

MEDIUM TERM FINANCIAL PLAN 2009 –2013**1. PURPOSE OF REPORT**

- 1.1 To update the Medium Term Financial Plan (MTFP) 2009 to 2013, following on from the position set out in the report to Cabinet in July 2009.

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. LATEST BUDGET POSITION 2009/10**3.1 General Fund Revenue**

The original budget for 2009/10 was £22.668 million, after allowing for a staff vacancy target of £200,000 and an estimated transfer of £975,000 from reserves. The vacancy savings target is on line to be achieved and the MTFP report considered by Cabinet in July 2009 identified efficiency savings of £978,000, which would be achieved in 2009/10, removing the need to draw from reserves.

The latest Financial Monitoring report, being presented to Cabinet elsewhere on this agenda, identifies anticipated additional budget savings in 2009/10 of £406,000. At this stage there remains significant uncertainty particularly in relation to income levels. Therefore, no assumption has been made about the utilisation of these anticipated resources. The likely year end outturn position will continue to be monitored over future months.

3.2 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 2009/10 budget (excluding Housing) was £5.890 million. This has been increased in the year by £354,000 due principally to the inclusion of additional schemes funded from Developers' Contributions and Coast Protection expenditure funded by Government Grant. The programme is currently on target to be achieved in the year.

#4. FUTURE YEAR BUDGET 2010/11 - (Appendix 1)

- 4.1 The MTFP considered by Cabinet in July identified an initial estimate of required savings and efficiencies of £1.567 million for 2010/11. Due principally to lower assumptions about increases in pay and prices (saving £430,000) and the inclusion of estimated net total income of £350,000 from Local Public Service Agreement (LPSA) reward grant and Local Authority Business Growth Incentive (LABGI) grant, the latest estimate of required efficiency savings to enable a balanced budget to be achieved in 2010/11 is £820,000. The actual pay award for 2009/10 was agreed at 1%, compared with budget provision of 1.5%. The MTFP assumes a 1% award for 2010/11.
- 4.2 Other assumptions made in arriving at the estimated £820,000 are that there will be a recovery of £150,000 in income from services and interest earnings. In addition Cabinet at this stage of the budget development process have identified a financial provision to enable £150,000 of new revenue expenditure requirements that may arise through the Portfolio Plan process together with an assumed level of revenue finance approximately £320,000 in excess of the current funding levels to finance major items of repairs and refurbishments of Council assets, a capital Partnership funding programme, the ICT strategy approved by Cabinet in October 2009 and other equipment and vehicle replacement programmes. It should be noted that the current economic climate has resulted in the Council's main vehicle provider encountering financial difficulties that may lead to a new vehicle provider being identified at

potentially higher cost. For example, it is anticipated that a 3.5 tonne vehicle is likely to cost an extra £3500. The full impact of this on the vehicle replacement programme is currently being costed. All of these identified programmes are subject to further review by Cabinet as the budget is further developed. At this stage no assumptions have been made for levels of Council Tax next year.

4.3 Income from Fees and Charges is a key element of the budget and in recent times has been very volatile. Areas like Heath and Leisure have needed to respond quickly to changes in demand in order to protect yield. In addition, many fees and charges run over different calendar periods i.e. April to March and January to December. For some like Beach Huts, Keyhaven and Dibden Golf there are established consultation processes in place with users that are followed prior to setting any annual charges. Car Parking charges require consultation with the County Council and have considerable input from the Planning and Transportation Review Panel. A number of other fees are statutory and the Council has no influence. This makes the exercise of bringing together all the Council's charges for approval at one time during the budget process an impractical and bureaucratic process. It is therefore proposed that current Financial Regulations be amended to allow annual 'in year' changes to be made to Fees and Charges and for such decisions to be made formally by Portfolio Holders, subject to:

- Decisions being taken in accordance with the Council's agreed budget strategy and plans.
- Appropriate consultation taking place with user groups and other affected parties, consistent with current good practice. This would include Review Panels where consideration is being given to increases above the agreed budget strategy.

#5. FUTURE YEARS' BUDGETS 2011/12 & 2012/13 (Appendix 1)

5.1 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 but future financial planning is a key part of the Council's corporate strategy. It is therefore important that future predictions are made for both 2011/12 and 2012/13.

5.2 The MTFP considered by Cabinet in July identified an anticipated need to generate further efficiency savings of approximately £1.5 million in 2011/12, largely to cover increases in pay and prices. Current budget predictions for 2011/12 and 2012/13 are set out in Appendix 1. While there remains considerable uncertainty around future years' costs and income levels, at this stage estimated efficiency targets for both years remain at approximately £1.5 million per year.

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- 5.3 In arriving at the predicted funding gap of £1.5 million in each year the following issues are particularly uncertain:
- Will Government Grant levels fall in real terms?
 - Will the economic position generate a higher or lower level of income recovery?
 - Will increases in pay and prices be higher or lower than assumed in the Plan? (The Unions have requested a 2.5% pay award for 2010/11)
 - Will the Council lose income generation due to current national legal challenges on Land Charges
- 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.

6. SAVINGS & EFFICIENCY PLAN

- 6.1 As part of its financial strategy, Cabinet 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 as it strives to continually improve. Government has increased the annual efficiency target within its national plans from 3% to 4%.
- 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 was identified during development of the original budget and £978,000 was set out in the July MTFP report.
- 6.4 The July Cabinet report also identified further savings of £1.060 million of savings that would be achieved in 2010/11 and 2011/12. These will be set out within the Portfolio Plans that will be presented to Review Panels in November, along with any other savings or service development items identified since July.
- 6.5 Given that the majority of identified savings in paragraph 6.4 are expected to be achieved in 2010/11, Members will note that this is broadly in line with the current predicted efficiency target requirement for the year, as set out in paragraph 4.1 of this report, but there is still a significant amount of work to be undertaken for 2011/12 and future years.

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 has allowed funds of £974,000, initially identified to support the 2009/10 budget, to be set aside to support the Council's Savings and Efficiency Plan. In addition £1 million has currently been provided to enable progress to be made with regard to the "One Site" and the "Ringwood Gateway Project".
- 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. ENVIRONMENTAL, CRIME & DISORDER AND EQUALITY & DIVERSITY IMPLICATIONS

- 8.1 There are none arising directly from this report.

9. FINANCE & EFFICIENCY PORTFOLIO HOLDER COMMENTS

- 9.1 The actions taken by the Council to deliver an annual balanced budget in 2009/10 have been achieved and current indications are that a balanced budget for 2010/11 is likely 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.
- 9.2 The development of the 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.
- 9.3 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.

- 9.4 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.

10. RECOMMENDATIONS

10.1 Cabinet is recommended to approve:

- a) The financial context of the Medium Term Financial Plan which guides the delivery of the Council's aims and supports the development of the Portfolio Plans to be considered by Review Panels; and
- b) The Council's ongoing development of a Savings and Efficiency Plan to support the identified funding shortfalls in future years.

10.2 Cabinet is asked to recommend to Council that:-

Financial Regulations be amended with immediate effect to allow annual 'in year' changes to be made to Fees and Charges and for such decisions to be made formally by portfolio holders subject to the guidance set out in paragraph 4.3.

Further Information Please Contact:

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Background Papers:

Medium Term Financial Plan - Budget 2010/13 Projections Summary

	Original 2010/11 £000's	Year 1 2010/11 £000's	Year 2 2011/12 £000's	Year 3 2012/13 £000's	
Initial Budget	22,864	22,928	23,179	23,179	
Expenditure - Pay & Price Increases	1,182	750	1,207	1,166	
Changes in Income	-150	-150	-300	-400	
New Expenditure					
Revenue	150	150	150	150	
Capital (net)	350	321	444	378	
	500	471	594	528	
	24,396	23,999	24,680	24,473	
<u>Financed from :</u>					
Grants (LPSA(net)/LABGI etc.)	0	350	350	100	
Government Grant	11,629	11,629	11,629	11,629	
Council Tax (taxbase adjusted only)	11,200	11,200	11,200	11,200	
	22,829	23,179	23,179	22,929	
Savings & Efficiency Plan	-1,567	-820	-1,501	-1,544	Total
Savings & Efficiency Plan Original Target	-1,567		-1,532	0	-3,865
					-3,099