



MEDIUM TERM FINANCIAL PLAN 2008 –2012

1 PURPOSE OF REPORT

- 1.1 To update the Medium Term Financial Plan (MTFP) 2008 to 2012, following on from closure of the 2008/09 Final Accounts.

2 BACKGROUND

- 2.1 The purpose of the MTFP is to set out the broad financial framework that the Council will operate within during the forthcoming years, in support of the Corporate Plan approved in 2008.
- 2.2 The Council's Financial Strategy is to deliver a balanced budget, with reserves used only as an interim measure, over the medium term period of the plan. The plan will be regularly reviewed to ensure it maintains its relevance.
- 2.3 By adopting a medium term approach the Council is able to ensure that it does not adopt short term policies without identifying what the medium term implications of those decisions are. A three year period has been adopted as the relevant timeframe for the Plan as this permits reasonably robust financial forecasts to be produced. The longer the timeframe that is used the more speculative the forecasts become. The Government's Comprehensive Spending Review (CSR) is undertaken every 3 years, the latest being CSR 2007 with the next due to be CSR 2010.
- 2.4 The MTFP covers the General Fund (Revenue & Capital). The Housing Revenue Account is covered by a separate Business Plan. As a part of the MTFP process detailed plans for delivery of individual services are set out within the Annual Budget each year.

3 FINAL OUTTURN 2008/09

3.1 General Fund Revenue

The financial outturn for 2008/09 is summarised within this report and the actions taken have been agreed by the Final Accounts Committee as part of the approval of the Annual Statement of Accounts.

In assessing the overall performance of the Council the financial outturn needs to be considered together with general service performance, as indicated by individual performance indicators and the achievement of targets met, details of which will form part of the Portfolio Plan process to be reviewed later in the year.

3.2 Delays to Revenue Projects Planned for 2008/09

As is normal a number of revenue projects have not been completed within the financial year. It is intended therefore that £218,000 of planned budget expenditure is carried forward into 2009/10 to enable schemes to be completed as originally planned. Details of the projects are summarised in the following table:

BUDGET REPHASING NECESSARY TO COINCIDE WITH NEED	
	£
Public Lighting	50,000
Valuers Land Terrier Data Capture	40,000
A31 Litter Pick	31,000
Leisure Hardship Fund*	25,000
Rural Communities Fund*	20,000
One Site Project	19,000
Housing Hardship Fund*	17,000
Public Conveniences Demolitions	9,000
DDA Car Park Bays & Signage	4,000
Management Development Programme	3,000
TOTAL REPHASED ITEMS	218,000

*These funds have been allocated to specific schemes and projects.

3.3 Budget Predictions 2008/09

The development and monitoring of the 2008/09 budget has been extremely difficult. The making of accurate outturn predictions has been more difficult than in a normal year, despite the high level of monitoring arrangements in place.

When the budget was developed in February 2008 the Council had to make predictions on a number of budgets for which there was great uncertainty.

The most significant of these was the national concessionary bus fare scheme. Advisors at county level had provided a number of scenarios each of which gave a different financial outcome. However, only when the scheme was in full operation would the true impact be known. At the time the Council sensibly took a prudent view of this very much unknown scenario. During the year the uncertainty was not helped due to difficulties over accessing monitoring information which only became available to the Council late in 2008. The outturn now identifies that gross

costs increased by 12% producing a net cost of operating the scheme of nearly £800,000. This cost is £798,000 lower than original predictions.

Another area which could not be predicted was the amount of government grant likely to be received under the Area Based Grant and Local Authority Business Growth Incentive (LABGI) schemes. Details for 2008/09 were only announced by the Government in November 2008 and March 2009 respectively when the Council received allocations of £22,000 and £115,000.

In addition to these items, adjustments to prior years Housing Benefit Grant have been made following completion of the external grant claims audit in December 2008. This identified that additional grant was due to the Council of £64,000. In addition other grant income of £59,000 has been identified as generally available.

In February 2009 the Council's Budget Strategy, aware of many budget uncertainties, determined to "hold back" expenditure on Asset Management by deferring £1,312,000 of bids.

It is proposed in light of the financial outturn to make available £1,058,000 that is now available to support the Asset Management programme, by transferring this amount to the Capital Programme Reserve.

This position is summarised as follows:

BUDGET PREDICTION ISSUES	
	£
Concessionary Travel	798,000
LABGI/Area Based Grant	137,000
Benefits Grant - transitional protection	64,000
– project development	59,000
Capital Programme	1,058,000

3.4 Operational Budget Issues

The year has seen the impact of the worldwide "Credit Crunch" that has led on to a global economic recession. This has significantly impacted upon a number of Council budgets most notably in the area of income from fees and charges, which over the year was £1 million less than had originally been budgeted for.

In the last quarter of the year interest rates and consequently earnings on investments have also been reduced dramatically. However, due primarily to delays in spending capital expenditure and income earned in the first half of the year, interest earnings have over performed the budget by nearly £500,000.

As is normal, across all budgets there have been a number of variations. This year this does reflect many of the prudent measures taken as part of the Council's Budget Strategy in the autumn of 2008 when the impact of the economic downturn was first identified.

Overall the budget saving on the year is £8,000, which in accordance with existing policy will be transferred to the Capital Programme Reserve.

A summary of outturn variations compared to original budget is provided in the table below:

OPERATIONAL BUDGET VARIATIONS	£	£
	Positive +	Negative -
Fees and Charges Income Shortfall		-1,008,000
Additional Fuel and Electricity		- 110,000
Additional Portfolio Costs		
Health & Leisure		- 237,000
Environment		- 45,000
Planning Development Control		- 10,000
Additional Interest Earned	498,000	
Portfolio Savings		
F&E - Benefits	267,000	
F&E - Others	145,000	
Planning & Transportation	81,000	
General Purposes & Licensing	95,000	
Housing	158,000	
Employment, Health & Wellbeing	127,000	
Crime & Disorder	47,000	
	1,418,000	-1,410,000
Net Positive Budget Variation		8,000

3.5 Capital expenditure

The level of approved capital expenditure is reviewed throughout the year, to ensure that the programme is being delivered within the

estimated resources made available. The original budget was £15.525 million but this was subsequently supplemented by rephasings of £1.118 million carried forward from 2007/08. Other approved variations during the year reduced the overall budget requirement to £16.478 million.

The impact of the “Credit Crunch” and subsequent downturn in the housing market has impacted most notably on housing enabling projects. In the short term this has led to a reduction in projects progressing but of more concern is the medium term impact resulting from a lower level of resources being generated. This position is being closely monitored and will influence future plans to be reported to Cabinet.

Overall, outturn expenditure was £12.668 million. Excluding Housing enabling activities £801,000 of funds are carried forward. Overall £3.162 million is being rephased into 2009/10 and budget underspends are £647,000. A summary of outturn variations compared to original budget is provided below:

	Original Estimate 2008/09 £'000	Actual 2008/09 £'000	Variance 2008/09 £'000
Housing Major Repairs	5,595	5,475	-120
Enabling Activities	2,741	685	-2,056
ICT	900	575	-325
Vehicles, Plant & Equipment	1,482	899	-583
Coast Protection	1,414	1,682	268
Health & Leisure Centres	801	496	-305
Developers' Contributions	9	437	428
Other	2,583	2,419	-164
	15,525	12,668	-2,857

4 ANNUAL BUDGET 2009/10

4.1 The 2009/10 budget has been developed in a period of financial volatility and the Council's Financial Strategy recognised that it did not wish to take short term actions without considering the medium term implications. As a result, in February 2009 reserves of £974,000 were earmarked, together with a vacancy target of £200,000, to support the 2009/10 budget.

4.2 The budget has now been further developed both in light of the known outturn for 2008/09 and actions already taken to affect the 2009/10 budget.

The overall position is that as a result of these actions the budget for 2009/10 is currently showing a surplus of £4,000.

Actions taken and variations to date identified, compared to the predictions made for 2009/10 in February 2009, are summarised in the following table:

BUDGET 2009/10 UPDATE		£
Original Budget Shortfall		
Reserves		974,000
Vacancy		200,000
Total Shortfall target		1,174,000
Savings & Efficiency Plan		
Human Resources	-30,000	
Legal & Democratic	-18,000	
ICT	-43,000	
Financial Services	-26,000	
Employment, Health & Wellbeing	-41,000	
Environment	-192,000	
Health & Leisure	-100,000	
Planning	-168,000	
Concessionary Travel	-200,000	
Benefits	-160,000	
	-978,000	
Vacancy Control	-200,000	
	<u>-1,178,000</u>	
Net position		-4,000

- 4.3 In addition to the above, the Council is expecting an announcement with regard to Local Public Service Agreement 2 (LPSA2) later in the year. This is likely to financially reward the Council and its partners for achieving significant and demonstrable improvement across a wide range of targets previously agreed with the Government. The possible level of one-off reward grant payable over the next two years could be £900,000. Most of this will be generally available to the Council, although some has already been committed as part of previously agreed partnership arrangements. As soon as details have been confirmed (possibly in February or March 2010) Cabinet will be informed.

5 FUTURE YEARS BUDGETS 2010/11 & 2011/12 (APPENDIX 1)

- 5.1 Future financial planning is a key part of the Council's corporate strategy. It is therefore appropriate that future predictions are made for both 2010/11 and 2011/12.

- 5.2 Budget predictions for 2010/11 and 2011/12 are set out in Appendix 1. The current volatility and level of uncertainty that impacts upon a number of budgets makes it extremely difficult to make detailed financial predictions for future years.
- 5.3 These issues include those generated by the current economic recession and those influenced by the Government's position with regard to CSR 2010. Already statements have been made by Government about efficiency targets being increased to 4% and actual "cash levels" of Government grant being reduced by 3% or more in 2011/12. In addition, in 2011 the next pensions' actuarial valuation will need to be budgeted for.
- 5.4 Also in 2011/12 there are likely to be fundamental responsibility changes made with regard to concessionary fares. Currently the Government are proposing that financial responsibility for the national scheme be transferred to the County Council. No details of the budgetary arrangements that would apply have as yet been announced by national government.
- 5.5 Despite these uncertainties it is important that the Council develops its financial strategy in an effective way. Therefore, the Council Financial Strategy is to prepare future plans on the basis of the likelihood of a falling revenue base and the need to identify annual savings of approximately £4 million over the three year period 2009/10 to 2011/12. Summary details of financial plans covering this period are set out in Appendix 1.

6 SAVINGS & EFFICIENCY PLAN (APPENDIX 2)

- 6.1 As part of its financial strategy, Cabinet has requested the development of a Council wide Savings and Efficiency Plan, to support the MTFP, with the objective of delivering a balanced budget across each of the years set out within the Council's Medium Term Plan.
- 6.2 Savings and efficiencies are both a "normal way of life" and a theme of the Council. Government has increased the annual efficiency target within its national plans from 3% to 4%. It is therefore envisaged that a Savings & Efficiency Plan will become a key element of the Council's financial planning cycle.
- 6.3 Portfolio Holders have been working since the autumn of 2008 to develop a plan which will further develop over the months ahead. Actions have already been taken that deliver a balanced budget in 2009/10. This includes savings and efficiencies delivered in 2009/10 of £2.079 million of which £1,101,000 were identified during development of the original budget.

- 6.4 This includes some savings and efficiencies identified by Portfolio Holders as a part of the Savings and Efficiency Plan which has been developed following the budget approved in February 2009. This Plan currently identifies £2.038 million of Savings and Efficiencies (Appendix 2). Work will continue to deliver the Council's strategy of a balanced budget. Details of planned savings and efficiencies, together with the impact on services, will be set out within Portfolio Plans as they are developed later in the year.

7 RISK MANAGEMENT

- 7.1 The assumptions made in developing the MTFP are based upon known information. However it is clear that over the next and future years there are a number of uncertainties that cannot be accurately predicted at this time. Current plans are to mitigate some of this uncertainty by the use of the Council's uncommitted reserves that provide for 10% of net expenditure during this period. The Council's General Fund Reserves as at April 2009 are £2,036,000.
- 7.2 The delivery of the Council's Savings & Efficiency Plan will require in a number of cases upfront costs which will need to be funded in the short term against a business case delivering savings within a 3 year period. The achievement of a balanced budget in 2009/10 will allow funds of £974,000, previously identified to support the 2009/10 budget, to be set aside to support the Council's Savings and Efficiency Plan.
- 7.3 The annual projections within the MTFP include no contingency other than that achieved through the maintenance of the Council's General Fund Reserves.

8 SUMMARY

- 8.1 The actions taken by the Council to deliver an annual balanced budget in both 2008/09 and 2009/10 have been achieved despite the extremely volatile financial climate experienced. The savings achieved have been made in a manner which has endeavoured to maintain performance and priority services provided to the community.
- 8.2 The development of a Savings and Efficiency Plan to support the Council's financial strategy has already made a significant difference with over £2.3 million of savings and efficiencies identified and targeted since the budget was approved in February 2009.
- 8.3 As the Council looks forward over the next few years there remains considerable financial uncertainty with changes in financial responsibility likely together with actual reductions in grant levels.

The sound financial standing of the Council and the financial planning that is now in place will provide a good foundation to support and maintain key local services for the community in the medium term.

9 PORTFOLIO HOLDER COMMENTS

- 9.1 Given the prevailing financial times it is good to see the favourable result for last year reported in these pages. This will enable the Council, with care, to continue to pursue its capital programme.

The efficiency programme is also taking shape and the fruits of the hard work of Cabinet and staff should restore a balanced budget this year.

Looking further ahead however, securing the Council's financial strength must continue to be a top priority because whatever the make up of the next Government, it is certain that councils throughout the land will be asked to make further considerable efficiencies to help replenish the national funds.

10 RECOMMENDATIONS

- 10.1 Cabinet are requested to note:

- a) The actions taken with regard to the financial outturn 2008/09.
- b) The achievement of a balanced budget in 2009/10.
- c) The resources now identified as available to progress Asset Management projects previously deferred.
- d) The Medium Term Financial Plan projections for 2010/11 & 2011/12 which identify the need to develop a plan for delivering approximately £4 million of annual savings over the plan period.
- e) The continued work required to be undertaken by Portfolio Holders and Heads of Service to deliver the Savings & Efficiency Plan as detailed in Appendix 2.
- f) The provision of £974,000 of reserves that have been set aside to support the Council's ongoing Savings & Efficiency Plan.

Further information please contact:

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Background Papers

Medium Term Financial Plan - Budget 2009/12 Projections

	Year 1 2009/10 £000's	Year 1 Revised 2009/10 £000's	Year 2 2010/11 £000's	Year 3 2011/12 £000's	
Annual Budget Changes					
<u>Expenditure</u>					
Price Increases (Note1)	1,062	1,062	1,182	1,382	
New Expenditure	497	497	500	600	
Increase in Expenditure	1,559	1,559	1,682	1,982	
<u>Income</u>					
General Increase & Grants (Note 2)	0	0	0	0	
Reduced Income (Economic Recession)	1,575	1,575	0	0	
New Income (Note 3)	0	0	-150	-450	
Change in Income	1,575	1,575	-150	-450	
Net Change year to year	3,134	3,134	1,532	1,532	
Annual Efficiency/Savings	-1,101	-1,101	-	-	
Savings & Efficiency Plan	0	-978	-1,567	-1,532	-4,077
	2,033	1,055	-35	0	
Base Budget	21,809	21,809	22,864	22,829	
Vacancies	- 200	- 196	0	0	
Use of Reserves/Capital Contribution	- 974	0	0	0	
Net Budget Requirement	22,668	22,668	22,829	22,829	
<u>Financed from (Note 4) :</u>					
Government Grant & Council Tax	22,668	22,668	22,829	22,829	

Note 1 - General Increase in Pay & Prices assumed of 1.5% across all years. In addition actuarial revaluation assumed to impact in 2011/12 (1%)

Note 2 - LPSA2 Reward Grant anticipated for 2009/10 & 2010/11 - Announcement expected February/March 2010

Note 3 - Prediction of economic recovery and impact upon income generation - 4th Quarter of 2010/11

Note 4 - CSR10 impact on Government Grant levels in 2011/12

Savings & Efficiency Plan 2009 to 2012

Service	Area Reviewed	Indicative Budget Savings identified to date to be made by 2011/12 (Contribution 2009/10)
1. Human Resources Portfolio : Policy & Resources Head of Service: Manjit Sandhu	<ul style="list-style-type: none"> • Increased efficiency from reduction in establishment of Recruitment and Payroll • Generation of additional income from external sources i.e. third party SLA or shared service 	£35,000 (£30,000)
2. Performance & Strategic Development Portfolio : Policy & Resources Head of Service: Keith Smith	<ul style="list-style-type: none"> • General savings including consideration of reduction in Citizen's and Young People's Panel questionnaires. 	£2,000 (-)
3. Communications Portfolio : Policy & Resources Head of Service: David Atwill	<ul style="list-style-type: none"> • General savings to be made including review of current arrangements for operation of Graphics function. 	£2,000 (-)
4. ICT Portfolio : Finance & Efficiency Head of Service: Ken Connolly	<ul style="list-style-type: none"> • Efficiency from implementation of an improved ICT Service Desk reducing staffing needs. • Procurement savings to be negotiated with Third Party Suppliers. 	£52,000 (£43,000)

Service	Area Reviewed	Indicative Budget Savings identified to date to be made by 2011/12 (Contribution 2009/10)
5. Property Services Portfolio : Finance & Efficiency Head of Service: Geoff Bettle	<ul style="list-style-type: none"> • Review of Property Services organisation arrangements including links to Housing Maintenance Review. • Efficiency in procurement from development of e processes • Review of Job Costing system – links to saving in weekly pay employee costs • Review of Health & Safety, Business Continuity and Risk Management arrangements 	£15,000 (-) (Potential for delivering greater level of Savings & Efficiency – target will be reviewed)
6. Financial Services Portfolio : Finance & Efficiency Head of Service: Steve Cranston /Kevin Green	<ul style="list-style-type: none"> • Savings to be derived from review of establishment and general budgets including review of operations with other units and organisations. 	£36,000 (£26,000)
7. Legal & Democratic Portfolio : Finance & Efficiency Head of Service: Grainne O'Rourke	<ul style="list-style-type: none"> • Savings to be derived from review of establishment and general budgets. 	£28,000 (£18,000)
8. Customer Services Portfolio : Finance & Efficiency Head of Service: Glynne Miles	<ul style="list-style-type: none"> • Savings in Concessionary Travel • Efficiency review of local presence service • Review of postal and secretarial services at ATC & LTH • Review of contact centre, housing help desk and switchboard at ATC main reception (Link also to Housing Services) • Savings in Benefits Costs 	£460,000 (£360,000)

Service	Area Reviewed	Indicative Budget Savings identified to date to be made by 2011/12 (Contribution 2009/10)
9. Civic & Function Catering at Appletree Court Portfolio : Finance & Efficiency Head of Service: Martin Devine (Sharon Plumridge)	<ul style="list-style-type: none"> Review of the current service with the aim of reducing the level of subsidy provided. 	£40,000 (-)
10. Crime & Disorder Portfolio : Crime & Disorder Head of Service: Annie Righton	<ul style="list-style-type: none"> Review the opportunity for partnership working with other authorities for the CCTV control service. 	£30,000 (-)
11. Employment Portfolio : Employment, Health & Well Being Head of Service: Martin Devine	<ul style="list-style-type: none"> Review of service provided to maintain local visitor presence Efficiency review of partnership funding arrangements 	£22,000 (£13,000)
12. Health & Well Being Portfolio : Employment, Health & Well Being Head of Service: Annie Righton	<ul style="list-style-type: none"> Savings to be derived from review of establishment and general budgets. Review of Emergency Planning SLA with current provider. 	£63,000 (£28,000)

Service	Area Reviewed	Indicative Budget Savings identified to date to be made by 2011/12 (Contribution 2009/10)
13. Environmental Services Portfolio : Environment Head of Service: Colin Read	<ul style="list-style-type: none"> • Efficiency review of refuse collection rounds • Efficiency from procurement of collection sacks. • Increase income from recycling • Review of Street Scene • Review of Cleaning Services • Review of Grounds maintenance • Review of Transport & Fleet Management. • Review of Environment Strategy & Promotion • Review of Cemetery Charges • Undertake general review of management arrangements. 	£417,000 (£192,000)
14. Foreshore & Beaches Portfolio : Environment Head of Service: Martin Devine / Andy Bradbury / Geoff Bettle/Colin Read	<ul style="list-style-type: none"> • Review of existing multi service management and operational arrangements 	£50,000 (-)
15. Housing (GF) Services Portfolio : Housing Head of Service: Dave Brown	<ul style="list-style-type: none"> • Review of current housing help desk and contact centre arrangements • Joint review with Property Services of maintenance arrangements 	£5,000 (-)
16. Health & Leisure Services Portfolio : Leisure, Culture & Youth Matters Head of Service: Bob Millard	<ul style="list-style-type: none"> • Review of the internal management and operational structure at the Health & Leisure Centres and Dibden Golf Course with the aim of delivering an improved business model • Inclusion with corporate review of Health & Safety, Business Continuity and Risk Management arrangements 	£600,000 (£100,000)

Service	Area Reviewed	Indicative Budget Savings identified to date to be made by 2011/12 (Contribution 2009/10)
17. Planning Services Portfolio : Planning & Transportation Head of Service: Chris Elliot	<ul style="list-style-type: none"> • Re alignment of costs in light of reduction in planning related fee income. Total savings of £388,000 have been identified, including savings of £207,000 that were made as part of the 2009/10 budget. • Actions implemented include savings in employee budget, income review, a reduction in the consultancy and publicity budgets 	£181,000 (£168,000)
Total		£2,038,000 (£978,000)