” has changed how the workforce occupy council office bases often leading onto further service transformation activity

- Estate Optimisation
  - Asset Review Programme – reviewing, understanding and optimising the entire estate
  - Asset Management Planning – having robust plans for key/prioritised buildings, moving towards planned preventative maintenance
  - One Public Estate – highlighting opportunities at both local and city regional levels for co-location and integration with partners

- Collaborating
  - within the organisation, utilising the new governance structure which includes Asset Management Group and Asset Management Board
  - with our partners locally, operating a “Cross Sector Calderdale Forum”
  - across the Leeds City Region via initiatives such as “One Public Estate”
Our SMARTER Working model will continue to evolve, with a focus on future, new innovative approaches to commissioning services and delivery, and new more flexible relationships across public, private and 3rd sector partnerships.

Our values and behaviours provide a framework for our people, equipping and empowering consistent standards. We will support our people to be engaged with us, through developing their resilience and optimism so they can develop aspiration and optimism in communities. In Calderdale, we are anticipating the changes and dealing with them with our greatest asset, our people.

Integration with health

NHS England has asked the health and social system to develop Sustainability and Transformation Plans (STPs) which will demonstrate how additional investment would drive sustainable improved transformation in patient experiences and health outcomes in an affordable manner. An STP is being developed for West Yorkshire based on the integration plans in each locality to show how local partners can work together to deliver a more sustainable health and care system.

The STP will include an assessment of the current financial gap across the health and social care system (based on our Medium Term Financial Plans) and how this gap would widen up to 2020 without intervention from the partners. The Council is therefore working with health partners to identify the scale of the financial gap in Calderdale, a clear vision for what the future might look like and the plans which are being put in place to close the gap. The STP will need to demonstrate how, by working together, the partners will be able to understand the inter-relationship of decisions made by each other and how taking a holistic approach to the financial pressures we can become more effective.
vii) Commercialisation – Maximising our income and developing our existing assets and skills to generate greater commercial assets

The aim is to develop the councils existing assets and skills to generate greater commercial opportunities and maximise income in order to contribute to the funding of the Council’s front-line services. To help the council implement this programme we have/are:

- Developed a commercial thinking training module as part of the aspirational leadership programme
- Researching how trading companies or alternative delivery models which would operate at arm’s length from the council could be implemented
- Working with the communications team to develop an engagement strategy to move the theory and principles behind commercialisation into the thinking of employees across the council
- Supporting directorates and services areas to develop their own commercialisation plans allowing them to think what commercialism means to them and how it can be embedded across the council.

The transformation and change programmes identified above are being implemented and are helping to deliver service specific initiatives as well as the following ongoing cross council efficiency savings:

- Future workforce programme
- Improved demand management/preventative services
- Collaborative working with other authorities/agencies
- Leaner management structures.

Current Initiatives include:

- Commercial thinking training module now implemented
- Commercial thinking engagement strategy being developed
- Examination of trading companies/alternative models – one trading company has been incorporated to deliver services to schools and academies but we are taking a pragmatic approach to the most effective delivery mechanism on a case by case basis
- Parking Review
- Communications income generation
- ICT and Business Systems income generation
- HR Review
- Corporate review of fees and charges

Fees and Charges

Commercial plans are being piloted within the Council to blueprint how we can operate in a more business-like manner to minimise expenditure and/or maximise income by exploring new and existing revenue streams and resources. Summarised plans bringing out the key actions and targets generated by individual directorate plans will link to the Medium Term Financial Strategy and the Council’s Vision and Priorities.

It is important that these fees and charges are considered in the context of the changing financial landscape for local authorities but also in the context of providing
best value and achieving the Council’s wider social, economic and environmental outcomes. The recently published Corporate Charging Policy will therefore be used to help ensure that charges are set and reviewed in a consistent way. Factors considered include wider policy objectives (e.g. subsidies), cost, competition, budgets, previous price rises and other market research.

No inflation has been applied to fees and charges budgets since 2014/15. All fees and charges along with their budgets are to be reviewed during 2016/17. An initial £1m of additional income from 2017/18 onwards is being targeted with the commercial plan and charging policy approach above.

**Value for Money**

Each year the Council carries out a detailed VFM review to ensure that the initiatives being implemented are cost effective. There is a formal structure to the VFM review which considers the following areas:

- Informed decision making
- Sustainable resource deployment
- Working with partners

**viii) Bearing Down on Costs** - The need to continually bear down on costs cuts across all of the transformation programmes. Since 2010 and the introduction of the austerity measures the Council has had to implement initiatives which have achieved total annual savings of £78 million to the end of 2015/16. We anticipate that further savings of around £26m will be required by 2019/20.

![Cumulative savings from 2010 to 2015](chart)

**Treasury Management**

Interest Costs and Returns - the Council's agreed strategy is to avoid borrowing on a long term basis instead funding capital expenditure from cash balances. The main reason for this is that long term borrowing costs at around 2.7% are significantly above the rate of return on the Council’s investments of around 0.5%. The MTFS identifies potential borrowings of £9.5m over the Plan period giving annual savings eventually of around £200k. Given the nature of these efficiencies, the benefits of this approach will be brought into forecasts when savings are crystallised. Cash levels are still more than sufficient to provide enough working capital for the Council to manage its day to day cash flow needs but the position will be kept under review.
The Council also restructured four existing loans with the highest interest rates attached to them in 2015/16 to provide on-going savings in 2016/17 and beyond. The MTFS identifies initial efficiency savings of £300k, £500k and £600k over the period 2017/18 to 2019/20 from this source. Further opportunities will be sought but these will be dependent on interest rates and budgets.

The Council’s policy provides a spread of highly rated counterparties to give a good balance of risk and return on its investments. The possibility of using alternative short term investments is constantly under review but these do not currently provide sufficient returns compared to the additional risk involved. Longer terms investments, especially in housing and environmental schemes, will be considered in more detail in the near future.

Minimum Revenue Provision (MRP)- the Council changed its policy on the charging of MRP into its accounts in January this year. The main change related to extending the period over which these charges would be made. The £2.8m annual efficiency savings from this have been built in to the MTFS. In addition only charging MRP on capital projects when they become operational will result in a saving of £500k in 2016/17.

**Inflation Strategy**

For 2011 the Council introduced a strategy of not applying inflation to prices budgets. This strategy has been applied since that date. This has effectively reduced the Council’s budget by £4.3 million since 2011 to 2015. At this stage it is anticipated that this will continue for the period covered by this MTFS. For the four years beginning 2016 this will save the Council a minimum of £3.4 million on an on-going basis resulting in an estimated total efficiency saving from this initiative of £7.7 million.

In conjunction with the inflation freeze on prices budgets, the Council, when retendering large contracts (e.g. waste disposal, collection, highways maintenance etc.) is looking at the price fluctuations within the Council being linked to CPI rather than RPI thus reflecting Central Governments preferred measure of inflation. This process has saved £0.2 million part year savings in the current year rising to a full year savings of £0.4 million by 2018/19 and £0.8 million by the end of this four year period.

**Procurement Strategy**

The Council has set up a dedicated Commercial Procurement Unit (CPU). The Team’s overriding role is to help ensure that the Council gets the best value for money on our purchases for the communities we serve by:-

- Ensuring compliance with all relevant legislation and rules,
- Sharing up to date best practice and improving procurement skills across the Council
- Managing the Councils e-procurement portal, YORtender;
- Providing specialist advice on contracts, advertising through OJEU and evaluation procedures
- Giving advice and ‘sense checks’/challenge points as procurement actions are developed
- Act (where required) as gatekeepers on specific areas of procurement
Reserves Strategy
In addition to the unallocated balances referred to above, the Council holds earmarked reserves to cover potential future costs to the Council of issues such as workforce planning and insurance. The earmarked reserves are mainly for specific purposes and do not carry a recommended level or limit. As such it is of vital importance that these reserves are reviewed periodically in order to ascertain their continued validity and level and whether they could be put to better use elsewhere in subsequent years.

As at 31 March 2016 the Council had earmarked reserves of £60.2m. The review of these reserves however highlighted that this includes amounts set aside for commitments which have been made or anticipated as demonstrated below:

- Reserves to fund the existing capital programme (£15.7m)
- Grant funding carried forward for flood repairs and recovery (£4.9m)
- Other grant funding carried forward for use in 2016/17 (£11.4m)
- Meeting the Council’s insurance and other contingent liabilities (£7.2m)
- Supporting the budget over the planning period (£6.7m)

The earmarked reserves are formally reviewed three times a year. Firstly, this is done as part of the development of the Medium Term Financial Strategy, secondly as part of the formal budget setting process and finally as part of the closedown procedures at the end of the financial year. Monitoring and further reviews are also undertaken throughout the year as part of the Quarterly Revenue Monitoring processes.

The adequacy of all major reserves and balances was examined to ensure that they are sufficient to support the key financial assumptions held within the MTFS as part of the budget process. This work identified that the level of reserves and balances was adequate for this purpose and that an additional £1m could be released to support the budget in 2017/18 making a total net use of reserves of £5.6m over the 4 years of the Efficiency Plan. It should be noted however that reserves will only be used for short term pressures or one-off costs and not to fund on-going budget pressures as this will not be sustainable in future years as they are used up.

Balances Strategy
The Council holds unallocated balances which have no prior commitments against it to provide short term funding to support the MTFS. The policy agreed by Council and with our external auditors is for this reserve to be a minimum of £5m. Obviously the level of balances can fluctuate as surplus funding/underspends are added to it and unforeseen costs arise that require transfers out of it.

This MTFS identifies the use of an additional £1.5m of balances next year on top of releasing £1.1m in 2016/17, £1.7m in 2017/18 and a further £0.5m in 2018/19. These amounts are vital to help the Council deliver its longer term savings whilst still retaining a cushion above the minimum level of £1.3m for exceptional costs, striking a balance between security and the efficient use of resources.
5. **Capital Programme Management**

As set out in the MTFS, the Council is expecting to spend c£190m on capital schemes over the course of the Efficiency Plan period.

The Council’s Economy and Investment Panel (EIP) manage the Capital Programme on behalf of Cabinet who they report to with recommendations.

It is expected that Members would wish to see time, effort and resources restricted to progressing schemes which contribute to priorities rather than other bids not seen as priorities. There is therefore a clear process whereby bids are considered together by the EIP.

The opportunity to consider all competing bids together at one time is a vital part of the prioritisation process to ensure that the Council’s scarce resources as used as efficiently as possible. Therefore, two formal opportunities will arise each year (February and September) for directorates to submit bids for capital scheme pooled funding.

The EIP also reviews any uncommitted resources within the existing Capital Programme to determine whether any should be re-prioritised or any new resources identified. New bids for capital resources are only assessed and prioritised according to their contribution towards meeting the Council’s ambitions and priorities.

6. **Achieving a balanced budget for 2016/17 to 2019/20**

2016/17 Budget Setting

The underlying approach to the 2016/17 budget as set out in the Consultation Budget was:

- Clear spending and Savings Proposals
- A vision of the shape of the Council in 2020
- A change programme to reshape the council which will have the capacity to address the projected budget gap in future years.

This approach is to be achieved in part by ensuring:

- A strong council tax base – ensure sustainable housing growth and continued drive to bring empty homes back into productive use.
- Growing the business rate base – encouraging appropriate development of new and refurbishment of existing commercial sites.
- An entrepreneurial Council – innovation, commercialisation, invest in our economy.
- A lean and effective Council – delivery of transformation programmes such as Future Workforce programme, Digital Transformation and Demand management and Prevention which are already delivering cost savings and effectiveness.
- A co-operative Council – joint working with NHS colleagues, transfers of community assets, support for volunteering and growing social enterprise and other local authorities and Joint services.
- Managing well in challenging times
Approach to the Budget Process 2017/18 onwards - Outcome based budgeting

Taking up of the funding guarantee gives the Council more certainty in the level of its expected resources (and therefore likely savings that are required) over 4 years. The Council can therefore plan with more confidence knowing that any major transformational projects are less likely to need revision during delivery.

The Council has used various ways of identifying savings in the recent past including incremental budgeting, benchmarking and zero based budgeting. Given the size of the task and assessment of what the Council should do to have the biggest positive impact on its priorities Outcome Based Budgeting is being recommended as the main tool to close the funding gap.

Outcome Based Budgeting involves allocating funds according to the set of pre-determined outcomes or priorities identified in our mission statement on page 19 – a similar approach to what we use on some commissioning contracts at the moment. Savings still have to be made but on a more evidenced basis and in a transformational way. As a result it encourages more cross directorate thinking and demonstrates the impact of spending decisions on outcomes.

It is important to note that adopting an outcome based approach will not on its own generate additional savings but would provide some justification and evidence for difficult decisions. It is recommended that a different approach run alongside this, using a combination of zero based and benchmarking information, to ensure that statutory services can also be demonstrated to provide value for money.

The table below identifies the Level of the funding gap and the savings already agreed to be implemented. The funding gap yet to be addressed will be considered as part of this budget process.

<table>
<thead>
<tr>
<th>Funding Gap</th>
<th>2016/17 £’million</th>
<th>2017/18 £’million</th>
<th>2018/19 £’million</th>
<th>2019/20 £’million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Years Agreed Savings - yet to be implemented</td>
<td>4.3</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
</tr>
<tr>
<td>Savings Identified 2016/17 Budget</td>
<td>0.5</td>
<td>7.3</td>
<td>8.7</td>
<td>8.7</td>
</tr>
<tr>
<td>Funding Gap 2017/18 MTFS</td>
<td></td>
<td></td>
<td>8.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Total Funding Gap</td>
<td>4.8</td>
<td>11.7</td>
<td>21.8</td>
<td>26.4</td>
</tr>
<tr>
<td>Cross Council Efficiencies agreed</td>
<td>4.3</td>
<td>5.9</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Service Specific Efficiencies agreed</td>
<td>0.5</td>
<td>5.8</td>
<td>7.2</td>
<td>7.2</td>
</tr>
<tr>
<td>Funding Gap yet to be addressed</td>
<td>0.0</td>
<td>0.0</td>
<td>8.7</td>
<td>13.3</td>
</tr>
</tbody>
</table>

Financial Monitoring, Control, Reporting and Action Planning

Directorates are required to monitor capital and revenue budgets at least three times in the financial year (usually as at May, September and November). In practice, where particular expenditure and income budgets are deemed to be more volatile or higher risk, monitoring is carried out more regularly and reviewed by Directorate Management Teams. All monitoring is recorded on the Council’s Financials System in a common format to make accessing and manipulating information easier.

An overall Cabinet monitoring report bringing together both service and centrally controlled budget positions at a high level for the whole of the Council (including a
The focus in all cases is the current year although future issues and levels of balances are also highlighted.

The diagram below illustrates the risk management cycle inherent in the system.

The Council has an embedded savings monitoring process already in place which has been used to good effect since 2010. Action Plans and the actual/forecast level of savings being achieved are monitored at quarterly review meetings for each directorate with The Leader, Deputy Leader, Chief Executive, relevant Director and Head of Finance to assess progress. If problems with the deliverability of a saving are identified revisions to plans would be initiated here. Due to the three year planning process in place, there is also sufficient lead-in time for contingency plans to be formulated and fed into future budget rounds.

**Performance Monitoring, Control, Reporting and Action Planning**

Corporate Performance reporting is currently built around the monitoring and reporting of 25 Super Key Performance Indicators through the Council’s Transformation Oversight Group (TOG) and Cabinet (SKPIs were identified due to their direct impact upon citizens with all other KPIs being reported by exception).

KPIs provide us with measurable evidence of how well we are performing against priority outcomes, to celebrate and learn from success, and identify where we need to improve. Wherever possible, KPIs are benchmarked against national, regional and statistical neighbours. Future performance reports will continue to track progress against the Council’s base underlying performance as well as its 7 key change programmes and major capital and ICT projects in terms of RAG ratings to reflect time, budget performance and risk thereby improve progress tracking/highlight earlier intervention where appropriate.
7. **Summary**

Since 2010, annual savings of around £78m have been delivered. Another £26m are required by the end of the Efficiency Plan period but only half of these have so far been identified.

This Efficiency Plan sets out how the Council’s transformation programmes (listed below) will be used to deliver the additional efficiency savings over the period to 2019/20. A brief description is given within the Efficiency Plan of the specific initiatives which are being undertaken under each of these programmes.

- Prosperous Towns/Stronger Communities
- Active Borough
- Managing Demand
- Prevention/Early Intervention
- Digital Leadership
- Future Council
- Commercialisation

A key aspect of the Plan is partnership working along with an innovative approach to service delivery, for example, through the creation of a social care mutual. The Council will also be attacking its cost structure, investing in preventative measures to manage demand for its services effectively. A commercialisation programme has been launched to change the culture at the Council to make it more business-like in its operations but still within the ethos of the public sector.

Initiatives to increase business rates income include the planned release of land for development and the future creation of an Enterprise Zone. A Local Authority company has also been set up to maximise the opportunities the Council has to trade more commercially. The Plan also sets out how we intend to bear down on costs by managing our human resources, asset base and financial reserves as efficiently as possible.

It is hoped that these programmes will deliver a significant proportion of the savings required by the Council over the planning period but inevitably, given the scale of the budget pressures, more will be needed. Therefore, in conjunction with this efficiency drive, the Council is planning to carry out an Outcome Based Budgeting exercise on the services it provides.

In conclusion, the Council has a comprehensive 4 year Efficiency Plan backed by an MTFS based on the funding being guaranteed by Government under its multi-year settlement offer. This certainty in funding has helped the Council plan ahead with more confidence to deliver the efficiencies that will be necessary to continue to deliver vital public services over the longer term.