

Calderdale's Approved Budget for 2023/24 to 2025/26
as Agreed at Budget Council 27th February 2023

Once again, Calderdale Council is being asked to produce a budget to deliver vital local services and balance our books in a situation of unprecedented financial challenges and great uncertainty. The reasons for this include:

- The ongoing impact of the global pandemic and its aftermath which continues to affect the demands on our services and on our partners;
- The cost of living crisis facing our residents, communities and businesses – and also of course the cost of delivering services;
- The fall out from the disastrous national economic proposals during the chaotic period of the Truss Prime Ministership which has created long term economic damage to the country.

All following on from twelve years of austerity, with cuts particularly targeted at local services, and in a climate of unprecedented national political instability including three Prime Ministers in just a few months.

Given that important context, our proposals were built around three key principles:-

- Investing in social care to address demographic pressures, supporting people to live their best possible lives, and working in partnership with the NHS;
- Maintaining existing spending levels on front line services, avoiding the need for further damaging reductions; and
- Delivering a robust and balanced budget which makes prudent provision for the uncertainties of the next two years.

The Impacts of the Economic Crisis

In October, the Council's Medium Term Financial Strategy (MTFS) estimated the impacts of the economic situation on the local authority. These included

- Providing adequately for higher pay inflation;
- Likely fall in discretionary income as residents cut back on spending;
- Higher contract costs as contract prices are linked to national inflation rates;
- Massively higher energy costs; and
- Significant fall in car parking income.

In addition, the report also spelled out the need for additional investment in children and adult's social care, to make sure we are as well placed as possible to respond to rising costs and rising demands.

The budget we have now agreed maintains all of these identified costs.

Continuing Uncertainty

It is deeply regrettable that once again, the Government has only provided a single year financial settlement for councils. This means that beyond April 2024 we are dependent on informed estimates about what the situation might be. This is a wholly unsatisfactory situation but perhaps not surprising given that almost every announcement the Government has made to help households and businesses with energy costs or the cost of living has also been time limited and last minute. Nonetheless, we remain determined to not only balance the books this year, but also ensure our finances are on as strong a footing as possible for the future.

This is why we have set out a number of areas where we will be focussing on reviewing activities and seeking potential savings, as well as maintaining revenue balances and other reserves at a robust level.

We have unfortunately seen an increasing number of local authorities across the country facing major financial difficulties leading to central Government intervention. Calderdale has a proud record of robust financial management and we will not put that reputation at risk.

Maintaining our services

We presented the budget in a single document this year. Understandably, most residents do not take a detailed interest in the minutiae of local government and are mainly aware of the services that they directly experience, not perhaps realising that over two thirds of our spending goes on social care; putting everything in one place makes it easier to see the whole picture.

The Summaries of Services Provided in the consultation budget document perhaps helps to demonstrate the huge range of responsibilities and activities carried out by Calderdale Council. Many of these are not statutory but help to make all our lives better.

The targeting of local government for significant cuts by firstly the Conservative-Liberal Democrat Coalition and then the following Conservative Governments have forced the Council to find savings which now amount to over £120m per year compared with the services we were providing in 2010. Fortunately, we are now able to protect front line services from the need to find further savings in the year ahead, although continuing inflation and increasing recruitment shortages are likely to impact at times on the services we are able to provide.

Council Tax Increases

Once again, the Government is forcing a further part of the costs of social care onto local council tax payers. We know that many residents are struggling to make ends meet particularly as household costs such as energy bills increase rapidly but the Council is experiencing similar inflationary pressures. And many of the residents on low incomes are also those who would be worst hit by further cuts in local services.

We believe that the full increase of 4.99% is required to protect the services we provide to vulnerable people and other residents and is what government expects of us in determining our funding. The budget therefore includes a Council Tax increase of 2.99% in line with the limit applied by Government and an additional 2% Social Care Precept to help fund and

protect social care services to vulnerable adults and children. We are continuing to maintain the Council Tax Reduction Scheme at its current level.

What you Told us During the Budget Consultation

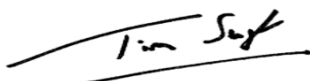
This is a budget which addresses three themes: Investing in social care to address demographic pressures; maintaining existing spending levels on front line services; and delivering a robust and balanced budget.

We asked for comments and suggestions on the Budget. The consultation period ran from the 16th January 2023 to the 13th February 2023 and was open to all but there was targeted communication with hard to reach groups, Scrutiny Boards have discussed the proposals and partner organisations (including the Voluntary Sector) and the business community have also been consulted with.

Recordings of the Facebook Question and Answer session that was held on the 26th January have attracted significant views but the number of responses have been fewer than in previous years (possibly because of the nature of the proposals). We carefully considered all your responses and on top of our original proposals have decided to provide a 100% Council Tax exemption to help Foster Carers of Calderdale residents within Calderdale Council boundaries. I am proud that we have been able to provide this additional support to our foster carers and we will also consider during 2023/24 whether to adopt the same Council Tax exemption approach for care leavers.

My colleagues on Council and I would like to thank everyone who took the time to contribute to this budget. All of your help was greatly appreciated.

Councillor Tim Swift

A handwritten signature in black ink that reads "Tim Swift". The signature is written in a cursive style and is underlined with a single horizontal line.

Leader, Calderdale Council

Explanation of the Financial Position and Preamble to Calderdale's Budget

In previous years, as part of the budget process, Cabinet received a separate report showing how the Medium-Term Financial Strategy (MTFS) had changed since it was agreed at Cabinet (before the start of the budget process). This was the starting point which Cabinet built its budget proposals on. This year, as an improvement, this explanation has been incorporated into the main Budget Document so that is all brought together in one place to aid Members' and residents' understanding of the overall financial position.

The Medium-Term Financial Strategy

The Medium-Term Financial Strategy report considered by Cabinet on 10th October 2022 identified budget shortfalls over the next three years. Set out below are the initial gaps presented in this report:

	2023/24	2024/25	2025/26
Budget Gap	£10.2m	£12.9m	18.4m

These shortfalls are reflected in assumptions made about the future funding and expenditure for the Council and are reflected in the table below:

	2023/24	2024/25	2025/26
Pay Inflation	5%	2%	2%
Discretionary Income	4%	4%	2%
Contract costs	8%	2%	2%
Energy costs	5% + £1.9m	5%	5%
Adult Social Care Demographic growth	£2m	£4m	£6m
Childrens' budget pressures	£2.8m	£2.8m	£2.8m
Lower levels of Car Parking Income	£1m	£1m	£1m

The Provisional Local Government Finance Settlement 2023/24

Following on from the initial information provided on the Spending Review of the 27th October 2021, the Chancellor released his Autumn Budget on the 17th November 2022. However, this only provided high level information about departmental spending limits across the country and did not provide specific funding allocations.

An announcement regarding new social care grant funding for Local Government was included and this led to the re-purposing of Social Care Cap funding to councils of £1.3bn nationally next year predicated on the delay to the introduction of the social care reforms (and especially the new Care Cap) from 2023 to 2025.

The Secretary of State announced the Provisional Local Government Finance Settlement for 2023/24 on the 19th December 2022. Unfortunately, the Provisional Settlement only provided allocations for 2023/24 and the Council continues to make assumptions on future years funding based only on historical activity. Key headlines from the Minister's statement were:

- The referendum limit for core Council Tax increases will rise to 2.99% with councils allowed to raise up to an additional 2% in respect of the Social Care Precept from 2023/24, i.e. 4.99% in total.

- Confirmation that local authorities' Core Spending Power will increase by an average of 9.2% (Calderdale 9.8%). **However, it does also assume that councils will put up their Council Tax by the maximum allowable referendum limit to help achieve this.**
- Revised core grant funding levels - Calderdale's Revenue Support Grant and Top-up allocations are greater than forecast in the original MTFS
- The main part of the additional local government funding will be provided to local authorities in the form of Social Care Grant, Market Sustainability and Discharge Funding. Our share of this is around £7.9m.
- Our allocation of Services grant has fallen from £2.9m to £1.6m.

It has been assumed that this extra grant funding will be used by the Council to help balance its overall budget as significant growth (£12.4m in total) has already been provided within the MTFS to manage pressures being felt in Adults, Childrens Social Care and Public Services.

	2023/24 £m	2024/25 £m	2025/26 £m
Original MTFS Deficit	10.2	12.9	18.4
Settlement and other Changes	(6.4)	(6.8)	(6.2)
Updated MTFS Position	3.8	6.1	12.2

The Final Local Government Finance Settlement 2023/24

This was released on the 6th February 2023. The only change that has affected Calderdale is that our Local Services Grant allocation has increased from £1,640,373 to £1,707,902 increasing the headroom provision/contingency by £67,529 in 2023/24. For consistency, this has also been reflected in 2024/25 and 2025/26 reducing the planned contribution from balances/deficits in those years.

Budget Council Measures

Councillors are planning to balance the Council's budget next year with two specific measures.

1. Firstly, only 2.99% in total was assumed previously in the Council's budget for Council Tax increases. As mentioned above, Government has given councils flexibility and choice over the application an additional 2% increase in Council Tax and this is now being planned.
2. Secondly, active management of the Council's investments and higher levels of interest rates are expected to increase the return on the Council's cash balances over the coming period. It is currently forecast that this could amount to £3.0m in 2023/24 and £2.3m thereafter.

It is anticipated that the above savings will create headroom value of £0.7m in 2023/24. This money will be used to offset the additional pressures that have arisen recently relating to

Early Years investment in services, Housing Standards Enforcement and the implementation of a Headroom Contingency item.

It is noted that although Headroom Contingency funding will provide an element of risk and investment capacity it is sensible to plan more prudently for future years. Budget Council has therefore proposed that a number of other items are considered in early 2023/24 to provide additional financial resilience and to make an impact into future MTFS budget gaps. These proposals consist of 5 initial measures of which work will commence promptly.

- **Parking Charges Review** – consideration of the levels of charge against usage and benchmarking against similar authorities
- **Buildings Rationalisation**- what buildings do we have and how do we use them, should we consider alternatives?
- **Salary and Cost Re-basing Exercise**
- **Waste Delivery Review** – how can we deliver our waste and recycling service without compromising outcomes. Are there different collections options that we need to explore?
- **Highways Programme** – does our expenditure align with our income and can we confirm that this service provides value for money

Officer focus groups have already been set up to look at these areas and any savings generated will contribute to the MTFS either in 2023/24 or later years. Initial thoughts are that these projects may generate between £2m-£3m of additional revenue capacity. Any proposals relating to these items will be considered in year through the appropriate governance process.

The position of the MTFS after taking account of the finance settlement changes and including growth and savings agreed as part of the budget can be summarised as below:

	2023/24	2024/25	2025/26
	£m	£m	£m
Updated MTFS Deficit	3.7	6.1	12.1
Additional Council Tax	(2.1)	(4.5)	(7.2)
Treasury Management Income	(3.0)	(2.3)	(2.3)
Housing Standards Enforcement	0.2	0.2	0.2
Early Years Investment	0.5	0.5	0.5
Headroom Provision	0.7	0.0	0.0
Updated MTFS Deficit/Surplus	<u>0.0</u>	<u>0.0</u>	<u>3.3</u>

The third year of the budget remains unbalanced at present, but the work discussed previously should help to bridge the budget gaps and provide more financial resilience in the future.

SAVINGS OPTION 2023/24 – 2025/26 APPROVED AT BUDGET COUNCIL

Chief Executives

1) Title of the Measure

Additional Investment Income and other Savings within Treasury Management

2) What actions are required to deliver the saving and what are the key timescales?

Active management of the Council's investments and Capital Programme will be necessary to deliver this saving. Outside of the Council, the saving is to an extent dependent on the Bank of England's Monetary Policy Committee's approach to managing inflation through interest rate policy. The approval of an amended Minimum Revenue Provision (MRP) policy to that currently agreed will also be required from Budget Council to deliver part of the saving put forward.

3) Why is this savings proposal being put forward/what is the rationale behind it?

The investment income element of the Treasury Management budget is based on a 0.5% base rate. This was the country's interest rate as recently as March this year. Since then however, as inflation has gone up, the base rate has also climbed steadily to 3.5% on the 15th December 2022. Further rate rises are being anticipated by the market and this saving reflects the impact higher rates will have on the Council's investment returns. Fitch, one of the Council's rating agencies, expects the base rate to continue rising until mid-2023 where it might peak at 4.75%. More stable conditions politically in Central Government mean that there is a possibility of interest rates settling back from the peak so that they are elevated for a shorter period hence the lower saving anticipated from 2024/25 onwards. Work is also already underway to identify further savings from the Council's Minimum Revenue Provision (MRP) charge from the Treasury Management budget. Early indications are that a saving of at least £300k p.a. can be achieved from this source.

4) a) What are the expected savings?

Year	£000s
2023/24	3,000
2024/25	2,300
2025/26	2,300

b) Number of staff posts likely to be at risk (in terms of Full Time Equivalents)

0

5) Major risks, impact on service users/partners and the Council's agreed priorities (Growing the Economy, Reducing Inequalities and Building a Sustainable Future) that have been identified. Included here is any effect this proposal may have on relevant performance measures.

There is a clear risk here that the Council's cash balances are lower than expected and/or that interest rates are lower than assumed. Savings from MRP may also not accrue as expected.

6) How can the effects of any impact identified in 5) be reduced?

Treasury management budgets are regularly monitored and reported to Cabinet throughout the year. The savings identified have an element of prudence built into them so with the active management of borrowings and investments they are felt to be achievable but any changes to our expectations will be fed back into future rounds of the budget process. External advice will be sought on a potential revised MRP policy and discussions will be held with the Council's external auditors to reach agreement that any new arrangements will comply with Local Government accounting regulations.

Budget Saving - Initial Equality Impact Considerations

Directorate: Chief Executives

Title of option	Additional Investment Income and other Savings within Treasury Management
Aims/outcomes of Service/Function	Treasury involves the management of money and financial risks. Its priority is to ensure the Council has the money it needs to manage its day-to-day business obligations, while also helping develop its long-term financial strategy and policies.
Option being proposed	To actively manage the Council's investments and Capital Programme to deliver the savings identified below. Note: Further rate rises are being anticipated and reflected in the 2023/24 figure. More stable conditions politically in Central Government mean that there is a possibility of interest rates settling back from the peak so that they are elevated for a shorter period hence the lower saving anticipated from 2024/25 onwards. Savings 2023/24 £3,000,000 2024/25 £2,300,000 2025/26 £2,300,000
EIA findings	Service delivery impact No service delivery impact identified at this time Employment impact No employment impact identified at this time.
Justification (where no impact) and action(s) to manage/mitigate Impact	Treasury management budgets are regularly monitored and reported to Cabinet throughout the year. The savings identified have an element of prudence built into them so with the active management of borrowings and investments they are felt to be achievable - any changes to expectations will be fed back into future rounds of the budget process.

Budget Summary and Council Tax Requirement 2023/24

Revenue Budget Requirement	Updated MTFS Position			Growth	Savings	Approved Budget 2023/24
	Gross Expenditure 2023/24	Gross Income	Net Expenditure			
	£'	£'	£'	£'	£'	£'
Directorate Service Controlled Expenditure - Cost of CMBC Services to the Public						
Adult Services and Wellbeing	110,204,428	-39,700,807	70,503,621			70,503,621
Chief Executive's Office	40,891,401	-28,735,682	12,155,719			12,155,719
Children and Young People's Services	39,541,303	-10,208,585	29,332,718	500,000		29,832,718
Public Services	46,352,828	-15,079,473	31,273,355			31,273,355
Regeneration and Strategy	23,443,778	-8,215,643	15,228,135	200,000		15,428,135
Services budgets Monitored by:						
Corporate Assets and Facilities Management	4,845,245		4,845,245			4,845,245
Transport Services	30,608		30,608			30,608
Total of Directorate Budgets	265,309,591	-101,940,190	163,369,401			164,069,401
Centrally Controlled and Other Corporate Budgets			38,170,037		-3,000,000	35,170,037
Total Revenue Budget Requirement			201,539,438			199,239,438
Contributions to(+)/from(-) Earmarked Reserves						
Other Centrally Controlled Earmarked Reserves			-2,400,000			-2,400,000
Other Service Controlled earmarked reserves			-192,200			-192,200
Total Funding Requirement			198,947,238			196,647,238
General Funding						
Revenue Support Grant			-8,630,539			-8,630,539
New Homes Bonus			-561,904			-561,904
Top-up/Tariff			-13,957,134			-13,957,134
Small Business Rate Relief, Business Rate Cap			-14,787,228			-14,787,228
PFI Grant			-1,975,330			-1,975,330
Housing &CT Admin subsidy			-771,751			-771,751
Social Care Funding			-14,145,932			-14,145,932
Lower Tier Grant			-268,805			-268,805
Market Sustainability and Fair Cost of Care Fund			-2,155,778			-2,155,778
Local Services Support Grant			-1,640,373			-1,707,902
Discharge Funding			-1,182,770			-1,182,770
Local Taxation						
Retained Rates			-26,201,656			-26,201,656
Adult Social Care Precept			-13,476,752			-14,533,826
Council Tax			-95,404,439			-96,461,514
Total General Grant Funding and Local Taxation			-195,160,391			-197,342,069
Contribution from (-) / (+) to Contingency/Balances						694,831
Budget Deficit (+)/Surplus(-)			3,786,847			0

Calderdale MBC Council Tax for 2023/24 using the agreed Council Tax Base of 63,146.62

	2022/23		2023/24		
	Council Tax Band D		% Change to Basic Relevant Amount	Council Tax Band D	Council Tax Income
	£	p	%	£	p
Calderdale Council Relevant Amount Previous Year (calculation of % increase)			1,674.21		
Calderdale Council Tax	1,477.53		2.99%	1,527.58	96,461,514
Adult Social Care Precept	196.68		2.00%	230.16	14,533,826
Total Estimated Calderdale Council Tax - Basic Relevant Amount	1,674.21		4.99%	1,757.74	110,995,340

Budget Summary and Council Tax Requirement 2024/25

	Updated MTFS Position			Growth	Savings	Indicative Budget 2024/25
	Gross Expenditure 2024/25	Gross Income	Net Expenditure			
Revenue Budget Requirement	£'	£'	£'	£'	£'	£'
Directorate Service Controlled Expenditure - Cost of CMBC Services to the Public						
Adult Services and Wellbeing	115,145,088	-39,646,467	75,498,621			75,498,621
Chief Executive's Office	40,890,881	-28,735,682	12,155,199			12,155,199
Children and Young People's Services	39,498,553	-10,398,005	29,100,548	500,000		29,600,548
Public Services	46,153,358	-15,079,473	31,073,885			31,073,885
Regeneration and Strategy	23,337,478	-8,027,863	15,309,615	200,000		15,509,615
Services budgets Monitored by:						
Corporate Assets and Facilities Management	4,945,245		4,945,245			4,945,245
Transport Services	30,608		30,608			30,608
Total of Directorate Budgets	270,001,211	-101,887,490	168,113,721			168,813,721
Centrally Controlled and Other Corporate Budgets			41,126,547		-2,300,000	38,826,547
Total Revenue Budget Requirement			209,240,268			207,640,268
Contributions to(+)/from(-) Earmarked Reserves						
Other Centrally Controlled Earmarked Reserves			-1,200,000			-1,200,000
Other Service Controlled earmarked reserves			-147,500			-147,500
Total Funding Requirement			207,892,768			206,292,768
General Funding						
Revenue Support Grant			-8,630,539			-8,630,539
New Homes Bonus			-561,904			-561,904
Top-up/Tariff			-13,957,134			-13,957,134
Small Business Rate Relief, Business Rate Cap			-14,787,229			-14,787,229
PFI Grant			-1,743,160			-1,743,160
Housing &CT Admin subsidy			-771,751			-771,751
Social Care Funding			-14,145,932			-14,145,932
Lower Tier Grant			-268,805			-268,805
Market Sustainability and Fair Cost of Care Fund			-2,155,778			-2,155,778
Local Services Support Grant			-1,640,373			-1,707,902
Discharge Funding			-1,182,770			-1,182,770
Local Taxation						
Retained Rates			-26,201,656			-26,201,656
Adult Social Care Precept			-14,983,623			-17,234,479
Council Tax			-100,372,604			-102,644,897
Total General Grant Funding and Local Taxation			-201,403,258			-205,993,936
Contribution from (-) / (+) to Contingency/Balances						
Assumed Use of Balances			-368,046			-298,832
Budget Deficit			6,121,464			0

Calderdale MBC Council Tax for 2024/25 using the forecast Council Tax Base of 64,959.78

	2023/24	2024/25		
	Council Tax Band D £ p	% Change to Basic Relevant Amount %	Council Tax Band D £ p	Council Tax Income £
Calderdale Council Relevant Amount Previous Year (calculation of % increase)		1,757.74		
Calderdale Council Tax	1,527.58	2.99%	1,580.13	102,644,897
Adult Social Care Precept	230.16	2.00%	265.31	17,234,479
Total Estimated Calderdale Council Tax - Basic Relevant Amount	1,757.74	4.99%	1,845.44	119,879,376

Budget Summary and Council Tax Requirement 2025/26

Revenue Budget Requirement	Updated MTF5 Position			Growth	Savings	Indicative Budget 2025/26
	Gross Expenditure 2025/26	Gross Income	Net Expenditure			
	£'	£'	£'	£'	£'	£'
Directorate Service Controlled Expenditure - Cost of CMBC Services to the Public						
Adult Services and Wellbeing	120,345,088	-39,646,467	80,698,621			80,698,621
Chief Executive's Office	40,890,881	-28,735,682	12,155,199			12,155,199
Children and Young People's Services	39,498,563	-10,625,195	28,873,368	500,000		29,373,368
Public Services	46,560,708	-15,079,473	31,481,235			31,481,235
Regeneration and Strategy	23,063,905	-7,736,813	15,327,092	200,000		15,527,092
Services budgets Monitored by:						
Corporate Assets and Facilities Management	5,045,245		5,045,245			5,045,245
Transport Services	30,608		30,608			30,608
Total of Directorate Budgets	275,434,998	-101,823,630	173,611,368			174,311,368
Centrally Controlled and Other Corporate Budgets			43,576,220		-2,300,000	41,276,220
Total Revenue Budget Requirement			217,187,588			215,587,588
Contributions to(+)/from(-) Earmarked Reserves						
Other Centrally Controlled Earmarked Reserves			0			0
Other Service Controlled earmarked reserves			-147,500			-147,500
Total Funding Requirement			217,040,088			215,440,088
General Funding						
Revenue Support Grant			-8,630,539			-8,630,539
New Homes Bonus			-561,904			-561,904
Top-up/Tariff			-13,957,134			-13,957,134
Small Business Rate Relief, Business Rate Cap			-14,787,230			-14,787,230
PFI Grant			-1,490,480			-1,490,480
Housing &CT Admin subsidy			-771,751			-771,751
Social Care Funding			-14,145,932			-14,145,932
Lower Tier Grant			-268,805			-268,805
Market Sustainability and Fair Cost of Care Fund			-2,155,778			-2,155,778
Local Services Support Grant			-1,640,373			-1,707,902
Discharge Funding			-1,182,770			-1,182,770
Local Taxation						
Retained Rates			-26,201,656			-26,201,656
Adult Social Care Precept			-16,103,529			-19,631,495
Council Tax			-102,601,374			-106,228,728
Total General Grant Funding and Local Taxation			-204,499,256			-211,722,104
Contribution from (-) / (+) to Contingency/Balances						
Assumed Use of Balances			-368,046			-368,046
Budget Deficit			12,172,786			3,349,938

Calderdale MBC Council Tax for 2025/26 using the forecast Council Tax Base 64,959.78

	2024/25		2025/26		
	Council Tax Band D		% Change to Basic Relevant Amount	Council Tax Band D	Council Tax Income
	£	p	%	£	p
Calderdale Council Relevant Amount Previous Year (calculation of % increase)			1,845.44		
Calderdale Council Tax	1,580.13		2.99%	1,635.30	106,228,728
Adult Social Care Precept	265.31		2.00%	302.21	19,631,495
Total Estimated Calderdale Council Tax - Basic Relevant Amount	1,845.44		4.99%	1,937.51	125,860,223

Chief Finance Officer's Statement

The Local Government Act 2003 requires that in making decisions in relation to setting its Council Tax that the Authority's Chief Finance Officer must report on:

- the robustness of the estimates made for the purpose of the calculations, and the adequacy of proposed financial reserves.

These, in conjunction with the balanced budget requirement of The Local Government Finance Act (1992), mean that Members are required to have regard to the Chief Finance Officer's report when making their budget setting decisions.

The budget builds upon the existing savings targets and plans which are in place following previous decisions made at Budget Council and which are summarised in the table below: -

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Budget Council 2010	13,858	13,858	13,858	13,858	13,858	13,858
Budget Council 2011	28,983	28,983	28,983	28,983	28,983	28,983
Budget Council 2012	13,737	13,737	13,737	13,737	13,737	13,737
Budget Council 2013	15,440	15,440	15,440	15,440	15,440	15,440
Budget Council 2014	14,230	14,230	14,230	14,230	14,230	14,230
Budget Council 2015	100	100	100	100	100	100
Budget Council 2016	8,750	8,750	8,750	8,750	8,750	8,750
Budget Council 2017	9,625	9,625	9,625	9,625	9,625	9,625
Budget Council 2018	6,322	7,287	7,287	7,287	7,287	7,287
Budget Council 2019	980	2,115	2,490	2,490	2,490	2,490
Budget Council 2020		745	810	887	887	887
Budget Council 2021			5,065	4,739	4,739	4,739
Budget Council 2022				1,442	1,760	1,865
	112,025	114,870	120,375	121,568	121,886	121,991

The budget process for 2023/24 has been undertaken within the context of unprecedented financial challenges and uncertainty, primarily as a result of external economic pressures such as inflation and rising energy costs but also the on-going effects of Covid-19. These factors impact upon our residents and businesses but also have significant financial implications for the Council. The Council has a detailed risk assessment for each of these which attempts to highlight what the risks are and how they might be mitigated or provided for.

A detailed review of the budget position has been undertaken as in previous year's budget processes but with a high degree of uncertainty around costs and income. Reasonable estimates of the provision needed to deal with this uncertainty has been made within the updated Medium Term Financial Strategy and referred to in the preamble earlier in this document.

These provisions have been reviewed as part of the budget process and further provision built into the budget, wherever possible, to protect against these uncertainties including:

- An extra 3% provision has been made for the pay award in 2023/24 in light of the current levels of inflation within the economy and average earnings
- Extra provision of £1,900k has been made for the estimated impact of the changes in gas and electricity prices on the cost of operating Council buildings and facilities

- Significant further investment has been included in the budget for areas under the greatest financial pressure (mainly Adults, Childrens Social Care and Car Parking income)

The Council's budget maintains unallocated balances (financial reserves) above £5m over the three-year plan. The minimum level is in line with my overall assessment of major financial risks, as set out in the Council's Medium Term Financial Plan. It also reflects the advice of the Council's appointed external auditors. This level of balances relates to non-school spending, as schools retain balances of their own. In view of the financial uncertainties surrounding inflation and demand for the Council's services and more generally in local government finance in the absence of national three-year spending plans and delayed reforms to local government finance and social care, some consideration has been given to increasing the level of a general contingency outside of balances. The additional provisions within the budget set out above should however provide sufficient resilience against the current uncertainties. Clearly this advice will need to be continually reviewed and updated if the position changes significantly.

There is obviously an opportunity to use any excess balances over and above the minimum level in support of short-term non-recurring budget initiatives or cost pressures. The budget however assumes that most of this additional flexibility will be used but a contingency of around £0.7m has been generated in the budget in 2023/24 to provide some resilience to deal with unexpected costs or to provide short term one-off investment.

In addition to the unallocated balances referred to above, the Council holds earmarked reserves to cover potential future costs to the Council of issues such as workforce planning and insurance. The earmarked reserves are mainly for specific purposes and do not carry a recommended level or limit. As such it is of vital importance that these reserves are reviewed periodically to ascertain their continued validity and level. Regular consideration should be given to whether they could be put to better use elsewhere in subsequent years.

The earmarked reserves are formally reviewed three times a year. Firstly, this is done as part of the development of the MTFS, secondly as part of the formal budget setting process and finally as part of the closedown procedures at the end of the financial year. Monitoring and further reviews are also undertaken throughout the year as part of the quarterly Revenue Monitoring processes.

The adequacy of all major reserves and balances has been examined to ensure that they are sufficient to support the key financial assumptions held within the MTFS which also underpins the budget agreed at Budget Council on the 27th February 2023.

CIPFA has released information on financial resilience using a range of indicators involving:

- levels and trends in reserves,
- interest payments and levels of external debt
- the proportion of the budget spent on social care
- access to and reliance on other sources of funding, e.g. fees and charges, council tax and business rates
- external assessments of VFM and service provision, e.g. from the external auditors and Ofsted.

Calderdale’s reserves (including general balances but excluding public health and schools) have fallen over recent years as demonstrated below:

Financial year	Level of reserves	Proportion of net revenue expenditure
2015/16	£73.2m	52%
2016/17	£51.5m	31%
2017/18	£41.1m	27%
2018/19	£35.2m	23%
2019/20	£34.0m	22%
2020/21	£62.2m	40%
2021/22	£68.6m	47%
2022/23*	£54.7m*	34%*

*This is an estimate based on reserves brought forward into 2022/23 less expected use of them as reported in the 3rd Revenue Monitor compared to budgeted Net Revenue Expenditure

Although the reduction from 2015/16 was planned to a large extent due to the use of reserves held for major Capital Programme schemes (including flood works) undertaken by the Council over this period, the level of reserves in 2019/20 was significantly below the average for a metropolitan district and in terms of reserves sustainability was the lowest of all metropolitan districts. The level of reserves increased again in 2020/21 and 2022/23 but a large part of this relates to Government grant funding carried forward to deal with the on-going impact of the pandemic and business rates funding and still leaves us in the bottom third of Metropolitan Districts by comparison. The latest revenue monitor shows that a large proportion of reserves are likely to be used in 2022/23 due to the extreme nature of inflationary pressures affecting Calderdale (as well as other councils) and reflects the estimated 2022/23 end of year position at the bottom of the table. It should be remembered that this is a forecast position at this stage and 2022/23’s resilience index will not be released by CIPFA until the end of this year.

My advice is that the Council should not assume any significant use of balances or reserves to support the revenue budget over the next three years other than those already included in the MTFS and take steps to ensure that in-year overspends can be mitigated without the use of reserves wherever possible. The robustness of savings proposals and management of the existing demand pressures is critical to this and is the basis on which I consider the budget to be robust.

Calderdale’s financial resilience as measured by the other indicators is not of concern, but the information provides an important focus on action required by the Council to maintain or increase reserves.

Given the uncertainties of inflation and other potential economic and political factors there is significant risk in the financial forecasts not just for Calderdale but also Local Government more generally. The Chief Finance Officer has therefore taken a risk management approach to the budget process and has set out below the key risks associated with both the MTFS position and the proposed budget and how they can be managed.

- Provision has been made within the budget for existing and underlying budget pressures in Adults social care, looked after children, and Home to school transport for children with special educational needs based on current demand. These pressures will however need to be regularly monitored as relatively small changes in demand

and cost can have significant financial implications particularly in external placements for looked after children.

- There are also associated risks about the availability of places for looked after children and the sustainability of the adult social care market. The Council has developed a new children's home to help address the availability (and cost) problem. Changes have also been made to the fostering service to encourage more people to become foster carers. The market sustainability therefore remains a key financial risk.
- All agreed savings targets and other budget pressures will be contained within the planned budgets after considering the actions agreed to address these pressures in the revenue monitoring report.
- Government financial support will remain stable from 2023/24. The recent Settlement provided grant figures for 2023/24 only but it is assumed funding will continue in some form in future years
- There is also a risk that the wider review of Fair Funding for local authorities and of Business Rates could impact upon the Council at some point in the future. However, this is now anticipated to be outside of the current budget planning period. Our working assumption until more clarity is given is that any changes will be cost neutral to the Council.

The impact of inflationary and demand cost pressures and financial resilience are identified as key risks facing the Council within the Annual Governance Statement signed by the Leader of the Council and the Chief Executive and our budget makes adequate budget and reserve provision to mitigate the known risks.

Each agreed saving in the budget identifies the risk associated with each proposal. These have been considered by the Chief Finance Officer who is confident that Directors are aware of the risks involved and their potential impact. Similarly, the risks associated with any growth items have also been considered particularly those which involve capital expenditure.

The Council has an embedded savings monitoring process already in place to help ensure that savings targets are achieved and regular budget challenge sessions with Cabinet members are held. If necessary, these processes would highlight the need to act in year to address any unanticipated budget pressures as has been the case in recent years.

Finally, due to the medium-term planning process in place, there is sufficient lead-in time for more detailed plans to be developed for 2024/25 and 2025/26 once national spending plans are updated. The financial plans leading up to 2024 will also be developed in line with the Council's Vision for that year.

Isabel Brittain
Interim Chief Finance Officer

Estimated Available Revenue Balances - 1st April 2023 to 31st March 2026

	£'000
Available General Fund Revenue Balances as at 31st March 2022	5,857
Proposed Contribution to (+) / (-) from Balances 2022/23	-88
Estimated Available General Fund Revenue Balances as at 31st March 2023	5,769
Proposed Contribution to (+) / (-) from Balances 2023/24	0
Estimated Available General Fund Revenue Balances as at 31st March 2024	5,769
Proposed Contribution to (+) / (-) from Balances 2024/25	-299
Estimated Available General Fund Revenue Balances as at 31st March 2025	5,470
Proposed Contribution to (+) / (-) from Balances 2025/26	-368
Estimated Available General Fund Revenue Balances as at 31st March 2026	5,102