

REPORT TO COUNCIL

REPORT OF: Resources and Assets Portfolio Holder

REPORT NO: CHFCS61

DATE: 3rd September 2009

TITLE:	Medium Term Financial Plan 2009/10 – 2012/13 and Supplementary Estimate 2009/10	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	Policy Framework Proposal	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Mike Taylor Resources and Assets Portfolio Holder	
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INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Local Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	CHFR116	

1. RECOMMENDATION

A) Council approves the Medium Term Financial Plan for the period of 2009/10 to 2012/13, as attached.

B) Council approves a supplementary estimate in the current financial year of a maximum of £400,000 to meet the costs of the business rates and the management fee of the leisure centres and stadium in South Kesteven subject to Cabinet agreeing interim management arrangements at their meeting on 7th September. This

amount to be met from the capacity building, priority setting and service improvement reserve.

2. PURPOSE OF THE REPORT

The Medium Term Financial Plan (MTFP) is a key strategic document and brings together the Council's financial position demonstrating how the revenue and capital financial resources are organised in order to deliver the Council's priorities.

The MTFP will be reviewed each year in order to take into account the final outturn position for the year and to take into consideration emerging financial issues from both a national and local perspective.

3. DETAILS OF REPORT

Cabinet considered the MTFP at its meeting on 3 August 2009 and made the following decisions:

The Cabinet recommends to Council the approval of the Medium Term Financial Plan for the period of 2009/10 to 2012/13, as attached.

The Cabinet requests the development of a resources and efficiency plan that identifies the actions needed to ensure a balanced and sustainable budget for 2011/12 and beyond.

That Members' who represent the Council on Internal Drainage Boards make representations to keep the levy below 5%.

The Resources PDG has also reviewed the MTFP at its meeting on 23rd July 2009 and made a number of recommendations to Cabinet which were taken into consideration.

Since the report was considered by Cabinet there has been clarification in respect of the future delivery of the leisure services and the MTFP has been updated to include this issue.

The MTFP spans four financial years which include the current financial year (2009/10) and the following three years. This period includes two years of the current grant settlement (CSR07) and two years of the anticipated grant settlement (CSR10). The latter two years of the plan are particularly difficult to predict at this time as there is great uncertainty surrounding the level of government grant that may be made available to Councils. It is highly likely and widely

anticipated that the Government will reduce its public spending taking effect from 2011/12 and therefore the grant settlement could be significantly less, in real terms, than in previous years. The MTFP reflects this uncertainty and includes financial modelling for a 5% and a 10% reduction (£507K and £1.015M reduction respectively). In addition the Government has increased the amount of efficiency savings the public sector will be required to achieve which will place an additional financial pressure.

Due to the level of uncertainty and the significance of the financial implications the MTFP includes a number of scenarios in order to identify the potential financial impact the Authority could be facing. The areas included in the scenario planning are:

- Government grant settlement
- Transfer of concessionary travel service
- Council tax rises
- Fees and charges
- Utilities and fuel
- Pensions (employer contributions)
- Pay increases
- Public Protection service (shared service proposal)
- Efficiency savings

Summary of Plan

General Fund

The MTFP provides an update of the current financial year (2009/10) and identifies emerging issues that will need to be considered within the context of the current year's budget framework. Specifically these are in respect of continuing reductions in income received (compared with budget) and costs incurred in respect of leisure centre business rates and the management fee. In respect of the latter, Council approved in June additional resources for the payment of 6 months business rates. However it is now confirmed that the Trust will not be put in operation and therefore Council is asked to approve additional financial resources in the current year. This was a risk that was identified at the time of compiling the budget for 2009/10 and Council were made aware accordingly. Unfortunately this is a significant amount that will need to be drawn from reserves. Therefore within the current approved budget framework work will now commence to identify potential sums to mitigate the impact on the Council's reserves. This will be incorporated into the in-year forecasting process. If an alternative solution is found the amount required will be less. An updated 'Reserves Statement' and

'Summary of General Fund Estimates' are shown at Appendix E and G respectively.

The MTFP then considers the financial years up to and including 2012/13. This future forecasting takes into consideration the next round of Government grant settlement period (commencing in 2011/12). This makes future prediction of the financial position of the Council extremely difficult due to the uncertainty of the grant settlement. The MTFP considers the areas that are particularly volatile and includes scenario planning and sensitivity analysis of the financial position. In summary the MTFP predicts a potential budget shortfall in 2010/11 of £0.9m, in 2011/12 £2.7M and a budget gap of £2.9M in 2012/13 (based on current spending levels). The MTFP details how this forecast shortfall has been calculated and includes all of the assumptions. It then considers a range of options that will need to be considered in order to ensure a balanced budget is produced from 2010/11. This means the Council will need to deliver recurrent savings and efficiencies of £897k in 2010/11 and a further £1778k and £219k in 2011/12 and 2012/13 respectively.

The Government has introduced an annual cashable efficiency target for the public sector. Currently this is 3% per annum and increases to 4% per annum from 2010/11. This target is one of the Local Area Agreement targets (NI179) and is 'non-designated' to the Council. However the Council will need to continue to embed its Value for Money (VFM) agenda and other initiatives throughout services in order to ensure resources are utilised efficiently and effectively.

Housing Revenue Account

The long term financial planning of the Housing Revenue Account (HRA) will be undertaken to reflect both the updated HRA business plan and the outcome of stock condition survey. Opportunities for securing the long term financial sustainability of both the revenue and capital budget will need to be identified and incorporated into HRA service planning.

The findings of the review of the HRA and subsidy system have been announced by the Government and a consultation process is now underway. In the meantime, it will be necessary to keep the position under review as part of the rolling 30 year business plan for the HRA.

Robust budget monitoring and control has been maintained throughout 2008/09 to ensure that the HRA remains financially sound in the medium term. This has focussed on the escalating cost of responsive repairs and maintenance. More recently, tenants have been appraised of the financial position of the HRA through

consultation. In acknowledging that the Council cannot continue with its current approach of undertaking all categories of repair work, tenants have been consulted on a range of options for identifying alternative way of delivery the service and the current level of service delivery. The findings of this consultation will be considered by Council prior to its incorporation into the Tenancy conditions and the future budget headings.

4. OTHER OPTIONS CONSIDERED

The Council must approve a Medium Term Financial Plan as part of the setting of the budget framework.

5. RESOURCE IMPLICATIONS

The MTFP identifies the resources of the Council for the medium term.

6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

A risk analysis is included in the MTFP

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

None are specifically identified from the MTFP

8. CRIME AND DISORDER IMPLICATIONS

None are specifically identified from the MTFP

9. COMMENTS OF SECTION 151 OFFICER

My comments are included in the report.

10. COMMENTS OF MONITORING OFFICER

As this strategy is part of the Council's Budget and Policy Framework, it is essential it is reviewed annually to ensure it remains fit for purpose. The recommendation includes a supplementary estimate for provision of expenditure for leisure centres which was not anticipated at budget setting. This provision has to be made to ensure adequate provision of the leisure service.

11. APPENDIX: Medium Term Financial Plan

