



CABINET

Tuesday 4 October 2011

MEDIUM TERM FINANCIAL STRATEGY 2012/13-2015/16 (CAB 39/11)

EXECUTIVE SUMMARY

1. The Medium Term Financial Strategy (MTFS) provides a strategic framework for the development of budget proposals and the business planning process for 2012/13 and beyond. It also looks at the overall financial climate within which the Council's overall spending plans will be developed.
2. The Council faces a potential revenue budget gap of 1.25m in 2012/13, increasing to £1.97m in 2013/14, £2.7m in 2014/15 and £2.8m in 2015/16.
3. Appendices A and B set out the assumptions made in identifying the Budget Gap within the report.
4. At the end of the 2012/13 budget process, in February 2012, the Council is required to approve a balanced budget for the following financial year together with setting a Band D Council Tax.

Is the report Open or Exempt?	Open
Wards Affected:	All Wards across the District
Cabinet Member:	Cllr R E Whiting Cabinet Member with responsibility for Resources
Supporting Officer:	Homira Javadi Head of Financial Services 01394 444529 Homira.javadi@suffolkcoastal.gov.uk

1. INTRODUCTION

General Fund

- 1.1 The purpose of the Medium Term Financial Strategy (MTFS) is to provide an integrated view of the whole of the Council's finances, recognising that the allocation and management of its human, financial and physical resources play a key role in delivering its priorities and ensuring that the Council works effectively with its partners locally, regionally and nationally. It supports the Council's vision that Suffolk Coastal should be a district that is "a place where people want to live and invest, to care for others and the environment".
- 1.2 The Council's Vision, supported by the MTFS, has been achieved by a combination of:
- a) securing a balanced budget with a reduced reliance on the use of reserves and general balances to support its everyday spending;
 - b) setting modest increases in Council tax when appropriate;
 - c) Innovative partnership working and delivering services more efficiently; and
 - c) generating additional income where sensible to do so.
- 1.3 The MTFS provides a baseline forecast of income and expenditure and looks at the overall financial climate. It provides a framework within which the Council's overall spending plans will be developed. In the current climate there are a great number of policy initiatives to which the Council will need to respond over the period of the MTFS most of which are contained within the Localism Bill to a greater or lesser extent. The major issues affecting council tax, identified for the period of review, are:
- a) Government's need to continue to reduce public sector spending as part of addressing the structural budget deficit and providing a coherent response to the challenges posed by the indicative formula grant settlement already announced for the coming year;
 - b) uncertainty as to the precise outcome of Government policy initiatives surrounding, the Local Government Resource Review (retaining a proportion of business rates raised to councils), the introduction of universal credit and the localisation of council tax benefit all of which are likely to impact on councils from 2013/14 onwards;
 - c) developing ways of working more closely with other public sector organisations, in ways that makes the public sector more efficient and effective such that spending and income pressures are reduced for the benefit of all;
 - d) responding to the increasing importance placed by Government on "the localism agenda", of moving budgets closer to citizens and letting them have a greater say in service design, delivery and outcomes for their local communities; and
 - e) in light of the above, undertake a review of the Council's Corporate Plan and priorities to better address the significant emerging challenges that in turn will be supported by the MTFS as it evolves through the budget process.

2 PRIORITIES, AIMS AND OBJECTIVES

- 2.1 The Community Strategy provides the Council's overarching vision for the Suffolk Coastal District. In fulfilment of that strategy, the Council makes use of significant resources to achieve its aims including money, people, property and technology. In order to allocate resources to competing demands, achieve effective and efficient use of its resources, best

value and ultimately achieve its vision, the Council has several strategies and plans which give a clear sense of direction and underpin the deployment of those resources. Principal amongst them is the Council's Corporate Plan, Improvement Plan and Service Plans. Combined they support and embrace the Council's strategic direction.

- 2.2 As part of the 2009/10, the Council reviewed its priorities and strategic direction having regard to its previous successes and the continuing and changing demands it faces.
- 2.3 Whilst the Community Strategy and Corporate Plan are still relatively new, the public sector has and is experiencing a great deal of change both in its financial targets and in terms of the policies and impending legislation emerging from Government following the General Election in May 2010.
- 2.4 These intended changes, largely driven by the financial imperative to reduce the national debt, represent a sea change in Government's approach. This approach is inherently complex but at its simplest, is centred on the concept of Localism. The Localism concept, of promoting greater local accountability, can perhaps best be described as designing and providing services in a way that "connects" with local demand, a sort of "community budget". The 16 pilots currently underway across the country are shortly to be expanded to a further 50 this year and another 60 in 2012/13.
- 2.5 It is clear that councils, other public sector agencies and groups will need to work more closely together, pooling resources to optimise opportunities for the Council's communities. Indeed, by the end of the summer, Government will be seeking to pilot 2 further concepts:
 - (a) Two areas will be selected to help co-design "neighbourhood level Community Budgets" giving residents the opportunity to say what services they want, how they should work and whether they want to run them; and
 - (b) Two areas will be selected to help co-design a "Community Budget" bringing all funding on local public services from the area into a single pot to test how to create the right local financial set up to deliver better services that people want.
- 2.6 The emerging Local Government Resource Review, proposals for which will see local councils retain a proportion of the business rate income raised in their area, subject to certain constraints colloquially known as tariffs, top-ups and levies. Effectively a new "formula grant" that places the onus on the growth of an area on local councils. These proposals begin to raise further inter-related issues and questions for the Council to consider such as:
 - (a) how do we maintain, attract and develop business rate growth?;
 - (b) where should we plan for that business growth to be?;
 - (c) do we have the right infrastructure, housing and schooling to support our ambition?; and
 - (d) how do we engage more effectively with others?
- 2.7 In light of the above, Cabinet has already begun to conduct a review of its Corporate Plan and priorities to better address the significant emerging challenges that in turn will be supported by the MTFs as it evolves through the budget process. Part of that review should consider utilising the "New Homes Bonus" monies which Government intends to continue for the foreseeable future as part of an initial response to the changing agenda.
- 2.8 The Council has a number of integrated strategies and plans including the MTFs to support the delivery of the Council's priorities and objectives and include:

- Treasury Management and Investment Strategy
- Capital Strategy
- Asset Management Strategy and Plan
- Organisational and Development Strategy
- ICT Strategy
- Risk Management Strategy
- Consultation and Community Engagement Strategies

- 2.9 The changing nature of Government policy is placing increasing importance on effective consultation and engagement and reflects increasing expectations for public services and the desire for residents and communities to have a greater say over the services they receive and the area they live in. The underlying principles from these strategies play a key part in helping to translate the Council's financial plan to the effective and efficient delivery of services in the wider community:
- 2.10 Further information on the Council's policies, plans and strategies can be found on the Council's website.
- 2.11 The Council's MTFs is one of the most important factors influencing future direction and the decisions to be made about the resourcing the Council's priorities. The strategy must continue to recognise the ongoing severe resource constraints across the public sector over the period of the MTFs as Government continues to shrink public sector spending as a proportion of GDP. In the light of those spending pressures, there will be a need for innovative solutions, sharing services, working in partnership or otherwise to re-configure services and look for new ways in which the Council delivers them in ways that optimise the benefits to the Council's communities.
- 2.12 The remainder of this report, therefore, outlines the Council's MTFs, for the next four years, from 2012/13 to 2015/16 to provide an overall framework and baseline for the development of its detailed financial plan (the budget) for service delivery. In a rapidly changing environment, it is essential that the strategy continues to develop year on year to respond to internal and external challenges if it is to meet the Council's key objectives and priorities.

MEDIUM TERM FINANCIAL STRATEGY

3 FINANCIAL OUTLOOK

- 3.1 The Spending Review last October set out a long-term vision for public services and a programme of key reforms to deliver that vision, including the specific actions being taken to implement far-reaching public service reform.
- 3.2 The Government has stated that it will deliver a four year plan that will put public services and the welfare system on a sustainable, long term footing. Some of those changes are beginning to emerge such as the reform the welfare system and "cutting the waste that the country can no longer afford". At the same time Government is beginning to outline spending plans on what it sees as the country's most important priorities; health care of the people, the education of the young, the nation's security and the infrastructure that supports economic growth.
- 3.3 The financial squeeze is affecting all areas of the public sector including central government where some £6 billion of savings from the administrative budgets of government departments alone is expected. However, it has identified a £61bn savings target by 2014/15, implying real terms cuts in departmental spending of around a third and stated that targets will see national debt will falling as a proportion of national income by 2015/16.
- 3.4 For local government, which accounts for 25% of public sector spending, this translated to reducing funding to councils by an average of 7.1% a year for four years. However, as we know from the finance settlement, those cuts were front loaded with the Council experiencing a 15.2% reduction in funding in the current year 2011/12. That settlement also gave indicative figures for 2012/13 which are now incorporated in the updated forecast position set out later in

the report.

- 3.5 There is a wealth of detail continuing to emerge from Government. For 2012/13 and later years there are a significant number of changes, the details of which are still to come, but which nevertheless need some broad assessment of likely impact. The main issues to be considered as part of this cycle of budget planning are:
- a. real terms cuts in formula grant taking account of inflation;
 - b. a two year pay freeze from 2011/12 for Local Government employers;
 - c. national insurance changes for employers and employees;
 - d. a review of pension costs and entitlement arising from the Hutton Review to be implemented from April 2015, aside from the programmed triennial review;
 - e. benefit cuts that will increase assessment of entitlement, if not ultimate caseload, and ultimately a potential increase in homelessness costs;
 - f. future implementation of a single Universal Credit and localisation of council tax benefit, which will impact on the Council's Revenues and Benefits service. The Council currently grants some £7m in council tax benefit. Government will ensure its required reduction in council tax benefit of 10% by cash limiting a new specific grant. The Council will have to design a new local scheme to meet that financial challenge;
 - g. the passporting / cost shunting of savings required from Government departments. For example, reductions in housing benefit administration grant received in line with departmental targets;
 - h. uncertainties surrounding the ongoing ability to charge for land charge searches following previous legislative change; and
 - i. a freezing of council tax increases for two years.

- 3.6 All of the above will require councils to undertake a fundamental review of the services they currently provide and how they might be provided in the future. Suffolk Coastal is no exception; it will need to ask itself similar questions to those of Government.

4 STRATEGY OBJECTIVES

- 4.1 The Council's MTFS is to provide the best quality services possible within the resources available. To do so it must maximise the use of its resources to ensure they are used efficiently and effectively to support the development of longer term sustainable objectives.
- 4.2 The specific objectives of the MTFS are to:
- a) ensure that the Council sets a balanced, sustainable budget year by year, so that forecast spending does not exceed forecast resources available to it;
 - b) plan for a level of council tax that the Council, its residents and Government see as necessary, acceptable and affordable to ensure that it has the financial capacity to deliver the Council's policies and objectives;
 - c) redirect resources over time to adequately support and resource the priorities of the both the Council and the wider community; and
 - d) maintain sufficient reserves and balances to ensure that the Council's long term financial health remains sound.

5. STRATEGY PRINCIPLES

- 5.1 The principles set out below provide a framework within which the Council will develop its detailed financial plan over the medium term.

General

- 5.2 There are a number of overarching principles that will apply across the Council's detailed financial accounting, planning and monitoring:
- a) that the Council's budgets, financial records and accounts will be prepared and maintained in line with approved Accounting Standards, the CIPFA Code of Practice on Local Government Accounting, the CIPFA Prudential Code and the relevant sections of the Council's Constitution and Finance Procedure Rules;
 - b) prior to setting a budget, the Council will always analyse potential risks and ensure these are minimised in line with its Risk Management Strategy;
 - c) that the Council's Corporate Management Team will review the budget proposals for reasonableness and adherence to corporate policies and objectives prior to the budget being submitted to Cabinet;
 - d) the Council will monitor its revenue and capital budgets effectively. Monitoring will be undertaken monthly by Heads of Service together with their portfolio holders, and integrated quarterly monitoring reports will be reported to Cabinet. In cases of significant financial and service performance that deviates from that planned, action plans setting out corrective action will be drawn up by Heads of Service / Portfolio Holders and reported to Cabinet as appropriate;
 - e) that the Council's Corporate Management Team will take appropriate steps to continue to maintain and improve the accuracy and quality of data that it uses throughout the Council thereby ensuring that budget and other decisions are taken on a sound basis; and
 - f) the Council will seek to maximise external contributions towards revenue and capital spending for example through bidding for specific grants, attracting levered funding, participating in new funding streams and engaging in further strategic partnering opportunities where appropriate.

Revenue

- 5.3 In relation to its revenue budgets the Council will:
- a) set a balanced budget each year that will be constructed to reflect its objectives, priorities and commitments. In particular, the budget will influence and be influenced by the Council's Corporate Plan, the Organisational and Development Strategy, Capital and Asset Management Strategies, the Risk Management Strategy, its Comprehensive Equality Scheme and its Consultation and Engagement Strategies.
 - b) within the constraints of the resources available to it, set a sustainable budget each year that meets on-going commitments from on-going resources. The Council will continue to aim to maintain its level of general balances when it sets its revenue budget each year now that a prudent level of balances has been achieved;
 - c) seek to identify annual efficiency savings through business process improvement, shared service initiatives, service best value reviews and benchmarking and strategic partnering opportunities within and across county borders;
 - d) review the appropriateness of service delivery between the Council, parishes and other partners;

- e) increase existing fees and charges on a market forces basis whilst having regard to the Council's policies and objectives. As a minimum fees and charges should be increased by price inflation. The Council will also review opportunities to introduce new fees as appropriate; and
- f) within Government guidelines, set a level of council tax that the Council, its residents and Government see as necessary, acceptable and affordable to deliver the Council's policies and objectives.

Capital

5.4 When considering its capital investment the Council will:

- a) maximise the generation of capital receipts and grants to support its planned investment programmes;
- b) finance its capital investment by applying specific grants and contributions, capital receipts, earmarked reserves and revenue contributions. Any balance beyond those resources would need to be met by borrowing;
- c) not recognise capital receipts until there is certainty that the receipt will materialise, and will not be earmarked against specific developments without express Cabinet approval;
- d) allocate its capital resources in line with its Capital Strategy and Asset Management Plan whilst recognising that other priorities may emerge that may require those plans to be amended and resources to be diverted;
- e) annually review and prioritise capital schemes in accordance with Council objectives having regard to:
 - the business case for any given project;
 - asset management planning; and
 - affordability in line with the application of the Prudential Code.

Balances and Reserves

5.5 In relation to its general balances and earmarked reserves, the Council will:

Balances

- a) each year, maintain an appropriate level of General Fund balances at around 3%- 5% of its budgeted gross expenditure of some £61m. This would lead the Council to maintain a General Fund balance of between £2m and £3m. At 31 March 2011, subject to audit, General Fund balances stood at £3.3m;
- b) have regard to the financial risks surrounding the budget planning process, including those associated with the structural deficit, inflationary pressures, interest rates, partnerships, the treatment of savings, new burdens and demand led expenditure;

Earmarked Reserves

- c) review its earmarked reserves, which have been established to meet known or predicted liabilities, to ensure that the level of those reserves are still appropriate; and
- d) return reserve balances no longer required to the General Fund.

Treasury Management

- 5.6 The Council will:
- a) having regard to risk, maximise investment income and minimise potential borrowing costs within the overall framework set out in the Council's annual Treasury Management and Investment Strategy; and
 - b) secure the stability of the Council's longer term financial position rather than seeking to make short-term one-off gains which may lead to higher costs in the long term.

6. ESTABLISHING A REVENUE BASELINE FORECAST 2012/13 TO 2015/16

- 6.1 The country is facing its biggest financial challenges for four or more decades. There is a clear message from Government as to the scale of reductions in resources required by the public sector. The outlook is very challenging, as a consequence, the task of preparing integrated service and financial plans for the next four years will be a testing one if the Council is to protect services and meet its priorities. The Council's four year rolling forecast, the minimum period considered necessary to align its resources with its revised corporate plan and ensure sound financial planning, will be constructed having regard to the following factors:

Resources / Income

- 6.2 There are three major sources of revenue available to the Council to fund its services:
- a) Formula Grant – over the period of the MTF5, having regard to HM Treasury forecasts and the provisional grant settlement for 2012/13, grant percentage reductions have been forecast as 11.7%, 1.6%, 7.0% and no further reductions for 2015/16. Such changes would see grant reductions of around £2.3m over the four year CSR period, from £7.4m to £5.14m. It is clear that whatever support Government gives to councils, be it formula grant or the part retention of business rates, that the Treasury control totals on spending announced as part of CSR10 will still apply;
 - b) Fees and Charges – review the scope for change from both statutory and discretionary services having regard to the Council's policies and objectives. As a minimum fees and charges should be increased by price inflation; and
 - c) Council Tax – Government has set aside funding similar to the amount for 2011/12 to continue with the Council Tax Freeze Grant for 2012/13. At the present time there has been no announcement from Government regarding financial support for limiting the Council Tax increase in 2012/13. The Secretary of State has announced that for 2012/13 he will be replacing capping powers with local referenda on “excessive” Council tax increases.
 - d) The actual Council Tax increase for Suffolk Coastal is a matter for the council to decide. Each 1% increase in Council Tax generates approximately £75k in Council Tax income.

Local Government Resources Review

- 6.3 In March 2011 the government launched a Local Government Resources Review which has a vision of “self funded” councils that keep their local business rate income with grant allocations being reduced except where it is needed to protect the interest of tax payers. Many local authorities receive more Government support from the redistributed business rates pool that they collect locally and pay into the pool. The intention is to have a new resources redistribution system in place for 2013/14.
- 6.4 Given the likely significance of the change a separate briefing paper will be brought to Cabinet in due course.

Expenditure

- 6.5 The Council's spending will have regard to:
- a) the base budget position for the current financial year, adjusted for in year grant changes;
 - b) the Council's medium term priorities;
 - c) the refocusing of service expenditure through transactional, shared services and other efficiencies to support the achievement of its medium term priorities and satisfy Government funding changes;
 - d) demographic and welfare changes;
 - e) consultation outcomes; and
 - f) fiscal matters including:
 - price inflation
 - the effect on the level of General Fund balances and reserves
 - the revenue impact of any changes to the capital programme
 - triennial revaluation of the pension fund which will impact from 2014/15 onwards
 - ongoing commitments, arising in part, from initiatives that have previously been funded from specific grants
 - achieving budgeted savings from outsourcing and shared services
 - the likely passporting of some Government departmental savings targets to councils

7. REVENUE BASELINE FORECAST 2011/12 TO 2014/15

- 7.1 The forecast is based upon a number of assumptions in line with the factors outlined above. After making these assumptions, including assuming annual decreases in Government grant across the period of the MTFS, a Council Tax Freeze Grant for next year of £186k, funded by Government, and assumed to continue increasing at 2.5% for the remainder of the MTFS, the Council faces a sizeable budget gap in each of the next four years. The cumulative position is summarised below, if no action is taken:

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Cumulative Budget Gap	78	1,250	1,966	2,674	2,821

- 7.2 The forecast budget gap follows the substantial savings achieved as part of the last two budget setting processes and is inclusive of savings proposed as part of last year's service reviews and MTFS process. This substantial gap highlights the major budget risks going forward over the next four years.
- 7.3 More detail about the budget forecasts and the assumptions underlying them are given in Appendix A.
- 7.4 Members and officers will need to work closely together to deliver a balanced and sustainable budget for 2012/13 and beyond. A number of actions will help to close the budget gap and cover six key areas:
- a) continue generating additional income from fees and charges, including that from new opportunities. The Council has regularly generated substantial additional income as part of the budget process each year;

- b) business process improvement across a range of services;
- c) pursuing further partnerships and sharing the provision of services with other councils and bodies, building on the success of its existing arrangements;
- d) greater procurement opportunities;
- e) service reviews by all managers and Members, particularly taking into account the Shared Services agenda, for the more efficient delivery of the Council's functions and services. The Council has an enviable record in the level of efficiencies and savings already achieved. However, given the forecast position, more radical solutions are likely to be required over the four year period rather than being able to rely on further efficiencies and savings, which will in any event be more difficult to achieve given past successes; and
- f) consider the merits of key messages resulting from budget consultation feedback including the appropriateness of service levels to reflect demand and need.

8. RISK ASSESSMENT

- 8.1 Part of the process of delivering a robust medium term strategy to enable the Council to manage its affairs soundly, is to have regard to both external and internal risks, and to identify actions to mitigate those risks. A risk analysis together with mitigating actions is given in Appendix B.

9. CONSULTATION

- 9.1 The Council will consult, at least annually, on its strategy and detailed financial plans for the coming year. Through a variety of methods, including e-consultation and forums, it will consult with staff, residents, partners and business. Consultation will also involve the Council's Scrutiny and Audit and Governance Committees.

10. OTHER OPTIONS CONSIDERED

- 10.1 The option not to bring a report forward at this time. Rejected as the consideration of the MTFS by Members at an early stage of the budget process is essential, particularly in order to commence actions to achieve a balanced budget and identifying the scale of the forecast Budget Gap for the next four years.

11. REASONS FOR RECOMMENDATION

- 11.1 To update the previous MTFS taking account of new and revised risks in order that the Council addresses them and will be able to set a balanced budget that delivers its priorities for the period under review, 2012/13 to 2015/16.

RECOMMENDATIONS

Cabinet is recommended:

- a) to review the principal assumptions and actions surrounding the baseline forecast;
- b) that Cabinet approves the Medium Term Financial Strategy; and
- c) that Members and Officers develop proposals to set a balanced budget for 2012/13 and beyond.

APPENDICES

Appendix A

Revenue Baseline Forecast

Appendix B	Risk Assessment
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BACKGROUND PAPERS	None other than published information
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Suffolk Coastal District Council

MEDIUM TERM FINANCIAL PLAN 2011-12 to 2015-16

	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
Total service costs	15,942	14,443	14,665	15,174	15,514
Capital Financing		45	151	254	300
Contingency	250	250	250	250	250
Net cost of services	16,192	14,738	15,066	15,678	16,064
Interest from Investments	(155)	(155)	(155)	(155)	(155)
In year pressure	0	0	0	0	0
T'fer to/(from) earmarked reserves	(1,984)	(90)	248	248	248
Use of general reserve	0	0	0	0	0
Total budget expenditure	14,053	14,493	15,159	15,771	16,157
Formula grant	(6,283)	(5,554)	(5,465)	(5,137)	(5,137)
Collection fund surplus	(70)	(30)	(30)	(30)	(30)
Council tax	(7,436)	(7,473)	(7,698)	(7,930)	(8,169)
Council tax Freeze Grant	(186)	(186)			
Total funding	(13,975)	(13,243)	(13,193)	(13,097)	(13,336)
Saving required	78	1,250	1,966	2,674	2,821

Baseline Forecast Sensitivity

- 1% change in tax, £1.49 per household per annum, supports additional spending of £75k
- £186k council tax increase funded by Government for 2012/13.
- 2.5% increase in council tax is assumed for the following 3 years.
- 1% reduction in formula grant amounts to some £63k
- 1% change in investment interest rates represents about £75k investment income.
- Pay inflation of 2.0% has been forecast from 2013/14.
- Provision for longevity and other changes following triennial review from 2014/15. Impact of £150,000 assumed.
- Funding re New Homes Bonus is assumed at nil impact on revenue - transferred to earmarked reserves
- Provision for cost of capital and revenue contribution to capital is included.

Other uncertainties

There are a number of budget uncertainties that may impact on the Forecast Budget Gap where it is not possible to finalise the costs/savings at this time, including:

- Further changes in Formula Grant and Housing Benefit Administration Grant;
- Localisation of Council Tax benefit (currently budget neutral);
- Council Tax Freeze Grant;
- Achieving forecast budgeted savings from Shared Services;

- Achieving budgeted levels of income from Fees and Charges;
- Planning Fee income - change in legislation with implementation between October 2011 and March 2012;
- Land Charges income-ongoing legal challenge re retention of fee income;
- Recycling Credits-budget pressure at County Council may result in renegotiation of payments;
- Implications arising from the resource review and community based budget initiatives.

Balances, Reserves, Provisions and Provisions for Bad Debts

At the end of March 2011, the Council's Statement of Accounts shows a General Fund Balance of some £3.34m. The General Fund Balance will be reduced by £154k that has been approved to be carried forward from 2010/11, to be spent in 2011/12, to allow a small number of projects to be completed.

Though the audit of the accounts for 2010/11 has just begun, it is not anticipated that there will be any adjustments required that would affect the overall level of balances currently reported.

The Council's Earmarked Reserves are in line with that forecast. The budget process will review the adequacy of these sums with amounts no longer required being returned to General Fund balances.

MTFS Assumptions

Employee costs	<ul style="list-style-type: none"> • 2% annual increase from 2013/14 onwards • Includes incremental increase • Includes reserves funded posts • Some posts are currently (2011/12) funded from PDG (£176k) - no reserve funding has been assumed there after. <p>Pension contribution:</p> <ul style="list-style-type: none"> • In line with triennial agreement until 2013/14 • Additional £150k there after
Fees an charges	Assumed small annual inflationary increase Some income risk re – recycling credit, other fees.
Housing Benefit Payment	Assumed % reduction in line with Formula Grant.
Revenue contribution to Capital programme	£150k per annum
Capital financing	Provisional cost of borrowing (internally / externally) and minimum revenue provision.
Contingency	£250k – provisional to manage risks associated with new gov policies and other budget uncertainties.
Investment income	No increase is assumed.
Formula Grant	As per CSR10 provisions
Council Tax	2.5% annual increase from 2013/14 onwards.
Tax base	0.5% increase in tax base.
Council tax freeze grant	£186k included in 2012/13 – (1% CT is equal to app £75k)
Savings	Includes proposed savings put forward from 2011/12 MTFS.

RISKS	PROBABILITY HIGH MEDIUM LOW	IMPACT HIGH MEDIUM LOW	MITIGATING ACTIONS
Strategic Risks			
<p>The absence of a robust Medium Term Financial Strategy could adversely affect budget and resource planning and projections.</p>	L	H	<p>Continually monitor and refine the strategy in line with changing influences. Update Corporate Management Team and Cabinet.</p>
<p>Failure to understand changing community needs and customer expectations can result in the Council providing levels of service which are higher than necessary or services which do not closely enough meet the needs of communities and customers.</p>	H	H	<p>Build upon past practice to develop more robust consultation methodologies. Continue to more closely align service levels to demand and need.</p>
<p>Government is increasingly pooling funding streams across its departments and channelling distribution through top tier authorities. Failure to access these funds may adversely impact on the Council's ability to service delivery.</p>	H	M	<p>Actively engage in this increasingly important opportunity to secure / redirect resources to deliver the Council's policies and objectives through the SSP, LSP and LEPs.</p>
<p>Budget pressures arising from household growth and other demographic changes.</p>	M	M	<p>Ensure investment is made in new technologies and ways of working to achieve efficient cost-effective services. Maximise income opportunities to reduce the net unit cost of services. Work with partners and other agencies</p>
Financial			
<p>Lack of clarity around Government's spending review and change agenda including welfare over the medium term.</p>	H	H	<p>Constantly monitor information from Government and update risk appraisals and financial projections. Lobby through the LGA as appropriate.</p>
<p>Budget pressures from demand led services and falling income reflecting the wider economy.</p>	H	M	<p>Monitor pressures throughout the budget process.</p>
<p>Costs arising from the triennial review of the Local Government Pension that will impact in 2014/15</p>	H	M	<p>Review and monitor information from Government and actuaries. Update forecasts as necessary.</p>
<p>Interest rate exposure on investments and borrowing.</p>	M	M	<p>Review cash flows, ensuring the Council has a flexible and forward looking debt management policy.</p>
Information			
<p>The Council itself has no influence over the outcome of some of the other bigger assumptions such as formula grant, national pay awards, interest rates, inflation and statutory fees and charges.</p>	M	H	<p>Key assumptions made are regularly reviewed from a variety of sources. Update forecasts as necessary.</p>
Operational			
<p>The Council has entered into a number of strategic partnerships and contracts and is therefore susceptible to price changes.</p>	M	H	<p>Effective negotiation, sound governance arrangements and regular reviews of performance and partnership risks.</p>
<p>There is a potential risk to the Council resulting if there is a financial failure from an external organisations, providing services to the public on behalf of the Council</p>	M	H	<p>Ensure rigorous financial evaluations are carried out at tender stage. Follow up with annual review of the successful organisation's Accounts, and review any external</p>

RISKS	PROBABILITY HIGH MEDIUM LOW	IMPACT HIGH MEDIUM LOW	MITIGATING ACTIONS
<p style="text-align: center;">People</p> <p>Loss of key resources arising from uncertainty surrounding the key change programmes such as shared services.</p> <p style="text-align: center;">Regulatory</p> <p>Changes of responsibility from Government can adversely impact on service priorities and objectives.</p> <p style="text-align: center;">Reputation</p> <p>Loss of reputation if unforeseen resource constraints result in unplanned service reductions.</p>	<p style="text-align: center;">L</p> <p style="text-align: center;">M</p> <p style="text-align: center;">H</p>	<p style="text-align: center;">M</p> <p style="text-align: center;">L</p> <p style="text-align: center;">H</p>	<p>auditor comments.</p> <p>Keep staff consulted and informed. Ensure employment terms and conditions are competitive and development needs identified through PDP are satisfied.</p> <p>Sound system of service and financial planning in place. Lobby as appropriate.</p> <p>Identify and implement robust solutions in response to changes. Consult widely. Seek to achieve a prudent level of balances and reserves.</p>