

Cabinet

17 July 2013

Medium Term Financial Plan (4), Council Plan and Service Plans 2014/15 – 2016/17



Key Decision No. CORP/R/13/02

Report of Corporate Management Team Joint Report of Don McLure, Corporate Director Resources and Lorraine O'Donnell, Assistant Chief Executive Councillor Alan Napier, Portfolio Holder for Finance

Purpose of the Report

- 1 The report aims to provide an update on the development of the 2014/15 Budget, the Medium Term Financial Plan (MTFP (4)) and Council Plan/ Service Plans.

Executive Summary

- 2 The financial outlook for the council continues to be extremely challenging.
- 3 Based upon the 2010 Comprehensive Spending Review (CSR) the Government expected that the public sector deficit would have been eradicated by the end of 2014/15. In MTFP (1) the council forecast that the savings required over the four year period 2011/12 to 2014/15 would be £123m.
- 4 Every Autumn Statement and March Budget since the 2010 CSR however has resulted in increases in cuts for local government and an extension of the period when cuts will be required. It is now expected that cuts will continue until at least 2017/18 with a possibility that the cuts could continue until 2020.
- 5 Council approved MTFP (3) on 20 February 2013 and at that point the forecast of total savings across the period 2011/12 to 2016/17 was £188m. Since the council's budget was set however the Government announced in the March 2013 Budget that local authorities will face an extra 1% budget cut in 2014/15 and the 26 June 2013 Spending Round announced a headline additional 10% funding cut for local authorities in 2015/16. The detail supporting the 10% funding cut announcement for 2015/16 is still to be released by the government so the forecasted total savings of £202m required by the council over the period 2011/12 to 2016/17 and included in this report is based on the most recent forecasts.
- 6 The council carried out an extensive consultation on the MTFP in 2010. The results of the consultation have formed the foundation for the council's approach to our subsequent MTFP strategies. Key areas of the council's budget have been protected whilst savings have been delivered against the required target. By 31 March 2013, £93m of savings have been delivered for 2011/12 and 2012/13, with excellent progress being made in realising the £20.9m savings target in 2013/14. Total savings achieved will be £113.9m by the end of 2013/14, but estimated additional savings of £25.9m are going to be required for 2014/15 and a further £62.7m for 2015/16 to 2016/17 to reach the revised £202m total savings target. This figure will need to be revised further when the detail of 2015/16 Spending Round impact for the council is evaluated.

- 7 The council's forward planning which has underpinned the MTFP process to date has been extremely effective and has enabled the council to maintain its financial strength whilst still investing in key front line services and priorities including the capital programme. Effective forward planning and robust assurance frameworks have ensured that the council has been successful in delivering the necessary savings required to date. This process has been supported at all times by Members of the council, partners, employees and the trade unions. For the next phase of the MTFP process however, from MTFP (4) onwards, a full reassessment of priorities will be required.
- 8 To assist in this reassessment, the council will carry out a comprehensive consultation process during the autumn of 2013. The key aim of this consultation will be to determine those council services which are seen to be a key priority to the public in County Durham and also those services which are not seen as being a priority. The results of this consultation will be key in assisting the council in planning the approach future budgets and in determining the future approach to meeting the challenging savings targets.

Background

- 9 To ensure the MTFP (4), Council Plan and Service Plans can be developed effectively, it is important to agree a robust plan and timetable.
- 10 The Council's current MTFP, which is referenced as MTFP (3), covers the period 2013/14 to 2016/17. There is significant uncertainty in relation to a number of factors beyond this period, especially as regards to the level of future Government financial settlements. With this in mind, at this point MTFP (4) is being developed for a three year period only, being 2014/15 – 2016/17.
- 11 At this stage the following key areas need to be considered:
 - (i) The impact of the March 2013 Budget and the 26 June 2013 Comprehensive Spending Round (CSR) upon forecasts for future Government financial settlements;
 - (ii) Options for addressing the 2014/15 Budget shortfall of £12.122m reported to Council on 20 February 2013 as part of MTFP (3);
 - (iii) MTFP (4) – 2014/15 to 2016/17 position
 - (iv) Proposed approach to the Council Plan and Service Plans;
 - (v) A draft MTFP (4) and Council Plan timetable;
 - (vi) Proposed approach for consultation on MTFP (4) and the Council Plan;
 - (vii) Equality considerations.

Impact of the March 2013 Budget and the 26 June 2013 CSR

- 12 The March 2013 Budget contained a number of announcements which will impact upon both the future Government finance settlements for Local Government and the costs incurred by the Council. The key announcements were as follows:

(i) **Additional cuts for non-protected Government Departments**

The 2012 Autumn Statement announced additional reductions for non-protected Government Departments of 1% in 2013/14 and 2% in 2014/15. Local Government however was protected from the additional 2013/14 reduction but not from the additional 2% in 2014/15.

The 2% reduction in 2014/15 is already built into the £29m reduction in Government funding forecast for 2014/15 in MTFP (3).

The March 2013 Budget then announced additional cuts on top of those announced in the 2012 Autumn Statement. All non-protected Government Departments faced an additional 1% reduction in 2013/14 and an additional 1% reduction in 2014/15. Local Government has again been protected from the 2013/14 reduction but will face the additional 1% reduction in 2014/15.

The key problem at this stage is that it is not clear under the new Business Rate Reduction (BRR) regime how this 1% cut will apply to Local Government in 2014/15 and whether it will apply to funding streams such as Public Health. At this stage a prudent, additional reduction in Government funding of £3m has been introduced into the 2014/15 MTFP model increasing the Government funding reduction from £29m to £32m.

(ii) **Single Pension Implementation and impact upon National Insurance Contributions**

The Government has introduced a significant cut for the public sector in the March 2013 Budget as part of the announcement to bring forward by a year, the implementation of the single flat rate pension of £144 per week, to 2016/17. Once this policy change on pensions is implemented the National Insurance rebate of 3.4% the Council presently receives on employer National Insurance contributions will end, resulting in a significant increase in the National Insurance contribution the Council presently pays. The additional cost to the Council in 2016/17 is forecast to be £5.1m. In Government terms the change to National Insurance will bring in an additional £6.5bn per annum to the Treasury.

This base budget pressure will significantly increase the saving the Council is required to achieve in 2016/17 as the Government has presently identified that it expects public sector organisations to absorb this additional cost.

This policy will also impact on employees as they presently receive a 1.4% Employees National Insurance rebate. This will also end in 2016/17 with National Insurance contributions for employees increasing by up to £40 per month. Once employees reach state pension age however they will receive the enhanced state pension which would not be the case under the current arrangements.

(iii) **Public Sector Pay Cap and Review of Incremental Progression**

The Government have confirmed an extension of the 1% public sector pay cap into 2015/16. In addition a review of incremental progression has also been announced with an intention to link progression to performance. Government at this stage cannot enforce such changes or pay rise caps upon local authorities. In line with past experience however it is expected that the Government will use

the pay cap as evidence for passing additional savings onto local authorities in 2015/16.

- 13 The Government also confirmed the date for publishing the results of the next Spending Round in the March 2013 Budget. The Spending Round announced on 26 June 2013 is for 2015/16 only, where the Government has set out how it will deliver additional national public expenditure savings of £11.5bn. Health, Education and International Development will continue to be protected and the 10% additional cut on Local Government and the implications for Durham is being evaluated .
- 14 For practical purposes, at this stage the forecast Government financial settlements for 2014/15 onwards are in line with the Government Control Totals announced in the March 2013 Budget. These figures will need to be adjusted following the Spending Round announcement.

2014/15 Base Budget Shortfall

- 15 The MTFP (3) model included in the Budget report to Council on 20 February 2013 identified that there was a budget shortfall of £12.122m in 2014/15. A thorough review has been carried out on the 2014/15 budget model which has enabled an up to date position to be developed. The key adjustments have been as follows:
- (i) The Government funding reduction has increased by £3m in line with the March 2013 Chancellor's Budget announcement of an additional 1% cut for local authorities.
 - (ii) Savings targets have been increased by £7.268m. Service Groupings have been asked to identify additional savings of £5.164m and a "Corporate" savings target of £2.104m has been set with a focus on "cross cutting" budget areas.
 - (iii) Additional business rate yield of £2.5m is forecast in 2014/15. In the first year of the Business Rate Reduction (BRR) scheme in 2013/14, the Council was required to account for all outstanding rateable value appeals prior to April 2013, which reduced the estimated income from business rates. This requirement was a one-off for 2013/14 and will not be required in 2014/15.
- 16 Full details of all of the amendments to the 2014/15 budget are detailed in Appendix 2 with a summary table shown below:

	£m
Original 2014/15 Budget shortfall	12.122
Add items which increase shortfall	3.190
Revised shortfall	15.312
Deduct provisional items which reduce shortfall	(12.468)
Current Shortfall	2.844

- 17 The table above highlights that the shortfall has reduced from £12.122m to £2.844m. The key factor which has reduced the shortfall is an increase in savings required of £7.268m. Total proposed savings for 2014/15, which are still subject to approval, have now increased from £15.744m to £23.012m.
- 18 Budgets will be monitored throughout the coming months alongside consideration of additional savings options, to enable this shortfall to be eliminated and to enable the setting of a balanced budget for 2014/15.

MTFP (4) – 2014/15 to 2016/17 position

- 19 MTFP (3) detailed that £51.276m of savings were 'still to be identified' for the period 2014/15 to 2016/17. A number of issues and Government announcements has subsequently had an impact upon the 2015/16 and 2016/17 forecast. The table below summarises the current forecast budget shortfall across the MTFP (4). An updated MTFP model is provided at Appendix 3 and full details of the adjustments made available at Appendix 4.

Year	Budget Shortfall
	£m
2014/15	2.844
2015/16	18.294
2016/17	37.365
TOTAL	58.503

- 20 The increase in the forecast MTFP (4) budget shortfall is mainly as a result of a £12.47m increase in the forecast of the level of the Government funding cut in 2016/17 and the additional £5.1m National Insurance cost in 2016/17.
- 21 The 10% additional cut announcement within the Spending Round will result in an increase in the forecast Government funding cut for the Council in 2015/16 and our savings target will need to increase.

Proposed Approach to the Development of the Council Plan and Service Plans

- 22 The Council Plan is the overarching corporate plan for the County Council, setting out what the Council is aiming to achieve over the next four years. The development of the current Council Plan was integral to deciding on the priorities for the MTFP (3). Investments and savings agreed as part of the MTFP (3) are targeted to achieving the objectives identified in the Council Plan as part of our strategic planning processes.
- 23 The Council Plan aligns to the Sustainable Community Strategy (SCS), which is a 20 year strategy for the county developed and agreed by the council and its partners through the County Durham Partnership.
- 24 The Council Plan sets out how the Council will deliver its contribution to the SCS across five priority themes:
- Altogether Wealthier
 - Altogether Better for Children and Young People
 - Altogether Healthier
 - Altogether Safer
 - Altogether Greener.
 - Plus a sixth theme of an Altogether Better Council, aimed at improving how the council runs itself.
- 25 A fundamental review of the Council's priorities was carried out in 2010/11 in light of the significant challenge of needing to reduce our spending following reductions to Government grant funding. Lighter touch reviews were conducted in 2011/12 and 2012/13. Members formed a key part of these processes and were consulted through a number of seminars.

- 26 The priorities set out on the current Council Plan reflect our decision, backed up by consultation findings, to protect frontline services. Our spending plans for this year and the forthcoming year are based on these assumptions.
- 27 This year, it is proposed that the review of the Council Plan will link to a public consultation on MTFP (4) spending priorities, as well as ongoing work being done to refresh the Sustainable Community Strategy. It is proposed that the Council plan remains a 3 year rolling plan, to align with the development of the MTFP (4).
- 28 The review of Council Plan objectives and outcomes is proposed to take place over the summer and autumn, alongside work on MTFP (4) proposals. This will allow the Council Plan to be updated to reflect relevant changes in Government policy, including the ongoing implications of welfare reform, plus any changes in our local priorities for example arising from consideration of performance outcomes for the current year. Member input is proposed via Corporate Issues Overview and Scrutiny Committee considering key Cabinet reports, linked to the MTFP, in accordance with the timetable at paragraph 32.
- 29 Draft Service Plans for each service grouping are scheduled for development during the autumn, based on the revised Council Plan framework agreed with Cabinet. The final draft Council Plan will be presented to Cabinet and Council for consideration alongside the final MTFP (4) proposals, early in 2014.

MTFP (4) and Council Plan Timetable

- 30 The development of MTFP (4) is fundamental to ensuring that the Council can plan and prepare for the continuing reductions in Government funding. The timetable for delivery of MTFP (4), the Council Plan and Service Plans has taken the following into account:
- The need to make changes to Council priorities as part of the development of the Council Plan
 - Consultation requirements
 - Equality considerations
 - Government announcements
 - The need to consider both revenue and capital
- 31 A high level timetable up to Council Budget Setting is detailed below:

26 June	Publication of Comprehensive Spending Round (2015/16 only)
17 July	MTFP/Council Plan scene setting and update report to Cabinet
19 July	Overview and Scrutiny Management Board considers 17 July Cabinet report.
25 July	Corporate Issues Overview and Scrutiny Committee (CIOSC) consider 17 July Cabinet report
9 October	MTFP/Council Plan report to Cabinet providing further update
14 October	CIOSC meeting considers 9 October Cabinet report
Oct/Nov	MTFP/Council Plan consultation process
End Nov	2014/15 finance settlement announced by DCLG

18 Dec	MTFP/Council Plan report to Cabinet. Detail on settlement and outcome of consultation process
20 Jan	CIOSC meeting considers 18 December Cabinet report
12 Feb	Budget report to Cabinet
13 or 14 Feb	OSMB meeting to consider Budget
26 Feb	Council Budget and MTFP report

Proposed Approach to Consultation

- 32 It is proposed that the opportunity is taken in October/November this year to carry out a comprehensive consultation on the Council's MTFP to build on the prioritisation exercise carried out in November, 2010.
- 33 That exercise provided an opportunity for the public to consider the financial challenges facing the Council and to identify those services that they felt should receive larger or smaller budget reductions over the following four years. The results of that exercise provided a clear steer for the Council and have played a major role in guiding the subsequent funding allocations of the authority. Since that exercise, the following consultations have tended to focus on proposals for the forthcoming year, and in 2012, sought views on the impact of the reductions made to date as well as how well the public felt the Council was managing this difficult process.
- 34 The findings of the 2012 consultation concluded that the public felt positive about the manner in which the Council was managing the reductions whilst emphasising the need to continue engaging with them in the decision making processes.
- 35 Taking these comments on board, although the initial consultation in 2010 was for the period up to 2014/15, given the scale of the financial challenges outlined in this report, it is now felt appropriate to carry out a further prioritisation exercise on the Council's overall budget.
- 36 Learning from the approach taken in 2010, in addition to the process providing valuable information for the Council, for those who took part, there was also an appreciation of the difficulty of the task facing the Council to set a balanced budget. Reflecting on the 2010 consultation, it was concluded that in order to provide a considered view on how the Council should allocate multi million pound budget reductions, the most effective methods were through deliberative fora, where the public could discuss the options amongst fellow members of the community before reaching a conclusion.
- 37 Building on that experience, it is proposed that the main focus of the consultation which will be held in October and November 2013 will use the following mechanisms:
- The County Durham Partnership (including its Board, Thematic Partnerships and Forum)
 - Area Action Partnerships
 - Groups representing equality standards
 - Citizens' Panel
 - VCS and Local Councils' Working Group
- 38 The proposed focus of the consultation will be a prioritisation exercise for the full range of the Council's services. To improve understanding of the Council's budget,

information on the various budget areas will be made available to the public prior to the consultation commencing in September. In order to try to ensure a wide spectrum of individuals take part in the exercise through Area Action Partnerships, it is proposed that the consultation is focused on a series of events held on Saturdays alongside a Participatory Budgeting exercise where members of the public will vote on a Small Grants Scheme. The Council has been leading within the region on the development of such schemes and where they have been held they have attracted high levels of participation.

- 39 The aim is to build on that success and to provide a series of major engagement events across the County during this period. In order to make efficient use of these events and to provide a broad range of issues that will hopefully help attract large numbers to take part, it is also proposed the AAP meetings will provide the last opportunity for the public to comment on the Draft Durham Plan before considered by a Planning Inspector in 2014.
- 40 In addition to providing a view on prioritising how further reductions should be made over the period of the MTFP, it is also proposed that there is an opportunity to comment on the appetite to hold a referendum in order to increase Council Tax beyond 2%. It is proposed that this would also be the subject of an online questionnaire to the general public.

Equality Considerations

- 41 Alongside the development of the MTFP (4), equality impact assessments will be considered throughout the decision making process. This is in line with the Equality Act 2010 which under the public sector equality duty requires us to pay 'due regard' to the need to:
- Eliminate discrimination, harassment, victimization and any other conduct that is prohibited by or under the Act;
 - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 42 To ensure that equalities considerations are properly built into this year's MTFP (4) process, an updated overall summary of the cumulative impacts of the previous MTFP decisions was provided as part of the 5th June 2013 Cabinet report on MTFP (2) delivery progress, and will be updated quarterly for MTFP (3) going forward. Equalities considerations will also be built into MTFP (4) guidance to services, setting out an overall timetable and approach for completing equality impact assessments for any additional savings proposals identified.
- 43 In addition we will continue to ensure that full equality impact assessments inform final decision-making on implementing MTFP (4) savings for 2014/15 and subsequent years. This is built into management arrangements to monitor delivery of all MTFP savings, and will help to ensure that any changes implemented take into account equality impacts and that mitigating actions are taken where possible.

Recommendations and Reasons

- 44 Cabinet is asked to:
- (i) Note the updated 2014/15 budget position including the current £2.844 shortfall

- (ii) Note the current £58.503m Budget Shortfall for the MTFP (4) period 2014/15 – 2016/17 which will need to be adjusted further when the impact of the Government’s Spending Round for 2015/16 is evaluated
- (iii) Agree the proposed approach to preparing the Council Plan and Service Plans
- (iv) Agree the outlined approach to consultation
- (v) Agree the high level MTFP (4) and Council Plan timetable
- (vi) Agree the proposals to build equalities considerations into decision making

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Appendix 1: Implications

Finance

The report highlights the current £2.844m shortfall in 2014/15 MTFP (4) model and identifies that additional options will be considered throughout the year to enable a broadly balanced budget position to be achieved. The report also highlights a £58.5m budget shortfall for the period 2014/15 – 2016/17.

Staffing

The savings proposals within MTFP (4) and any additional savings identified could impact upon staff. HR processes will be followed at all times.

Risk

Risks will continue to be assessed throughout the Budget/MTFP process.

Equality and Diversity/Public Sector Equality Duty

Equalities considerations are built into the proposed approach to developing the MTFP (4), Council Plan and Service Plans, as a key element of the process.

Accommodation

None

Crime and Disorder

None

Human Rights

Any Human Rights issues will be considered for any detailed MTFP (4) and Council Plan proposals as they are developed and decisions made to take these forward. There are no Human Rights implications from the information within this report.

Consultation

The proposed consultation process is an integral element of this report and it is suggested will involve a series of deliberative discussions with the public throughout September – November 2013.

Procurement

None

Disability Issues -

All requirements will be considered as part of the equalities considerations outlined within the main body of the report.

Legal Implications -

None

Appendix 2 - Review of 2014/15 MTFP Model

	£m	£m
Current MTFP (3) Shortfall		12.122
Increases in Shortfall		
1 Revised Estimate for Government Funding Cut The cut is expected to increase from £29.086m to £32.086m due to the additional 1% cut for Local Government announced in the March 2013 Budget.	3.000	
2 Carbon Reduction Commitment – Carbon Tax The Government has announced that the Carbon Tax is to be extended to Street Lighting increasing the pressure faced in 2014/15.	0.090	
3 Housing Benefit Lost Admin Grant This grant is forecast to reduce further in the future. It will not be practical to recover the initial protection provided.	0.100	
		3.190
Reductions in Shortfall		
1 Additional Service Grouping Savings Target To reduce the 2014/15 budget shortfall service groupings have been asked to identify additional MTFP savings.	(5.164)	
2 Additional Corporate Savings Target In line with previous practice all options are being considered to identify cross-cutting efficiency savings to contribute to the MTFP. An additional savings target has been introduced.	(2.104)	
3 Business Rate Additional Yield Under the new BRR arrangements the Council retains 50% of all business rates collected. In the first year of operation in 2013/14 the Council has included a significant estimate of the sums that need to be reimbursed in relation to outstanding appeals. Once this significant one-off cost is discounted and the expected rate yield is analysed against the 2013/14 budget of £52.985m, it is forecast that the income budget could be increased in 2014/15 by £2.5m.	(2.500)	
4 Concessionary Fares In past years the Council has experienced significant budget pressure in this area due to price and demand issues. A £0.4m base budget pressure in the MTFP has been included as an ongoing pressure. Effective budget management and robust negotiations on price by RED is expected to negate the need for any additional budget in 2014/15.	(0.400)	

	£m	£m
5 Energy Energy prices continue to be volatile and in the past a £0.5m base budget pressure has been included in the MTFP. Current forecasts on price and demand would indicate however that the current base budget will be sufficient for 2014/15,	(0.500)	
6 Capital Financing and Investment Income Continuing low interest rates and high cash balances are reducing the costs of borrowing to support the Capital Programme and resulting in slightly higher investment returns.	(1.800)	
		(12.468)
REVISED SHORTFALL		2.844

Appendix 3 - Medium Term Financial Plan (MTFP(4)) 2014/15 - 2016/17 Model

	2014/15	2015/16	2016/17
		£'000	£'000
Overall Government Grant Reductions	0	15,600	22,000
Revenue Support Grant Reduction	32,086	0	0
Council Tax Increase (2% each year from 2014/15)	-3,290	-3,355	-3,422
Business Rate Additional Yield	-2,500	0	0
Business Rates - RPI increase (Estimated 3%/2.5%/2%)	-1,600	-1,365	-1,120
Business Rates Top Up Grant - RPI increase (Est. 3%/2.5%/2%)	-1,785	-1,500	-1,230
NHS Social Care Funding	0	7,100	0
New Homes Bonus	-1,250	0	0
New Homes Bonus - Re-imburement of Top Slice (Est)	-750	0	0
Use of Earmarked/Cash Limit Reserve in CAS	-1,000	-200	3,350
Estimated Variance in Resource Base	19,911	16,280	19,578
Pay inflation (1% - 1% - 1.5%)	1,950	1,900	2,850
Price Inflation (1.0% - 1.5% - 1.5%)	1,475	2,137	2,137
Corporate Risk Contingency Budget	-1,000	-1,300	-1,000
Base Budget Pressures			
Carbon Reduction Commitment - 'Carbon Tax'	370	0	0
Expiry of four year Disturbance Allowances payments	-220	0	0
Employer National Insurance increase	0	0	5,100
Single Status Implementation	0	0	3,800
Additional Employer Pension Contributions	1,100	1,000	1,000
Concessionary Fares	0	400	400
Energy Price Increases	0	500	500
Community Building running costs	-180	0	0
CAS Demographic and Hyper Inflationary Pressures	1,000	1,000	1,000
Community Governance Reviews	0	-50	0
Prudential Borrowing to fund new Capital Projects	2,000	2,000	2,000
Capital Financing for current programme	-250	1,500	0
Investment Income	-300	0	0
TOTAL PRESSURES	5,945	9,087	17,787
SUM TO BE MET FROM SAVINGS	25,856	25,367	37,365
Savings			
Provisional MTFP Savings (subject to approval)	-23,012	-7,073	0
TOTAL SAVINGS	-23,012	-7,073	0
DEFICIT	2,844	18,294	37,365

ADJUSTED SHORTFALL 14/15 - 16/17

58,503

Appendix 4 – Adjustments to the 2015/16 and 2016/17 MTFP Model

	2015/16 £m	2016/17 £m
Current MTFP Shortfall	23.309	15.845
Increases in Shortfall		
1 Increase in Government Funding Cut The March 2013 Budget detailed additional cuts for Local Government for 2016/17, increasing the forecast reduction for the Council from £9.53m to £22m. The CSR may also announce an additional cut for 2015/16.	-	12.470
2 NHS Social Care Funding In 2012/13 the Council was utilising £5.9m of NHS Social Care Funding to support core activity. In 2013/14 this has increased to £7.1m. This funding is only guaranteed until 2014/15 and could manifest as a budget pressure in 2015/16. A base budget pressure of £5.9m was already reflected in MTFP (3).	1.200	-
3 Employer National Insurance The implementation of the Single Pension in 2016/17 will end the 3.4% rebate the Council receives on Employer National Insurance contributions. The forecast cost to the Council is £5.1m.	-	5.100
4 Single Status The implementation of Single Status will exceed the £6.5m budget available. In 2013/14, 2014/15 and 2015/16 the Equal Pay Reserve will be utilised to finance the shortfall. The reserve will be exhausted in 2015/16 however and the 2016/17 base budget pressure of £3.8m will need to be budgeted for.	-	3.800
5 Housing Benefit Lost Admin Grant This grant is forecast to reduce further in the future. It will not be practical to recover the initial protection provided.	0.100	
Reductions in Shortfall		
1 Pay Inflation Allowance The Government has announced a 1% pay cap for Public Sector workers for 2015/16. The current MTFP model assumes a 1.5% pay award. The allowance for 2015/16 has been reduced from £2.85m to £1.9m.	(0.950)	0
2 Retail Price Index (RPI) Increases on Business Rates and Top Up Grant Assumptions have been built into the MTFP for an RPI increase in business rate yield and Top-Up Grant in 2015/16 and 2016/17. The RPI increase is forecast to be 2.5% in 2015/16 and 2% in 2016/17.	(2.865)	(2.350)

	2015/16 £m	2016/17 £m
3 Variations to utilisation of Demographic Pressures Reserve There is a planned use of the CAS Demographic Pressures Reserve over the MTFP period. Effective control of demographic pressure has enabled the use of the Reserve to be delayed thus extending the period over which the Reserve can be utilised.	(2.500)	2.500
REVISED SHORTFALL	18.294	37.365