
Report to: Cabinet
Council

Date of Meeting: 21 June 2012
5 July 2012

Subject: Transformation, Medium Term Financial Plan and Revenue Budget Update

Report of: Head of Corporate Finance & ICT

Wards Affected: All

Is this a Key Decision? Yes

Is it included in the Forward Plan? Yes

Exempt/Confidential No

Purpose/Summary

1. To update Members on the latest assumptions contained in the Medium Term Financial Plan (MTFP) 2013/14 – 2014/15 and to highlight the potential budget gaps for this period.
2. To recommend to Cabinet the first stage of budget reductions to contribute to the balancing of the 2013/14 budget.
3. To recommend to Cabinet and Council approval of a change to the Treasury Management Policy to allow improvement of cash management

Recommendation(s)

That Cabinet:

- i) Recommend to Council the MTFP projected assumptions contained in this report;
- ii) Note the potential budget shortfalls within the MTFP as follows: -

| | £m |
|---------|------|
| 2013/14 | 21.7 |
| 2014/15 | 22.0 |

- iii) Recommend to Council the initial budget proposals for 2013/14 and future years outlined in paragraph 7, and that officers to be delegated to take the necessary actions to achieve the impact outlined,
- iv) Recommend to Council the change to the Treasury Management Policy as outlined in paragraph 8.

That Council:

- i) Approve the MTFP projected assumptions contained in this report;

- ii) Approve the initial budget proposals for 2013/14 and future years outlined in paragraph 7, and that officers to be delegated to take the necessary actions to achieve the impact outlined,
- iii) Approve the change to the Treasury Management Policy as outlined in paragraph 8.

How does the decision contribute to the Council's Corporate Objectives?

| <u>Corporate Objective</u> | | <u>Positive Impact</u> | <u>Neutral Impact</u> | <u>Negative Impact</u> |
|----------------------------|---|------------------------|-----------------------|------------------------|
| 1 | Creating a Learning Community | | √ | |
| 2 | Jobs and Prosperity | | √ | |
| 3 | Environmental Sustainability | | √ | |
| 4 | Health and Well-Being | | √ | |
| 5 | Children and Young People | | √ | |
| 6 | Creating Safe Communities | | √ | |
| 7 | Creating Inclusive Communities | | √ | |
| 8 | Improving the Quality of Council Services and Strengthening Local Democracy | | √ | |

Reasons for the Recommendation:

To ensure that the Cabinet is fully aware of the latest MTFP position so that early decisions can be made to enable the Council to agree a balanced budget for 2013/14 before the statutory date of 10 March 2013.

To allow the Council to invest in its own and other local authority owned companies to maximise cash management opportunities

What will it cost and how will it be financed?

(A) Revenue Costs

The revenue gaps for each of the years 2013/14 to 2014/15 are projected at £21.7m and £22.0m respectively. The figures are individual in-year savings targets, assuming the previous year's target is achieved. The Council needs to take action over the coming months in order for a balanced budget to be agreed for 2013/14. The first of these actions are detailed in the report.

(B) Capital Costs

None.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

| | |
|---|-------------------------------------|
| Legal | Statutory Duty |
| Human Resources | None |
| Equality | |
| 1. No Equality Implication | <input checked="" type="checkbox"/> |
| 2. Equality Implications identified and mitigated | <input type="checkbox"/> |
| 3. Equality Implication identified and risk remains | <input type="checkbox"/> |

Impact on Service Delivery:

To be determined; however it may be inevitable that in some cases service delivery will be adversely affected.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance & ICT (FD1612) and Head of Corporate Legal Services (LD946/12) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

None.

Implementation Date for the Decision

Immediately following the Committee Meeting.

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Background Papers:

Key Messages

This report sets out the following key messages:

- The Council set its budget in March and at that time it was estimated that the Council would need to reduce its spending by around £25m over the next two years.
- Since this time Government has made a number of announcements which now means that it is now estimated that the budget deficit is much larger.
- Sefton now needs to reduce spending by £43 million over the next two years.
- This is a significant challenge and will mean a continuation of the in-depth reviews of all Council spending that have been undertaken since 2009.
- The budget deficit is directly related to a real term reduction of Government Grant of £33 million with the rest being the extra cost Adult Social Care services – given Sefton’s ageing population.
- At this stage it is assumed that Council Tax will not be increased in the next two years. This will need to be considered over the coming months before making a final decision. Any increase will need full consultation with the public.
- However due to Government rules the most that can be raised in extra Council Tax would be £2m.
- This challenge is made much greater by the fact that the Council’s spending has already reduced by £64 million in the last two years’ budgets.
- These forecasts are based on what it is estimated Government Grant will be. It is unlikely that the actual figures will be received until December 2012 and so plans need to be made based on these numbers.
- The Council will continue to develop the process that has been in place for a number of years.
 - All stakeholders must continue to look for any savings that can be made and ideas continue to be welcomed
 - Specific reviews have commenced of a number of major services including Social Care, Libraries and Leisure.
 - All services will continue to be reviewed and assessments made of the most appropriate level that must be provided and that the Council can afford
 - The Transformation Programme continues to look at the longer term way we deliver our services
- This report asks Cabinet to approve a small number of non controversial savings items. None of these will involve any staff reductions.
- Sefton will keep staff informed throughout this process through briefings, intranet and face to face. There will be lots of opportunities for staff to get information and ask questions and the Council promises to maintain our open approach to the budget.
- The Council intends to continue to consult and engage with all our communities and partners. This process will start in June and continue until final decisions are made by Council.

1. **Background**

1.1 At its meeting of 1 March 2012 the Council agreed the budget for 2012/13. As part of this budget consideration the Council also noted that there was a gap in the coming 2 years between available funding and spending plans of over £25m. This report provides an update to those forecasts and incorporates into them recent changes in national funding arrangements and also the financial implications of local demographic trends, particularly relating to care services.

1.2 Council approved the 2012/13 Revenue Budget on 1 March 2012.

Current Spending levels

The Council currently spends

| | £m | £m | £m |
|-----------------------|----|----|------------|
| Total net expenditure | | | <u>539</u> |

In broad terms this is made up of :

| | | | |
|--|-------------|------------|------------|
| Schools Related (DSG) | | 184 | |
| Housing Benefits | | 118 | |
| Debt repayment, Pension deficit and NNDR | | 22 | |
| Levies | | 39 | |
| Council Expenditure on all other functions | 201 | | |
| Less unring-fenced grants | <u>- 25</u> | <u>176</u> | <u>539</u> |

1.3 The 2012/13 budget was the second year of significant reductions in budgets arising from the changes in national policies and resource allocations. Over the period 2011/12 to 2012/13 the Council will have delivered in excess of £64m budget savings to offset the cessation of £44m of grants and a further £20m to cover falling general funding and to redirect resources to support increasing demand on services.

The Chancellor's Autumn Statement confirmed that the national finances are less healthy than previous forecasts had assumed. He also indicated that further challenges in the levels of public expenditure would be inevitable.

The Medium Term Financial Plan (MTFP) has been prepared taking a reasonable but not pessimistic view of those areas which are known to be subject to change but for which the actual outcome is not yet known. The principal areas of government funding will not be known with certainty until December 2012. Decisions on how to address the budget shortfall need to be taken well before December 2012 to give time for proper consultation with the public, stakeholders, staff and other interested parties.

The current assumptions included within the MTFP are summarised in Annex A. More detail on their impact on the forecast budget gaps are described below.

2. Levels of Government Funding

Summary impact on budget – Reductions in funding of £18.6m over 2 years
Assumptions/Risks - retain current Level of NNDR base
- no changes from falling population numbers
- current level of new homes built is sustained at 400 p.a.

The Government funding allocations are due to be announced in December 2012 and these are likely to only be for one year. Officer projections of the national funding position and the best estimate of the likely impact on Sefton in 2013/14 and 2014/15 have been incorporated into the forecasts. Given the level of uncertainty further estimates have not been made for 2015/16. Clearly, given the current pressures to make increasing reductions in public sector expenditure this prudent but not pessimistic forecast could be significantly amended. A 1% error in this figure equates to a £1.2m variance

2.1 Formula Grant

The Formula Grant assumed within the previously agreed MTFP for 2013/14 and 2014/15 are based upon a greater reduction than the national average reduction announced in the 2010 Spending Review. This is in line with the greater reductions received by Sefton in 2011/12 and 2012/13. The reductions assumed are **£3.1m** in 2013/14 and a further **£8.6m** in 2014/15.

2.2 Business Rates Localisation

From 2013/14 Formula Grant will cease and will be replaced by Business Rates localisation. The details of how the scheme will work have yet to be finalised so it is difficult to assess what impact that this will have on our funding in 2013/14. Factors that will have a potential impact on our funding include:

- The level at which the baseline is set for current funding
- The method for calculating the share of national business rates
- The level of national business rates top slice for existing grants
- Assumptions about business rates growth
- Levels of damping included in the system (the mechanism used by the Government to set a limit on the reduction in funding that can be made to an individual Council).

From 2014/15 our funding will be affected by:

- The level of growth achieved (compared to the growth assumed by the Government)
- The level of the safety net and the levy on excessive increases.

The Cabinet is also asked to note that the level of NNDR collection has been assumed constant. Any reduction in collection rates for NNDR is expected to

partly fall on the Council from April 2012/13 (a 1% reduction could equate to a £0.35m loss of income to the Council). Furthermore no increase in NNDR has been assumed. 50% of any increase in the NNDR tax base can be retained by the Council

Given the uncertainty around how the scheme will work it is not proposed to change the current assumptions on reductions in funding due to the impact of Business Rates localisation. The potential impact on Sefton will be assessed as more information is received on how the scheme will operate. However, there are other issues that may affect external funding which are discussed below.

2.3 Data Changes

The starting point for system of business rates localisation will be based the current formula grant distribution model updated for data changes in 2013/14 and possibly 2014/15. Sefton has seen its population (the main driver of the relative needs formula) decline over the last 10 years, whereas other parts of England have on average seen a population increase. If the model used to determine the baseline continues to use population projections then we can expect our funding baseline to be established by the damping floor. If population estimates based on Census 2011 data are used we may see a different outcome.

Given the uncertainty around how the scheme will work it is not proposed to change the current assumptions on reductions in funding due to potential Data Changes.

2.4 New Homes Bonus

The Government have stated that they intend to top-slice the total level of grant required to fund the New Homes Bonus in its steady state (i.e. funding required in year 6) from the baseline for business rates localisation. This will reduce the level of top-up Sefton receives at the start of the new funding regime.

In 2013/14 the Government will need to make an initial adjustment because the amount they assumed would be required for New Homes Bonus in the 2010 Spending Review was lower than the actual amounts paid out. This is estimated to reduce Sefton's external funding by **£0.9m**. **This has been built into the revised MTFP.**

In addition, our Council Tax Base needs to grow in line with the national average so that the amount of New Homes Bonus received equates to the amount top-sliced by the Government. If it doesn't our funding will decline from 2013/14 onwards. To remain neutral it is estimated that the number of eligible properties needs to increase by between 800 and 1,100 per year. Although a similar increase was achieved in 2011/12, it is not considered to be sustainable in future years. It is considered more realistic to assume that any increase will be in line with the average increase achieved between 2010/11 and 2011/12. This will result in a further reduction in funding of **£0.5m**. **This has been built into the revised MTFP.**

2.5 Pay Increases Assumption in Budget Announcement

The Chancellors Autumn Statement 2011 announced that as a result of limiting pay increases to 1% in 2013/14 and 2014/15, there would be a saving on the assumption in the 2010 Spending Review that 2% had been included in

departmental budgets. This saving will be recouped by the Treasury by reducing departmental budgets by more than anticipated in the Spending Review. There is expected to be a reduction in the DCLG budget which could be passed on to local authorities in the Settlement for 2013/14 and 2014/15.

It is unknown what assumptions the Government make in relation to the funding of pay awards. A 1% pay award would cost the Council nearly **£0.9m**. **It is considered prudent to assume that external funding will reduce by this amount in 2013/14 and 2014/15.**

2.6 Academies Funding

As part of the 2011/12 and 2012/13 settlement an element of formula grant was top-sliced to fund schools converting to academies. The transfer was made pro-rata to the relative needs formula and did not relate to the actual number of pupils transferring to academies in the area. Sefton's Formula Grant was reduced by £1.171m in total over the two years. The Government is expected to correct any differences between the actual cost of providing support to academies and the amount of formula grant transferred as part of the 2013/14 funding calculations. Seven of the high schools with 7,848 pupils transferred to academy status during 2011 and a further two schools with 586 pupils are expected to combine into a single free school in 2012. If the Government uses the national average expenditure figure of £156 per secondary school pupil to calculate the required funding adjustment, then Sefton's external funding would be reduced by a further **£0.145m** in 2013/14. **This has been built into the revised MTFP.**

The Government have also indicated that they intend to transfer funding for some local authority central education functions out of formula grant in 2013/14 in order to be able to manage the costs of future academy transfers. This funding will then be redistributed by the DfE via a grant to local authorities and academies proportionate to the number of pupils for which they are responsible according to a national rate. Sefton currently supports 32,649 pupils aged 3 to 18 excluding those in academies and the proposed free school. If the Government top-slices the Council's funding inline with its actual expenditure and then provides a grant based on the national average expenditure, the Authority would stand to lose £0.346m for every £10 that it spends per pupil above the national average. Alternatively the Council could gain £0.346m for every £10 it spends per pupil below the national average. The DCLG and DfE are expected to consult later in 2012 on how this transfer can be achieved. **At present no change has been built into the amended MTFP in respect of this potential change.**

2.7 Council Tax Freeze Grant

The 2012/13 Council tax freeze was funded through a one year only grant (unlike 2011/12 freeze grant which was guaranteed until the end of 2014/15.) **The level of expenditure, £3.1m, which was supported by this grant, will now need to be met from a reduction in the budget in 2013/14 onwards.**

2.8 Adult Social Care Funding

Summary impact on budget – nil

Risks - £4m risk and further reductions required if not available

The government has funded additional Adult Social Care support, through the PCT for the last 2 years. These forecasts assume this will continue into future years at the rate of £4m. There is a risk that this will not be continued at the current level.

3. Council Tax

3.1 Council Tax Increases

| |
|---------------------------------------|
| Summary impact on budget – Nil |
|---------------------------------------|

The MTFP presented to previous Cabinet meetings have assumed an inbuilt increase in the Council Tax levels of 3% in each of 2013/14 and 2014/15 and it was also noted that funding to cover a nil Council Tax increase in 2012/13 was for one year only. This report has changed this assumption to one where Council Tax is assumed to be retained at its existing levels. This allows the Council to determine the level of Council Tax at a later stage in the budget process when the Council is able to understand the balance between increasing income and reducing budgets more clearly

Cabinet should note however, that due to changes arising from the Localism Act, and the treatment of levies, the ability to raise Council Tax without going to a public referendum is limited to £2m. This figure could change further if the level of “excessive increase” is changed by Government from the current 3.5% level. There could also be an impact arising from the replacement of the Council Tax Benefit Scheme with a Council Tax Reduction Scheme, details of how this change will affect the calculations has still to be released by DCLG.

3.2 Council Tax Support Scheme

| |
|--|
| Summary impact on budget – Scheme impact assumed at this stage to be nil. However, considered prudent to assume additional doubtful debt provision required of £0.5m. Risks - impact on current benefit recipients - Collection rates for new payees not known, |
|--|

The Council Tax Benefit for residents will cease on 31 March 2012. This will be replaced by a Council Tax reduction scheme that has to be determined by the Council. Funding for this replacement is estimated to be set at:

- i. 10% reduction on the existing figure (£3.7m)
- ii. No funding provision for forecasted additional claimants (£0.9m)
- iii. Provision for non payment of Council Tax from new payees (£0.4m)

The Council will need to consider how this gap will be met. If any of this reduction is to be found from the General Revenue Fund then further savings will need to be identified to match this redirection of resources.

The Council Tax Reduction Scheme will be the subject of a major report to the July Cabinet meeting. Officers are currently investigating the implications of the changes. This will include the design of a local scheme. **Given the uncertainty**

surrounding the implications of the changes it is considered that the updated MTFP should not include any amendments relating to the scheme.

However, because any changes to the scheme are likely to result in Council Tax being collectable from those who will find it most difficult to pay it is considered that the collection rate will reduce as a result. Although there is uncertainty as to what this reduction will be, it is considered prudent to assume that an additional **£0.5m** will be uncollectable from Council Taxpayers. This has been built into the updated MTFP.

4. Expenditure

4.1 National Pay Settlement

Summary impact on budget – Increases in expenditure of £1.8m over 2years

No agreement has been reached regarding the national pay settlement for future years. The Council's forecasts assume a 1% increase in 2013/14 (£0.9m) and a further 1% in 2014/15.

4.2 Terms and Conditions

Summary impact on budget – Increased expenditure of £3.2m over 2 years

The Council has an agreement with the unions for changes in terms and conditions which has delivered savings of £2.5m in each of the 2 years relating to this agreement. This agreement will need to be renegotiated for 2013/14 and 2014/15 and the budget forecasts assume that the same level of savings can be maintained with the exception that the cost of increments, which have not been paid for 4 years will be reintroduced.

4.3 Social Care

Summary impact on budget – Increased expenditure of £7m over 2 years

The previously reported MTFPs have no provision for additional expenditure in 2013/14 and 2014/15 for social care as a result of demographic pressures. Officers have conducted an initial review of the potential additional costs as a result of these pressures. This indicates that costs for Adult Social Care are expected to increase by **£4m** in 2013/14 and a further **£3m** in 2014/15. Each year the numbers and costs of those vulnerable older people requiring our services increase. This is a national demographic and financial issue which all Councils face but it is an important and pressing issue for us here in Sefton given the greater proportion of older people in Sefton - particularly in terms of those over the age of 80. In spite of an increasing number of national reports calling for action and policy changes, Local Authorities await policy and resourcing policy from national Government. In the meantime this extra cost falls directly on the Council. We do not receive any extra money from Government to pay for this. No additional increases in children's social care are anticipated over the period to 2014/2015.

4.4 Inflation

Summary impact on budget – Increased expenditure of £9m over 2 years

Current price inflation varies considerably across the various elements contained within the Government's CPI figures, with many items having little relevance to the costs incurred within local government.

Recent publicity regarding utility / transport fuel costs has indicated that, due to world economic conditions, inflation is expected to increase year-on-year for the period of the MTFP. The 9% increase for these costs in each of the years of the plan is consistent with previous forecasts. **It is proposed to retain an inflation provision at this level.**

The MTFP currently provides for a 2% increase for Demand Pressure Services in each of the three years of the plan. **It is proposed to retain an inflation provision at this level.**

Cabinet needs to be mindful that also on the agenda is a report concerning the fees paid to residential care providers for 2011/12 and 2012/13. The decision in relation to those fees may impact on social care budgets.

Externally contracted services which have a specified inflation index within the contract are provided for within the MTFP. As the actual indexes will not be known until the relevant years, the MTFP provision is based upon existing contractual inflation figures.

The MTFP currently provides for a 2% increase for Other Services (excluding contracted services) in each of the three years of the plan. **It is proposed to retain an inflation provision at this level.**

Therefore, no additional adjustment to the MTFP for inflation is proposed at present

5. Savings Agreed during the 2012/13 Budget Process

Delivery of the approved savings for 2012/13 are being implemented. Whilst it has been assumed that these savings targets will be achieved, these matters will be kept under review and any variation that will continue into 2013/14 will be included in future updates of the MTFP.

In addition, a number of savings agreed during the 2012/13 budget process either:

1. Were to be implemented from 2013/14;
2. Were to be implemented part way through 2012/13 so the saving increases in 2013/14 to take account of the full year effect; or,
3. Were only for a set period of time so the saving has ceased in a future year.

These items are all listed in Annex B. Any issues with regard to the achievement of these savings will be kept under review and any potential variations that will impact on future years will be included in future updates on the MTFP.

6. Summary Budget Gap Analysis 2013/14 – 2014/15

Compared with the current 2012/13 budget service levels, the following shortfalls have been projected: -

| | Para Ref | 2013/14 £m | 2014/15 £m |
|--|----------|---------------|---------------|
| <u>National policy changes:</u> | | | |
| Cash Reduction in Government Grant: | | | |
| Reduction based on 2010 Spending Review | 2.1 | 3.1 | 8.6 |
| New Homes Bonus – Initial Reduction | 2.4 | 0.9 | 0.0 |
| New Homes Bonus – Ongoing Reduction | 2.4 | 0.5 | 0.5 |
| Pay Increases Assumption | 2.5 | 0.9 | 0.9 |
| Academies Funding | 2.6 | 0.1 | 0.0 |
| Loss of Council Tax Freeze grant | 2.7 | 3.1 | 0.0 |
| | | 8.6 | 10.0 |
| Council Tax reduction scheme | 3.2 | 0.5 | 0.0 |
| <u>Inflation:</u> | | | |
| Pay / Increments | 4.1, 4.2 | 2.6 | 2.4 |
| Prices | 4.4 | 4.4 | 4.6 |
| Pensions | | 0.9 | 0.0 |
| | | 7.9 | 7.0 |
| <u>Demographics – Demand Pressure Services growth:</u> | | | |
| – Adult Social Care | 4.3 | 4.0 | 3.0 |
| <u>Previous Cabinet / Council Decisions:</u> | | | |
| Cardboard / Plastics Recycling | | 1.0 | 0.0 |
| Housing Benefit Subsidy | | 0.2 | 0.2 |
| Southport Cultural Centre | | 0.5 | 0.0 |
| Impact of previous year budget decisions | | -1.0 | 1.8 |
| Total Budget Gaps | | 21.7 | 22.0 |

7. Review of the 2012/13 Budget and Options for future savings

The Council considered 2012/13 budget options over several meetings from September 2011 to March 2012. During the implementation of these options and as part of an ongoing review and challenge of service budgets the following areas for possible budget reductions have been identified by officers. This first phase of budget changes does not have any requirement to consult with the public nor contain staffing redundancy implications. Members are asked to consider them and approve officers to be delegated to take the necessary actions to achieve the impact outlined.

| Area for Change | 2013/14 £000 | 2014/15 £000 | Action Required |
|--|-----------------|-----------------|---|
| Increased Housing Benefit performance grant - low error rate | 500 | | Budget to assume continuing level of performance to gain additional grant for 2012/13 plus 2 years |
| Reduction in External Audit fees | 100 | | Renegotiated rates agreed with Audit Commission, Budget adjusted. |
| Recoverable VAT | 400 | | On satisfying need to create Environment Warranty provision apply Additional OVH vat recovery to revenue account instead of reserves arising in part from increase in VAT from 17.5% to 20% |
| Learning and development | 80 | | £220 One off from previous year grants, £80k recurrent achievable from increased e-learning |
| School Improvement team – premises, supplies and services | 50 | | Greater levels of economies being made , adjust budget requirement |
| Education other than at School recurring under spend | 118 | | Ongoing reassessment of required budget level – reduce budget accordingly |
| Catering service - additional income attributable to Council | 100 | | |
| Recycling contract savings | 400 | | |
| Updated staffing savings arising from People department restructures actioned in 2011/12 and 2012/13 | 148 | | |
| TOTAL | 1,896 | 1,896 | |

The above savings have not been included in the MTFP outlined earlier in this report. If approved, the £1.9m saving in 2013/14 will contribute to the overall resource shortfall of £43m identified within this report.

8 Investment Vehicles

- 8.1 The Treasury Management Policy provides delegated authority for the Head of Corporate Finance and ICT as follows:

All executive decisions on borrowing, investment or financing shall be delegated to the Head of Corporate Finance and ICT (or in his/her absence the Deputy Section 151 Officer) who shall be required to act in accordance with the Council's Treasury Policy, Treasury Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.

- 8.2 The Treasury Management Strategy for 2012/13, presented to Cabinet on 1 March 2012, included potential investment vehicles that should be made available to the authority, and set a maximum duration for non-specified investments at 2 years (paragraph 2.9.7). This included the ability to invest in other local authorities.
- 8.3 This has been reviewed by the Head of Corporate Finance and ICT. It is proposed that the list of investment vehicles will now be extended to include other public bodies (including local authority owned companies) as well as other Local Authorities. The maximum duration for non-specified investments is to be extended to 3 years.
- 8.4 This change if approved by Council will allow the cash management budget targets set to be easy achievable. It will also allow the Council to invest in companies owned by the Council to ensure value for money by reducing cash flow costs to these organisations and at the same time giving a greater value for money back to the Council. This provision would enable future developments of such companies through loans to develop infrastructure and capitalised costs.
- 8.5 The Council are required to approve any changes to the Treasury management policy and Cabinet are asked to recommend the change for approval accordingly.

Annex A**Current Assumptions within the MTFP 2013/14 – 2014/15**

| Income | 2013/14 | 2014/15 |
|---|--|----------------|
| Council Tax: | | |
| Increase (%) | 0% | 0% |
| Increase (£m) | £0.0m | £0.0m |
| | | |
| Formula Grant: | | |
| General Decrease (%) | -2.7% | -7.6% |
| General Decrease (£m) | -£3.1m | -£8.6m |
| | | |
| Further Specific Changes: | | |
| – New Homes Bonus – Initial Recoupment | £0.9m | £0.0m |
| – New Homes Bonus – Net loss of external funding | £0.5m | £0.5m |
| – Pay Increases Assumption in Budget Announcement | £0.9m | £0.9m |
| – Top Slice for Academies Funding | £0.1m | 0.000 |
| – Business Rates Localisation | No impact assumed | |
| – Data Changes | No impact assumed | |
| | | |
| | | |
| Other non-ringfenced grants | 2012/13 figure – continue until 2014/15 unless otherwise known | |
| Govt resources for Social Care (PCT) | £4.0m | £4.0m |
| Council Tax Base | Reduced for assumed impact of Council Tax Support Localisation | |
| Collection Fund Deficit / Surplus | 2012/13 figure – continue until 2014/15 | |

| | 2013/14 | 2014/15 |
|---------------------|----------------|----------------|
| Expenditure: | | |
| | | |
| Inflation: | | |
| | | |
| Pay | 1.0% | 1.0% |
| | £0.9m | £0.9m |
| | | |
| Increments | £1.7m | £1.5m |
| | | |

| | | |
|--|-------|-------|
| Price Inflation: | | |
| - Demand Pressured Services | 2.0% | 2.0% |
| - Adult Social Care | £2.0m | £2.0m |
| - Children's Social Care | £0.1m | £0.1m |
| | | |
| - Other Services (excluding Contracted Services) | 2.0% | 2.0% |
| | £1.2m | £1.2m |
| | | |
| - Contracted Services (based on assumed inflationary indices) | £0.6m | £0.8m |
| | | |
| - Utility / Fuel costs | 9.0% | 9.0% |
| | £0.5m | £0.5m |
| | | |
| - Pension Costs | 8.1% | 0.0% |
| | £0.9m | £0.0m |
| | | |
| - Levying Bodies | 0.0% | 0.0% |
| | £0.0m | £0.0m |
| | | |
| Contribution to General Balances | £0.0m | £0.0m |
| | | |
| Growth: | | |
| - Demand Pressured Services | | |
| - Adult Social Care | £4.0m | £3.0m |
| - Children's Social Care | £0.0m | £0.0m |
| | | |
| - Other Services | | |
| - Cardboard / Plastics Recycling | £1.0m | £0.0m |
| - Housing / Council Tax Benefit Admin. Subsidy | £0.2m | £0.2m |
| - Southport Cultural Centre | £0.5m | £0.0m |
| | | |
| - Debt Financing | £0.0m | £0.0m |
| | | |

Annex B**Savings Agreed During 2012/13 Budget Process - Implications from 2013/2014 onwards already included in Budget Gap:**

| | 2012/13 | 2013/14 | 2014/15 |
|---|----------------|----------------|----------------|
| | £m | £m | £m |
| | | | |
| | | | |
| Ongoing Savings: | | | |
| Children in Care - Reduce Care Package Costs | -0.396 | -0.396 | -0.396 |
| Re- Commission Nursing and Residential Care | -1.500 | -1.500 | 0.000 |
| Supporting People | -2.000 | -1.000 | 0.000 |
| Supporting People Commissioning Functions | -0.043 | -0.014 | 0.000 |
| Area Finance / Finance Visiting Officers - Review | -0.100 | -0.100 | 0.000 |
| Parks, Greenspaces, Coast & Countryside Redesign | -0.250 | -0.330 | 0.000 |
| Car Parking – Increased Charges (Agreed 2011/12) | 0.000 | -0.200 | 0.000 |
| Subscriptions (LGA / NWE0) | 0.000 | -0.076 | 0.000 |
| Cease provision of Mobile Library Service | -0.039 | -0.003 | 0.000 |
| Recharge sports users and allotment holders the costs of provision of utilities and grounds maintenance | -0.065 | -0.020 | 0.000 |
| Connexions | -0.900 | -0.136 | 0.000 |
| Homelessness (Reduction in staff numbers by one in 2013/14) | 0.000 | -0.031 | 0.000 |
| House Renovation Grants (Reduction in staff numbers by one in 2013/14) | 0.000 | -0.031 | 0.000 |
| CSF – Demand Led Pressures Growth | -0.700 | -0.700 | 0.000 |
| | | | |
| 'One-Off' Savings: | | | |
| Housing Benefits – Net Costs (Agreed 2011/12) | -0.160 | 0.160 | 0.000 |
| Housing Benefits – Net Costs | -0.200 | 0.000 | +0.200 |
| Highways Maintenance (Agreed 2011/12) | -0.760 | 0.760 | 0.000 |
| Highways Maintenance | -0.400 | 0.000 | +0.400 |
| Elections | 0.000 | -0.200 | +0.200 |
| Treasury Management | -1.300 | -0.100 | +1.400 |