

### **DRAFT MEDIUM TERM FINANCIAL STRATEGY 2015 to 2018**

#### **Purpose**

1. The purpose of a Medium Term Financial Strategy (MTFS) is to set the financial framework for the Council for the medium term, considering the Council's strategic objectives and major projects. This includes the impact on revenue budgets, capital programme, reserves and potential future council tax levels based on funding projections and assumptions.
2. Robust medium term financial planning is a key requirement in the current economic environment. Ensuring the ongoing stability of budgets will allow managers to plan long-term for their services and ensure that resources are deployed in the best way – to achieve greater efficiency and to align their resources with the priorities of the Council. In this way viable, effective services can continue to be provided to local people.
3. The Council is continually improving its approach to medium term planning and the MTFS is very significant in setting out the projected high level financial position and the strategic choices, key challenges and opportunities facing the Council.
4. The MTFS forms a key link between financial and business planning, both reflecting and influencing the key plans of the Council, including the Corporate Plan, and other plans such as the Asset Management Plan, ICT Strategy, Treasury Management Strategy, Carbon Management Plan and the People Strategy. The Capital Strategy is, in addition, embodied within the MTFS.
5. During 2013 the Chancellor published a Comprehensive Spending Round for 2015/16, which outlined further spending reductions. The Department of Communities and Local Government subsequently published consultation papers which contained illustrative figures for 2014/15 and 2015/16. These consultation papers set out potential further reductions in government funding for local authorities. In the case of this Council, the Settlement Funding Assessment was projected to fall significantly in 2014/15 and in 2015/16.
6. The Department of Communities and Local Government published the provisional Local Government Financial Settlement on 18th December 2014 and the final settlement on 3rd February 2015. Only the year 2015/16 is covered in this settlement, with no indication of how local authorities will be affected in 2016/17 and beyond. This settlement largely confirms last year's provisional allocations for 2015/16, and shows a reduction in Spending Power of £6.86M or 4.45% in 2015/16.
7. The Council is committed to consulting with its residents, businesses, stakeholders and partners. The Council has also consulted prior to developing its' policies in relation to council tax reform and localisation of council tax benefit, and when setting its council tax. This MTFS aims to re-align scarce resources on key priorities which have developed following public consultation.

### **Financial Outlook**

8. Through successive Autumn Statements and Spending Reviews the Chancellor has indicated that there will be spending cuts in the public services until 2020 as he aims to generate a budget surplus by that date.
9. This MTFs is therefore being prepared against the backdrop of a difficult economic climate which continues to impact upon businesses and citizens of the borough, and places pressure on Council services to respond. The Council's strategy will be to prepare a budget that will help support those in hardship whilst encouraging the growth of jobs and businesses.
10. Council Forum in September 2014 approved proposals for advanced budget savings for early implementation for the Revenue Budget 2015/16 and the two years beyond 2016/17 and 2017/18 which are included in the MTFs.
11. Some key areas for consideration into the medium term include:
  - a. level of Council reserves expected
  - b. continuing pressures across demand-led services
  - c. full year cash flow implications of major capital schemes
  - d. the achievement of significant reductions in service levels
  - e. the changes resulting from the Local Government Resource Review and the local retention of business rates
  - f. continuing Welfare, Education and NHS reforms

### **Priorities**

12. As a unitary authority there are many competing priority areas across the service portfolios. The challenge for the Council is to determine, within given financial constraints, the key investment priorities and the services for review, either in terms of potential reduction in service levels, through business process redesign or by transforming the way in which services are provided within the borough with options which could include some transition from the Council being a service provider to a commissioner of services, and ensuring the ongoing availability of sustainable and accessible, inclusive services.

### **Principles**

13. The Council's MTFs is underpinned by the principles of:
  - periodic consideration to reprioritisation and realignment of existing resources between and within portfolios to ensure delivery of the Council's key priorities
  - focus on customer care and quality services against a backdrop of reducing resources
  - valuing employees
  - managing future council tax levels and increases to reflect central government indications and local circumstances
  - sound financial management, adhering to best practice
  - devolved budget management to Executive Members (with portfolio) and service Directors

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- retaining adequate reserves based on risk assessment and local experience and knowledge
  - continually striving to demonstrate value for money in line with stated priorities and identified need
  - identification of ongoing efficiency savings (cashable and non-cashable), to redirect into front line services
  - continuing to seek to maximise appropriate but limited local and external funding sources, whether through grants, additional income or partnering opportunities
  - planning for and managing change, whether related to need, demand for services, technological advances, legislative, local aspirations or resource allocation
  - good risk management and corporate governance within the authority and throughout our partnership arrangements
  - recognising that in order to deliver the above, sufficient resources are made available to support services
  - pursuing innovative partnership working arrangements where this will deliver improved services and/or efficiencies
14. The delivery of the strategy over the medium term will depend largely on the Council's continued success in reprioritising services, realigning resources to meet its key priorities and delivering efficiencies within financial restraints imposed by central government. This may mean further re-engineering the way in which services are provided or, indeed, who provides them.

There is inevitably a dependency on the level of resources allocated by central government through the settlement in enabling the Council to meet its priorities whilst also meeting its objectives for Council Tax. The Local government finance settlement provided no indication of funding beyond 2015/16 this inevitably makes financial planning more difficult.

15. Partnering, supporting and working together have long been strengths of the Council, and it has delivered some very practical examples of these principles, including:
- working with community members and groups to help them take over the running and ownership of a number of their valued facilities
  - working in partnership with local business and young people to design, build and provide services from the Blackburn Youth Zone
  - implementing the Your Call programme to ensure that action is taken on issues of concern to residents
  - working in partnership with Blackburn College on the development of a new town centre leisure facility.

The Council also demonstrates its commitment to successful partnership working in the existing partnership with Capita, closer working across Pennine Lancashire through PLACE and Regenerate Pennine Lancashire, and its key role within the Local Strategic Partnership (LSP) and the Lancashire wide Local Economic Partnership (LEP).

### National Considerations:

#### 16. Local Government Finance settlement

The provisional Local Government Finance Settlement was published, on 18<sup>th</sup> December 2014 and this unfortunately matched the estimates provided by Department of Communities and Local Government in February 2014. Revisions and amendments have been published during January as have details of other specific grant awards and funding allocations.

The final Local Government Finance Settlement for 2015/16 was published on 3rd February 2015 with very little change from the provisional figures. No updated estimates for government funding beyond 2016/17 have been provided at this stage the Medium Term financial strategy is therefore based on the information provided by DCLG on 5<sup>th</sup> February 2014

#### Local retention of business rates

As part of the business rates retention scheme (BRR), the Council is able to retain 49% of the net business rates it raises locally, with 1% passed to the Fire authority and 50% (the central share) paid over to government. At the commencement of the scheme, an amount of “start-up funding” was calculated for the Council based on the relative needs assessment previously used for 2012/13 grant allocations. The Council receives a top-up as its allocation of Revenue Support Grant (RSG) plus its share of the business rates baseline is less than the “start-up funding”. In subsequent years the BRR element of the Settlement Funding Assessment (SFA) is uplifted for inflation and any reduction in funding is taken from RSG.

	2015/16 £M
RSG	35.6
Local share of business rates baseline (49%)	22.6
Top-up	17.8
<b>Total Settlement Funding Assessment</b>	<b>76.0</b>

Any gain or reduction in business rates compared to the amount included in the SFA is passed on to the three parties - 50% to the government, 1% to the Fire authority and 49% retained by the Council. A “safety net” mechanism provides additional funding for Councils that suffer a reduction greater than 7.5% in total business rates income.

#### Local Council Tax Support scheme

A Local Council Tax Support scheme was developed, consulted on and was approved by Council Forum on 31<sup>st</sup> January 2013. The scheme replaced Council Tax Benefit by introducing a new council tax discount, which significantly reduces the number of chargeable properties (tax base) and impacts on the Council’s ability to raise local tax income. Minor changes

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relating to National benefit welfare entitlement have been made to the scheme in 2015/16.

### Government funding

The sources of non-ringfenced government funding are shown in the table below:

	2014/15 adjusted £M	2015/16 £M	Change £M	Change %
RSG	49.6	35.6	- 14	- 28.2%
Top Up	17.5	17.8	+ 0.3	+ 1.7%
Other non-ringfenced grants	16.2	16.7	+ 0.5	+ 3.1%
<b>Total</b>	<b>83.3</b>	<b>70.1</b>	<b>- 13.2</b>	<b>- 15.9%</b>

### Council Tax

Should Finance Council agree to no increase in Council Tax in 2015/16, then the authority will receive Council Tax Freeze Grant of £0.5M assumed in the table above (equivalent to a 1% increase in Council Tax) in 2015/6.

This MTFs is based on the assumption that the Council will receive additional revenue through the council tax freeze grant.

### Education funding

Due to changes in pupil numbers attending LA Maintained Schools and conversion of more schools to academy status this council received £2.91m for the Education Services Grant for 2014/15 (a reduction of £0.11m from the previous year).

In 2015/16 the allocation has reduced to £2.07m (a further reduction of £0.84m).

### Dedicated Schools Grant

Local authorities will continue to be allocated funding through the Dedicated Schools Grant (DSG) in three notional blocks:

- *Schools Block*
- *High Needs Block*
- *Early Years Block*

The notional blocks will not be individually ring-fenced but will be ring-fenced in total. Current estimates indicate that DSG for 2015/16 will be £104.22m (final 2014/15 allocation was £115.40m). The changes in funding primarily relate to:-

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- Reduction in funding allocated to LA due to an increase in the number of Academies within the borough (3 at 1<sup>st</sup> April 2014, expected 14 at 1<sup>st</sup> April 2015).
- Changes in funding for 2 Year old to a participation basis which are not included within current estimates.

### Pupil Premium

Funding for the Pupil Premium is allocated to LAs to passport directly onto maintained schools to support the education of the most deprived and vulnerable learners. It is estimated that the Pupil Premium that Blackburn with Darwen LA will receive in 2015/16 will be £7.51m (2014/15 allocation was £8.48m).

This reduction in funding also reflects the increase in number of schools converting to academy status over the last 12 months.

### Social Fund

The government provided a new grant of £781K in 2013/14 towards the programme and administrative costs of the Social Fund (formerly the responsibility of the DWP). This reduced to £770K in 2014/15. In 2015/16, this funding has been identified within the SFA figure, but at a reduced amount of £580K.

### Public Health

This council received £13.1M in 2014/15 for delivery of public health responsibilities. The allocations for 2015/16 is also £13.1m which is less than the previously indicated £13.5m before the expected increase to include the part year transfer of Children's Community Health Visitor Services from October 2015. This is a real terms reduction in funding available to support Public Health in 2015/16.

### Funding for Integrated Health and Social Care

The government continues with its proposals for greater integration between health and social care in 2015 in order to find ways to tackle unsustainable increases in the demand for health and social care services in future years. BwD BC and Clinical Commissioning Group (CCG) received £637,000 in 2014/15 towards implementation costs to set-up partnership arrangements and pooled budgets known as the Better Care Fund (BCF) from April 2015/16 and develop a more joined up approach to planning and commissioning out-of-hospital care and deliver more integrated, person-centred care.

The BCF brings together existing revenue and capital funding from local authorities, and (largely) the NHS, and equates to £12.04M for BwD.

### Universal Credit

Universal Credit started in Blackburn with Darwen on Monday 24th November 2014.

### Implications of the Care Bill

Following the Dilnot report, the government plans to change the arrangements for funding the cost of social care, including the way contributions made by individuals towards the cost of their care are calculated. The Council will receive a New Burdens grant of £0.908 million in 2015/16 to recognise the additional costs of planning for and implementing these changes across the Council and these costs are expected to rise significantly from 2016/17 with the full year effect of changes, and implementation of the care costs 'funding cap'. There is a risk that the additional funding provided may not be sufficient to meet all costs across the country and this will bring further pressures and expectation of savings.

### 17. Pensions

The Local Government Pension Scheme (LGPS) is administered by Lancashire County Council and actuarial revaluations are undertaken every 3 years. The latest actuarial review was undertaken as at 31<sup>st</sup> March 2013, and required increased pension contributions during the following three years, which have been factored into the MTFS. These contributions have been assessed on the basis of recovering the estimated pension fund deficit over the next 19 years.

### Local Context

18. The corporate plan was agreed by elected members at Policy Council in December 2014. It sets out, for residents, staff and partners, the Council's top priorities for the next three years, and describes how the Council will continue to improve services and prepare for the difficult financial challenge ahead.

### 19. Council Objectives

The Council's six priority objectives for residents are:

- Creating more **jobs** and supporting business growth
- Improving **housing** quality and building more houses
- Improving **health and wellbeing**
- Improving outcomes for our **young people** – education and skills
- Safeguarding the most **vulnerable people**
- **Making your money go further** – supporting households in difficult financial times through efficient and effective use of council tax

To support the delivery of these priority objectives the Council will be:

- **Working together** with residents, businesses and partners - developing local solutions via local problem solving

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- Managing the **impact** of national reforms on residents and the Council – particularly around the welfare system, health services and educational provision
- Delivering **high quality services** by being well-managed authority which is fit for the future, efficient and effective and continuing to use the best possible business models to deliver excellent services

Longer term priorities for the Borough are outlined in the twenty year “vision” for Blackburn with Darwen, which was developed by the Local Strategic Partnership in 2010. The priorities of Vision 2030 are:

- i. Prosperous areas
- ii. Connected communities
- iii. Clean places
- iv. Safe and healthy people

The Council’s priority objectives help it continue to contribute towards delivering this vision.

### 20. Links across other plans

In developing budget options and financial planning, consideration also needs to be given to the Council’s other corporate plans and strategies including the Capital Strategy, Treasury Management Strategy, Asset Management Plan, ICT Strategy, People Strategy and the Carbon Management Plan.

### 21. Equality Impact Assessments

The Council recognises the importance of undertaking equality impact assessments in relation to the most important decisions. In respect of this MTFS, key issues will include the proposals for town centre regeneration and other key projects in the capital programme.

### 22. What do people think?

The Council has consulted widely with residents, partners and stakeholders to gain a consistent understanding of local priorities which goes back to the development of Vision 2030 during 2009.

The Council’s priorities are set out in its Corporate Plan. The Council consulted extensively when developing its Local Council Tax Support Scheme which was approved on 31<sup>st</sup> January 2013 and reaffirmed in January 2014 and 2015. This consultation also covered increased charges for second homes and empty properties and asked respondents to identify areas for investment and disinvestment.

During 2013/14, the Council consulted extensively with businesses and residents to develop a Town Centre Strategy for Blackburn. We have worked with businesses to create a Business Improvement District in the Town Centre. Consultation also took place with businesses on proposals for local



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discretionary business rate relief to encourage business growth in Blackburn Town Centre. There has also been widespread consultation with local residents, businesses and stakeholders when developing the Local Plan. The Leader is also continuing to work with residents through the Your Call and other initiatives.

With regard to the further proposed amendments to empty property discounts and on-line survey was undertaken in January 2015.

### 23. Where should the 'business' be in 5 years?

In its role as Community Leader the Council considers how the organisation should be positioned to ensure and sustain the future delivery of quality, value for money services whilst operating within the financial constraints imposed by the Local Government Finance Settlement. The Council will continue to undertake a comprehensive programme of service and cross cutting reviews to achieve this aim.

These reviews will continue to address the quality and scope of provision of service. Whilst the Council strives to ensure accessibility, quality, value for money and affordability, this is increasingly difficult to achieve against a background of reducing resources.

The continuing reductions in government funding will affect the Council and the services it provides to the public. The Council is, however, committed to mitigating wherever possible the impact on front line services.

### **Cost Pressures**

### 24. 2014/15 Budget Monitoring

Current budget monitoring indicates that most cost pressures are being managed within portfolio cash limits; the main exception is Health and Adult Social Care.

In 2014/15 Adults Social Care has faced another very challenging year and has been unable to manage the financial pressures within budget due to continuing trends in demand and increasing complexity of service user needs which have not been abating. The overspend in 2014/15, given the nature of the service, will have a full year effect into 2015/16 which in itself is likely to see additional demand-led cost pressures. Pressures on the National Health Service, including the local hospital, have been making national headlines and show little sign of easing, with increased referrals from hospital into social care services. This is not just a local issue, it is a national pressure which is being raised as perhaps the most significant issue for local government by the LGA and continues to be widely reported in the local government press.

As in previous years, an element of increasing service demand costs have been built into the budget projections but not of the order now likely to be required. It is expected the position may be manageable with mitigating

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strategies in 2015/16; however, it is unlikely to be the case in the longer term. In respect of the budget for adult social care services, together with our continuing partnership working with health including BCF, review work is underway with our efficiency partner with options to be reported in the summer, along with further detailed work and savings options for 2016/17 which are likely to be reported in the autumn and any policy or budget announcements from a new national government.

### 25. ICT

The ICT Strategy has resulted in significant investment requirements which have been built into the capital programme over the next three years. This is impacted by other developments such as increased requirements for mobile, flexible and home-working, within the framework of information governance, which will continue to be subject to the development of robust business cases and benefits realisation plans.

### 26. Capital commitments and future investment

The 3 year Capital Programme 2015/18, approved as part of the 2015/16 budget process, included a number of longer term schemes with funding commitments beyond the current year. Only those schemes which are regarded as a high priority are included in the programme. Furthermore, the government is providing no more supported borrowing approvals (where borrowing costs are “supported” by government grant), although there continues to be some limited capital grants, largely for highways and Schools. There has been limited scope for introducing many new capital projects over the next three years.

### 27. Investment in Physical Assets

To sustain our operational and community assets, investment will be required but resources will restrict this investment in the medium term. Reviews are establishing which buildings are required for longer term service provision and staff office accommodation, particularly in the light of reductions to the workforce and the proposals for more flexible working. There is also a continuing need to review energy usage and more energy efficient options with a view to encouraging lower consumption both in the interests of the environment and delivering cost efficiencies which links in with the approved Carbon Management Plan.

### Other Issues

### 28. External Funding

Shared services across Pennine Lancashire, facilitated by Regenerate Pennine Lancashire Limited, provide opportunities not only to generate efficiencies but to maximise the use of external funding across the sub-region.

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Partnership working in relation to the Blackburn Leisure Centre and Cathedral Quarter schemes is bringing significant capital investment to the Borough from other public sector and private sector sources.

### 29. Welfare Reform and Localisation of Council Tax Benefit

Universal Credit is now being rolled out, initial numbers are low but the move will have significant implications in terms of the work required to undertake the changes, and the resultant adjustments to the workforce and the Capita contract as a consequence.

The Council has already taken on the responsibility for council tax benefit from 1<sup>st</sup> April 2013. The implementation of the localised Council Tax Support scheme and its further development continues to present further challenges in future years.

### 30. NHS Reform and Transfer of Public Health Services

The government has reformed the National Health Service, resulting in the transfer of Public Health responsibilities to the Council, funded by a ring-fenced Public Health Grant. A single Clinical Commissioning Group (CCG) has been formed to commission health services in Blackburn with Darwen from 1<sup>st</sup> April 2013. The Council is working with health partners in the CCG to plan for the best use of Better Care Fund resources from 2015/16. In addition, the Council needs to plan for the implications of the Care Bill, which also takes effect from 2015/16.

### 31. Business Transformation

The Council's approach to transformation, including the previous transfer in-house of the ICT and HR services and the changes made to the senior management structure, have helped to ensure that opportunities for efficiencies through changing business processes are delivered. The Council will continue to provide resources to monitor and assist departments in achieving the business transformation required to generate identified savings in future years.

### 32. Procurement

The Council's procurement strategy action plan is on course for delivery. The Council is collaborating on several procurements with other authorities, which allows procurement officers to advise on major projects and strategic tenders.

The Council has implemented a new computerised procurement and commitment accounting systems, which is integrated with the finance system, Masterpiece. Electronic matching of invoices to received orders and automated payment is now in place, generating significant savings across the Council and the strategic partnership. The Council implemented e-tendering systems in 2013/14 and is developing plans to deploy purchasing cards in 2015/16.

### 33. Future Accommodation Requirements

The Council will continue to review which buildings are required for longer term service provision and staff office accommodation, particularly in the light of reductions to the workforce and the proposals for more flexible working.

### 34. Council Tax

Comparisons with other unitary authorities show that Blackburn with Darwen's average Council Tax payable per dwelling is low, being in the fourth quartile, although its' spending is in a higher quartile. The government is encouraging councils to freeze council tax increases again for 2015/16 by providing a grant. The MTFs assumes that a council tax increase of 1% will be implemented from 2016/17.

### 35. Partnerships

The government wishes to see greater integration between health and social care in order to find ways to tackle unsustainable increases in the demand for health and social care services in future years. The authority has worked closely with health partners in the CCG to develop a 5-year Strategic Implementation Plan that sets out the best use of Better Care Fund resources within social care and the outcomes that are to be agreed from the investment in the first 2 years. The Health and Wellbeing Board approved the final BCF plan in April 2014 and this was ratified by NHS England in October. The challenges for the BCF are enormous, and late changes made to the policies and guidance during June to September 2014 mean that success will now be measured on a reduction of 3.5% in the number of all age emergency admissions to hospital.

The amendments made in the summer of 2014 confirmed the six national conditions of funding to be met by the local BCF plans, and clarified the terms of the Performance Element of the fund which includes a minimum amount that must be ringfenced for commissions from the CCG of £2.488M, and an amount of £634,700 linked to achievement of the target reduction in hospital admissions as above. This funding will be released to the pooled budget in proportion to the level of reduced admissions achieved. For BwD, this means that Health Care commissions are equally as protected as social care services against major upheaval in the first 12 months that could otherwise prove disruptive and de-stabilising. The performance element of the BCF means that up to 6% of the revenue funding could be at risk if joint plans cannot deliver the agreed measures during 2015/16. In future years, it is expected that the targets for emergency admissions will get more difficult to achieve and the potential funding at risk will increase.

The Council continues to work with its strategic partner, Capita, to ensure services provided by Capita present value for money. The fifteen year contract is due to end in summer 2016 and a review and options appraisal of all services is underway.

### 2014/15 budget monitoring position

36. The Council set a balanced budget in 2014/15, and an MTFS that ensured balances did not fall below a minimum of £5.9M over each of the next three years. The budget monitoring report to December Executive Board forecast balances to be around £7.5 Million at 31 March 2015.

### Three Year Financial Forecast

37. The Council's revenue position is affected by two main issues, which are the amount of funding available and the level of net spending. The current estimated figures are summarised cumulatively in the table below and detailed in Appendix 1.

	2015/16	2016/17	2017/18
	£ 000's	£ 000's	£ 000's
Reduction in Resources	12,634	18,400	26,340
Increase/(Reduction) in net expenditure	6,459	13,399	18,614
<b>Budget shortfall / (surplus)</b>	<b>19,093</b>	<b>31,799</b>	<b>44,954</b>

The options available to the council for meeting this shortfall, in order to formulate a budget strategy, are:

- Increases in council tax – a 1% increase raises approximately £419,000. However, if the Council does not increase Council Tax in 2015/16, the government will provide a grant of £500,000 (equivalent to a 1% council tax rise based on the tax base prior to reduction in respect of the Council Tax Support scheme). Use of balances (see paragraph 41 on levels of balances) – these can only be used once and are more appropriate to apply towards one-off non-recurring costs
- Reductions in expenditure
- Increases in income

In the light of the settlement for 2015/16, the financial constraints it will create and the requirement to reduce net expenditure by circa £19million, the Leader and the Executive Members have undertaken a comprehensive review of the allocation of resources. This included a detailed review of all expenditure and income budgets, contractual commitments, property holdings and staffing structures. The review was set in the context of the Council's statutory responsibilities and corporate priorities, and will include:

- A bottom up approach to develop a budget for both statutory services and those which are the Council's priorities.
- A focus on those large services where there are savings and opportunities for changes
- Working towards a net nil/cost neutral position for commercial services
- The implementation of channel shift and digital automation encouraging people to self-serve on-line whilst providing support for those who cannot access the internet

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- A review of the Council's long term loans portfolio and an assessment of the requirement for investment in the infrastructure of the borough over the long term.

The Council has developed alternative scenarios based upon potential grant reductions for 2016/17 and 17/18. The three alternatives show budget shortfalls arising as shown in the table below:

	2016/17	2017/18
	£000's	£ 000's
Best case scenario – grant funding remains the same	6,940	5,214
Likely scenario – a reduction in grant funding of 11%	12,706	13,155
Worst scenario – revenue support grant phased out by 2019/20	17,876	23,495

The possible scenarios above are based on current levels of service including a fixed set of contingencies, and assuming a council tax increase of 1%. Clearly inflation and the level of future pay awards will be additional factors, but it is assumed that any other variations will affect the figures only at the margins.

### 38. Assumptions and Risks

It is important that the underlying assumptions and the risks are considered, as set out below:

Assumptions	Risks
<b>Resources</b>	
The formula grant settlement for 2016/17 has not yet been disclosed.	There is uncertainty with regard to future funding levels, although the Autumn Statement shows continued reductions in public sector funding. Details of future funding of local government are not yet available.
<b>Spending Pressures</b>	
Pay awards	Future pay awards not certain.
Price inflation generally at 2.8%, allowing for above-average inflation for fuel price increases and waste disposal costs (including landfill tax).	Inflation rates may vary significantly to those assumed.
Borrowing costs in respect of current capital programme commitments.	Capital receipts may not be as great as forecast. Capital costs may increase
Local retention of business rates	49% of any gains or losses in business rates income will be

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Assumptions	Risks
	retained by / impact on the Council. A “safety net” mechanism provides additional funding for Councils who suffer a reduction greater than 7.5% in total business rates income.
Localised council tax benefit support scheme can be contained within existing budgets.	Risk of increased non-collection of council tax as a consequence the new scheme.  The local scheme may be reviewed in future.
Number of Academies / Free Schools does not vary.	If a significant number of schools opt to become Academies or Free Schools, there will be reduced government funding for centrally retained budgets, and these may not be able to be reduced to the same extent as funding reductions are applied.

### **RESERVES**

39. The Council’s unallocated general fund reserves are currently predicted to be £7.6M at 31<sup>st</sup> March 2015, together with £20.3M earmarked reserves excluding those allocated for schools and other partner bodies. Earmarked reserves have been set aside for specific purposes and are not generally available to support the revenue budget, although some large reserves have been carried forward that were not utilised to the extent expected, and these could be used to meet short term funding pressures in 2015/16. These in particular include:
- a reserve set aside for various projects (£6.262 million)
  - a reserve set aside to fund potential deficits from council tax and business rates (£1.0 million)
  - a reserve to fund future remodelling of services (£5.106 million)
  - a reserve set up to meet non-recurring transformation costs and shortfalls in savings plans (£3.755 million)
  - a reserve set aside for support to Complex Needs and Transition (£1.000 million)
  - an amount to support the review of services provided by the strategic partnership (0.972 million)
  - an amount received from Network Rail to support future maintenance to the new Wainwright Bridge (£0.506 million)
  - contributions from developers towards works required as a condition of planning permissions (£0.308 million)
  - an amount to provide against the insolvency risk of Municipal Mutual Insurance (£0.430 million)

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- a few smaller reserves amounting to £0.96 million.

An assessment of the minimum level of unallocated reserves is required to be undertaken by the chief financial officer as part of the budget process. The minimum level of reserves recommended for 2015/16 is £5.9 million, although this will be reviewed annually.

The level of reserves planned after taking account of the budget proposals for the next three years are as follows:

31 <sup>st</sup> March 2015	£7.645 million
31 <sup>st</sup> March 2016	£7.645 million
31 <sup>st</sup> March 2017	£7.645 million

### **CAPITAL STRATEGY**

40. A Capital Strategy is an integral part of medium term financial planning. It outlines the Council's approach to planning, prioritising and funding schemes.

The Council has a portfolio of operational and commercial assets valued at around £478 million. Maintaining these assets so they perform effectively and protect their value for future generations is a priority for the Council. Whilst the Council has developed an Asset Management Plan together with an associated Corporate Repair and Maintenance Programme to underpin this, the resources available to support this programme are stretched.

Capital resources are currently significantly committed, and the opportunity for new schemes being introduced is limited. It is necessary to prioritise future capital bids by assessing and evaluating the effectiveness of the proposed capital project in achieving the Council's key corporate priorities.

The Council has operated an objective process for portfolios to bid for capital resources in previous years, and this underpins the current Capital Programme. However, as external funding has become limited, the Council has undertaken a detailed review of existing capital schemes, and has re-prioritised so that the new Programme has been modified with only a few projects being added to the three year programme.

The only significant additions to the Capital Programme this year are for schemes to invest where it is anticipated that ongoing revenue savings would be generated, such as in upgraded street lighting.

As the Building Schools for the Future programme nears an end, the Capital Programme increasingly reflects the major regeneration agenda and demonstrates the commitment to working in partnership with a range of public and private sector organisations to generate large-scale inward investment, including significant use of Department for Transport grant funding.

The Capital Programme has plans for capital investment of £64.8 million over the next 3 years. The main areas of expenditure are as follows:



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<b>Portfolio</b>	<b>£ million</b>
Health and Adult Social Care	4.0
Children's Services	1.1
Environment	11.0
Leisure, Culture & Young People	0.3
Neighbourhoods, Housing & Customer Services	1.2
Regeneration	26.6
Resources	7.5
Schools and Education	13.1
<b>Total</b>	<b>64.8</b>

In addition the Council has set aside a further £24.0 million of capital resource over the three year period for further capital schemes should the business proposals behind them demonstrate affordability and improved outcomes.

The Council maintains comprehensive and robust procedures for managing and monitoring its Capital Programme. Project leaders and finance staff review all capital schemes to help monitor the current budget for the projects against expenditure to date and to highlight any issues or difficulties faced by individual schemes to the Senior Policy Teams. The reports ensure that the Council's objectives and proposed outcomes are achieved and that financial performance is not compromised. The monitoring reports include an assessment of how the project is proceeding with regards to budget and timescale and include forecasts of any anticipated variations to target outcomes.

Whilst the Council's policy aims to maximise capital receipts through a review of existing property use, this is balanced against prevailing market conditions, which has resulted in some assets being retained until the property market improves. A rigorous approach has been taken to the identification and disposal of surplus assets that are no longer required to meet the corporate priorities of the Council. The Asset Management Group reviews the property portfolio on a continuing basis and identifies properties for sale.

## Appendix E

### APPENDIX 1

#### MEDIUM TERM FINANCIAL FORECAST 2015/16 TO 2017/18

##### Summary

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	£ 000's	£ 000's	£ 000's
<b>Resources</b>			
Government (non-ringfenced) grants	70,067	65,878	62,738
Business rates retained locally	22,773	23,903	24,603
Council tax	42,026	42,445	42,868
Add collection fund surplus for 2014/15	325	0	0
Contribution from reserves	2,983	182	25
<b>Total resources</b>	<b>138,174</b>	<b>132,408</b>	<b>130,234</b>

<b>Net Expenditure</b>			
Portfolio budgets including portfolio pressures	112,848	113,657	109,936
Net income from support service recharges	(1,291)	(1,291)	(1,291)
Cost of capital investment	24,521	26,221	26,992
Central Contingencies	1,916	6,347	7,572
Parish Precepts	180	180	180
Contribution to reserves	0	0	0
<b>Net expenditure</b>	<b>138,174</b>	<b>145,114</b>	<b>143,389</b>

<b>BUDGET SHORTFALL / (SURPLUS)</b>	<b>0</b>	<b>12,706</b>	<b>13,155</b>
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	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	£ 000's	£ 000's	£ 000's
<b>Budget Plans</b>			
Budget shortfall/(surplus) brought down	19,093	12,706	13,155
Further service reviews and efficiencies required	(19,093)	(12,706)	(13,155)
<b>Balanced Budget position</b>	<b>0</b>	<b>0</b>	<b>0</b>