SOMERSET COUNTY COUNCIL

2020 Vision

and

MEDIUM TERM FINANCIAL PLAN
2015/16 to 2017/18

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Somerset County Council

2020 Vision
and
Medium Term Financial Plan 2015/16 to 2017/18

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1 Foreword from the Chief Finance Officer – Kevin Nacey

This Medium Term Financial Plan (MTFP) contains details of the County Council's Revenue and Capital budgets for 2015/16, as approved by the County Council on 18 February 2015.

The opening pages of this document provide background information on the process undertaken to formulate and set the budget, including contextual information on the resources available to the Authority. Specific elements of the budget can be found in more detail within the appendices.

The budget cycle for 2015/16 started two years ago with the first projections of budget requirements. However, strategies and assumptions are continually reviewed in the light of changing circumstances. The balanced budget position takes into account the much tougher financial climate for the UK economy, the public sector, the Council itself, its employees, taxpayers and local residents.

This has been a particularly difficult budget setting exercise due to a variety of factors, including the largest reduction to date in our core funding from government whilst experiencing significant demographic pressures in Waste Disposal and both Children's and Adult's Social Care. Overall, the outlook for the Authority remains one of real term contraction with core government grant reducing and future overall resource levels becoming less certain.

Future service demands will significantly outstrip the resources available. We will therefore need to continue to improve our efficiency in order to maintain and improve the services provided, as well as continue the process of reprioritising our spending. This will lead to funding reductions in lower priority areas being used to support increases elsewhere, as we develop a robust budget that will protect our core services in the current economic climate and the continuing financial constraints expected in future years.

The following chapters set out the progress we have made towards achieving this.

KBNacey

Kevin Nacey, CPFA,
Director – Finance and Performance

2 Medium Term Financial Plan and Financial Strategy 2015/16 – 2020/21

2.1 General Introduction

This document provides the financial planning framework for the delivery of services to the 538,100 residents of Somerset. It sets the context for the resource planning process and its integration with other strategic and local planning documents. It details the review of resources available for the delivery of services and sets out the financial strategy that will provide the framework for the planning of these services.

The demands and expectations of residents and the roles and responsibilities placed on the Authority by Central Government are changing all the time. The resources available to the Authority are also changing. These changes are not driven by the needs of residents but by government policy and the economy. In an environment where the customer's desire to maintain service levels exceeds the capacity of the resources available, the Authority needs a clear view on where the limitations are, and how it intends to maximise provision within resource constraints.

Medium Term Financial Planning is a 'rolling' process that operates alongside the County Council's strategic and service planning frameworks. Service priorities and actions are identified looking forward over a three-year period, and forecasts of resources, funding requirements and the savings required to balance the budget are drawn up for each of the three years. As time passes, each of these elements (priorities, resources, funding pressures and savings) will be adjusted to reflect updated information and plans will be drawn up for subsequent years, as the 'planning horizon' moves on.

The MTFP and resulting 2015/16 Annual Revenue Budget and Capital Investment Programme set out in this document represent the culmination of the work developing the Council's response to the unique financial challenge of reduced Government Grants, increased demand for services and a freeze on Council Tax.

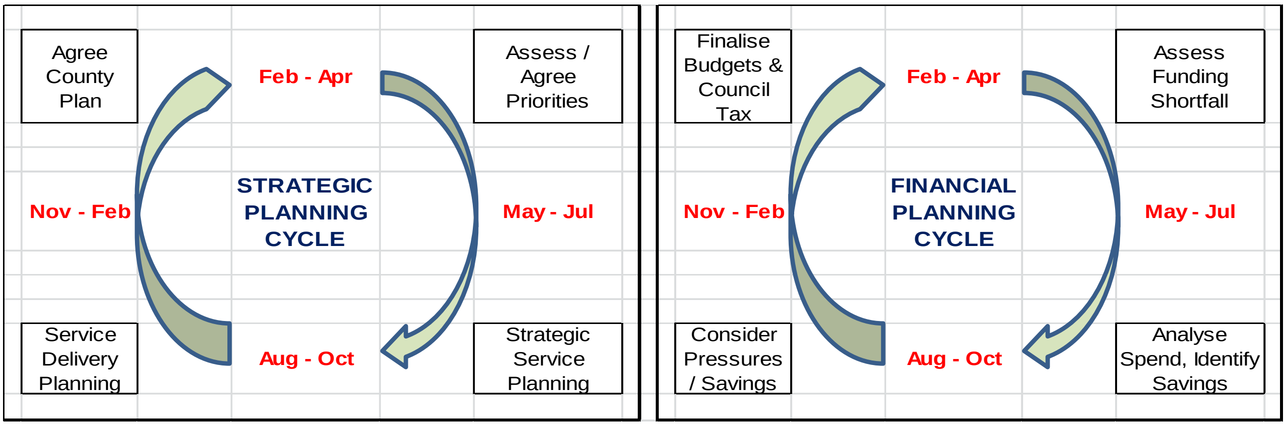
This document outlines the MTFP for the period 2015/16 to 2017/18 and details the strategy that the Council intends to follow in rolling this financial plan forward into the 2020/21 planning period and beyond.

3 The Medium Term Financial Planning Process

3.1 Introduction to the MTFP Process

Planning for the allocation of resources over the medium term is a cyclical process, with the MTFP regularly updated to take account of the corporate priorities outlined within the County Plan, the resources available to the Authority and on-going cost pressures placed upon it. The diagram below demonstrates the linked timescales of the strategic and financial planning cycles.

Linked timescales of the Strategic and Financial Planning cycles



3.2 MTFP Review

Following the finalisation of the 2014/15 budget, a review of the MTFP process was undertaken with a view to improving its effectiveness and efficiency. As part of the review, the Financial Planning team met with four neighbouring authorities (Gloucestershire, BANES, Dorset and Wiltshire) to consider their MTFP processes and seek to identify examples of best practice that can be applied locally and in particular with a view to reducing the bureaucracy and volume of paperwork. The findings from these visits formed part of the basis for altering the process, timeframe and governance arrangements for setting the 2015/16 budget, as outlined verbally to Cabinet in June and approved by Cabinet and Full Council in November. The main amendments are as follows:

Amendment	Action
Extending the timeframe to ensure that services have sufficient time to review service provision and identify robust proposals to reduce costs.	Services were asked to consider developing savings options earlier than ever before. In future years, services will develop saving options throughout the year for approval.
Savings Targets to be issued to services to ensure that sufficient options are available to close the projected shortfall	Service Directors were given high level savings targets but were given flexibility in their application thereby allowing services to be protected to a degree if appropriate.

MTFP proposal templates will no longer be used; instead the council's normal decision templates will be used.	In many cases, proposal templates required excessive effort where a simple decision was required. Therefore, the Council's normal governance arrangements have been applied instead of creating additional bureaucracy. The detail and volume of paperwork published at public meetings has therefore been significantly reduced to reflect the revised approach and lower level of resources available.
Impact Assessment documentation will accompany those decisions where appropriate	Each proposal has been reviewed as to whether an Impact Assessment is required. Where deemed appropriate, an assessment has been undertaken as before. The detail and volume of paperwork published at public meetings has therefore been significantly reduced to reflect the revised approach and lower level of resources available.
Scrutiny Committees will be combined for the purpose of reviewing the MTFP	This was implemented from November 2014.
Consultation and engagement	This began earlier in the year to enable services to review provision taking account of the views of the public and stakeholders.

3.3 The County Plan

The County Plan sets out the Council's priorities and identifies the targets that it will seek to deliver. The current County Plan was approved by Full Council in November 2013 and covers the period until the 2017 County Council election.

This MTFP document considers the financial context for the County Plan and the methodology for prioritising and reviewing resources at a corporate level. Service plans will then identify the specific operational and management actions required to deliver the aims and priorities, within the planned resources available.

3.4 Developing the Medium Term Financial Plan

The development of the 2015/16 MTFP began two years ago with the first projections of 2015/16 budget requirements. The rolling process is shown below diagrammatically.

The Rolling MTFP Process

	MTFP				
Year	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
2013/14	Year 1				
2014/15	Year 2	Year 1			
2015/16	Year 3	Year 2	Year 1		
2016/17		Year 3	Year 2	Year 1	
2017/18			Year 3	Year 2	Year 1
2018/19				Year 3	Year 2
2019/20					Year 3

Throughout the process, the Capital Investment Programme (CIP) is considered alongside the Revenue Budget to allow discussions that are more informed and reflect the full impact of capital funding proposals.

3.5 Public Consultation

In Somerset, consultation is undertaken on an on-going basis using a variety of different methods, including focus groups, online budget challenges, surveys within the '*Your Somerset'* newspaper, through social media or face-to-face discussions, and the use of Tracker Surveys that record the views and opinions of a diverse, statistically sound sample of residents. With more than 11,000 responses, decision-makers have available to them, robust and statistically sound quantitative and qualitative data.

Further information on the Consultations undertaken by the Council throughout the year with a summary of the responses can be found in Section 11 of this document.

3.6 Financial Planning

Overall, responsibility for delivering a balanced Revenue Budget and Capital Investment Programme lies with the Leader of the Council and Cabinet supported by Scrutiny Committees. The decision making and budget setting process required to deliver the MTFP is supported by a wide range of officers, each of whom are responsible for different elements. Much of the detailed work is led by Service Directors, who have responsibility for the:

- Identification and management of future pressures in service delivery within their areas;
- Identification and delivery of efficiency savings;
- Effective use of 'external' sources of funding such as specific grants, fees and charges;
- Management of reductions in service use of resources and/or standards, where required.

Service Directors are supported by Finance Strategic Managers, who are also members of the Finance & Performance Service Management Team (SMT) led by the Service Director – Finance and Performance. This group is responsible for overall corporate resource forecasts and recommending a financial strategy to the Senior Leadership Team (SLT) for planning purposes. SLT review the strategy, the competing demands for resources and opportunities for efficiency gains and will support elected members in arriving at final decisions on resource allocation. Information for the process is managed and collated by the Financial Planning Team.

Business Development teams and theme specialists also provide support to Service Directors to ensure that timely and relevant consideration is given by elected members to the potential impacts of the proposed decisions, both individually and cumulatively, on the residents of Somerset and specifically those with the protected characteristics set out in the Equalities Act 2010[1].

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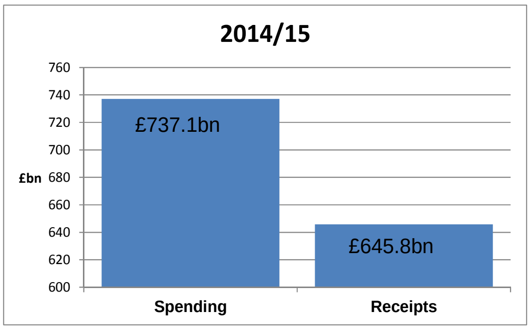
[1] Legislation.gov.uk Website - Equality Act 2010

Throughout the annual planning cycle, regular meetings are held between Finance Strategic Managers, SLT, and members of the Cabinet. These support the more formal meetings of the Cabinet, Scrutiny Committees, and County Council.

The Council also works within a number of partnerships to deliver its aims and priorities. As a lead partner (often the ‘Accountable Body’) for many of these partnerships, the level of financial contributions to various pooled or aligned budget arrangements needs to be planned alongside our own ‘internal’ budgets. This is covered further in section 12 below:

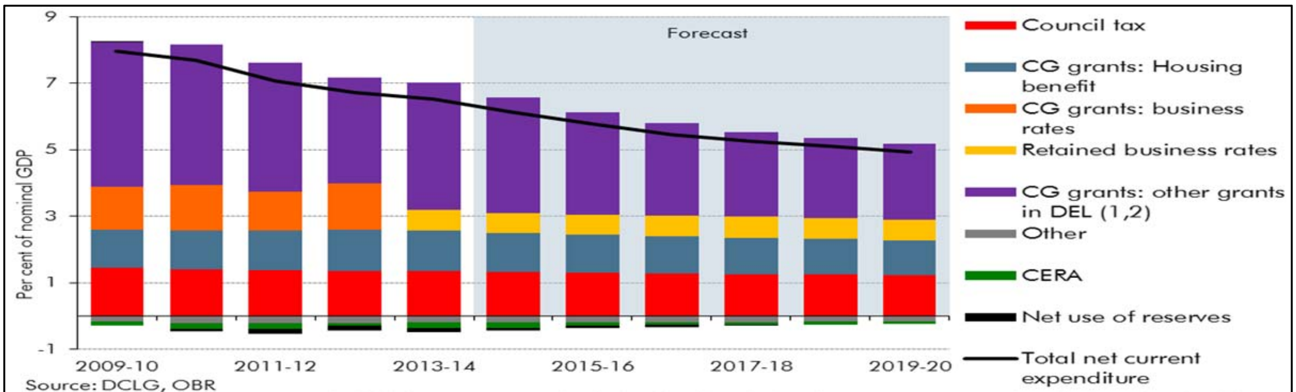
4 The National and Local Context

4.1 The National Context



Following the national economic downturn, the Government's finances have run at a deficit; in other words, it spends more than it receives. The 2014 Autumn Statement confirmed that the annual national spending deficit remains at £91 billion and is not forecast to be eliminated until 2018/19. This has led the Department for Communities and Local Government [DCLG] to review and significantly reduce the support central government given to local government through grant allocations.

Within the Autumn Statement's accompanying Economic and Fiscal Outlook, the Office for Budget Responsibility [OBR] said the Treasury's figures imply that 'roughly 40% of the total implied cut in day-to-day public services spending between 2009/10 and 2019/20 will have taken place over this Parliament, with roughly 60 per cent to come in the next'. The OBR's forecast composition of local authority funding shows locally collected funding through Council Tax and National Non-Domestic Business Rates remains fairly static, whilst core government grants reduce dramatically.

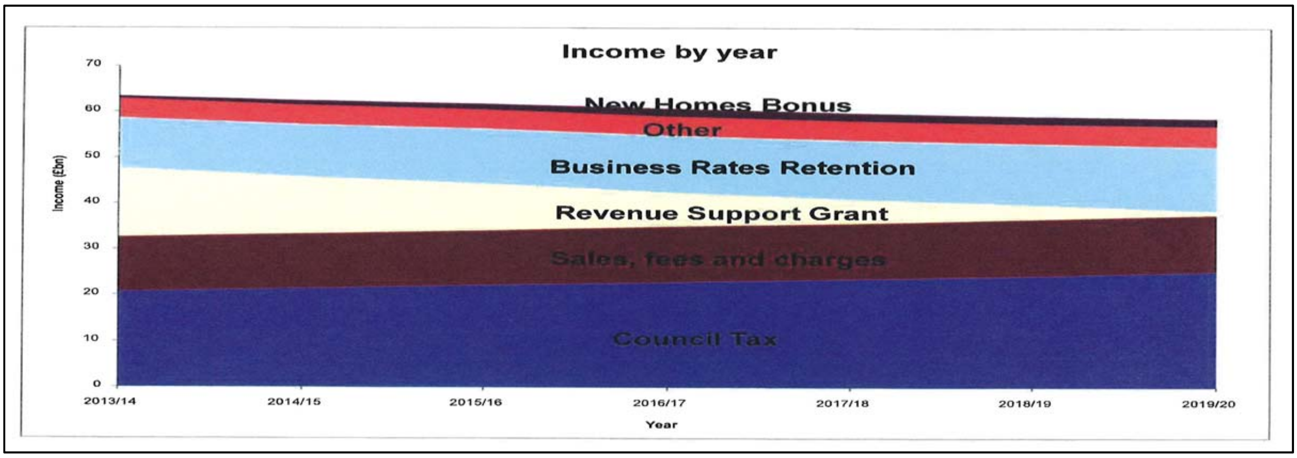


Source: DCLG, OBR

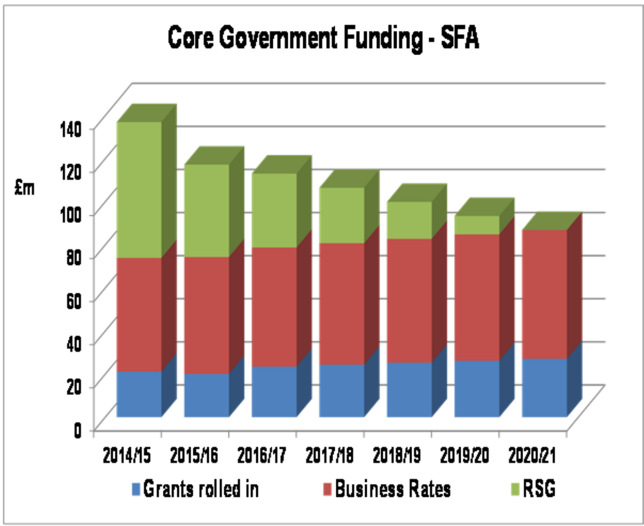
[1] Central government grants in DEL from 2013-14 includes funding for business rates not retained by local authorities.

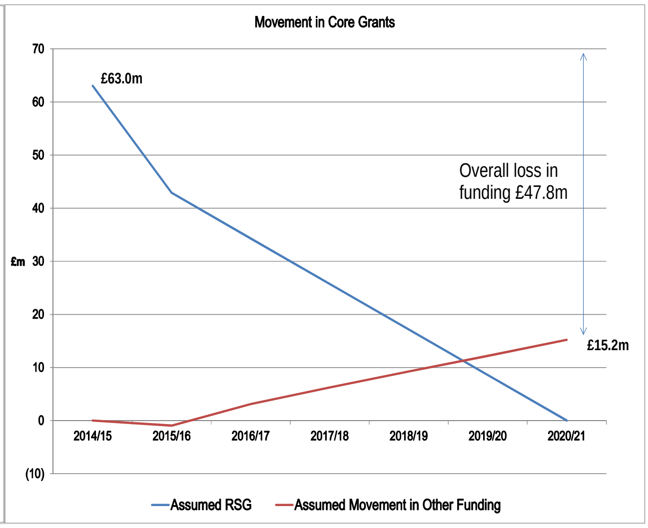
[2] Figures for central government grants to local authorities in DEL after 2015-16 are assumed to decline in line with total implied PSCE in RDEL

This is supported by the following DCLG chart that indicates that Revenue Support Grant could cease by 2020, leaving local authorities with minimal central support and effectively making authorities self-financing.

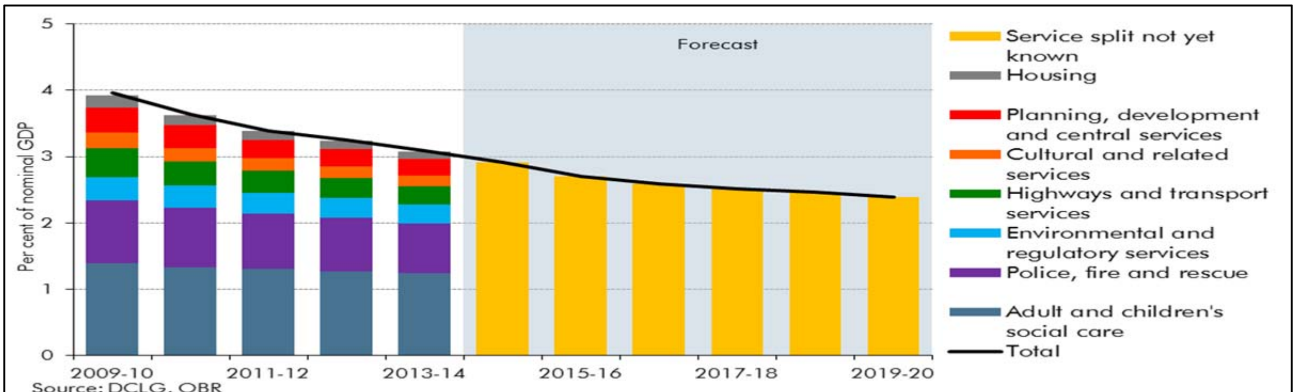


As a result we have changed our forecasting assumptions, leading to the following impact on funding:





In addition to budget cuts there is an increasing demand for services. The make-up of Somerset's population is changing dramatically in the period between 2011 and 2021. Those aged over 65 are expected to grow by 30%, the number of children aged 0-15 projected to rise by around 11%, while the number of 'working age' people (aged 16-64) is projected to fall slightly. The delivery of core services within available resources is a continuing challenge, with the scale of funding reductions from central government to date and into the future, particularly in the areas such as health and social care, housing and growing the local economy, as shown in the OBR chat below.



Source: DCLG, OBR
1. Total current spending excludes education and public health, where data are not comparable across years, and also excludes housing benefit, which is largely funded by central government.2. Total spending from 2016-17 derived on the assumption that central government grants to local authorities decline in line with total implied PSCE in RDEL

This implies that the changes needed within local government to cope with increasing service demand and future funding reductions will have increasingly profound implications for organisations and the services delivered.

4.2 The Local Context

Somerset is a beautiful county with many assets including a strong and significant heritage and vast areas of countryside and moors. Somerset's population is classified as around 52% urban and 48% rural, making it one of the ten most rural counties in England. In particular, West Somerset has the sixth lowest population density of any local authority in England. One third of people live in one of the county's four largest towns: Taunton, Yeovil, Bridgwater and Frome. The dispersed nature of the population is reflected in the delivery of services, with a high reliance on rural transport to access services, work, education and leisure activities.

Somerset has a number of characteristics that influence the planning of County Council priorities. In addition there are some key themes that influence decision making. The following key issues and statements are taken from the Council's Joint Strategic Needs Assessment received by the Cabinet and Health & Well-Being Board during 2014.

The Local Economy

Somerset's economy lags behind the national average income per head of population, partly due to its rural nature; in some towns, particularly along the coastal areas, employment is highly seasonal. Public administration, education and health forms the highest proportion of employment in Somerset, with wholesale and retail and manufacturing the next largest segments. Cuts to the public sector have the potential therefore to impact significantly on the local economy.

The local economy will also be affected by developments outside the direct control of the County Council, but which it may be able to influence. Whilst these may not have a direct impact on the MTFP identified in this cycle, they are of sufficient significance that they may influence future decisions. These include the proposed development of a new power station at Hinkley Point, which will influence future demand for housing and hence schools, highways and other County Council services. The largely government backed initiative to deliver superfast Broadband is also expected to bring economic benefit but these will not be realised until later in the MTFP cycle. The expansion of the A303 to improve traffic links to the south west should again provide economic benefit in the future.

According to the Government's Index of Multiple Deprivation (IMD) 2010, Somerset is close to the national average in terms of overall levels of deprivation. However, West Somerset district ranks amongst the 15% local authorities classified as most deprived, particularly in relation to geographic barriers to housing and services, which is linked to its dispersed rural population

Rurality

Somerset is predominantly a rural county covering 3,452 square kilometres. The main road routes in Somerset are the M5 running south-west to north and the A303 running east-west. Somerset has 6,765 km (4,204 miles) of roads; 53 km are motorway (the M5), and 712 km are A roads. Footpaths, bridleways and byways cover a further 6,100 kilometres. The majority of Exmoor National Park lies within our county. The upland areas of the Quantocks, the Mendips and the Blackdown Hills are classed as Areas of Outstanding Natural Beauty.

However, the rural nature of the county is also one of its key assets and contributes to its attraction as a holiday destination. The population increases significantly during the holiday periods with an estimated 11 million visitor nights and 15 million day trips to

Somerset over a twelve-month period, generating an estimated spend of over £1 billion[2]. These visitors result in nearly 10% of Somerset employment being within the tourism industry.

In 2011/12, at 16.2 bus passenger journeys per head of population, Somerset has the lowest figure in the South West and the sixth lowest of any upper tier or unitary authority in England. Bucking the national trend, passenger journeys by bus in Somerset have decreased in the past two years. While Somerset has good road and rail links with other parts of England, the county's mostly rural nature means that about 40% of the whole county's population live in England's 20% most deprived areas for geographical barriers to housing and services (IMD 2010).

In a large rural county with high housing costs in relation to earnings, and significant demographic shifts, a strategic focus on housing is a priority. There is a pressing need for more affordable housing, more one bedroom housing, and more homes that are adapted to help people live independently throughout their lifetime. Whilst strategic housing needs fall within the functions and responsibilities of Somerset's district councils these issues are still important considerations for the County Council and the delivery of its services for public health, economic regeneration, adult social care and children's social care.

In this context, the role of the County Council is to ensure that the infrastructure that attracts visitors is in place to ensure that the County remains an attractive holiday destination and to ensure that visitor levels are maintained or increased. Managing the impacts of floods and achieving the right amount of water, at the right time, in the right locations across the Somerset Levels and Moors is going to be increasingly challenging, as weather patterns change. Maintaining transport links and ensuring access to, and provision of, tourist destinations, is an important role for the County Council.

Political context

The county of Somerset is divided into five Districts: Mendip, Sedgemoor, South Somerset, Taunton Deane and West Somerset. These are split into a total of 55 Electoral Divisions, each represented by an elected County Councillor. The Districts are also divided into 142 Wards which are represented by members elected to District Councils. Somerset is divided into 329 civil parishes, which originally arose from Church of England boundaries. They range from the very small (communities of around 50 people) to the very large (for example, the whole of Bridgwater).

The County Council is controlled by a Conservative administration, as are three of the Districts councils. South Somerset District Council has Liberal Democrat leadership and the fifth, Taunton Deane Borough Council, is not under the control of any single party. However the election in May 2015 could alter this.

Demographic Pressure

The age profile is weighted slightly towards people of older age; and the median age in Somerset is 44 compared to 39 nationally. The population is projected to rise by around 0.7% (3,500 people) each year. The majority of the population increase in Somerset is due to projected rises in the number of older people (aged 65+) living in the county, anticipated to increase by around 30% between 2011 and 2021. Internal migration from within Britain is also significant contributor to Somerset's increasing population.

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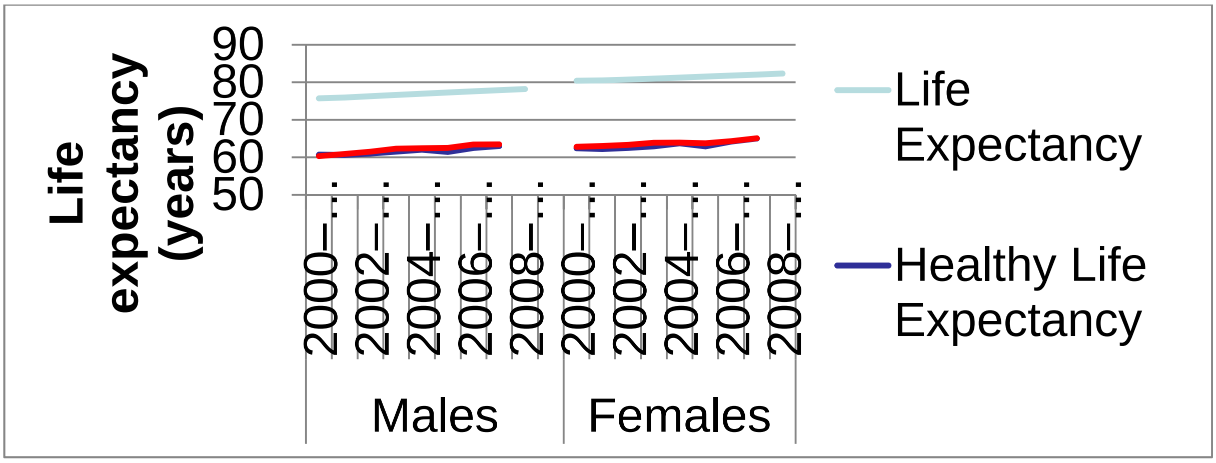
[2] Weblink: http://www.visitsomerset.co.uk/business/research/value-of-tourism

Life expectancy in Somerset is higher than the national average and is increasing. However, healthy life expectancy (the average age at which we can expect to remain free from long-term health problems) has not increased to the same extent. This adds a significant cost pressure on our Adult Social Care services as the latter years of life are often spent with decreasing levels of health and mobility, as shown below:

Chart of Life Expectancy



The number of children (aged 0-15) in Somerset is projected to rise by around 11% by 2021, while the number of ‘working age’ people (aged 16-64) is projected to fall slightly. Whilst there have been improvements in educational attainment, Somerset remains below the national average. This has been identified as a particular priority for Somerset County Council in its County Plan. This also reflects the need to address inequalities in educational attainment locally which are larger than those seen nationally. Currently children from less affluent backgrounds and children looked after, do significantly worse at each level of educational attainment than children from more affluent backgrounds. These inequalities perpetuate the cycle of deprivation, often leading to unemployment or unskilled jobs. A high standard of educational attainment is vital for a thriving local economy and good schools with excellent results will attract young families into the county.

Over the next two years, an estimated 600 soldiers with approximately 150 families, as part of the movement of 1 Regiment Army Air Corps, is expected into Yeovilton – an increase of approximately 1,100 people, aged up to 55 years.

In addition, the recent increase in the birth rate also impacts on the County Council with an increase in demand for school places in the Nursery and Primary sectors. This will be replicated in the Secondary sector in 4 to 5 years’ time when the current cohort of children reach secondary age. Despite the structural changes in the provision of education, with the introduction of Academies and Free Schools, the Local Authority remains responsible for the delivery of the core requirement for basic classroom places. Changes in the pattern of housing with a shift in demographic demand towards the core market towns and larger communities, will also impact on demand for school places, as sites are earmarked for residential developments of a scale that will require new schools to be delivered.

Somerset has also seen a significant increase in the numbers of “Children Looked After” following recent high profile cases elsewhere in the country. Despite this increase, it should be noted that numbers of Children Looked After in Somerset are consistently below those of statistical neighbours and the national average. Placements are predominantly with foster carers, with some in-house residential provision, although a number of residential and fostering placements are purchased from the private sector. The cost implications of this are considerable as the Council is likely to exhaust the supply of the most cost effective solutions and will have to make placements in the more expensive, out of county options. However, neighbouring authorities are seeing a similar need for increased support and this provides an opportunity to increase income in this area.

Levels of External Debt

A key focus of the Council is the level of external debt, which like the majority of councils, previously borrowed to support its Capital Investment Programme (CIP), with the revenue impact of this borrowing supported through the Revenue Support Grant.

The County Council's borrowing requirements are managed through an internal Loans Pool. Services use the Pool to provide finance to deliver assets such as highways infrastructure, school buildings and a range of other property, ICT and vehicles.

On the 31 March 2014, SCC had external borrowing of £338.750m through a mix of LOBOs (Lender Option Borrower Options) and PWLB (Public Work Loans Board) loans as shown in the Statement of Accounts. Since then, £9.2m matured and has been repaid. However, the next scheduled maturity and repayment is not until 2023/24, unless lenders exercise an option that enables the Council to make additional repayments or amend its debt maturity profile.

In 2010, the Government has altered its policy, choosing to issue capital grants to Local Government instead of Supported Borrowing Approvals[3]. The County Council therefore has not taken out any new borrowing from external providers to support the Capital Investment Programme. Any new capital projects are now either financed entirely from Government Grant or supplemented by proceeds from the sales of assets or in a few cases the recycling of existing borrowing in line with the original intentions from prior decisions.

An annual provision is made from the Revenue Account to repay a proportion of the principal outstanding and a pro rata share of the interest based on the principal outstanding at the beginning of the year. As there is no debt maturing for some time, this cash provision is held on the balance sheet and can be invested to earn interest. However, due to the current historic low interest rates, the interest earned is less than the interest paid on the loan, causing a pressure on the revenue budget.

Therefore, in February 2014, the Council approved the use of this funding to repay up to £40m of the above debt during 2014/15, along with up to £6m funded from reserves to fund any early repayment premia. However, movements in the financial markets have not been favourable and therefore it has not been affordable to make such additional repayments. Therefore alternative uses for this funding have been reviewed with a focus on providing additional capital investment in service delivery and is reflected in the 2015/16 Capital Investment Programme.

It was deemed not appropriate to continue to set aside the same level of provision and therefore continue to build up a considerable balance on the balance sheet. Therefore, in developing the 2015/16 MTFP, consideration was given to the value of the annual revenue allocation ensuring the most prudent and equitable use of resources both now and in the future whilst meeting debt maturities as they fall due. The options reviewed included

[3] Where the Government enhanced revenue grant to assist with making loan repayments.

switching the repayment basis to the life of the asset purchased, taking a payment holiday, or re-profiling the set-aside amount ensuring that sufficient would be available to meet each debt maturity, with the latter the option chosen. This considerably lowers the provision required from the revenue budget.

5 Future Revenue Resources

The following section considers the revenue resources available to the County Council and the assumptions that have been included for future years. Capital resources and the capital element of the Local Government Finance Settlement are considered in Section 9 alongside the delivery of the Capital Investment Programme.

5.1 Core Government Funding

2015/16 'Illustrative' Local Government Finance Settlement

On 18 December 2013, the Government announced an 'Illustrative' Local Government Finance Settlement for 2015/16 alongside the 2014/15 Provisional Local Government Finance Settlement. This formed the basis of the initial funding shortfall estimate for 2015/16 included within the February 2014/15 budget report to Cabinet and County Council.

During the summer, the Government consulted on a number of technical changes to the funding system. This included the following amendments affecting Somerset County Council:

- How to compensate local authorities for the 2% cap applied to business rates;
- Rolling the 2014/15 Council Tax Freeze Grant into Revenue Support Grant;
- Rolling the 2014/15 Rural Services Delivery Grant into Revenue Support Grant;
- Adjusting funding for those local authorities who are no longer in the Carbon Reduction Commitment [CRC] Efficiency Scheme.

The consultation document also outlined the following:

- £1bn holdback for New Homes Bonus;
- £50m holdback for the safety net;
- Protection of grants rolled into SUFA in 2013 from the full 10% reduction "by extending the 2010 Spending Review trajectories";
- Localisation of Council Tax [CT] Support – New Burdens Funding for the administrative changes required by the localisation of CT support will be "discussed with the local government sector of the coming months";
- Care Act Implementation Grant – Department of Health will be consulting on the formula to distribute funding for deferred payments for Adult Social Care and the assessment for the cap of payment for care.
- Local Welfare Provision – DCLG has confirmed that there will not be specific funding for local welfare provision. "However, it might be possible to create a notional line in the settlement for local welfare funding as an indication on how councils are likely to spend some of their budget."
- Rural Funding Research Project – The Government has commissioned research on whether rural services face additional unavoidable costs compared to urban authorities.

This had the following implications for Somerset's Settlement Funding Assessment:

Somerset	Updated SFA at July 2014	Change from Illustrative SFA at Feb 2014	
	£m	*£m*	*%*
Illustrative SFA at Feb 2014	**116.955**		
Rolling in 2014/15 Rural Grant	117.015	+ 0.059	+ 0.1%
Rolling in 2014/15 CT Freeze Grant	119.045	+ 2.090	+ 1.8%
CRC Adjustment	116.868	- 0.087	- 0.1%
Combined Effect of Changes	**119.018**	**+ 2.063**	**+ 1.8%**

However, the grants ‘rolled in’ were grants that were already received, so this was simply moving funding from one place to another – overall there was no change in funding.

However, the CRC adjustment was a change and removed funding. Funding did not accompany the introduction of the CRC – therefore removing funding represents a ‘double whammy’.

In addition, as outlined in the section above, there is significant pressure on some of our services, for instance Learning Disabilities and both Adults and Children’s Social Care budgets due to increased demands. Therefore, for the first time in a long time, key services reported significant overspends. Management action plans have been implemented to mitigate the pressure as far as possible. It is prudent to invest in these service areas.

2015/16 Provisional Local Government Finance Settlement

On 18 December 2014, these changes were confirmed within the 2015/16 Provisional Local Government Finance Settlement. As expected, this provisional settlement covers just one year. It is widely expected that there will be a spending review following shortly after next year’s general election on the 7 May 2015.

The key headlines associated with the 2015/16 settlement are:

- The continued capping of Business Rates increases at 2% (actually 1.91%) as outlined by the Chancellor in the Autumn Statement, with the loss of funding to local authorities being compensated through a new special grant;
- The continuation of a number of other Business Rate Reliefs, again with local authorities being compensated through a new special grant;
- As outlined within the technical consultation, the following planned grants ‘Rolled In’ to Revenue Support Grant:
    - o 2014/15 Council Tax Freeze Grant
    - o 2014/15 Rural Services Delivery Grant
- As outlined within the technical consultation, funding was reduced following the removal of the CRC Efficiency Scheme (despite three times as many responders objecting than those that agreed)
- Care Act funding was distributed through the old deprivation-focussed Adult Social Care formulae as opposed to the new, specially created formulae which were consulted on over the summer.
- Local Welfare Provision – Notional funding was shown separately but no new funding was allocated
- New Homes Bonus Grant was lower than forecast
- Education Support Grant allocations were significantly reduced.

As a result, the level of funding due to Somerset for 2015/16 reduced by £0.953m as shown in Annex A.

2015/16 Final Local Government Finance Settlement
On 3 February 2015, the Government announced the Final Local Government Finance Settlement. This included an additional £74m available to upper tier authorities Assessment 'to recognise that councils have asked for additional support, including to help them respond to local welfare needs and to improve social care provision'. There were also minor adjustments to the Efficiency Support Grant and New Home Bonus funding. The impact for Somerset was an overall increase of £0.600m.

5.2 Centrally Provided Resources and Future Planning Assumptions

'Settlement Funding Assessment' [SFA]
The 'SFA' is the government's assessment of how much an authority needs in order to provide its services. It replaces the Formula Grant but continues to come from Revenue Support Grant and National Non-Domestic Rates.

The majority of the 'SFA' is calculated using the same distributional basis as in previous years. This is derived using a highly complex set of formulae within a funding model called the 'Four-Block Model'. The data used within the formulae has been updated and adjustments have been made for the cost of rural services.

Revenue Support Grant (RSG)
The Revenue Support Grant is the main unring-fenced funding stream of Government Grant to Local Authorities. It accounts for 48% of the 'SFA', down from 56% in 2014/15 and 60% in 2013/14.

Somerset County Council's RSG allocation is £57.553m and now forms less than a fifth of Somerset's Net Budget Requirement. It is forecast to fall dramatically and cease by 2020/21 as the government increases the proportion of funding raised locally and reduces local government's reliance on central government support.

National Non-Domestic Rates (NNDR)
The localisation of NNDR means that authorities retain a proportion of the local Business Rates yield, thereby paying a smaller proportion to government through the national pool. This offers an incentive, as authorities will benefit from growth in their area, or be penalised if the business rate yield falls. Somerset County Council's allocation is **£61.993m or 52%** of the SFA. Whilst the financial value has increased by approximately £2.3m since localisation, its proportion of SFA has increase by 12%.

However, the government will only guarantee a level of funding for 2015/16 that is 92.5% of that value (known as the safety net). Therefore, 7.5% of the NNDR funding detailed above is at risk of not materialising. For Somerset County Council this is:

92.5% x £61.993m = £57.343m (meaning £4.649m is at risk).

Pooling
Within the localised NNDR mechanism, there is the opportunity for local authorities to pool together and reduce the amount due to Government, retaining it locally. Pooling business rates will therefore help to mitigate local demographic and service pressures. The region

is forecast to experience above average growth over the medium term, and pooling increases the benefit gained from delivering economic growth. In turn, this will provide additional stimulus to new development and will act as a further incentive for all the pooling authorities to proactively work together to drive forward growth.

For 2015/16, Somerset has joined forces to form a pool with North Somerset Council, Bath and North East Somerset Council (B&NES), Mendip, Sedgemoor and South Somerset District Councils and Taunton Deane Borough Council. This new arrangement has the potential to ensure any growth in business rates is retained locally, to be shared between the member councils and used to encourage further growth in the local economy.

Pooling enables Somerset to benefit from economic growth taking place outside its geographical boundary, including the growth in construction businesses and suppliers associated with the major development at Hinkley Point and the expansion of Bristol Airport, as well as investment in large-scale distribution centres in the region and development at key junctions on the M5 corridor.

In addition, the pool will provide improved opportunities for co-ordination across the region, further re-investment in transport links in the area and will build on the other joint working already taking place.

Unring-fenced Special Grants

In addition to the 'SFA', the Government issue a number of Special Grants. Although these are allocated directly to local authorities according to specific policy criteria (through separate distribution methodologies), local authorities are free to use this unring-fenced funding as they see fit. The number and value of these additional funds has reduced significantly over the past few years, with Government stopping some grants and amalgamating others into the 'SFA', as outlined in Annex A of this document.

New Responsibilities funded through Ring-fenced Grant

The Government also issue some grants for specific purposes, allocated directly to local authorities according to specific policy criteria (and separate distribution methodologies). If the local authority does not comply with the prescription, or fails to spend the grant within the limited timescale, it must return the funding to central government. The main two are summarised below:

Better Care Fund

The Chancellor announced the £3.8bn for health and social care services in 2015/16 in the 2013 Spending Round. The Better Care Fund consists of:

- £1.9bn NHS Funding
- £1.9bn based on existing funding in 2014/15 that is allocated across the health and wider care system. Composed of:
  - £130m Carers' Breaks funding;
  - £300m CCG reablement funding;
  - £345m capital funding (including c.£220m Disabled Facilities Grant); and
  - £1.1bn existing (2014/15) transfer from health to social care.

Little of this funding is new; it is redirected from grants currently being provided across the NHS and Local Government.

The Better Care Fund will be allocated to the NHS and requires each local area to formulate a joint plan between the Clinical Commission Group [CCG] and local authorities to be signed off by the local Health and Wellbeing Board. It aims to bring maximum benefit, along the likes of:

- Minimising delayed transfers of care
- Reducing the number of emergency admissions
- Increased effectiveness of reablement
- Reducing admissions to residential and nursing care
- An improved patient and service user experience

Somerset's allocation is £35.067m.

Public Health Grant
In November 2010 the Government published the Public Health White Paper, 'Healthy Lives, Healthy People: Our Strategy for Public Health in England' in response to Sir Michael Marmot's report on tackling health inequalities. As a result of the White Paper and the subsequent Health and Social Care Act, from April 2013 the provision of Public Health services passed from NHS Primary Care Trusts (PCTs) to upper-tier local authorities.

Somerset County Council's allocation for 2015/16 remains frozen at £15.513m. However, this would be higher if the full allocation were based on the need formula designed to distribute the funding. In effect therefore the government has introduced a form of Damping to smooth the transition between the base line and the new formula.

5.3 Council Tax

Council Tax is the largest element of general taxation received by the Council and accounts for approximately XX% (tbc) of the total Council Tax bill (varying marginally by District Council area as shown in the table below). Other preceptors include the Avon and Somerset Police and Crime Commissioner (ASPCC), the five District Councils, Devon and Somerset Fire Authority (DSFRA) and Town and Parish Councils.

Breakdown of the Council Tax Precept within Somerset

	2015/16				
	County	**ASPCC**	**DSFRA**	**District ***	**Total**
	£ .p	**£ .p**	**£ .p**	**£ .p**	**£ .p**
Mendip	1,027.30	tbc	tbc	tbc	tbc
Sedgemoor	1,027.30	tbc	tbc	tbc	tbc
South Somerset	1,027.30	tbc	tbc	tbc	tbc
Taunton Deane	1,027.30	tbc	tbc	tbc	tbc
West Somerset	1,027.30	tbc	tbc	tbc	tbc
Proportion of Total #	tbc	tbc	tbc	tbc	tbc

* Including the Special Expenses rate if applicable
# Using Average District Charge

The key components for calculating Council Tax receipts are the Taxbase, and the Band D Council Tax rate levied. The local eligible Taxbase is calculated by the District Councils for a notional number of Band D equivalent properties to which are applied discounts or exemptions for various categories of property.

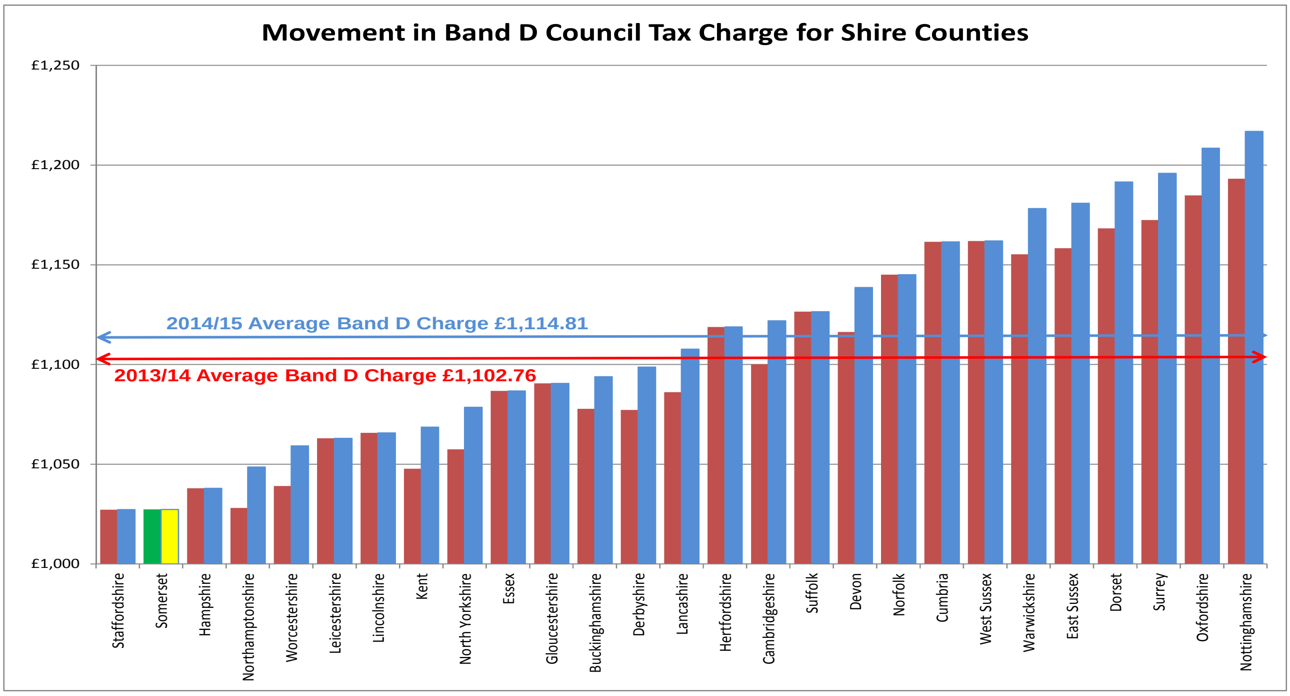
Taxbase

The Taxbase and hence the value of Council Tax collected has been significantly affected by the localisation of Council Tax Benefits. The County Council, however, receives an amount within RSG to theoretically replace the losses arising from the new arrangements. It should be noted that this allocation is not disclosed and is known to be calculated on a different basis, therefore is not guaranteed to be equivalent to the amount lost through the revised arrangements.

Band D Charge

The SCC Council Tax level for a Band D property has been set at £1,027.30 since 2009/10, having been frozen for 2010/11, 2011/12, 2012/13 2013/14 and 2014/15. The Somerset Band D Council Tax was the lowest charge of any Shire County in England for the past two years; however is now the 2nd lowest following a small reduction by Staffordshire for 2013/14, as illustrated below:

Movement in Band D Council Tax Charge for Shire Counties



The above chart clearly shows a number of County Councils chose to increase their Council Tax charge and reject the Freeze Grant available, although none broke the 2% referendum cap. The current County Plan highlights the continued intention of the Administration to freeze Council Tax increases and thereby claim the additional one-off grant funding from Government as it is anticipated to have a positive impact on resident's household budgets. This has been reflected in the MTFP.

For information, each 1% increase in the Council Tax would raise some £1.8m per annum. This would remain in the Council's baseline for future years without the uncertainty associated with the Council Tax Freeze Grant.

Collection Fund Surplus / Deficit

The final element of Council Tax that impacts on the MTFP is the surplus or deficit on collection. This can be extremely variable as economic and other factors change, although historically, a surplus has been generated. Whilst an estimate has been made on the movement in the Taxbase, a nil estimate (i.e. neither surplus nor deficit) has been made for the remainder of the MTFP period with regard to the collection fund in light of the uncertainty resulting from the changes to Council Tax benefit described above.

It was widely expected that the changes resulting from the Localisation of Council Tax support (Council Tax Benefit), lowering levels of benefit for some low income households, will adversely affect the District Council Collection rates. In some cases, it will mean households now have to pay an element of Council Tax that they have not needed to in the past. The consequences of this are potentially higher levels of payment default and subsequent lower collection rates by District Councils. A further risk relates to the take up of the new local scheme, with a higher take up expected where a scheme is promoted as a 'discount' rather than a 'benefit'. However, this does not appear to be the case locally as collection rates have not reduced significantly and therefore the Collection Surplus continues to be healthy at £4.956m

In summary, therefore, the planning assumptions within the MTFP for Council Tax are as laid out in the table below:

Planning Assumptions within the MTFP for Council Tax

2014/15		2015/16	2016/17	2017/18
£1,027.30	Band D Council Tax *(A)*	£1,027.30	£1,027.30	£1,027.30
0.0%	**% Change in Band D Charge**	**0.0%**	**0.0%**	**0.0%**
181,282.70	Taxbase *(B)*	184,356.73	185,278.51	186,204.91
+ 2.00%	**% Change in Taxbase**	**+ 1.70%**	**+ 0.50%**	**+ 0.50%**
£186.232m	Estimated Council Tax Due *(A x B)*	£189.390m	£190.337m	£191.288m
+ 2.00%	**% Change in Council Tax Due from prior year**	**+ 1.70%**	**+ 0.50%**	**+ 0.50%**
£3.031m	Prior year's Collection Surplus/Deficit *(C)*	£4.956m	£ Breakeven	£ Breakeven
£189.262m	**TOTAL COUNCIL TAX *(A x B)* + *(C)***	**£194.346m**	**£190.337m**	**£191.288m**
+ 2.56%	**% Change in Council Tax from prior year**	**+ 2.69%**	**- 2.06%**	**+ 0.50%**

Note: The percentage values show the movement from the previous year.

5.4 Spending Power

The Government's 'Spending Power' index is based on <u>some</u> of the funding Authorities receive, including the SFA, Special and Ring-Fenced Grants from Central Government and local Council Tax receipts.

As with many elements of local authority funding methodology, the Spending Power Index is hugely judgemental in the elements it includes. Somerset County Council's 'Spending Power' is assessed to have *<u>increased</u>* by 0.5%.

However, there are a number of issues with the application of the Spending Power index. These are:

1 Grants allocated by the Department for Education [DfE] are excluded – these have received some of the largest year-on-year cuts;
2 It includes the ring-fenced Better Care Fund (£35m) which is allocated to the CCG to spend in consultation with us – it is not ours to spend.

3 It includes an Estimated Council Tax requirement based on historic increases in the growth in the Taxbase – this does not reflect current local circumstances which actually understates our available funding.

4 The 2014/15 base is adjusted to mirror the changes to be implemented in 2015/16 – this additional funding was actually received.

Amending the data to reflect the above points shows that SCC's spending power has really altered by a *reduction of -3.5%*, as shown below:

	Government Version			Local Version	
	2014/15 Adjusted £m	**2015/16 £m**		**2014/15 Actual £m**	**2015/16 £m**
Council Tax Requirement	186.232	188.051		186.232	189.390
SFA	140.21	119.546		140.096	119.546
Special Grants	4.537	7.339		10.718	12.201
Ring-Fenced Grant	36.273	54.238		15.513	19.171
Total Funding	**367.252**	**369.174**		**352.559**	**340.308**
Movement in Spending Power		**0.5%**			**-3.5%**

5.5 Fees and Charges

The Council can also raise additional income through charging fees for a wide variety of services, ranging from Adult Social Care to discretionary services provided through Libraries. Fees and charges apply to services provided both to individuals and organisations outside the direct control of the Authority, such as Academies.

Income generation is a key strategic priority for some services where it can offset a substantial proportion of the revenue costs of the service. However, in Adult Social Care for example, the Council has a statutory duty to meet assessed needs. Maintaining the real terms level of fees and charges assists with these responsibilities.

In setting fees and charges, the Council considers impact, as changes can result in a consequential change in behaviour by users which may have adverse impacts for the Council. In assessing the level of charges, one or all of the following may be relevant:

- Cost of living and annual benefit increases;
- Market factors;
- Legislation and national guidance and/or rates;
- Demand and potential impact on demand;
- Local Policy Requirements;
- Local Agreements;
- Sustainability of service provision;
- Benchmarking.

Consideration is also given to charging mechanisms to ensure they remain relevant and reasonable in the context of the services. Once determined, the impact of changes in fees and charges is incorporated within the MTFP.

6 Pressures and Demands for Resources

6.1 Overview

The Council's financial and service environment is constantly changing, and it continuously updates its priorities in response to levels of demand and emerging needs.

A number of factors create demand for resources. The most significant of these include:

- The cost of maintaining services at the present level, i.e. inflation;
- The cost of additional demand for services arising from an increasing and ageing population, i.e. demographic pressure;
- Changes in Government policy that have an impact on County Council spend, i.e. Landfill Tax, where the Government previously increased the charge by £8 per tonne, per year;
- Any additional costs to enhance or redesign services – limited to an invest to save basis; and

Each of these is considered in more detail below

6.2 Funding of inflation

One of the most significant factors creating a demand for extra resources is inflationary pressure – price rises caused by national macro-economic conditions. These are generally outside of the control of service managers.

There are a number of different areas of the budget where specific inflation uplifts are applied. The majority of inflation is seen in the core components for service delivery, namely pay, pension contributions, utilities, and services delivered through formal contracting arrangements with other organisations.

General Price inflation also impacts on Council costs affecting areas outside those described above. These budgets however are more variable in nature and are rarely covered by specific contractual arrangements.

Given the significant funding shortfall for 2015/16, all budgets have been cash limited at the previous year's levels with the exception of the key contractual arrangements. This has limited the uplift to £3.183m but must be recognised as a real terms cut in resources for services and this will require effective management action such as volume reductions in purchasing levels or efficiency gains through improved procurement methods. Experience suggests that services are able to manage this approach since there have been no overspends identified during the in-year monitoring due to this decision. This approach may not be sustainable in the longer term for all budget areas, so will need to be monitored and any issues identified included within the budget monitoring process.

Specific provision has been made for an increase in the costs of national insurance in 2016/17. This arises from the Government's decision to replace the state second pension with a single flat rate scheme. Organisations which have previously "opted out" of the state second pension have received a rebate in their national insurance contributions; this includes local authorities, who have their own occupational pension scheme. This rebate will cease in 2016/17, at an estimated cost of over £1.5m per annum.

6.3 Funding Demographic pressures

Increases in the number of people using a service create demands for additional resources, and these must be planned appropriately to ensure that the needs of vulnerable groups can continue to be catered for in line with corporate priorities. The Council takes the same approach to demographic pressures as it does to inflation; services are expected to implement actions to control or restrict this pressure through policy change or similar actions. The net impact of demographic movements and consequential budgetary impact can then be estimated. Some of the major areas of demographic pressures are highlighted below:

Social Care

As outlined previously, one of the most significant areas of demographic pressure in the Revenue Budget is Social Care, for both Adults and Children, where numbers across all client groups are expected to grow over the medium term. This trend is consistent with that experienced nationally by other upper tier authorities.

The demands upon the Social Care services in Somerset are projected by identifying individuals who could come into the service in the next year and their potential costs. These projections are then adjusted using trends in previous financial years to reflect the numbers that might actually gain placements compared with the original projection.

Social care costs can be extremely volatile depending on the needs of individuals. High dependency individuals not currently anticipated in the demographic profiles can result in high cost placements in the year that would inflate the financial projections hugely (when the cost of care for the most dependant individuals can exceed £100,000 per annum). A further risk exists as a result of developments on the 'ordinary residence'[4] issue, with other local authorities no longer paying us for some service users, now situated in Somerset.

Waste

An increasing population is also creating cost pressures arising from higher volumes of household waste. This leads to an increase in the waste volumes going into landfill, for which a tax has to be paid to government at a considerable rate (£82.60 per tonne in 2015/16 and annually rising by RPI inflation). Clearly it is desirable to recycle as much of this as possible (thereby avoiding additional taxation) and so investment has been made into new methods of treating food, wood and other compostable waste, such as the new Anaerobic Digester at Dimmer. Work is also continuing through the Somerset Waste partnership to maximise recycling rates across the county.

School Places

There are also demographic pressures on the Capital Investment Programme, particularly as a result of the recent increase in the birth rate affecting the schools population and the need for additional classroom space. This is compounded by changes in the geographic population profiles and residential developments associated with all the core population centres.

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4 Weblink: Ordinary Residence http://webarchive.nationalarchives.gov.uk/+/www.dh.gov.uk/en/SocialCare/Deliveringadultsocialcare/Ordinaryresidence/index.htm

Changes in Responsibility

Future service pressures that are known have been included in current forecasts. These include the planned transfers of responsibilities and/or the resources from other sectors, the key elements are detailed below. Despite this it should also be anticipated that further new service pressures will come to light during the next MTFP round. Where these arise it cannot be assumed that there will be levels of funding commensurate with the cost of the services accompanying the pressures. Therefore the projected funding shortfalls shown in future years should be viewed as a minimum and likely to increase.

Academies

The move to Academy status is also causing indirect pressures on local funding. Whilst technically this is a transfer out of local authority control, the funding removed from SCC through the Formula Grant top-slice cannot be matched by the loss of costs locally. The Local Authority has to continue to provide support services for schools that remain under its control, which have residual fixed costs that cannot be reduced despite the assumption by Government of a pro-rata reduction for transfer to Academies. This leaves the Local Authority with a pressure that has to be accommodated.

As a result, traded and core support services to schools and Early Years' settings have been consolidated and potential options for alternative, more effective and efficient models of service delivery to ensure sustainability are being explored. This has resulted in the establishment of a new in-house operational service unit; Support Services for Education (SSE), and the exploration of alternative models of service delivery including the potential for SSE to transfer into an external arms' length organisation.

The Care Act

The Care Act sets out some key responsibilities of Local Authorities:

i) Promoting individual well being
ii) Preventing people's care and support needs from becoming more serious
iii) Promoting integration of care and support with health services etc.
iv) Providing information and advice
v) Promoting diversity and quality in provision of services
vi) Co-operating generally with its relevant partners, such as other local councils, the NHS and Police
vii) Co-operating in specific cases with other Local Authorities and their relevant partners

The Care Act brings more of those funding their own care into the local authority care system with obligations on local authorities relating to information and advice, universal services, assessments and market shaping. It also sets out a new model of paying for care, putting in place a cap on the care costs which an individual is liable for.

The Children's Act

The Children and Families Act has reformed the systems for adoption, looked after children, family justice and SEN.

1) Adoption

The promotion of fostering for adoption so that children are placed sooner and improving support offered to adoptive families. There is a requirement for all local authorities to have a "virtual school head" to champion the education of children in the authority's care. This new post has been funded from within SCC existing resources.

2) Family Justice
There is a time limit of 26 weeks when courts are considering whether a child should be taken into care, with a focus on the child's needs rather than the parents "rights". This has an impact on legal services.

3) Special Education Needs (SEN)
This extends the age range of the system to 0-25 and will replace statements with Education, Health and Care plans. Further co-operation between all services and the involvement of children, young people and parents is a requirement. The set-up of these reforms is being funded by a grant from DfE.

6.4 Locally generated policies generating additional costs

The Change Programme
In order to allow the Council to continue to provide the high quality services the authority prides itself on, it will need to review the ways in which it delivers them. It will need to build new relationship with partners, communities and residents and challenge itself to find new ways of working that deliver services to address the needs of its residents.

Although the Change Programme itself will be self-funding over its lifetime, initial investment will be required in order to realise savings, not just to address the known funding shortfall but to prepare the Authority for the future. The level of reserves has therefore been consciously augmented, but as the programme identifies 'invest to save' opportunities, these funds will be utilised.

7 Managing Risk and Financial Stability

7.1 Overview

The MTFP process not only takes account of the resources and pressures that arise from day-to-day activity, it also has to accommodate consideration of the unexpected. This helps protect services against short-term fluctuations in resources or demands, which would otherwise require changes to be made to on-going service provision. This requires consideration of the Council's financial capacity to manage the unexpected and deal with peaks and troughs in demand. The key mechanism for managing such uncertainty and delivering financial stability are Contingencies and General Reserves and is covered through the Chief Finance Officer's report on the Robustness of the Estimates and Adequacy of Reserves, included below.

In the context of the budget, the financial risks can be broadly grouped into 3 categories:

- **Group 1:**
  Risks that can be identified with some certainty and for which a reasonable estimate of impact can be made, e.g. contract inflation. In these cases, key service base budgets have been adjusted to reflect the impacts as described in demands and pressures above;

- **Group 2:**
  Risks that can be identified that are more certain to materialise but for which the size and scale of the risk is subject to some unknowns e.g. the possible acceleration over current levels of demographic demand for Children's Social Care. As such it is difficult to justify full provision within service budgets. In these cases, the Contingency Budget is the most appropriate solution and this is discussed further below;

- **Group 3:**
  Risks that can be identified, but for which the likelihood of occurrence, timing or impact are very uncertain. In these cases, the most appropriate means of delivering financial stability is through reserves and balances to ensure that major year-on-year change or significant in-year pressures do not de-stabilise on-going services.

Contingencies and Reserves should be set at a level that takes account of the financial risks facing the Authority; the greater the level of uncertainty and the higher the potential financial impact of risks, the greater the need for contingency planning and reserves. Ensuring that they are maintained at a healthy level in order to manage risks is therefore an important aspect of Medium Term Financial Planning.

7.2 General Contingency Provision

The Council expects to manage Group 2 risks through the Contingency Budget. In assessing the level of this budget, the key risks have been identified and estimated. These cover a range of issues and include:

- **The accuracy of the projections used within the budget setting process, particularly:**
  - Service overspends due to not uplifting budgets for inflation;

    - Variations between the planned and actual delivery of pressures or savings in 2015/16
- **One-off issues such as:**
    - Potential costs arising as a result of staff injuries sustained in carrying out their work
    - Public enquiries,
    - S117 Mental Health issues
      (Some people who have been in hospital under the Mental Health Act 1983 ('sectioned') can get free aftercare when they leave hospital. This is called Section 117 aftercare.
- **Maintenance of the Local Welfare Assistance Scheme**
  (The Local Welfare Assistance Schemes is administered on SCC's behalf by the Citizen's Advice Bureaux and is designed to help people who are in urgent need following an emergency or unforeseen event. They replaced community care grants and crisis loans for living expenses in April 2013 and are intended for people who have no other source of help. It is prudent to maintain this through contingencies as the value required is variable and unknown).
- **The need to respond rapidly to emergencies.**

Corporately the Council has a history of delivering outturn at or slightly below budget, although there may be some significant over and underspends at individual service level. This ability is due in large parts to an active involvement of senior members to budgetary control combined with a pragmatic approach to making suitable Contingency provision and applying it as required during the financial year.

7.3 Revenue and Capital Reserves

The Group 3 risks would normally be managed through General Reserves. These provide capacity for the Council to manage fluctuations in on-going demand and smooth the impact of rapid year-on-year change in levels of resources. This provides time for levels of service provision to be adjusted and suitable arrangements to be put in place to mitigate as far as possible the impacts of such fluctuations. The financial climate is uncertain both in relation to the totality of resources available for the sector and the distribution of those resources. This uncertainty applies both to Capital and Revenue resources.

The Council holds two reserves for budgetary risk management; the General Reserve to manage risks in the Revenue Budget, and the Capital Fund to manage risks and provide flexibility within the Capital Investment Programme. Both reserves have been created from Revenue sources of finance, so could be used for any purpose if required.

Risks affecting General Reserves

The General Reserve is targeted to protect the Council in the event of the more unpredictable risks arising. An exercise has been carried out to estimate the potential financial value of the 'High Impact' / 'Low Likelihood' risks that could have a significant financial impact on the Authority if they arose. This exercise takes account of available contingencies, and represents the additional financial impact that would affect Reserves if available contingencies were fully required. They include risks that could arise as a result of influences outside the direct control of the County Council, such as:

- **Civil Emergencies and Natural Disasters**
  (Significant emergency costs are covered by the Bellwin Scheme[5] – SCC covers the first £0.650k). The Bellwin Scheme is currently being reviewed.
- **Failure to deliver statutory duties**
  (Failure to deliver, including safeguarding activity in relation to adults, children, Health and Safety or Public Health could result in possible negligence claims.
- **Failure of key contractors or Short/Long disruption to service delivery Pooled Budgets and Unintentional or intentional damage to our physical and ICT assets.**
  (Although formal arrangements are in place to deliver business continuity, additional costs are likely to be incurred).
- **Institutional Insolvency.**
  (Given the recent reassessment of credit ratings for countries, the majority of investments are now with UK banks. Generally, risk of a finance establishment folding is higher than before the banking crisis so investments are more diversified).
- **Increased threat of legal litigation in respect of service delivery standards and regulations and multiple Insurance Claims.**
  (This risk is the likelihood of needing to replenish the insurance fund immediately from reserves as a result of several claims above our excess).

Risks affecting Capital Reserves
A number of Group 3 risks have also been identified in relation to the Capital Investment Programme. They include:

- **Predicted Demand**
  (The requirement to build additional schools is particularly relevant).
- **Capital Receipts and Third Party Contributions.**
  (Failure to achieve the expected level of return)
- **Budgetary Control**
  (As with revenue – the accuracy of the projections used within the budget setting process)
- **Civil Emergencies and Natural Disasters.**
  (The cost of reinstating / enhancing assets following an emergency)

Some of the risks highlighted above have a combined potential impact higher than this level of General Reserves. The purpose of General Reserves however, is not to provide 100% cover for all possible eventualities, this would result in significant resources tied up against events that cumulatively are unlikely to happen.

7.4 Future Levels of Reserves

Due to the significantly higher levels of risk and uncertainty in light of the future financial position it was considered prudent to set the target level of the General Reserve at between £12m and £20m for 2013/14 and 2014/15. It was again considered prudent to retain the target level for 2015/16.

The 2015/16 budget includes a decision to utilise some £4m of General Reserves. Under normal circumstances this form of funding would only be used to finance one-off costs. It

[5] Bellwin Scheme:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/210953/The_Bellwin_Scheme_of_Emergency_Financial_Assistance_to_Local_Authorities.pdf

means that in effect the reserves are being used to support core service provision and that the requirement for the on-going reduction in costs remains, albeit now in 2016/17. The Council recognises that although this is not a sustainable on-going position, it allows more time to identify savings.

The Capital Strategy agreed elsewhere on this agenda sets the target level of capital reserves at between £3 and £6m. The projected balance by March 2015 is £6m.

7.5 The opportunity cost of holding reserves

A careful balance needs to be maintained between holding too much and too little money in Reserves. If Reserves are too small, this increases the Council's exposure to risk and endangers its capacity to deliver priorities in a planned and prudent fashion. Demand-led services and an environment of ever changing legislative requirements, an increasingly litigious society, combined with reduced funding from Government all threaten financial stability. Setting levels of reserves too high prevents funding from going into service budgets.

It is important to remember that cash is not idle. The money the Council has in Reserves is invested and the Council benefits from the positive results that our investment strategy delivers. Any investment income generated through the management of cash balances can be available to pay for additional service provision or to increase General Reserves.

7.6 Robustness of the 2015/16 Estimates

Under Section 25 (1) of the Local Government Act 2003, the Chief Financial Officer has to provide an opinion to Council on the "robustness of the estimates made for the purposes of the calculations".

All estimates by their nature have a degree of uncertainty attached to them. They are however produced with the support of professional finance staff in the relevant service areas before being reviewed by the Financial Planning Team to ensure consistency of treatment. The accuracy of these estimates is a vital part of ensuring that the budget is robust.

Grant Thornton's assessment within their "Review of the Council's Arrangements for Securing Financial Resilience" report was:

"There is a robust budget setting process in place, which takes account of the views of stakeholders and includes rigorous review by Members, prior to approval by Full Council."

As Section 151 Officer, I am satisfied that the process carried out and the resulting content of the budget as described throughout this document has been sufficiently thorough to enable me to give Council the necessary assurance that the estimates are robust.

7.7 The Adequacy of Reserves and Balances

Under Section 25 (1) (b) of the Local Government Act 2003, a report is required from the Chief Financial Officer to advise on the adequacy of reserves.

The changes outlined throughout this document, in conjunction with the potential risks arising, make it particularly important that the Council protects, as far as it can, the security of reserves and balances. Although the Council has a history of good budgetary control it is becoming increasingly difficult due to the levels of uncertainty and the significant change being undertaken.

On 31 March 2014 General Reserves stood at £31.903m, but the provisional commitment of £3m within the 2015/16 budget will reduce this back to £28.903m. The Capital Fund is estimated to stand at £6m at 31 March 2015 – within the target range.

"Based on the assessment of the reserves, contingencies and balances, the key financial risks identified, and the thorough process used for developing the Medium Term Financial Plan, I have determined that the level of reserves, contingencies and balances for the 2015/16 financial year is adequate".

8 Balancing the Budget within Overall Revenue Resources

A balanced Revenue Budget is achieved when the forecast expenditure required to meet the County Plan priorities are matched by the resources available.

The 2015/16 Revenue Net Budget Requirement is £314,737,100. The resulting service control totals for 2015/16 are contained within Appendix C. This position is supported by a total precept of £189,389,700 and Band D equivalent Council Tax of £1,027.30.

The service reductions included for 2015/16 amounted to £15,809,700 with a further £1,739,300 identified for the forward years 2016/17 to 2017/18. Explanations of the savings proposals can be found in Appendix E.

Conversely, £5,320,700 has been invested in services in 2015/16 in order to meet the demographic challenges they face, with a further £8,480,900 estimated across 2016/17 to 2017/18.

After assessing the levels of resources available, and the demands and pressures faced by services, it is estimated that the budget shortfall is around £32,291,500 for the remainder of the two-year MTFP, with £22,383,100 required in 2016/17 and £9,908,400 in 2017/18, after taking into account movements into and out of reserves. In the absence of significant additional resources, the Council has to look at ways of reducing expenditure.

8.1 Aligning Resources with Priorities & Identification of Expenditure Reductions

In order to deliver the level of change required to achieve a balanced position, all aspects of the Revenue Budget are reviewed. The nature of potential budget reductions has not changed; they still involve the Authority becoming more efficient, increasing external resources such as fees and charges or reducing or cutting service provision. Consideration of the options has been carried out in the context of the County Plan priorities that have emphasised the need to protect the vulnerable and the economic vitality of Somerset. It has also been necessary to be innovative in considering how services are delivered in future.

In assessing where savings needed to be made, it was clear that, given the size of the budget gap, the Council's major areas of spend would also need to be targeted in order to achieve the necessary reductions in budget. Saving only a small proportion in these areas of spend would contribute significantly to the overall savings required, and would protect smaller services from the need to make disproportionately large cuts, or indeed the cessation of those services altogether.

8.2 MTFP Strategy 2016/17 to 2020/21

The Government's austerity measures are forcing the authority to become sustainable and self-financing. The Council's revenue strategy sets out how the Council wants to structure and manage its revenue finances, looking forward over a five-year period to ensure it supports the Council's objectives.

The strategy for 2016/17 to 2020/21 can be summarised as follows:

- Maintenance of a cautious approach to estimating resources as outlined above;

- Continual review and estimation of all existing pressures, especially inflation, key demographic demands and levels of contingency to minimise any unexpected impacts;
- Continue to renegotiate contracts to deliver increased flexibility and efficiency gains and control price inflation;
- Separate and independent estimation of the cost of new responsibilities, based on need rather than available resources;
- Pro-active management of the Change Programme to maintain the momentum;
- Pro-active budget management to maximise delivery against existing savings proposals and ensure objectives of investment pressures are delivered;
- Continue to treat all unring-fenced resources as a corporate resource despite the implied treatment contained in government departmental correspondence;
- Maintain appropriate levels of General Reserve to enable one-off costs to be met in future years without recourse to service reductions and/or provide capacity to meet delays in planned service delivery changes arising out of existing expenditure reductions or delays in the implementation of the Change Programme.

Assumptions for Future Resources

Therefore the budget position for 2016/17 to 2020/21 is based on a cautious estimate of future resources. The following bullets are a reminder of the headline assumptions made in estimating resources for the future years:

- Council Tax
    - Band D frozen indefinitely (whilst a freeze grant is available)
    - Taxbase increasing by +0.5% per annum (900 Band D equivalents),
    - Collection Fund neutral

- Core Government Funding
    - Revenue Support Grant – 'General' reducing to zero by 2020/21 (currently assumed on a straight-line basis)
    - Revenue Support Grant – 'Rolled in' Grants increasing as more grants are transferred (mainly assuming the annual freeze grants)
    - Retained Business Rates included at Baseline Level – increasing in line with current 2% cap applied

The following assumptions have been made around expenditure:

- Inflation:
    - 1% allowance for pay drift (pay award and incremental pay progression where appropriate)
    - Contractual inflation to be fully met

- Demographic Pressures
    - Social Care and Waste increases contained at previous levels
    - Stabilised demand for Children's Social Care
    - Landfill Tax and Carbon Tax charges per tonne to continue to increase in line with current price rises
- Debt
    - No new external borrowing is taken out

Such an approach is essential with the continuing concerns at national level. In addition, for planning purposes it has to be recognised that the number and value of new pressures generally increases as each subsequent year of the MTFP approaches. It is possible that further costs are yet to be identified that will increase the need for expenditure reductions. The £32,291,500 cumulative shortfall should at this stage therefore be regarded as a minimum requirement.

Management of the Budget

The Council has a history of delivering outturn at or slightly below budget. It is almost inevitable that significant demands will be placed on the Council's future capacity and the organisation will need to continue delivering robust control of the budget. This is done through devolved budget ownership in conjunction with consideration of individual service overspends culminating in quarterly budget monitoring reports to Cabinet.

The Council's budget monitoring and performance reporting process includes monitoring progress in relation to the savings identified as part of the annual MTFP process. This enables management action to be taken as early as possible to adjust forecasts or identify alternative approaches.

9 Capital Investment Planning

There are two key aspects to capital investment:

(i) The replacement or creation of new assets to meet the changing requirements for service delivery as a result of demographic change, national or local policy decisions; and

(ii) The replacement, extension, or improvement of existing assets to secure current service delivery arrangements, the future integrity of the asset and meet minor changes in service delivery that do not require a major renewal or replacement.

As at 31 March 2014, the Council had physical assets valued at £921 million. The book value of the assets as recorded in the Statement of Accounts is summarised below:

The Value of Somerset County Council's Assets

Asset Type	Gross Book Value £m
Land and Buildings – Operational	592.834
Vehicles, Plant and Equipment	26.667
Infrastructure Assets	285.645
Community Assets	0.082
Surplus Assets	4.236
Assets Under Construction	11.629
TOTAL	**921.093**

The replacement cost of these assets is estimated to be substantially higher.

9.1 Capital Investment Programme (CIP) – Planning Assumptions

The Capital Strategy contains the overall principles against which the capital elements for the MTFP are prepared. The latest iteration is included on this agenda for approval. In addition to addressing the approach of assessing the need for assets, the Strategy also considers the financing context.

9.2 Capital Resources and Local Government Finance Settlement

Capital resources available to the County Council include capital grants from Central Government and other agencies, capital receipts, capital contributions from third parties, borrowing and revenue. These resources have to cover not only the new starts programme but the residual costs of previous years Capital Investment Programmes.

The estimated funding available for new schemes in 2015/16 and future years can be seen in below:

Assumed funding for new starts for 2015/16 to 2017/18

2014/15 £m	Funding Source	2015/16 £m	2016/17 £m	2017/18 £m
35.267	Capital Grants	34.294	31.749	30.624
5.057	Capital Receipts	3.192	2.946	0.845
0.140	Capital Contributions	1.370	0.168	0.066
0.000	MRP Surplus	18.500	19.950	0.000
0.000	Borrowing	0.000	0.000	0.000
0.000	Revenue (Capital Fund)	0.000	0.000	0.000
40,464	**TOTAL**	**57.356**	**54.813**	**31.535**

NB – Please note currently the value of the proposals in 2017/18 exceeds resources available

Capital Grants

The council receives a number of grants from central government to fund the capital programme. These grants can be Ring-fenced (must be used for specific purposes) or Unring-fenced (available to use as seen fit).

The table below shows the estimated grants to be received in 2015/16 from central government to support the programme will be £34,294,000. Included in this is some unused grant from previous years of £181,000. This gives a movement of £1,849,000 from 2014/15.

2014/15 £m		2015/16 £m	2016/17 £m	2017/18 £m
4.029	Integrated Transport Block (Notified)	2.209	2.209	2.209
17.072	Local Highways Maintenance (Notified)	22.513	20.640	20.015
3.202	Schools Basic Need (Notified)	4.321	4.537	4.234
5.772	Schools Capital Maintenance (Indicative)	3.679	2.963	2.765
1.370	Community Capacity (Indicative)	1.391	1.400	1.400
1.000	Prior Year Surplus	0.181	0.000	0.000
32.445	**Total Capital Grants**	**34.294**	**31.749**	**30.624**

It should be noted that there is still some uncertainty over two of the grants

a) Schools Capital Maintenance. Final figures for the Schools Capital Maintenance Grant will be confirmed by the DfE once the figures for any Academies transferring on 1st April 2015 are available.
b) Community Capacity. The future of this is unclear as the NHS England “Better Care Fund” indicates that it might become ring-fenced. If this is the case it will not be available to help fund the general capital programme.

In the event that the final education grants announced after the beginning of the new financial year vary from the level estimated, or clarity is obtained on whether the Community Capacity Grant is ring-fenced, the variation will be managed by an adjustment through the Capital Fund, unapplied capital grant balances and/or capital receipts. It should be noted that this will have a commensurate reduction in the balances available towards future years’ programmes or emergencies.

In previous years there have been a number of late announcements by Government of additional unring-fenced capital grants for both the Schools and Highways Sector. Previous policy has been to retain these funds corporately as this will mean the funds are available along with other unapplied resources to meet emergency requirements that arise in year. No change is proposed to this policy.

On occasions specific capital grants can become available and are normally the result of a bidding process and as such will be ring-fenced to the schemes for which they are awarded.

Capital Contributions
Some investment in assets might attract a developer contribution towards the funding of associated infrastructure. Historically this was through 'Section 106' agreements negotiated between local authorities and developers, although the Planning Act 2008 introduced a new way of doing this - the Community Infrastructure Levy, or CIL.

Whilst every effort will be made to negotiate adequate funding from developers through Section 106 Agreements or the new Community Infrastructure Levy, there will be assets where there is no contribution from the developer at all with the County Council having to underwrite the full cost of provision.

Capital Receipts
The other main resource is that of capital receipts raised from the sale of assets. In 2015/16 it is estimated that £5,117,000 can be made available to support the proposed programme.

The use of assumed capital receipts to finance new starts presents the Authority with some risks, insofar as realising asset sales is dependent on external factors such as the wider economy and the local and national property market conditions. The available receipts take into account the estimated year-end balance and the estimated timing of use. It also retained sufficient balance to protect the Council and prevent alterations to the planned programme in the event that one or more substantial sales are not realised or delayed.

Borrowing
Borrowing could be in the form of either new external loans or recycled existing borrowing through the loans pool. No new borrowing from the financial markets will be utilised for the new capital starts programme, although there remains some reapplication of existing borrowing to finance the programme.

Capital Fund
The Capital Fund is formed from Revenue sources of income. This has previously been set aside in case the need arises to fund a school outside of this annual approval process. The resources available have been reviewed and will remain locally ring-fenced, where possible, in case that need arises.

9.3 Capital Investment Programme

Submitted requests would require resources as shown below for the MTFP period

2014/15 £m		2015/16 £m	2016/17 £m	2017/18 £m
40.464	Investment Requests	57.356	54.813	49.035
(2.962)	Less External Funding	(1.370)	(0.168)	(0.066)
37.502	SCC Resources required	55.986	54.645	48.969

A summary of the bids for 2015/16 can be seen in Appendix A(i). Full details of the schemes can be seen in Appendix A(ii).

If a need arises for additional resources during the year to meet unforeseen circumstances then it will be for the service to seek the necessary additional approvals in accordance with current governance arrangements.

Capital schemes generally extend over a number of financial years. The capital expenditure is derived from the estimated impact of the schemes approved each year added to previous year's approvals. The below table shows the current position of expenditure and funding expected for the next 3 years:

2014/15 £m		2015/16 £m	2016/17 £m	2017/18 £m
86.209	**Total Programme**	**118.024**	**68.408**	**51.669**
	Funded by			
9.839	Capital Grants	64.625	38.210	32.246
10.642	Capital Receipts	20.982	4.866	0.942
0.000	Capital Fund	0.030	0.000	0.000
2.196	Contributions	12.689	2.233	0.066
2.123	Existing Borrowing	1.943	0.704	0.180
1.409	CERA (Revenue)	5.005	2.680	0.000
0.000	MRP Surplus	12.750	19.715	8.735
0.000	To be identified	0.000	0.000	9.500
86.209	**Total Funding**	**118.024**	**68.408**	**51.669**

9.4 Minimum Revenue Provision

The council is required to make a statement on the Minimum Revenue Provision. This is the annual provision made from the revenue budget for the repayment of external debt. It is recommended that Cabinet propose a statement as follows

"The Council will continue to make provision at least equal to the amount required to ensure that each debt maturity is met".

This methodology has been reviewed by Grant Thornton, our External Auditors, and reduces the annual revenue charge in 2014/15 and 2015/16.

Somerset County Council is required to monitor its overall level of debt in line with the CIPFA Prudential Code for Capital Finance under the Local Government Act 2003. The code requires consideration of a number of "Indicators" in order to demonstrate that capital investment plans are affordable, prudent and sustainable.

The Prudential Code Indicators have been based on the assumption that Cabinet will approve the proposals contained in the Revenue Budget and Capital Investment Programme.

9.5 Prudential Indicators relating to the Capital Investment

Capital Expenditure

This prudential indicator summarises the Councils annual capital expenditure plans, both those agreed previously and those forming part of this budget cycle.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Capital Expenditure	118.024	68.407	51.669

Ratio of Financing Cost to Net Revenue Stream

This indicator shows the relationship between Capital Financing Costs and the Net Revenue Stream. It is a measure of the year-on-year impact of the capital investment programme on the revenue budget and shows the estimated revenue costs of borrowing, less net interest receivable on investments as a proportion of annual income from council tax payers and central government.

	2015/16 %	2016/17 %	2017/18 %
Ratio of Financing Cost to Net Revenue Stream	6.91	7.11	7.20

Incremental Impact on Council Tax

A key indicator of affordability to consider when setting forward plans is the impact on the council tax. The below table shows the incremental impact of the capital investment programme expressed against the Council Tax for a Band D property.

	2015/16 £	2016/17 £	2017/18 £
Incremental Impact on Council Tax	-1.46	-1.78	-1.77

Capital Financing Requirement

This indicator shows the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It is essentially a measure of the Councils underlying need to borrow for capital purposes.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Capital Financing Requirement	345.702	339.955	333.110

Authorised Limit

The Authorised Limit represents the level at which the Council is able to borrow and enter into Other Long Term Liabilities and needs to be approved by Council. It is a statutory limit determined under section 3(1) of the Local Government Act 2003 and represents a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The limit needs to be set or revised by the Full Council.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Authorised Limits for Borrowing	390.000	390.000	390.000
Authorised Limit for Other Long Term Borrowing	51.000	50.000	50.000
Authorised Limit for External Debt	**441.000**	**440.000**	**440.000**

Operational Boundary

The Operational Boundary is based on the expected level of the maximum external debt required during the year. This is not a limit and actual borrowing could vary around this boundary for short periods. Cash flow variations may lead to occasional breaches of the operational boundary in the short term. However sustained breaches would suggest that there is a danger of exceeding the Authorised Limits.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Operational Boundary for Borrowing	360.000	360.000	360.000
Operational Boundary for Other Long Term Borrowing	51.000	50.000	50.000
Operational Boundary for External Debt	**411.000**	**410.000**	**410.000**

Gross Debt and Capital Financing Requirement

The Council is also required to ensure that it's gross debt; except in the short term does not exceed the total of the Capital Financing Requirement. Where gross debt exceeds the Capital Financing Requirement, the reasons should be clearly stated in its treasury management strategy.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Capital Financing Requirement	345.702	339.955	333.110
Gross Borrowing & Other Long Term Liabilities	389.119	388.168	387.143
Under / (Over) Borrowing	**(43.417)**	**(48.213)**	**(54.033)**

Prudential Indicators relating to the Treasury Management Strategy

Interest rate exposure

This indicator shows the Councils interest rate exposure to the effect of changes in interest rates.

	2015/16 %	2016/17 %	2017/18 %
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	30%	30%	30%

Maturity structure of borrowing

The indicator shows the amount of projected borrowing that is fixed rate maturing in each period, expressed as a percentage of the total projected borrowing that is fixed rate.

	Upper Limit	Lower Limit
Under 12 months	55%	20%
>12 months and within 24 months	20%	0%
>24 months and within 5 years	20%	0%
>5 years and within 10 years	20%	0%
>10 years and within 20 years	20%	5%
>20 years and within 30 years	20%	0%
>30 years and within 40 years	20%	5%
>40 years and within 50 years	25%	5%
>50 years	10%	0%

Prudential Limit for principal sums invested for periods longer than 364 days

The purpose of this indicator is to help the Council to contain its exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of principal sums invested.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Prudential Limit for principal sums invested for periods longer than 364 days	100.000	100.000	100.000

9.6 Capital Strategy 2016/17 – 2018/19

The Capital Strategy was last reviewed in 2011 coinciding with the economic downturn. This had significant implications for local government. Since that time the economy has seen recovery, although the effects of the government's austerity programme continue to impact hard, and are expected to do so throughout the life of this strategy.

The Council's revised Capital Strategy sets out how the Council wants to structure and manage its capital finances, looking forward over a three-year period to ensure it supports the Council's objectives.

The strategy for 2016/17 to 2018/19 can be summarised as follows:

- Maintenance of a cautious approach to estimating resources as outlined above;
- Continual review and estimation of all existing pressures, especially school;
- Identification of key opportunities to maximise economic growth;
- Continue to negotiate contracts that deliver efficiency, flexibility and value for money;
- Pro-active management of our assets;
- Continue to seek opportunity for additional resources to maximise economic growth as long as it affordable to do so;
- Maintain appropriate levels of contingency and receipts to minimise any unexpected impacts.

10 Summary of Impacts and Risk Assessment for 2015/16

All budgetary proposals carry associated impacts – whether it is an impact on service delivery, equalities, sustainability, crime and disorder, staff, or a combination of any or all of these. The level of savings required for this year and the next two years of the MTFP is considerable and requires robust consideration regarding their impact. There must be an appropriate balance struck between, on the one hand being aware of the impact and seeking to avoid or mitigate adverse impacts and, on the other, the benefit gained from making the saving. It is therefore inevitable that a certain, manageable, amount of risk is inherent within the budget.

In order for the Council to fulfil its legal requirements under the Public Sector Equality Duty, each budget proposal has had a consideration of due regard completed by services throughout the process of preparing the proposals. This has resulted in a large proportion of the proposals requiring the need to complete an Impact Assessment. An Impact Assessment is a way of examining and analysing our services, policies and strategies and identifies existing and potential impacts on certain groups of people, and sometimes individuals, allowing us to make informed decisions that can be evidenced and published.

10.1 Impact Assessment Process

In 2012, The Equality and Human Rights Commission provided advice from an equalities perspective in terms of the Council's assessment process. A standard approach has been adopted, which guides services through a number of steps including:

- Gathering data and evidence including who uses the service and who may be affected by any proposal;
- An analysis of the information and consideration of options that could be taken forward and how proposals may need to be amended, taking this analysis into consideration;
- Identifying the impacts and opportunities to promote equality;
- Developing actions to mitigate any potential negative impact;
- Making an officer decision as to whether to put options forward or re-consider others;
- Detailing how the assessment will be reviewed;

Following on from The Equality and Human Rights Commission guidance a combined assessment approach was adopted. This process considers impacts against the following theme areas in a holistic and proportionate way. It recognises that the themes are not exclusive, often interconnect and form a well-rounded evidence base for planning and decision making:

- **Equalities**, including each of the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, sex, sexual orientation, race, religion and belief. Additional local characteristics of caring responsibilities, rurality, military status and low income have also been included. The assessment considers the impacts in terms of the General Duties with the Equality Act 2010 namely:
    - o Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
    - o Advance equality of opportunity between people who share a protected characteristic and those who do not;

    - Foster good relations between people who share a protected characteristic and those who do not.
- **Health and Safety**; including that of employees (both of the Council and its contractors) and those who use the services provided or supported by the Council;
- **Sustainability**, in terms of a range of environmental impacts and the Council's ability to meet the Local Development Framework;
- **Community Safety**, in terms of rates of crime and re-offending, preventing crime and disorder and quality of life and well-being;
- **Business Risk**, impacts on risks to the business in delivery of Priorities and service delivery and assess the cumulative effect of the proposal;
- **Privacy**, consider the impacts on personal & sensitive information, its collection, processing, transmission and storage.

As well as the general guidance provided in completing the assessments, Theme Specialists have been identified to provide specific support to services in developing their assessments. The assessments, once completed, have been reviewed by the Theme Specialists who have used a feedback form to provide commentaries back to services.

Impact assessments are the evidence for an on-going process of due regard. As the proposed change progresses so will due regard to that change. It is recommended that Senior Managers have responsibility for overseeing this analysis and review as decisions are made and service changes take place.

10.2 Key Impacts and Corporate Risks

The 2015/16 budget proposals continue to seek to protect families, communities and front line services where possible, as well as continue to support the delivery of the key priorities within the County Plan. Furthermore they are shaped by consideration of the impacts on equality groups and the vulnerable in our society.

The individual proposals requiring decisions by Cabinet are set out in Appendix F. The impact assessments for the remaining proposals can be found on the Budget Impact Assessments webpage at

http://www.somerset.gov.uk/information-and-statistics/financial-information/impact-assessments/

The individual impact assessments will assist and inform Cabinet and County Council at their meetings on 9 February 2015 and 18 February 2015 respectively as part of setting the 2015/16 budget.

To help Members, the key impacts and corporate risks drawn from individual impact assessments for the Medium Term Financial Planning 2015/16 are summarised below. However, whilst this provides an overview of impacts, decision makers will still need to ensure that they have paid due regard to the impacts of individual proposals.

The Councils Theme Specialists reviewed the complete impact assessments for their theme area and provided feedback where appropriate. Strategic Risk Management Group (SRMG) met during January to review the key issues identified by Theme Specialists that are set out below.

10.3 Community Safety

Section 17 of the Crime and Disorder Act 1998, as amended by the Police and Justice Act 2006, requires responsible authorities to consider crime and disorder, including anti-social behaviour and other behaviour adversely affecting the local environment; and the misuse of drugs, alcohol and other substances in the exercise of all their duties, activities and decision-making. This means consideration must be given to the likely impact on crime and disorder in the development of any policies, strategies and service delivery. This responsibility affects all employees of the council.

It is well researched that young people are most at risk of becoming victims of crime and disorder. Reductions in services for young people could increase this risk further. Whilst minimal again this year (in comparison to other savings proposals) adding these reductions to previous years will increase the chance of young people becoming a victim of crime, or taking part in (or be perceived as taking part in), anti-social behaviour or criminal activity.

Savings proposals in Public Health and Children and Families mean that there will be a cumulative negative impact on services for hate crime both in terms of support services for victims of hate crime as well as educational programmes in schools.

10.4 Equality and Diversity

More than half of the impact assessments identified through the equality and diversity section of the impact assessment show a disproportionate effect on just three of the characteristics – Age, Disability and Low income.

For people with a disability there could be an impact on physical access through road infrastructure resource being reduced. Further public transport subsidy and transport services reductions in addition to previous years reductions could further increase the isolation of this community.

There is an effect on older people through the savings in relation to bus routes and support service. All of these could impact on this community feeling more isolated. For younger people a reduction in public transport subsidies and support services could also affect their sense of identity and independence. This potential impact on younger people could be increased by the reduction in support to schools to help children and young people to develop positive attitudes to diversity in Somerset.

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Additionally it is worth noting that whilst they are specifically identified through individual impact assessments there are two additional characteristics that could be affected when looking at the proposals collectively:

- With the reduction in support services and transport subsidies this may increase the burden on carers of people with a disability.
- Whilst the rurality of the county was not strongly identified in individual assessments it is clear that vulnerable groups in rural locations could be additionally affected.

10.5 Health and Safety

Under the area of Health and Safety the following themes are potential business risks:

- The negative impact of reduced staffing levels, where it is not aligned to a commitment to a reduction in service delivery, resilience building or more streamlined ways of working, will continue to rise. Reviewing the reported data of the past two years, there has been an increase in the incidence of stress-related absence attributable to work and in the lost-time incident rate, comparing the years from November 2012 and 2013.
- The reduced headcount of the organisation will continue to lead to difficulties in fulfilling essential duties (in terms of Health and Safety governance) but which are outside of job descriptions and in having people with the appropriate levels of competence to manage the Health and Safety risks effectively
- The increase in the number of externally commissioned services and external contracts results in a higher risk of poor compliance with Health and Safety legislation if they are not set up and managed correctly.

10.6 Health and Wellbeing

Taken as a whole the various public, community and school transport proposals will tend to increase social isolation, severely limit the ability of the council to implement the active travel strategy, and increase use of private motor vehicles. Consequential impacts could include increased traffic, traffic congestion and air pollution, and lower levels of physical activity in the population.

While virtually impossible to quantify, the scale of change and cuts across public services is likely to lead to:

- Some increased demands, which may present somewhere else in the public or voluntary sectors. Cuts to public transport, for example, might mean that services have to make more home visits.
- A cut in one budget area may lead to an increased cost elsewhere.
- Cuts to voluntary sector bodies could lead to increased demand on Somerset County Council and other councils, as citizens seek assistance with problems. If people are unable to access assistance, there may be consequences for mental health, domestic abuse etc. with knock-on impacts to health services and criminal justice.

10.7 Privacy

The Privacy Theme has identified the following main risks based on how the organisation is changing and how these run through most of the impact assessments. The risks are based around the statutory requirements of the Data Protection Act and the potential impact on client confidentiality and the risk of fines from the Information Commissioner's office.

The assessments mainly focus on outsourcing of service or working with partners to deliver the service together as follows:

- There is recognition within the assessments that reduced staffing levels could lead to an increase of errors and data being dealt with incorrectly.
- There is also a recognition that reduced budgets may impact upon the capacity of organisations to provide adequate information security training.
- A number of the assessments discuss working with partners or moving to services provided in conjunction with a third party. If this happens then services will need to be aware of Information Sharing Agreements for working together with third parties and Contract Clauses when procuring service provision.
- There are also a number of projects that include provision for shared buildings and accommodation; care must be taken to ensure appropriate separation of personal information and systems to ensure the privacy of individual service users.

Similar to health and safety, there is a concern that a reduction in staffing levels will lead to a reduction in knowledge in how to deal with information security within the organisation.

10.8 Sustainability

Officers have reviewed the savings proposals in respect of their impact on the Council's Minerals and Waste policies and no specific impacts have been identified. In the main these policies are designed to specify requirements that developers have to satisfy in order to plan; deliver and operate waste and minerals facilities.

There are a number of proposals within the Capital Programme that will have positive impacts in terms of reducing the Council's carbon emissions.

As with the other Themes, Service areas completed, where appropriate, individual assessments looking at the effect of the proposal on Sustainability.

10.9 Collective areas and Key Business Risk

The Government's deficit recovery programme has significantly reduced the levels of funding in Local Government. The Council faces on-going challenges both within the current financial year and in developing the Medium Term Financial Plan. It is important that members understand the risks to approved budgets, maintaining sufficient reserves, balances and contingencies as well as managing a range of mitigations to limit as much as possible impacts on core services, especially those prioritised in the County Plan.

As part of the budget-setting process, the Council must consider the risks inherent in the budgets set and the adequacy of the measures put in place to manage those pressures. Members need to form a view on the adequacy of the level of reserves as a safeguard against unexpectedly high levels of demand being experienced in a number of volatile budget areas. The level of general balances is determined by the Council.

Whilst pulling together this summary it was clear that the organisation will need to be aware of the following risks going forward with this budget. These are as follows:

- Non-delivery of savings proposals - the quarter 2 2014/15 budget monitoring report identified that that up to 25% of the savings proposals for 2014/15 that had been agreed by Council may not be deliverable. Senior managers have put in place mitigation plans and officers challenged to ensure that savings proposals for 2015/16 are deliverable if agreed. Cabinet Members and the Senior Leadership Team will continue to manage and monitor the 2015/16 budget performance and report quarterly to Cabinet. Nevertheless this risk to the delivery of the 2015/16 is highlighted.

- Demand, new legislation and demographic pressures outstrip available resources - There is currently significant pressure on some of our services, for instance Learning Disabilities and both Adults and Children's Social Care budgets due to increased demands over and above reasonable expectations. Savings proposals within these areas will need to be managed along with their delivery and impacts kept under review. These risks are exacerbated by the Council facing additional responsibilities as a result of The Care Act.

- National and external factors - The changes that have been made by the Government since May 2010 are significant, and further changes to the public sector are expected over the next few years. Members should note that, as the external environment of both the public sector and Somerset itself face a lot of change, so the number of risks being identified and the likelihood of risks occurring is also increasing. The General Election in 2015/16 also provides uncertainty and risks to future local government funding. There are also risks arising from changes to grant conditions or future uncertainty about the amount of grant the council will receive. A key mitigation for this risk is the council's continued lobbying for Fairer Funding for Somerset.

- Capacity for core service delivery - With reducing staff levels there is again a concern at the Council's capacity to maintain core and necessary business intelligence and support services, comply with governance requirements, ability to react to unforeseen circumstances and support third party organisations.

- Working with Third Parties and commissioning – Several of the themes above identified that as the organisation moves towards a more collaborative approach of working responsibilities need to be clear within agreements and contracts. Also, that we do not lose sight of our responsibilities to maintain the health and wellbeing of our staff and the community.

- Volunteering - a key County Plan priority is to help individuals and communities to help themselves, to volunteer and take control of services they believe are important to them. Some services have predicated MTFP savings on the increased use of volunteers and there is a risk that the level of volunteers cannot be increased.

- Insurance claims above budget provision – there is potential for claims to exceed the budget allocation although this is kept under regular review.

- Waste management costs – Waste tonnage levels and growth rates are volatile and difficult to predict as they are subject to a range of influences outside the control of the Council. Nevertheless, there have been successive increases in waste management costs for several years. Mitigation plans are in place through the Somerset Waste Partnership. More detail on the proposed mitigations can be seen in the SWP Business Plan and Annual Budget proposals for 2015/16 which were reported to the December meeting of the Waste Board.

- Social isolation and access to services - the impact of reductions in funding for transport for access to services for the young, elderly, low income and people with a disability was raised by several themes. This may impact on our ability to achieve many of the priorities in the Councils County Plan.

- Information governance - the breadth and depth of change, in both structure and process with the Council, places personal and sensitive data at a greater risk of disclosure, thereby attracting the risk of subsequent potential loss of reputation and fines from the Information Commissioner's Office.

Review of the MTFP 2015/16 proposals suggests the following Corporate Risks may be adversely affected in terms of their current risk scores:

- ORG0002 – several savings proposals involve the reduction in commissioning staff
- ORG0032 – the potential increases in risks to information governance
- ORG0037 – proposed budget reductions in Adult Social Care services

It is very important that active budget monitoring and management remains in place and is undertaken with a high level of professional discipline, so that net expenditure is contained within budget limits.

A more detailed assessment of the risks associated with the budget proposals can be found in section 7 of this document.

10.10 Mitigation, Review and Monitoring

As part of the impact assessment process the author of the assessment is asked to identify mitigation to any negative impacts that have been identified. These mitigations are held within individual assessments and aim to either mitigate the impact or go some way to reducing the impact identified.

SRMG monitors and reviews risk management across the Council and it reports to Cabinet, Senior Leadership Team and Audit Committee on a regular basis and forms part of on-going monitoring of impacts and risk.

SLT officers and individual managers are responsible for reviewing and managing risks within their service areas. Risks identified for services will need to be integrated into the service planning process and regularly reviewed to ensure that they are being managed appropriately.

Service delivery performance is reviewed and reported regularly to Senior Leadership Team, Cabinet and Scrutiny. This provides a regular opportunity to consider the effect of mitigations and the actual impact of budget proposals as they are implemented and following their implementation.

11 Summary of Consultations

The requirements on the Council to consult on its spending plans with service users, its residents and taxpayers are varied. There are statutory requirements for consultation and it is best practice for local authorities to consult on a number of levels. This Council is committed to open consultation and has delegated responsibility to allow individual senior officers to conduct consultation exercises on its behalf. Therefore the Council's Customers and Communities services have put together a large scale co-ordinated consultation and engagement package to support decision-makers ahead of the MTFP.

11.1 Consultation and engagement

Residents were asked their views on their priorities in terms of services, their appetite for a significant council tax increase, willingness to see the Council charge for services and preferences to access information about the Council and its services in the following ways:

- Listening Learning Changing" – under this banner a countywide public engagement and consultation exercise took place through the summer and autumn.
- An online survey.
- Using Freepost feedback forms printed in the Council newspaper "Your Somerset" delivered to every home in the county.
- Using a regular face-to-face survey commissioned from an independent provider.

This was all promoted through the council's publications, website and social media platforms as well as good coverage in local newspapers, radio and news websites.

A total of around 3,500 people were engaged as part of the consultation exercise. A further 2,000 people took part in our surveys, weighted according to age, residence, disability and other methodologies, making it statistically very sound. These surveys were carried out in April and October with questions reflecting the roadshows and asking about services, budgets and priorities as well as charging and community involvement.

The various elements added together provide an extensive and comprehensive level of consultation. They reflect different demographic groups, geographic spread, and used a variety of methods in order to prove as relevant and reliable as possible.

The results of these inform the specific MTFP proposals and supporting budget papers.

11.2 Summary of response

The key responses at roadshow events and online responses together were as follows:

The County Council charges for some services. To generate income, would you rather that we:	
Raise charges for the people who use these services by the rate of inflation	44%
Raise charges for the people who use these services to cover the full cost of providing these services	41%
Increase Council Tax so all Council Tax payers contribute to the costs of providing these services	15%

If we considered raising Council Tax, how much extra would you be willing to pay?	
40p per week (£20.60 per year, 2% increase) generating £3.6m	37%
On no account should Council Tax be increased	23%

Note: Through its Council Tax Freeze Grant, the Government pays Local Authorities the equivalent of a 1% increase in Council Tax in return for not increasing its part of the Council Tax bill.

How do you currently get information and news about the County Council and its services?	
Your Somerset newspaper	60%
Printed Newspapers (local or regional)	43%
The Council's website	42%
Television news	29%
Radio	20%
Online (including online newspapers)	21%
Direct email (e.g. from Library or Museum services)	12%
The Council's Twitter account	5%
Other	5%

How would you prefer to get information and news about the County Council and its services?	
Your Somerset newspaper	53%
The Council's website	40%
Printed Newspapers (local or regional)	32%
Online	23%
Direct email	23%
Television news	21%
Radio	18%
The Council's Twitter account	19%
Other	3%

Would you watch Council and Committee meetings online if they were available on the internet?	
Yes	30%
No	53%
Don't know	17%

Note: These responses have been shared with Community Governance which has been tasked by Full Council to consider this question.

11.3 Priorities

We changed the way we carried out the "game" section of the budget consultation. The Balancing Act last year worked well but was very time consuming and although providing a high level of qualitative data, it was felt the numbers were too low – only around 50 people took part in the exercise this year. The corporate communications team anticipated this drop off and devised a new exercise asking people to prioritise just three council services using tokens. The scores below are based on 3 'points' for a gold token, 2 for silver, 1 for Bronze.

At events

County Plan Priority/Target	Score
Help vulnerable and elderly people stay in their own homes.	1,568
Attract jobs and apprenticeships into Somerset.	1,463
Better schools producing better results for our children.	1,030
Invest in Somerset; improve broadband and road links to help businesses and residents	966
Help residents stay healthy; encourage our children to be active.	866
Fewer children in council care; more people approved to foster and adopt.	793
Keep Council tax frozen for as long as possible	779
Reduce waste; reduce our carbon footprint	566

Online

County Plan Priority/Target	Score
Help vulnerable and elderly people stay in their own homes.	134
Invest in Somerset; improve broadband and road links to help businesses and residents	133
Attract jobs and apprenticeships into Somerset.	87
Better schools producing better results for our children.	78
Reduce waste; reduce our carbon footprint	78
Fewer children in council care; more people approved to foster and adopt.	61
Help residents stay healthy; encourage our children to be active.	43
Keep Council tax frozen for as long as possible	40

Your Somerset

County Plan Priority/Target	Score
Help vulnerable and elderly people stay in their own homes.	639
Keep Council tax frozen for as long as possible	417
Attract jobs and apprenticeships into Somerset.	394
Invest in Somerset; improve broadband and road links to help businesses and residents	364
Reduce waste; reduce our carbon footprint	235
Better schools producing better results for our children.	231
Help residents stay healthy; encourage our children to be active.	175
Fewer children in council care; more people approved to foster and adopt.	170

Overall (event, online and Your Somerset)

County Plan Priority/Target	Score
Help vulnerable and elderly people stay in their own homes.	2,341
Attract jobs and apprenticeships into Somerset.	1,944
Invest in Somerset; improve broadband and road links to help businesses and residents	1,463
Better schools producing better results for our children.	1,339
Keep Council tax frozen for as long as possible	1,236
Fewer children in council care; more people approved to foster and adopt.	1,025
Help residents stay healthy; encourage our children to be active.	984
Reduce waste; reduce our carbon footprint	879

Face-to-face survey responses.
In October 2014, 900 residents from across the County were consulted about their perceptions of Somerset County Council and a range of other relevant issues. Among the findings relevant to this budget consultation were the following:

1. Priority areas where respondents would protect spending – top three areas are: Support for elderly people unable to live without assistance; Support for vulnerable groups; Children's social care.

2. Priority areas where respondents would be willing to see spending cuts – top three areas are: Arts and heritage; Street lighting including reduced night time lighting; Local offices and access points for county council services

A further question was asked about willingness for council tax increases.

1. In the April survey, 59% of respondents would not be willing to pay more Council Tax to protect services in the future, though 29% would. The highest positive responses were from those aged 45 – 54 years old at 37%.

2. In the October survey, 62% of respondents would not be willing to pay more Council Tax to protect services in the future, though 28% would. In comparison, in October 2013 64% would not be willing to pay more whilst 23% would. The highest positive response was from those aged 35 – 44 and 55 – 64 years old at 35%. There was also a significant variation across the county with 46% of West Somerset residents supportive of an increase in Council Tax, compared to only 14% in South Somerset.

It is important to note that "Your Somerset" generally has a reasonably old readership. Social media has a generally accepted young demographic, and by mixing up roadshows with online exercises, we have tried to balance all ages and backgrounds to give equal weighting to views we received. Our face-to-face surveys can help us gain the attention of harder to reach groups.

11.4 Conclusions:

The Key findings from these activities are:

Top three priorities:

1. **Helping vulnerable and elderly people stay in their own homes.**
   This was the top target last year as well. This priority was the top performing budget area at events, online and in Your Somerset and shows a clear preference across the whole of the Somerset population.

2. **Attracting new jobs and apprenticeships into Somerset.**
   This was a change to previous year and a significant rise in priority. It is worth noting that this priority was in the top three of all activities, events, online and Your Somerset newspaper.

3. **Invest in Somerset; improve broadband and road links to help businesses and residents.**

This was a new entrant into the top priorities. Amongst the online community, this priority came second whereas at events and Your Somerset – with far larger audiences – it was scored lower in fourth place.

Of the other priorities, only two appeared in the top three listings. At roadshow events, "better schools producing better results for our children" came in third place. In the Your Somerset questionnaire "Keeping Council Tax frozen for as long as possible" scored highly in second place. These priorities may well reflect the different demographics of readers or event-goers.

In the face-to-face surveys, the same top priority was made, but the second and third priorities were different; respondents selecting vulnerable groups and children's social care in second and third place.

In terms of Council Tax, it is clear that whilst the offer of the Government freeze grant equivalent to 1% of council tax is available, any proposed rise above that level would not be supported by the vast majority of the public. It is worth noting that this is softening slightly over the course of the past 12 months. There are some apparent contradictions in response though – partly due to the age difference of those asked – younger audiences tend to be more receptive to a rise in Council Tax, older people are far less receptive. There is also a potential change over the course of 12 months as residents understand the consequences of government cuts to local authority funding.

11.5 Council Tax Referendum

There is a general requirement in the Localism Act to hold a referendum on the level of Council Tax if that is to be raised above a level specified by the Secretary of State. Normally, information is also received on the criteria under which a Council Tax referendum would be called. As in previous year's this has been set at 2%. Since this Council has already stated its desire to keep Council Tax at the same level as it was last year there was therefore no need to undertake such a referendum.

12 Key Partnerships

The Council works within a number of partnerships to deliver its aims and priorities. This offers a wide variety of advantages for the residents of Somerset, including economies of scale and maximising external funding opportunities as well as reducing bureaucracy and duplication. In some cases it also provides a central point of contact for the public, increasing accountability. The Council wishes to continue to harness the benefits of working in this way.

Partnerships can take various forms, some of which are identified below:

- Subsidiary or associated companies and trusts;
- Joint boards;
- Public Private Partnerships,
- Joint committees;
- Advisory groups;
- Joint consultative committees;
- Partnerships with suppliers;
- Limited companies;
- Accountable body for a partnership;
- Giving grants to partner organisations;
- In-kind support to partner organisations; and
- Joint working.

The financial management of partnerships depends on the mechanism by which funding streams are brought together. Within Somerset, there are a number of different partnerships that treat the funding differently, examples of which are:

11.1 Pooling Budgets

Pooled budgets are created when the agencies involved agreed to contribute to a discrete fund to deliver a specific set of priorities. Within this fund or "pool," contributions lose their original identity and are committed and accounted for against the joint aims of the partners. For accountability and legal reasons, a pooled budget is hosted by one of the partner agencies, in accordance with its standards of financial governance and the requirements of the agencies for monitoring and review. Examples of these types of partnerships are:

- Learning Disabilities; and
- Somerset Waste Board.

11.2 Aligning Budgets

This involves grouping together separate budgets to improve the joint planning and deployment of resources by partners. Decisions are taken collectively about the aligned budget, but the individual accounts are still held within separate agency budgets to allow them to account for their own contribution.

11.3 Joint Commissioning

The Joint Commissioning structure is made up of a number of groups, carrying out the detailed work and recommending changes and developments relevant to the needs of the population. An example of this type of partnership working is our Financial Assessment and Benefits Board involvement.

11.4 Devolving Budgets

This is where funding and responsibility is passed from one entity to another. The largest example of this is the Individual Schools Budgets.

11.5 Delegating Budgets

This is where the original organisation authorises another entity to act as its representative. The Transformation Programme Partnership Group and the lead Scrutiny Members Partnership Review Group are instrumental in this area and have reviewed the most significant partnerships, those that present the most significant risk to the Council.

13 Annex A – Movement in Core Funding Streams

2014/15 Actual	CORE FUNDING	2015/16 FINAL Settlement (FEB 2015)	2015/16 Movement from 2014/15 Actual		2015/16 Movement from Provisional Settlement Dec 2014		2015/16 Provisional Settlement (Dec 2014)	2015/16 Movement from Illustrative Settlement Dec 2013		2015/16 Illustrative Settlement (Dec 2013)
£m		£m	£m	%	£m	%	£m	£m	%	£m
63.032	RSG (raw)	42.987	- 20.045	-31.8%	0.602	1.4%	42.385	- 0.496	-1.2%	42.881
52.752	NNDR (raw)	53.760	1.008	1.9%	-	0.0%	53.760	- 0.448	-0.8%	54.208
5.013	2011/12 4-Yr Council Tax Freeze Grant	4.994	- 0.019	-0.4%	-	0.0%	4.994	- 0.017	-0.3%	5.011
2.042	2013/14 Council Tax Freeze Grant	2.042	- 0.000	0.0%	-	0.0%	2.042	- 0.000	0.0%	2.042
2.054	2014/15 Council Tax Freeze Grant	2.090	0.036	1.7%	-	0.0%	2.090	0.036	1.7%	2.054
13.367	Early Intervention Grant	12.176	- 1.191	-8.9%	-	0.0%	12.176	- 0.050	-0.4%	12.226
0.185	Local Flood	0.184	- 0.001	-0.4%	-	0.0%	0.184	- 0.001	-0.4%	0.185
0.120	LD & Health Reform	0.119	- 0.001	-0.5%	-	0.0%	0.119	- 0.000	-0.3%	0.120
0.282	Rural Services Delivery Funding	0.460	0.178	63.0%	-	0.0%	0.460	0.178	63.2%	0.282
1.089	Local Welfare Provision	0.820	- 0.269	-24.7%	-	0.0%	0.820	0.820		-
-	15/16 Carbon Reduction Credit Adjustment	- 0.087	- 0.087		-	0.0%	- 0.087	- 0.087		-
-	Council Tax Support Grant	-	-		-		-	-		-
0.160	Returned Funding	-	- 0.160	-100.0%	-		-	-		-
140.096	**Core Funding Total**	**119.546**	**- 20.551**	**-14.7%**	**0.602**	**0.5%**	**118.944**	**- 0.066**	**-0.1%**	**119.010**

2014/15 Actual	SPECIAL GRANTS	2015/16 FINAL Settlement (FEB 2015)	2015/16 Movement from 2014/15 Actual		2015/16 Movement from Provisional Settlement Dec 2014		2015/16 Provisional Settlement (Dec 2014)	2015/16 Movement from 2014/15		2015/16 Illustrative Settlement (Dec 2013)
£m		£m	£m	%	£m	%	£m	£m	%	£m
-	2015/16 Council Tax Freeze Grant	2.111	2.111		-	0.0%	2.111	0.051	2.5%	2.060
0.273	Lead Local Flood Authorities	0.182	- 0.091	-33.3%	-	0.0%	0.182	-	0.0%	0.182
0.134	Inshore Fisheries Conservation Authority	0.134	- 0.000	0.0%	-	0.0%	0.134	-	0.0%	0.134
0.430	Extended Rights to Free Travel	0.360	- 0.070	-16.2%	-	0.0%	0.360	0.016	4.7%	0.344
2.818	New Homes Bonus	3.470	0.652	23.1%	-	0.0%	3.470	- 0.094	-2.6%	3.564
0.211	New Homes Bonus - Adjustment Grant	0.202	- 0.009	-4.3%	- 0.002	-1.0%	0.204	- 0.333	-62.0%	0.537
1.009	Academy	1.020	0.011	1.0%	-	0.0%	1.020	0.111	12.2%	0.909
4.738	Education Services Grant Services for LA retained pupils	3.482	- 1.256	-26.5%	-	0.0%	3.482	- 0.782	-18.3%	4.264
0.009	Community Right to Challenge	-	- 0.009	-100.0%	-	#DIV/0!	-	-		-
0.451	Local Reform and Community Voices DH Revenue Grant	0.336	- 0.115	-25.4%	-	0.0%	0.336	- 0.115	-25.4%	0.451
-	Under-18s Secure Remand Funding	-	-		-	#DIV/0!	-	-		-
0.646	NNDR Cap - Top-up	0.904	0.258	40.0%	-	0.0%	0.904	0.258	40.0%	0.646
10.718	**Special Grants Total**	**12.201**	**1.483**	**13.8%**	**- 0.002**	**0.0%**	**12.203**	**- 0.887**	**-6.8%**	**13.090**
150.814	**OVERALL TOTAL FUNDING WITHIN BASE BUDGET**	**131.746**	**- 19.068**	**-12.6%**	**0.600**	**0.5%**	**131.147**	**- 0.953**	**-0.7%**	**132.100**

2014/15 Actual	RING-FENCED FUNDING	2015/16 FINAL Settlement (FEB 2015)	2015/16 Movement from 2014/15 Actual		2015/16 Movement from Provisional Settlement Dec 2014		2015/16 Provisional Settlement (Dec 2014)	2015/16 Movement from 2014/15		2015/16 Illustrative Settlement (Dec 2013)
£m		£m	£m	%	£m	%	£m	£m	%	£m
15.513	Public Health	15.513	-	0.0%	-	0.0%	15.513	-	0.0%	15.513
11.447	NHS Grant Transfer	-	- 11.447	-100.0%	-		-	-		-
-	Better Care Fund	35.067	35.067		-	0.0%	35.067	-	0.0%	35.067
-	Adults Social care (NHS) New Burdens	3.658	3.658		-	0.0%	3.658	0.692	23.3%	2.966
26.960	**Ring-Fenced Funding Total**	**54.238**	**9.692**	**35.9%**	**-**	**0.0%**	**54.238**	**0.692**	**1.3%**	**53.546**