

Herefordshire Council DRAFT Medium Term Financial Strategy

2014/17



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Medium Term Financial Strategy - Contents

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1. Introduction

- 1.1. The MTFS covers the financial years 2014/2017 and demonstrates how the council will maintain financial stability, deliver annual efficiencies, and support investment in priority services, whilst demonstrating value for money and maintaining service quality.
- 1.2. The MTFS is a key part of the council's integrated corporate, service and financial planning cycle. This cycle is designed to ensure that corporate and service plans are developed in the context of available resources and that those resources are allocated in line with corporate priorities set out in the Corporate Plan. Herefordshire's key priority areas are to keep children and young people safe and give them a great start in life, enable residents to live safe, healthy and independent lives, and invest in projects to improve roads, create jobs and build more homes.
- 1.3. All local authorities are reducing services as the Government continues to significantly reduce the funding it provides to local governments across England.
- 1.4. The Local Government provisional settlement announced on 18th December 2013 set out the funding assessment for local authorities. As expected this settlement confirmed further substantial cuts for the council and local authorities nationally in 2014/15 and 2015/16. The position for Herefordshire is a reduction in the funding allocation in 2014/15 of £6.7m and a further £9m in 2015/16.
- 1.5. In addition the demand for services has grown and we have been serving more and more people, particularly in essential areas such as childrens' safeguarding and adult social care.
- 1.6. The reduction in funding compounded by the additional service pressures have resulted in a funding gap of £33m in the period 2014/15 to 2016/17. Savings proposals have been identified to meet this gap, including £15.4m in 2014/15.

2. Herefordshire's Characteristics

2.1 Rural Pressures

- 2.1.1 Herefordshire Council has consistently argued that the costs associated with delivering services in rural areas are not adequately funded through the current national formula. This is particularly acute for Herefordshire, which is the most sparsely populated county in England according to measures used in this formula – with residents scattered right across its 842 square miles. Areas of poverty and deprivation exist in Herefordshire and there are crucial economic, geographic and demographic factors, relating to distance, population sparsity, ageing, social inclusion and market structure.
- 2.1.2 Social isolation is a growing concern, not least because of the disproportionately increasing number of older people living in Herefordshire – but also due to poverty and deprivation. The cost of living in rural areas, for example transport and domestic fuel costs, can be higher than in urban areas. There is also recognition that it is often the most vulnerable members of the community, such as frail elderly people and deprived families, who suffer most from the loss of local services and the high cost of living.
- 2.1.3 54% of Herefordshire's population live in rural areas; 42% in the most rural locations. Providing services to a scattered population across a large geographic area is a challenge and additional resources will be required for professionals that need to visit clients across the county. Some health services - such as a dentist and GP - are difficult to access for a significant minority of Herefordshire residents, along with other services such as a post office and public transport.
- 2.1.4 The historic under funding of rural areas means that the range and level of services provided in rural areas was much lower than in urban areas before the introduction of the austerity measures. The impact of the austerity measures has therefore been much greater in rural areas.

2.2 Adult Social Care

- 2.2.1 Adult Social Care faces significant future pressures due to increased life expectancy and future demand due to an aging population
- In 2012, the over 65 population of Herefordshire was 40,800. In 2015, it is projected to be 44,700 which represents 24% of total population, by 2020 49,600 it will increase to 26% of total population, by 2025 54,800 (28% of population) and in 2030 it is projected to be 61,400 or 30% of the total population.
 - In the corresponding periods the population growth / growth in the over 65 / over 85 population compared to a 2012 baseline are shown in the table below;

% Growth in Population v 20120 base	2015	2020	2025	2030
Total Population	1%	4%	7%	10%
Over 65	10%	22%	34%	50%
Over 85	15%	30%	45%	62%

2.2.2 In Herefordshire many people over 65 years old are active and well. However, there is a sizeable and growing group of over 65s living with chronic health conditions; dementia and increasing frailty, and it has been recently reported that Herefordshire has one of the lowest rates for diagnosis of dementia in England. The full extent of the implications of managing the increase in dementia is therefore likely to be underestimated.

2.2.3 The proposed changes through the creation of the Better Care Fund which will create a pooled budget across health and social care worth £3.8bn nationally in 2015/16 will have significant implications for the future design and development of services across Herefordshire. The council and the Clinical Commissioning Group are actively working on the implications and improvements this will mean for the county.

2.3 Children

2.3.1 Based on October 2013 pupil numbers, primary school numbers (including nursery classes) are predicted to increase in 2013/14 by 302 pupils or 2.5%. Secondary school numbers are predicted to fall by 162 pupils or 2%. Since the establishment of Herefordshire Council in 1998, primary school numbers have fallen by 1,799 from a high of 14,230 in 1998, a reduction equivalent to 12.6%. From a high point in January 2005, secondary numbers have fallen from 10,511 to 9,405 a reduction of 1,106 (equivalent to 10.5%) and are expected to continue to fall until 2017. School Funding is based upon pupil numbers in October each year and the Dedicated Schools Grant in 2014/15 is expected to be funded on 12,432 primary pupils and 8,685 secondary pupils (excluding sixth form pupils). Pupil numbers will be confirmed by the Department for Education in late December 2013.

2.3.2 The new schools funding formula distributes the same amount of funding to Herefordshire Schools but on a different basis from 2014/15, creating winners and losers. The Minimum Funding Guarantee (MFG) limits the budget losses to -1.5% per pupil and those schools gaining budget, will be capped by a similar percentage in order to fund the cost of the MFG protection. After protection has been phased out, it is estimated that most schools will gain or lose funding within a + /- 5% band. A handful of schools will lose or gain a greater amount.

- 2.3.3 The numbers for Looked After Children (LAC) had stabilised in 2013/14 and were set to be maintained. However, the transfer of responsibilities of court ordered placements to the Local Authority from April 2013 will continue to cause budget pressures. The lack of local residential opportunities has also led to increased cost. Work is underway to look at early intervention work, MST (Multi-Systemic Treatment Programme). In addition specialist foster carers are due to be recruited to support children with complex and challenging behaviour.
- 2.3.4 Foster Carers will be required to look after children until the age of 21 from April 2014 as the Government are currently looking at proposals to extend the current age with circa £40m allocated across the country. However, there is an expected increase in foster carers within Herefordshire of circa 20-30 by 2017 in order to meet current demand with associated staff costs.
- 2.3.5 The increasing number of children requiring protection or care has placed additional pressures on the Safeguarding staffing budget. Social Work Recruitment within Children's Services remains a risk and the use of agency staff has been profiled to reduce over the year. This national shortage is seen across the country. Work is progressing on a local social work academy to support a "Grow your Own" and "Progression" initiative in order to support a more sustainable workforce for the future.
- 2.3.6 Court Costs are a risk due to an increase in care proceedings per 10,000 of the population in line with other Authorities. Some of this is attributed to the renewed emphasis on permanency planning and recognition of the 1989 Children Act.
- 2.3.7 The number of children with Complex Needs cases continues to rise and show an increase in average cost per placement.

2.4 Value for Money





- 2.4.1 The Audit Commission has published comparative data, which enables councils to focus on the areas which vary significantly from other authorities.
- 2.4.2 The following is an overview of the authority's spend on its services expressed per head of total population (or subsections of the population for adult social care and children's services). Most of the expenditure data comes from the 2011/12 Revenue Outturn return, however, spending on children's services and the planned net current expenditure come from different sources and are for different time periods

Overview

This is an overview of the authority's spend on its services expressed per head of total population (or subsections of the population for adult social care and children's services). Most of the expenditure data come from the latest Revenue Outturn return however spending on children's services and the planned net current expenditure come from different sources and are for different time periods. Each indicator links to another set of related indicators. You can view an indicator in detail by clicking on the icon next to the indicator name.

Indicator	Period	Value	% change	DoT	Rank	Average
Total net spend per head	2011/12	£1,597.91 per head	-8%	↓	 Average	£1,624.51 per head
Spend on adult social care per adult	2011/12	£440.62 per head 18+	2%	↑	 In the highest third	£401.53 per head 18+
Spend on council tax benefits and housing benefits administration per head	2011/12	£0.00 per head	-100%	↓	 In the lowest 10%	£11.15 per head
Planned spend on children's services per young person aged 0 to 17	2012/13	£956.77 per head 0-17	14%	↑	 Average	£1,000.66 per head 0-17
Spend on culture and sport per head	2011/12	£64.89 per head	-20%	↓	 Average	£73.49 per head
Spend on environmental services per head	2011/12	£90.19 per head	0%	↑	 In the highest 20%	£85.57 per head
Spend on housing services per head	2011/12	£40.75 per head	-28%	↓	 In the highest third	£30.11 per head
Spend on sustainable economy per head	2011/12	£136.93 per head	10%	↑	 In the lowest third	£150.65 per head

Benchmarking data gives an indication of areas of comparative high cost to examine compared to other, similar, authorities. In Herefordshire's case our costs in Adult Care are comparatively high which reflects the position to reduce costs in the MTFS over the planning period while maintaining service levels.

Indicator	Period	Value	% change	DoT	Rank	Average
Spend on all social care for older people including older mentally ill per adult aged 65+	2011/12	£825.33 per head 65+	-9%	↓	 Average	£884.55 per head 65+
Spend on all social care for adults with mental health needs per adult aged 18-64	2011/12	£40.45 per head 18-64	2%	↑	 In the highest 20%	£30.19 per head 18-64
Spend on all social care for adults with learning disabilities per adult aged 18-64	2011/12	£191.28 per head 18-64	20%	↑	 In the highest 10%	£158.50 per head 18-64
Spend on all social care for adults with a physical disability or sensory impairment per adult aged 18-64	2011/12	£85.39 per head 18-64	6%	↑	 In the highest 5%	£48.40 per head 18-64

3 National Financial Context

3.1 Introduction

3.1.1 This section of the MTFs sets out the financial context at national level. Central government's plans for public spending are documented in the following sections.

3.2 2010 Comprehensive Spending Review

3.2.1 The 2010 Comprehensive Spending Review set out the overall spending for the public sector for four years from 2011/12 to 2014/15. This set out the Governments proposals for tackling Britain's deficit, including significant reductions in public spending.

3.2.2 Since 2010 a number of changes to the 2010 Spending review totals have been announced, further reducing public sector budgets.

3.3 2013 Spending Round

3.3.1 On 26 June 2013 the Chancellor of the Exchequer, George Osborne MP, announced the outcome of the Spending Round 2013 (SR2013), which set out public spending totals for the financial year 2015/16. In his speech he said the three principles applied to the Spending Round were 'growth, reform and fairness'. The key SR2013 announcements for local authorities are summarised below;

- The Communities and Local Government department's resource budget is to reduce by 10% in real terms (8.2% cash).
- From 2015/16 £400m of New Homes Bonus was proposed to be pooled with Local Enterprise Partnership areas to support strategic housing and economic development priorities.
- £100m collaboration and efficiency fund will be available to support 'upfront costs' of local authorities working together and encourage 'better ways of operating', such as for new IT systems.
- The Chancellor announced that funding will be made available to support local authorities that choose to freeze their council tax in 2014/15 and 2015/16. Authorities that freeze or reduce their band D council tax will receive a grant equivalent to a 1% increase on 2013/14 Band D council levels in both years.

3.4 Autumn Statement – December 2013

3.4.1 On 5th December 2013 the Chancellor of the Exchequer delivered his Autumn Statement to the House of Commons updating MPs on economic and fiscal forecasts for the UK economy.

3.4.2 The Chancellor made a number of key announcements affecting local government, which are summarised in Appendix A.

3.4.3 The significant points for Herefordshire were;

- Plans to top-slice £400m of the New Homes Bonus for the single pot will not now be imposed. This benefits Herefordshire Council by around £1.1m per annum from 2015/16.
- The Government will cap the RPI increase in business rates to 2% in 2014/15.
- The Small Business Rate Relief (SBRR), doubling to provide 100% relief from business rates, will be extended again to April 2015. This will benefit Herefordshire businesses by around £2m.
- A discount of up to £1,000 will be introduced against business rates bills for retail premises (including pubs, cafes, restaurants and charity shops) with a rateable value of up to £50,000 in 2014/15 and 2015/16.
- A temporary reoccupation relief will be introduced, granting a 50% discount from business rates for new occupants of previously empty retail premises for 18 months.

3.5 Provisional Settlement 2014/15 and 2015/16

3.5.1 On 18th December 2013, the 2014/15 and 2015/16 Provisional Local Government Finance Settlement was published. Key announcements for Herefordshire were as set out below.

3.5.2 The position for Herefordshire is in line with budget assumptions in the medium-term financial plan, with three main changes improving the overall position;

- Additional funding for rural authorities of £9.5m has been included in the Settlement. This has given Herefordshire an extra £598k in 2014/15 and 2015/16. (In 2013/14 a specific grant was awarded as part of the Final Settlement).
- £50m previously to be held back for capitalisation has been returned to authorities in proportion to their settlement funding assessment, after meeting the cost of additional funding for rural authorities and a cap on spending power reductions. This has resulted in an estimated additional £77k for Herefordshire in 2014/15.
- The planned top-slice from Revenue Support Grant to fund the New Homes Bonus for local councils has been reduced from £800m to £700m (the specific amount for Herefordshire has not been disclosed)

3.5.3 The position may change as further information on specific grants is published. Given the uncertainty and low level of grants it is not proposed to adjust the overall budget proposals but use the additional funding as a contingency against specific grant reductions or to increase our level of reserves.

3.5.4 The Settlement confirms Government funding reductions of £6.7m in 2014/15 and a further £9m in 2015/16;

	2013/14	2014/15	2015/16
	£000	£000	£000
*Efficiency support for services in sparse areas	531		
Settlement Funding Assessment	71,376	64,873	55,807
Compensation for 2% rates freeze		374	399
	71,907	65,247	56,206
Reduction in Formula funding		(6,660)	(9,041)

*In Settlement from 2014/15

3.5.5 Prior to the Chancellor's Autumn Statement on 5 December local government were expecting an RPI increase in Business Rates for 2014/15. However, the Chancellor has capped the rise in the business rate multiplier at 2%. DCLG has confirmed that local authorities will be fully compensated for the loss of income. We have now learnt that this compensation grant will be for 2014/15 and 2015/16 in the first instance – with future years to be decided by the government in place after the 2015 general election. DCLG have not yet been able to publish the exact way in which all the compensating section grants will be calculated but we have included an estimate of the impact of these changes in our budget plan.

4 Herefordshire Council's Financial Context

4.1 Introduction

4.1.1 This section of the MTFs describes the council's financial position and approach for:

- Revenue spending.
- Capital investment.
- Treasury management.

4.2 Comparative Funding Position

4.2.1 Herefordshire is not a well-resourced council. Government grant systems attempt to make allowance for the additional cost and complexity of delivering services in a sparsely populated area but do not do enough for councils like Herefordshire where its sparse population is more evenly distributed throughout the area.

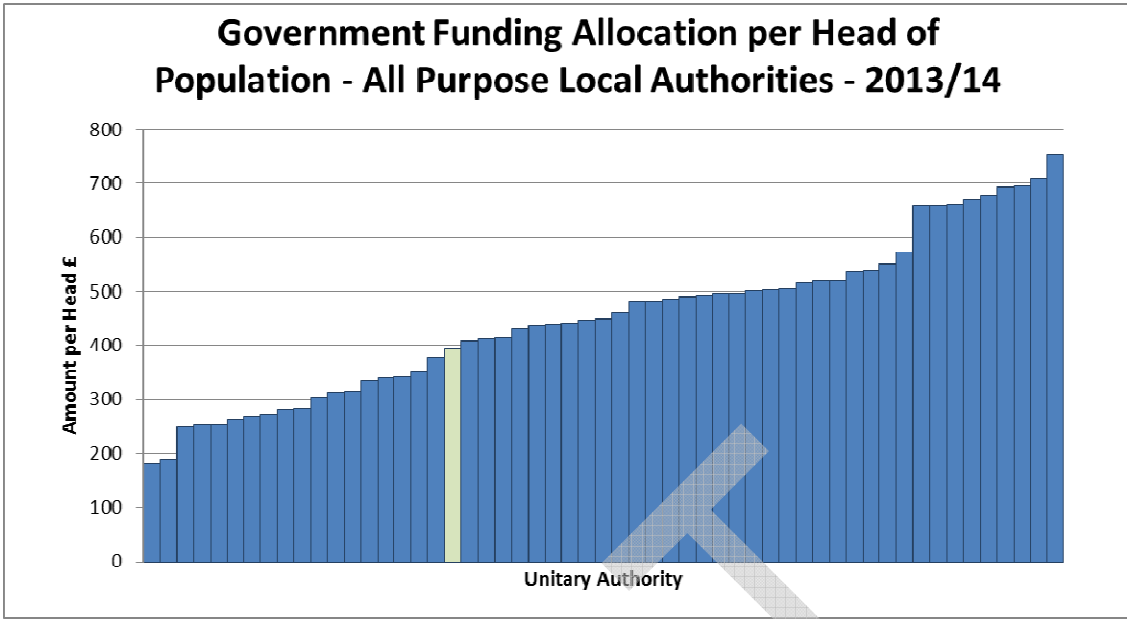
4.2.2 Herefordshire Council has consistently argued that the costs associated with delivering services in rural areas are not adequately reflected in the current formulae. The Rural Services Network (SPARSE), a body representing rural councils in England, established that an urban area on average receives 50% greater central government assistance than a rural area.

4.2.3 The Government has now accepted that rural areas have been comparatively underfunded. This was reflected in an additional one-off grant allocation of £531k in the final settlement for 2013/14 and an Efficiency Support for Sparse areas grant has been added into the financial settlement for 2014/15 and 2015/16. This has benefited Herefordshire by £598k in both years.

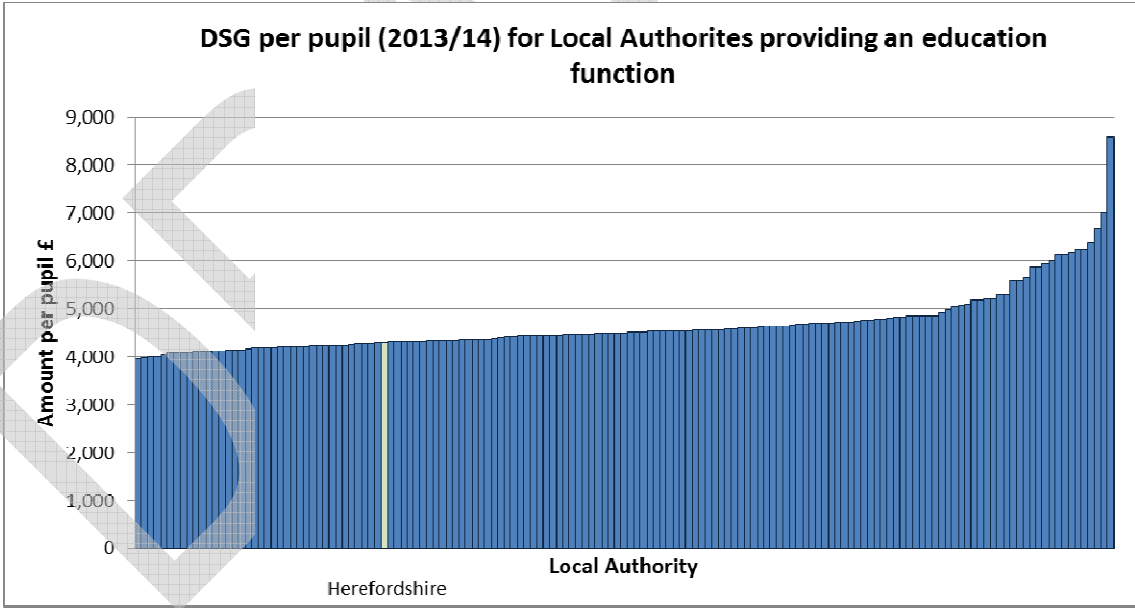
4.2.4 The 2013/14 budget figures show that:

- a) The Government Funding Allocation per head of population is £392.42, 12.2% below the national average of £446.77; and
- b) Indicative Dedicated Schools (DSG) Grant per pupil is £4,306.44, 5% below the average for education authorities of £4,550.54.

4.2.5 The graph below shows Formula Grant per head of population for all unitary authorities 2013/14. It shows that Herefordshire is 37th out of 55 unitary authorities.



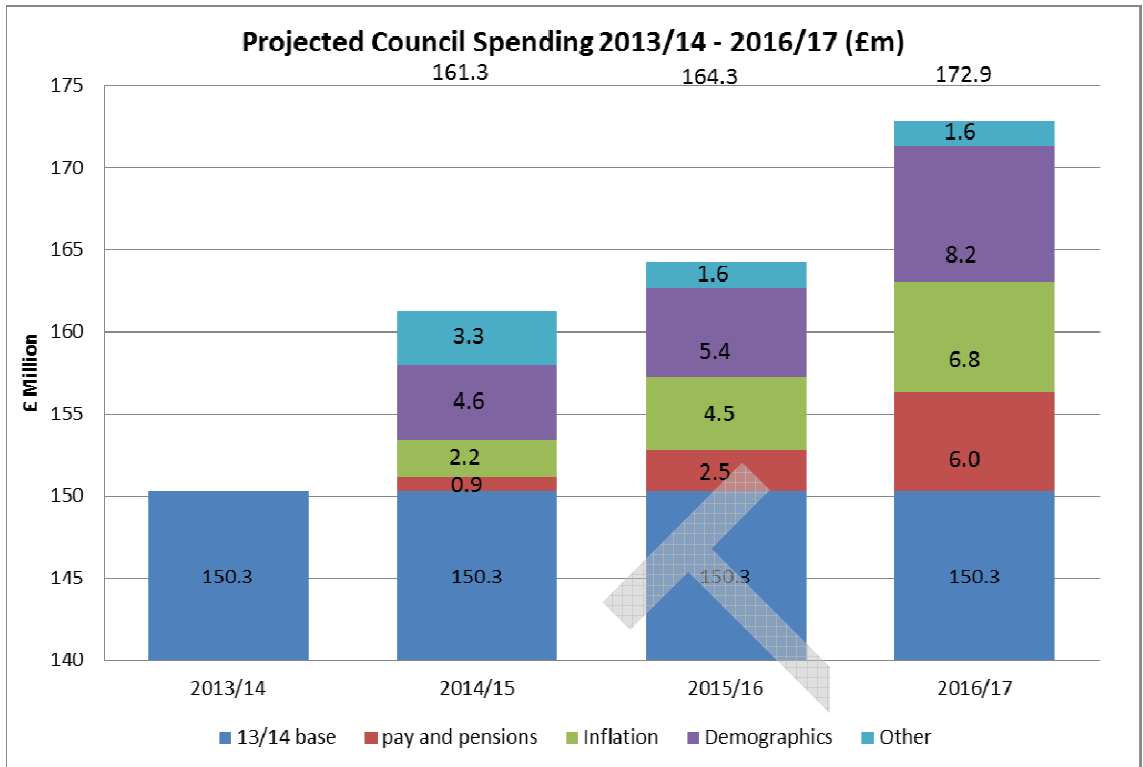
4.2.6 The graph below shows DSG per pupil for local authorities providing education functions (before deductions for academies recoupment and direct funding of academy High Needs). Herefordshire is placed 113 out of 151 authorities.



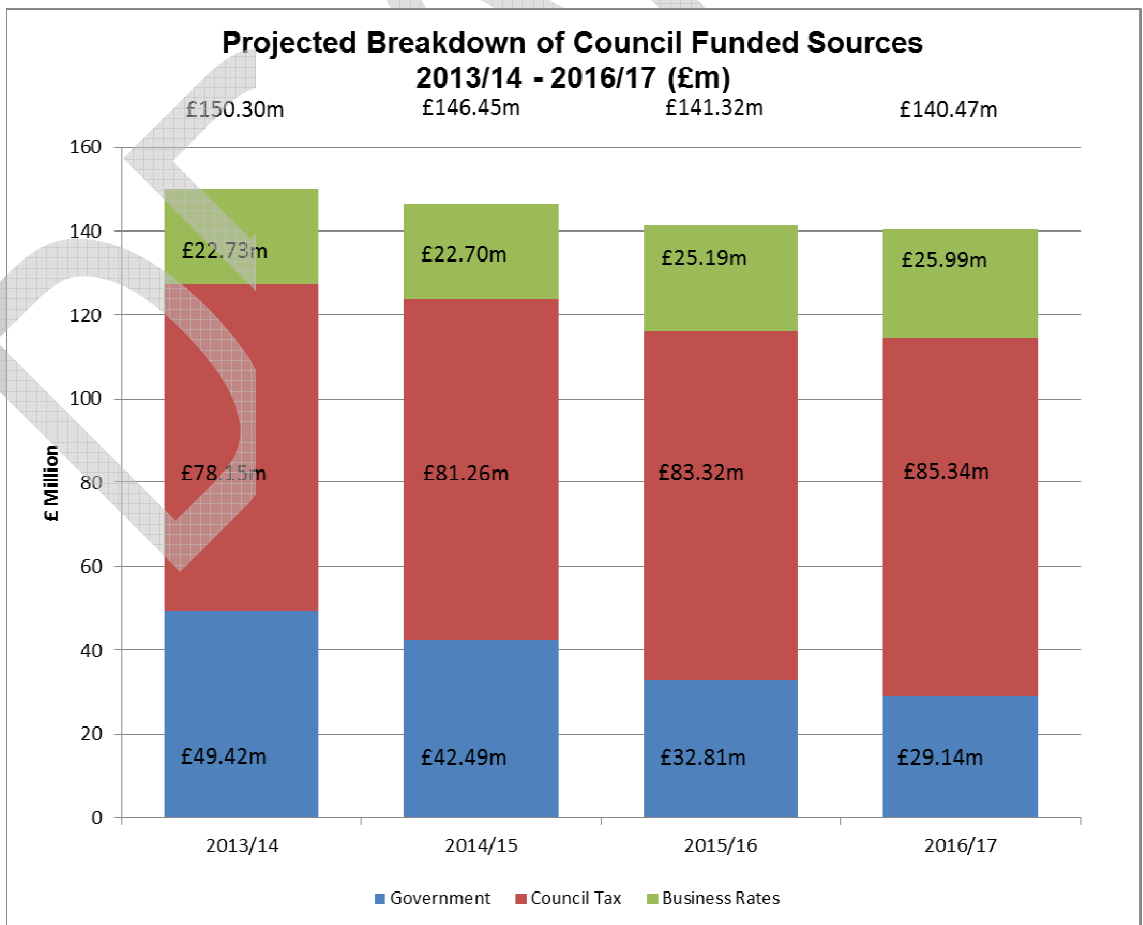
4.3 Funding Gap

4.3.1 Between 2014/15 and 2016/17 the council will need to make savings of £33m to balance the budget.

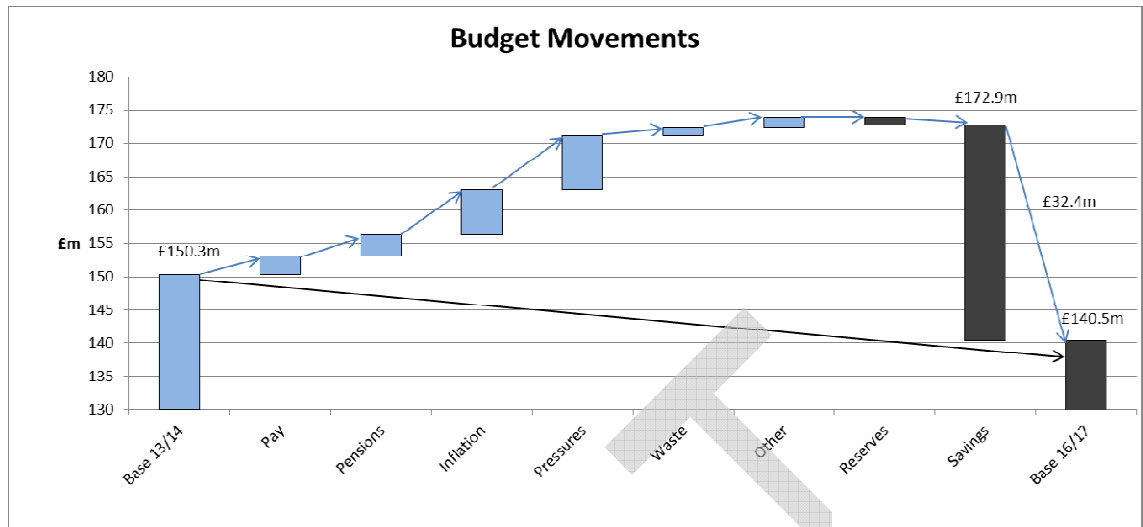
4.3.2 The chart below shows an analysis of council spend growth over the period 2013/14 to 2016/17.



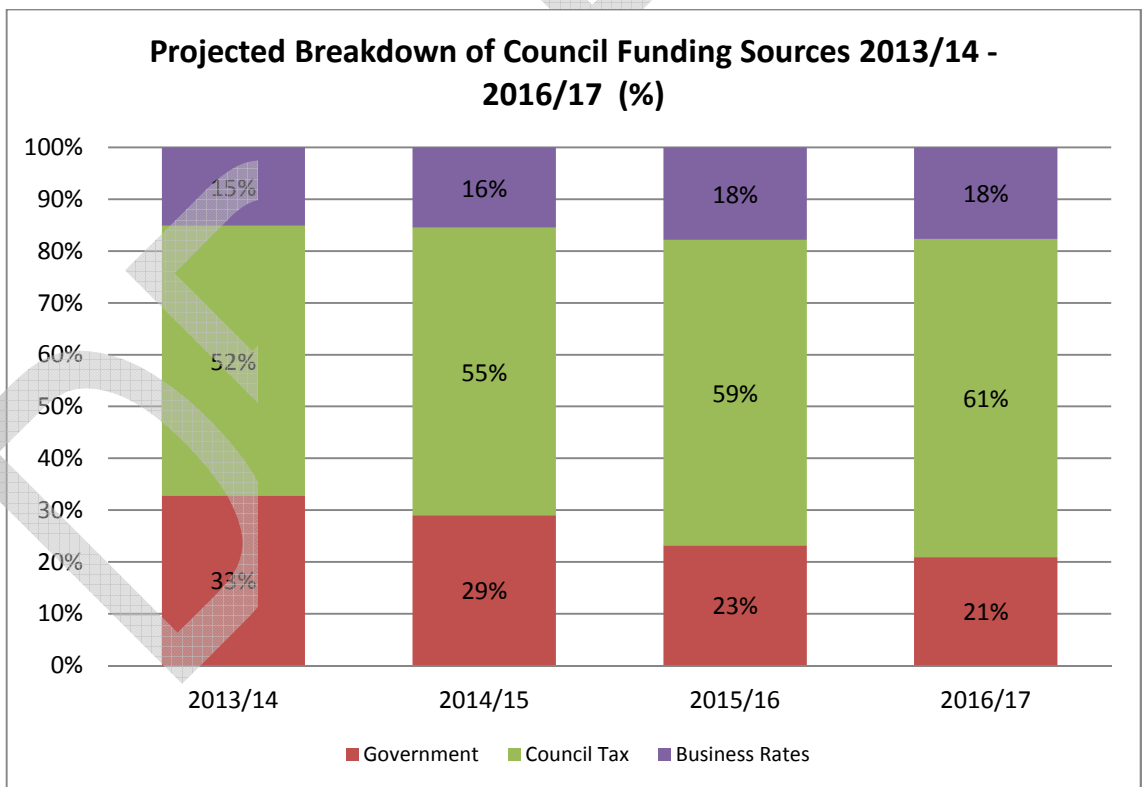
4.3.3 The chart below shows the projected breakdown of the council's funding by amount.



4.3.4 The chart below shows the funding gap arising out of cost increases and funding reductions.



4.3.5 The chart below shows the projected breakdown of the council's funding by %



4.4 Local Government Settlement 2014/15 and 2015/16

4.4.1 On 18 December 2013, the Communities and Local Government Minister Brandon Lewis announced the publication of provisional 2014/15 and 2015/16 settlements. The position for Herefordshire is in line with budget assumptions in the medium-term financial plan

4.5 Funding Allocation 2014/15 and 2015/16

4.5.1 The Provisional Settlement Funding assessment for Herefordshire for 2014/15 is £64.9m in 2014/15 and £55.8m in 2015/16 made up as follows:

	2014/15 £000	2015/16 £000
Baseline rates*	22,384	23,001
Top-up	6,686	6,871
Revenue Support Grant	35,803	25,935
Funding assessment	64,873	55,807

*The rates figure in the Financial Resource Model (FRM) differs from this as the above is the Government's estimate of rates

4.5.2 The same level of breakdown as 2013/14 has not been supplied (council tax support element not given), but the following former specific grants have been included;

	2014/15 £000	2015/16 £000
Specific grants		
11/12 Council tax freeze	2,143	2,143
EIG	4,863	4,447
Homelessness	203	203
Lead Flood	128	128
Learning Disability and Health reform	3,879	3,877
Efficiency support for Services in sparse areas	598	598
Returned funding for capitalisation top-slice	77	

4.6 New Homes Bonus

4.6.1 The New Homes Bonus commenced in April 2011, which match funds the additional council tax raised for new homes and empty properties brought back into use for the following six years.

4.6.2 Herefordshire has been awarded the following since 2011/12;

	Annual £000	Cumulative £000
2011/12	591	591
2012/13	842	1,433
2013/14	654	2,087
2014/15 estimated	751	2,838

4.7 Specific Grants

4.7.1 The table below sets out the specific grants for Herefordshire announced at the time of the Settlement:

Grant	2013/14 £000	provisional 2014/15 £000
Social Fund	371	366
Local Reform and Community Voices	154	159
Lead Local Flood Authority	70	70
Housing Benefit Admin Subsidy	1,075	tbc
Community Right to Bid	8	8
Community Right to Challenge	9	9
Council Tax Support – new burdens	91	98
Social care funding	3,152	tbc
Public Health Grant (new in 2013/14)	7,752	7,970
Troubled families	576	145
Extended rights to schools	364	147
Education Support Grant	1,905	

4.7.2 The government has not yet announced some of the 2014/15 grants and 2015/16 grants.

4.8 Dedicated Schools Grant

4.8.1 The Dedicated Schools Grant (DSG) is paid as a ring-fenced specific grant and funds the Schools Budget. DSG is split into three distinct blocks as follows,

- Schools Block - funding delegated to schools as determined by the new national funding formula
- High Needs Block – all funding for special educational needs including post-16
- Early Years Block – funding for Private, voluntary, independent nursery providers and central early years services. This includes a transfer of funding for 2 year old nursery education previously paid by separate grant.

4.8.2 DSG is the main source of income for schools. Each block within DSG, although not ring-fenced, will in future be funded separately. The schools block will be based upon a per pupil formula using the actual pupil numbers from the October school census data, The Early Years block will be calculated on a rolling basis through the year based on three termly pupil census dates. The High Needs Block will be determined on an assessment of the 2013/14 spend as previously submitted by the authority. Responsibility and funding for post-16 high needs transferred to the authority from August 2013 and the 2014/15

settlement includes additional funding for the full year cost of post-16 high needs. There is specific grant certification and audit requirements to ensure appropriate use of the grant and any under or overspends must be carried forward to the next financial year.

- 4.8.3 A national review of the distribution formula for DSG based around the introduction of a national schools funding formula is expected to be phased in over a number of years from April 2013. A further consultation paper from the DfE is expected in January 2014 further setting out the process for new school funding arrangements from April 2015. As a high delegator of funding to schools early indications from the Institute of Fiscal Studies suggest that Herefordshire schools will lose funding in the move to a national funding formula.
- 4.8.4 As expected there is no uplift in DSG funding rates for 2014/15 which will continue to be paid at the same rate as in previous years i.e. the Schools Block continues to be funded at £4,306.44 per school pupil and the Early Years Block at £3,454.43 per early years pupil. In addition pupil numbers for the Early Years Block will be revised throughout the year so final funding for early years will match changes in pupil numbers.
- 4.8.5 The totals for the three blocks and top-slice for academies are estimated to be;

2014/15 DSG Allocations	£m
Schools Block 21,107 pupils x £4,306.44 per pupil	90.9
High Needs Block	13.1
Estimated Early Years Block 1,420 pupils x £3,454.43 per pupil	4.9
Additional funding for two year old grant, early years	1.7
Additional funding for hospital education grant and growth in special school places – to be advised in due course	n/a
TOTAL DSG 2014/15	110.6
Less estimated academy recoupment at source	(34.5)
DSG received by the council	76.1

- 4.8.6 For 2014/15 spend will be contained within each spending block and detailed budget planning will be undertaken with the Schools Forum. The pupil premium for 2014/15 is set at £1,300 per eligible primary pupil, £953 per eligible secondary pupil and £1,900 for Looked After Children and children adopted from care. The grant is estimated at approximately £1.6m for Herefordshire in 2014/15 and the final allocation is determined by the number of Herefordshire pupils entitled to Free School Meals (Ever-6) in the January 2014 school census.
- 4.8.7 Academies are publicly funded independent local schools. Academies are independent of the council and responsible directly to and funded directly by government. They are freed from national restrictions such as the teachers' pay and conditions documents and the national curriculum. Many Herefordshire schools have embraced the change and approximately 40% of pupils will be educated in Academies from April 2014.

4.8.8 Academies provide a teaching and learning environment that is in line with the best in the maintained sector and offer a broad and balanced curriculum to pupils of all abilities, focusing especially on one or more subject areas (specialisms). As well as providing the best opportunities for the most able pupils and those needing additional support, academies have a key part to play in the regeneration of disadvantaged communities.

4.8.9 Academies receive additional top-up funding from a share of the Education Services Grant to reflect their extra responsibilities which are no longer provided by the local authority. Academies can choose to buy these services from the local authority.

4.9 Council Tax

4.9.1 The council chose to freeze council tax and take up the Government's council tax freeze grant in 2011/12 and 2012/13. However, when the Government offered a further council tax freeze grant for 2013/14 the council did not accept this and approved a 1.9% increase.

4.9.2 In the 2013 Spending Round the Chancellor announced a further council tax freeze grant for 2014/15 equivalent to a 1% council tax increase. Budget planning is based on not accepting the council tax freeze and, instead, planning for a 1.9% increase. The level at which a referendum has been set is 2%.

4.9.3 The average Band D council tax for 2013/14 is £1,227.99, compared to the average Band D council tax for English Unitary authorities at £1,227.39. A 1.9% increase would result in a Band D council tax for 2014/15 of £1,251.32.

4.9.4 The estimated net base after local scheme deductions is estimated to be 64,942.09 and £797k for every 1% on current council tax levels.

4.9.5 A 1.9% council tax increase equates to an increase of £1.5m

4.10 Reserves

4.10.1 Herefordshire has two main sources of reserve funding to support the day to day spending that is recorded in the revenue account, the General Fund balance and Specific Reserves. As the titles suggest, the latter are held for a specific purpose whilst the former could be considered a general contingency.

4.10.2 The following table shows the year-end balance on the General Fund for the last three financial years and the estimated position at 31st March 2014.

Balance as at:	General Fund £000	Specific Reserves		Total £000
		Schools	Other	
31 st March 2011	6,349	6,002	11,570	23,921
31 st March 2012	6,113	5,789	7,669	19,571
31 st March 2013	4,656	5,535	8,433	18,624
31 st March 2014 (est)	2,210	5,000	9,000	16,201

4.10.3 A significant proportion of the specific reserves belong to schools and cannot be used to help pay for non-schools services and unspent government grants carried forward in future years.

4.10.4 Herefordshire's General Fund opening balance for 2013/14 was £4.66m, which was slightly in excess of the policy in place to maintain a minimum balance of £4.5m (3%). However, based on the projected out-turn for 2013/14 using the October monitoring information the general reserve would be below the minimum prudent level at 31st March 2014, at £2.2m. The 2014/15 budget includes £3.58m to repay the overspend and add an additional £1m.

4.11 Capital Reserves

4.11.1 There is one capital receipts reserve that represents cash available to support spending on the creation or enhancement of assets that is recorded in the capital account. It is known as the Usable Capital Receipts Reserve. The following table shows the level of usable capital receipts for the last 3 financial years and the estimated position at 31st March 2014;

Balance as at:	Opening Balance £'000	Receipts £'000	Spend £'000	Closing Balance £'000
31st March 2011	13,565	2,097	(8,908)	6,754
31st March 2012	6,754	516	(4,501)	2,769
31st March 2013	2,769	2,872	(2,948)	2,693
31st March 2014 (est)	2,693	2,500	(3,271)	1,922

4.11.2 The council has a policy that ensures capital cash resources are used effectively in support of corporate priorities. As a result all capital receipts are a corporate resource and not 'owned' or earmarked for directorates unless allocated for a specific purpose.

4.12 Funding Arrangements for Capital Investment

4.12.1 Capital expenditure can be funded from capital receipts, borrowing, grants and revenue contributions.

4.12.2 Government support for capital investment is through the allocation of grants, known grant funding allocations for 2014/15 are:

- **Local Transport Plan** - £10.6m
- **Fastershire** - £6.1m
- **Destination Hereford** - £1.054m
- **Community Capacity Grant for Health** - £0.483m
- **Basic Need** - £0.432m
- **Universal Free School Meals** - £0.247m

4.12.3 The Local Transport Plan (LTP) grant funding includes £857k additional roads maintenance funding announced in the 2012 autumn statement. This additional funding has been allocated from a dedicated fund to provide for essential maintenance to renew, repair and extend life of the highway network in England. The amount allocated is based on the County's road length. This added to the original LTP funding allocation represents an overall decrease in funding from 2013/14 of £731k.

- 4.12.4 Fastershire (increasing internet broadband access in rural areas) and Destination Hereford (improving Herefords active travel schemes) are specific capital project grant funding allocations allocated in prior years.
- 4.12.5 The Community Capacity Department for Health capital grant represents funding to support development in three key areas: personalisation, reform and efficiency and has been held constant in real terms from 2013/14 to 2014/15 with the distribution based on the total adults social care relative needs formulae.
- 4.12.6 Basic Need and Universal Free School Meals grant funding allocations are recently announced capital grant funding allocations linked to providing additional school places and free school meals.
- 4.12.7 The council is waiting for confirmation of the grant funding allocation from the DCLG towards Disabled Facilities Grants; this is expected in March 2014, £679k was allocated in 2013/14.
- 4.12.8 **Council Borrowing** - This medium-term strategy reflects the borrowing funding requirement implied by the Treasury Management Strategy to support the capital programme. All new capital schemes funded by borrowing are only recommended for approval where the cost of borrowing is fully funded.
- 4.12.9 **Capital Receipts Reserve** – as shown in paragraph 4.11.1 the capital receipts reserve totalled £2.693m as at 1 April 2013. This is likely to fall to around £1.922m by the end of this financial year. This remaining balance has been committed to fund the capital programme in future years.
- 4.12.10 **Other Funding opportunities** - The financial management strategy for increasing capital investment capacity centres on:
- **Maximising Capital Receipts** – by disposing of assets
 - **Maximising Developers' Contributions** – through planning gains and the future adoption of a Community Infrastructure Levy
 - **Pinch Point Grant Funding** – an application has been submitted to the Department for Transport to ease traffic congestion
 - **LEP Major Scheme Grant Funding** – applications will be made for infrastructure schemes
 - **External Funding Bodies** – to distribute funding for projects that satisfy their key criteria and objectives; bids are submitted where appropriate.
 - **New Homes bonus and Retained Business Rate Income Growth** – these revenue funding streams will be linked, where appropriate, to support the cost of financing capital expenditure.
- 4.12.11 The challenges given to retaining assets will be based on value for money and the delivery of strategic priorities and key service delivery. Surplus properties will either be recycled or disposed of and proceeds will be reinvested. The disposal of land will be allowed after consideration of sacrificing a capital receipt for transfer of the land for use as social housing or as a community asset transfer.

4.13 Capital Programme 2014/15 to 2016/17

- 4.13.1 The 2014/15 to 2016/17 capital programme represents funding allocations received to date, commitments from previous years and new capital schemes.

4.13.2 The council's capital programme is funded by grants, borrowing and capital receipts. The following capital schemes are proposed to be included in the 2014/15 capital budget, all funded by borrowing on a self-financed basis;-

- a. **Energy from Waste Plant** – approval to fund up to £40m of the capital construction cost of an Energy from Waste plant in Hartlebury was approved by Cabinet on the 12th December 2013. The cost of financing the borrowing will initially be received from the waste contractor loan repayments during the remaining PFI term and subsequently from the waste disposal revenue budget.
- b. **Road Infrastructure** – Cabinet approved on the 25th July 2013 to invest £20m in the improvement of road conditions from spring 2014. The cost of providing this finance will be met from both the Local Transport Plan capital funding and savings in the annual revenue road maintenance budget.
- c. **Leisure Centres** – a separate report detailing the requirements for the improvements to the county's leisure centres will be submitted for approval in January 2014. These improvements will generate extra income from increased participation enabling the reduction of the current management fee arrangement to zero over the coming years as well as fund the cost of debt repayment which will be funded by rental charges to the leisure provider, currently Halo.
- d. **Disabled Facilities Grants (DFGs)** – the council has a statutory duty to provide DFGs and providing funding reduces the risk of the hospitalisation of vulnerable people, enabling them to remain in their own homes. The council receives grant funding from the Government, which used to require a match funding commitment and although this requirement has been removed the need exceeds current grant value by an estimated £200k. The cost of borrowing (£200k) will be funded by a revenue budget contribution.
- e. **Closed Landfill Sites** – this is for replacement boreholes at the Belmont site and improvements to the Leominster site, the total for both schemes being £76k with the cost of borrowing funded by a revenue budget contribution.

4.13.3 The addition of the above self-financed capital schemes will add £68.9m prudential borrowing funded capital budgets over the next three years. Due to the self-financing nature of the schemes there is no overall revenue budget impact with no cost of borrowing requiring financing by the council tax payer.

4.13.4 Agreement of the additional self-financing schemes will not breach the council's prudential indicators for borrowing. The above schemes have been included in the Treasury Management Strategy within this MTFS.

4.13.5 The council needs to increase the number of special school places available to children with severe and complex difficulties over the period of this MTFS. The SEN school in the north of the County will be extended, adapted and improved through a series of phases to address this as capital funding is secured.

4.13.6 The following table summarises the existing and proposed capital investment programme;-

Total 3 year budget 2014/15 to 2016/17

Scheme	Spend in prior years £'000	14/15 Budget £'000	15/16 Budget £'000	16/17 Budget £'000	Sub Total £'000	Total Budget £'000
Fastershire Broadband	4,000	7,600	6,200	2,400	16,200	20,200
Local Transport Plan	n/a *	10,645	**	-	10,645	10,645
Corporate Accommodation ***	9,673	6,211	976	-	7,187	16,860
Link Road	9,064	10,708	7,228	-	17,936	27,000
Leominster Primary School	4,451	5,729	437	-	6,166	10,617
LED Street Lighting ***	-	5,655	-	-	5,655	5,655
Hereford Enterprise Zone	n/a *	1,967	1,467	-	3,434	3,434
Others	n/a *	2,090	667	-	2,757	2,757
Schools Basic Need	n/a *	1,008	634	666	2,308	2,308
Solar photovoltaic panels ***	293	1,841	-	-	1,841	2,134
Destination Hereford	2,207	1,054	-	-	1,054	3,261
Masters House, Ledbury	3,419	606	-	-	606	4,025
Hereford City Surface Car Parking	434	566	-	-	566	1,000
Community Capacity Grant	n/a *	483	-	-	483	483
Disabled Facilities Grant ***	n/a *	462	-	-	462	462
Yazor Brook Flood Alleviation	4,426	450	-	-	450	4,876
SUB TOTAL	37,967	57,075	17,609	3,066	77,750	115,717
New capital schemes (funded)						
Energy from Waste Plant		11,000	14,000	15,000	40,000	
Road Infrastructure		15,000	5,000	-	20,000	
Leisure Centres		2,000	3,300	3,370	8,670	
Disabled Facilities Grant		200	-	-	200	
Closed Landfill Sites		76	-	-	76	
TOTAL		85,351	39,909	21,436	146,696	
<i>Financed by;-</i>						
<i>Prudential Borrowing</i>		57,237	37,371	20,770	115,378	
<i>Local Transport Plan Grant</i>		10,645	-	-	10,645	
<i>Fastershire BDUK Grant</i>		6,100	-	-	6,100	
<i>Standards Fund Grant</i>		5,205	-	-	5,205	
<i>Destination Hereford Grant</i>		1,054	-	-	1,054	
<i>Schools Basic Need Grant</i>		1,008	634	666	2,308	
<i>Community Capacity Grant</i>		483	-	-	483	
<i>Other Capital Grants</i>		410	-	-	410	
<i>Capital Receipts Reserve</i>		3,209	1,904	-	5,113	
TOTAL		85,351	39,909	21,436	146,696	

* number of schemes, not scheme specific

** allocation to be via the LEP, amount not yet confirmed

*** schemes partly or wholly funded by savings

4.13.6 The above table does not show any commitment to fund the capital programme from the anticipated receipts from the sale of assets. However, the anticipated reduction to borrowing overall is taken account of in the Treasury Management Strategy.

4.14 Treasury Management Strategy

4.14.1 The council is required to approve an annual treasury management strategy each year as part of the budget setting process. Herefordshire's Treasury Management Strategy for 2014/15 complies with the detailed regulations that have to be followed.

4.14.2 The Treasury Management Strategy sets out the council's strategy for making borrowing and investment decisions during the year in the light of its view on future interest rates. It identifies the types of investment the council will use. On the borrowing side, it deals with the balance of fixed to variable rate loan instruments, debt maturity profiles and rescheduling opportunities. The strategy also included the Minimum Revenue Provision (MRP) policy.

Investments

4.14.3 During 2013/14 interest rates on both instant access accounts and term deposits have fallen. At present the council is earning an average rate of 0.60% compared to 0.90% at the start of the year. Interest rates for 2014/15 are not expected to improve. Therefore the budget for 2014/15 has been set assuming an average interest rate of 0.60%.

4.14.4 The council's primary objective in relation to the investment of public funds remains the security of capital. The Banking Reform Act 2014 and the EU Bank Recovery and Resolution Directive both reflect a reduced likelihood of the government supporting failing banks in future, with the possibility of unsecured creditor balances being reduced to provide finance. The council will consult with its treasury adviser, Arlingclose, in order to identify low-risk counterparties and to set prudent limits relating to the amounts invested and the associated maturity periods.

4.14.5 Because of increased credit risk the budget for 2014/15 has been set assuming investment balances of £10 million less than the current financial year.

Borrowing

4.14.6 On the borrowing side, the strategy, based on the proposed capital programme, includes an estimated additional borrowing requirement of £54.8m for 2014/15. This is the net figure after taking account of estimated capital spend, the refinancing of existing loans and MRP.

4.14.7 The borrowing requirement has been calculated by reference to the projected Balance Sheet position which is set out below. (The borrowing supports fixed assets valued at more than £447 million in the balance sheet)

	2014/15	2015/16	2016/17
	£m	£m	£m
Borrowing Requirement b/fwd (Excluding PFI's & other long-term liabilities)	190.8	237.8	264.9
New borrowing	57.2	37.4	20.8
Less MRP (provision for principal repayment)	(10.2)	(10.3)	(10.7)
Borrowing Requirement c/fwd (Excluding PFI's & other long-term liabilities)	237.8	264.9	275.0
Less existing long-term loans	(132.5)	(124.3)	(117.2)
Less estimated revenue and capital reserves	(19.6)	(18.9)	(18.5)
Less capital receipts reserve from proposed asset sales (cumulative)		(20.0)	(40.0)
Additional Borrowing Requirement	85.7	101.7	99.3

4.14.8 The above projection includes a proposal to reduce borrowing through the sale of assets (realising total receipts of £20m per annum in 2015/16 to 2017/18 inclusive).

4.14.9 The forecast is for interest rates to stay low for the foreseeable future. Therefore council strategy is to continue to use short-term loans, which are the cheapest source of finance available both in the short and over the medium/long term. Also, the anticipated sale of assets supports the policy of borrowing in the short-term rather than locking in loans in advance of receiving capital receipts.

5. Medium-Term Financial Resource Model (FRM)

5.1. Background

5.1.1 The FRM shown in Appendix B takes into account the corporate financial objectives and approach set out in this document. The FRM is designed to provide an assessment of the overall resource availability for the revenue account over the medium-term. It sets the financial context for corporate and service planning so that the two planning processes are fully integrated. It covers the period from 2014/15 to 2016/17.

5.2 Assumptions

5.2.1 The FRM includes a number of key assumptions on which the financial strategy is based. The current planning includes the following;

- a) Council Tax - a 1.9% increase for 2014/15 and there-after.
- b) Government funding – the FRM reflects the provisional settlements for 2014/15 and 2015/16 plus an estimated further reduction in funding for 2016/17.
- c) New Homes Bonus – the provisional 2014/15 allocation for Herefordshire is estimated at £751k, giving a total of £2.82m for the 4 years of the scheme. Further growth has been anticipated for future years.
- d) Inflation -the FRM includes 2% inflationary uplift on non-pay expenditure and income
- e) Pay – 1% awards are assumed
- f) Employers' superannuation costs – the FRM includes increases in employers' contributions following the 2013 valuation (see Section 5.3).
- g) Interest Rates – the FRM reflects interest rate assumptions for investment income and borrowing costs in line with the Treasury Management Strategy 2013/14.

5.2.2 There is less certainty around assumptions for 2016/17 and therefore the FRM includes a higher level of contingency in that year.

5.3 Pensions

5.3.1 The pension fund's Actuaries have undertaken their triennial review of the pension fund assets and liabilities and revised the contribution rates required to bring the fund into balance over a period of 21 years.

5.3.2 The estimated deficit on the fund for Herefordshire is £138m, against a required balance to pay future liabilities of £394m. This proportionate level of deficit is normal for Local Authority pension funds and relates to falling returns on investments and employees living significantly longer than anticipated when the scheme was initially set-up. We have agreed with the Actuary that in order to recover the deficit over 21 years that the employer's deficit contribution increases from £4.5m in 2014/15 to £7.6m by 2016/27 (£4.2m in 2013/14). The Actuary has also requested that the element of the employer's contribution related to clearing the deficit is paid as an annual cash sum. This amount will be reflected in a percentage charge still but it must be recognised as a fixed cost rather than a variable one based on staff numbers employed.

5.3.3 The Actuary has confirmed that the future employers service contribution rate, which is paid as a percentage of current employees' gross pay, is to increase from 11.7% to 14.6%. We have agreed with the Actuary to phase this in by paying 12.2% in 2014/15 and 14.6% from 2015/16. This equates to an increase from £4.2m per annum in 2013/14 to £4.6m in 2014/15 and £5.5m per annum thereafter.

5.4 Funding assumptions included in the FRM

5.4.1 The following funding assumptions are included in the FRM.

	2014/15 £000	2015/16 £000
Estimated rates (retained by council)	22,704	25,189
Top-up	6,686	6,871
RSG	35,803	25,935
Council tax	81,263	83,323
Funding for net budget requirement	146,456	141,318

5.4.2 The settlement also set out the specific grants for Herefordshire, as detailed in Section 4.7. These grants are used to fund specific functions with Directorates. We await details of some grants from central government.

5.5 Directorate pressures

5.5.1 The total of Directorate pressures which are included in the FRM are:

Directorate	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Adults demographic pressures	4,082	767	742	5,591
Childrens' safeguarding	543			543
Loss of property rental income	221			221
*LDF	(130)	(100)	50	(180)
*Public realm procurement	(400)			(400)
*Belmont transport package	175	(675)		(500)
*Elections		130	(130)	0
Procurement targets	480			480
Adverse weather incl. Bellwin	150	150	150	450
Insurance costs	300			300
Reduction in HB admin subsidy	91			91
Total	5,512	272	812	6,596

*Negative figures are reversals of one-off funding in previous years

5.5.2 Any further growth will have to be self-funded by directorates

5.6 Waste Disposal Contract

5.6.1 The councils FRM includes the financial impact of the decision to conclude negotiations to execute a variation to the current waste disposal contract within the parameters approved by Cabinet on 12th December 2013. This variation will see the council provide financing for their share of an Energy from Waste plant with the cost of financing to be funded from the waste disposal revenue budget.

5.6.2 To enable the conclusion of the variation negotiations Herefordshire has amended its Treasury Management Strategy and increased its Authorised Borrowing Limits and council credit ceilings. Also Prudential Indicators, Minimum Revenue Provision and the capital programme has been updated with the financial consequences of the decision to proceed. The scheme is projected to save £32m over the life of the plant in comparison to continuing with continuing to landfill based on Net Present Values.

5.7 Savings Targets

5.7.1 The budget gap of £33m has been identified with some contingency in the medium-term financial plan. Proposed savings for 2014/15 to 2016/17 are as follows;

	2014/15	2015/16	2016/17	Total
	£000	£000	£000	£000
Children's and Public Health	2,500	1,632	2,236	6,368
Adults Wellbeing	5,490	3,435	3,146	12,071
Economy, Communities and Corporate (ECC) and CEOD	7,407	3,602	4,269	15,278
Savings Identified	15,397	8,669	9,651	33,717

5.7.2 For Children's Wellbeing the savings plans cover the following areas;

- Making better use of data to target work where its most needed
- Reviewing family support services
- Redesigning children's' centres offer
- Exploring ways to bring in external funding
- Develop opportunities for other bodies to run services for children
- Cutting back office costs

5.7.3 For Adults Wellbeing the savings plans cover the following areas;

- Stopping funding people who are not eligible for adult social care
- Maximising income through charging for services
- Shifting to providing enablement focused and time limited support
- Improving how we communicate with service users
- Offering a range of mechanisms to exercise choice on purchasing care
- Service redesign
- Recommissioning services

5.7.4 For ECC the savings plans cover the following areas;

- Roads and public spaces cleaning and maintenance
- Waste collection
- Public transport
- Back-office
- Reduced property services

- Changes to council tax discounts and council tax reduction scheme
- Removal of discretionary rate relief to some voluntary organisations

5.7.5 For Chief Executive and Organisational development the savings plans cover the following areas;

- Reduce back-office support
- Reduce ICT costs

5.8 Budget proposal 2014/15

5.8.1 The recommended budget position for 2014/15 is as follows;

Directorate	Base Budget 2013/14 £000	Net changes £000	Draft Budget 2014/15 £000
Adults Wellbeing	53,873	1,060	54,933
Children's Wellbeing	28,380	(1,879)	26,501
Economies, Communities, Corporate, Chief Executive and Organisational development	51,877	(4,880)	46,997
Total Directorates	134,130	(5,699)	128,431
Capital Financing – principal/debt repayment			10,196
Capital Financing – interest			5,929
Change management			2,000
Government grants			(5,064)
Other central budgets			1,384
Transfer to General Balances			3,580
Total net spend (Budget Requirement)			146,456
Financed by;			
Formula grant			35,803
Locally retained rates			22,704
Rates top-up from government			6,686
Council tax			81,263
			146,456

5.9 Budget risks

5.9.1 The most substantial risks have been assessed in the budget process and reasonable mitigation has been made.

5.9.2 Substantial Reductions to Directorate Budgets totalling £15.4m have been identified within the draft budget proposals, which are in addition to the £34m savings in the previous three financial years. Key risks for Directorates are set out below;

5.9.3 Economy, Communities and Corporate

- The economic climate continues to have a direct impact on income (planning and parking fees). The budget reflects prudent assumptions around the continued impact of the economic situation.
- There is risk to the budget for the emergency costs in response to severe weather conditions, such as flooding or harsh winter conditions. Whilst DCLG assist in the funding of these costs through the Bellwin scheme, the Council would have to fund the remainder within current budgets.

5.9.4 Adults Well-Being

- Demographic Pressures have been included within the draft budget proposals for expected growth, but pressures within Health funding may result in added costs due to earlier hospital discharges.
- Re-commissioning of services is dependent upon successful contract negotiations and an appetite within the marketplace for change and the management of delivering to proposed timescales.
- Reviews of high cost packages run the risk of care packages also increasing in value as well as decreasing in value.
- Increased Income expectations are at risk as if successful at preventative and redirection demand initiatives, then this may reduce the ability to increase income generation.

5.9.5 Children's Well-Being

- Social Work Recruitment within Children's Services remains a risk and the use of agency staff has been profiled to reduce over the year. This national shortage is seen across the country. Work is progressing on a local social work academy to support a "Grow your Own" and "Progression" initiative in order to support a more sustainable workforce for the future.
- Foster Carers may be required to look after children until the age of 21. The Government are currently looking at proposals to extend the current age with circa £40m being allocated across the country. However, there is an expected increase in foster carers within Herefordshire of circa 20-30 by 2017 in order to meet current demand.
- Children's Placement budget has increased risks due to the transfer of responsibilities of Court Ordered Placements to the Local Authority. The lack of local residential opportunities has led to increased cost. Work is underway to look at early intervention work, MST (Multi- Systemic

Treatment Programme). In addition specialist foster carers are due to be recruited to support children with complex and challenging behaviours.

- Court Costs are a risk due to an increase in care proceedings

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Autumn Statement – December 2013

Key Announcements

- **Asset Sales** - To incentivise asset sales and support investment in transforming local services, the Government will allow local authorities new flexibility to use £200m of receipts from asset sales over 2015/16 and 2016/17 to pay for the one-off costs of service reforms. They will publish a prospectus inviting bids to access a share of this flexibility in the New Year.
- **New Homes Bonus** – An evaluation of the New Homes Bonus will be carried out for completion by Easter 2014. A consultation will also be carried out on measures to further improve the incentive provided by the New Homes Bonus, in particular through mechanisms to withhold payments where planning approvals are made on appeal.
- **NHB and Single Local Growth Fund** - Plans to top-slice £400m of the New Homes Bonus for the single pot will not now be imposed. The Government will maintain a £2 billion Local Growth Fund, but will not be requiring authorities (except for London) to pool a portion of their New Homes Bonus income. This benefits Herefordshire Council by around £1.1m per annum from 2015/16.
- **Carbon Reduction Commitment (CRC)** – CRC allowance prices in 2014/15 will be priced at £15.60 per tonne of carbon dioxide in the forecast sale and £16.40 per tonne of carbon dioxide in the buy to comply sale. This does not currently affect Herefordshire Council.

Business Rates

- **Business Rate Increases** - With no policy change, business rates for 2014/15 would have risen by the September 2013 RPI. Autumn Statement 2013 announced that the Government will cap the RPI increase in business rates to 2% in 2014/15.
- Under the business rates retention scheme the 2% cap will also be applied to the annual increase for tariffs and top-ups (Herefordshire is a top-up authority).
- **Appeals Backlog** - 95% of outstanding business rate appeal cases will be resolved by July 2015
- **Rateable values** - In 2014 a consultation will look at changes to provide greater transparency over how rateable values are assessed, improve confidence in the system and allow challenges to be resolved faster, preventing backlogs building up in future.
- **Small Business Rates Relief** - The Small Business Rate Relief (SBRR), doubling to provide 100% relief from business rates, will be extended again to April 2015. This will benefit Herefordshire businesses by around £2m.
- **Business Rate Discount** - A discount of up to £1,000 will be introduced against business rates bills for retail premises (including pubs, cafes, restaurants and charity shops) with a rateable value of up to £50,000 in 2014/15 and 2015/16.

- **Reoccupation Relief** - A temporary reoccupation relief will be introduced, granting a 50% discount from business rates for new occupants of previously empty retail premises for 18 months.
- **Instalment Changes** - Legislation will be made to allow business rates bills to be spread over 12 months rather than 10 months as currently, with effect from 1 April 2014
- **Administration Reform** - A discussion paper will be published in spring 2014 on options for longer-term administrative reform of business rates post-2017.

Schools and Children's Services

- **Early Education** - Free early education will be extended to the 40% most disadvantaged 2 year olds by September 2014.
- **Free School Meal** - The Government will make funding available to offer every pupil attending a state-funded school in reception, year 1 and year 2 a free school lunch from September 2014. Pupil Premium rates and eligibility will be unaffected. Capital funding will also be provided to increase capacity in school kitchens and eating areas.
- **Innovation Programme** – Details of a programme to increase the level of innovation in children's services to help local authorities improve outcomes and increase value for money, and will announced details ahead of Budget 2014.

FINANCIAL RESOURCE MODEL 2014/15 to 2016/17
APPENDIX B

MTFRM	2013/2014 Budget £'000	2014/2015 Budget £'000	2015/2016 Budget £'000	2016/2017 Budget £'000	2014/15 to 2016/17 £'000
Base Budget	143,359	150,296	146,456	141,318	
Inflation - Pay Award	536	416	427	436	1,279
Superannuation - future service (2013 review)		300	631		931
Superannuation - deficit (2013 review)		230	529	1,649	2,408
Inflation - Non-Pay Expenditure (2%)	2,499	2,693	2,747	2,802	8,242
Inflation - Income	(432)	(479)	(489)	(499)	(1,467)
Additional NI from 2016/17				1,400	1,400
Inflated base budget	145,962	153,456	150,301	147,106	12,793
2013/14 Grants rolled into Central Funding					
Early Intervention Grant (excl 2 yr olds)	5,271	(336)			(336)
DoH Learning Disability & Health Reform Grant	3,842	96			96
Other	336				
Waste disposal - PFI Contract	250	400	400	400	1,200
MTFMS Changes 2013/14	(529)				
Capital Financing Costs					
- Cost of borrowing (Other than EfW plant)	(868)	884	(839)	(310)	(265)
- Investment Income	153	79	(45)	(75)	(41)
Identified Pressures					
Income shortfall (car parking, land charges etc)		(112)	(113)		(225)
Management change - £2m p.a.	1,000				0
Additional budget pressures identified:					0
Adults	6,950	4,082	767	742	5,591
Childrens Wellbeing - demographic pressure		543			543
Contingency - unforeseen items/grants		720	1,051	2,182	3,953
ECC	2,030	887	(495)	70	462
Virement to ASC		1,204			1,204
Backfunding element of savings plans		267	98	35	400
Funding					
New Homes Bonus	(654)	(751)	(654)	(654)	(2,059)
Education support grant	(2,085)				0
CT Support Grant to be passed to parishes	289				0
Transitional grant for local ctax support	(259)	259			259
2% cap on rates- s31 grant		(374)	(25)	399	0
Other rates changes -s31 grant		(1,663)	1,663		0
Reserves					
Top up contingency/insurance reserves	(450)				0
Repayment of 13/14 overspend and £1m top-up p.a.	2,000	1,580	(2,580)		(1,000)
					0
Capacity/(shortfall) to achieve desired Tax increase	(12,942)	(14,765)	(8,211)	(9,421)	(32,396)
TOTAL BUDGET	150,296	146,456	141,318	140,474	