

MEDIUM TERM FINANCIAL PLAN 2010 TO 2015

1. PURPOSE OF REPORT

- 1.1 To provide an update to Cabinet members on the development of the Medium Term Financial Plan (MTFP) for 2010/15 and the Annual Budget for 2011/12.

2. BACKGROUND

- 2.1 The MTFP sets out the broad financial framework that the Council will operate within during the forthcoming years in support of the Council's stated priorities. The MTFP covers the General Fund (Revenue & Capital). The Housing Revenue Account being covered by a separate Business Plan.
- 2.2 The Council has over the last few years developed its MTFP in response to a very challenging agenda. Twelve months ago the Council needed to address the situation created by the worldwide economic recession and bridge a budget gap of over £2 million, resulting from losses in income in areas like Planning and Health & Leisure. Following tremendous effort the budget objective was achieved and the Council was able to safeguard its financial standing.
- 2.3 In May 2010 the new Coalition Government announced that their priority was to reduce the national budget deficit of £156 billion and they would achieve this by significantly reducing public expenditure.
- 2.4 In June the Chancellor in an Emergency Budget Statement announced a number of major changes including immediate reductions in some grants made available to local authorities and an increase in VAT from January 2011. As reported to Cabinet the Council has in the current year experienced a loss of over £500,000 worth of grants which had been anticipated. This loss includes Free Swimming, Planning Delivery Grant and the second stage of the Local Public Services Agreement Reward Grant. Actions have been taken to address all these issues.
- 2.5 On October 20 2010 the Coalition Government announced the outcome of their Spending Review which indicated that "Council's will face an average loss of grant of 7.25%, in real terms, in each of the next four years". This includes protection for services like Personal Social Services and therefore the impact on the Council may be significantly greater. In addition to this announcement further significant changes were indicated relating both to the finances and responsibilities of local authorities.
- 2.6 More information with regard to the detail of these headlines is expected to be released over the next few months including notification of the Council's own grant allocation for 2011/12 and possibly future years. This is currently expected to be received in December 2010.

3. COMPREHENSIVE SPENDING REVIEW (CSR)

3.1 The CSR contained many headlines which will directly impact upon the Council, these include:

- A reduction in overall Local government funding of an average 7.25% per annum over the next 4 years (26% in real terms from 2010-11).
- An indication that this grant reduction will be front loaded in the year 2011/12.
- Funding would be available to support a Council Tax freeze in 2011-12 (equivalent to a 2.5% loss in tax base over 4 years).
- Ring fencing on all revenue grants would end from 2011-12.
- Radical reforms to the Housing Revenue Account would be implemented.
- Removal of the National Indicator Set and the removal of the requirement to maintain over 4,700 targets would be implemented.
- A localised approach to Council Tax Benefit spending would be introduced from 2013/14.

3.2 The full detail is anticipated to be received over the next few months. All members have been invited to a briefing on 1 November 2010 on issues arising from the CSR.

4. OTHER BUDGET DEVELOPMENTS

4.1 The budget monitoring report that is also on this Cabinet agenda highlights some of the ongoing variations which are impacting on the budget and will need to be developed with any future MTFP and budgets. In addition significant assumptions need to be made regarding interest rates and future pay awards and inflations. All of which at this stage makes accurate budget planning and development difficult.

4.2 In addition to the announcements set out within the CSR there are other significant changes planned for 2011/12. Members are already aware that Concessionary Travel will transfer to the County Council from April 2011. Although much work has gone on between the Portfolio Holder, Officers and the County Council full details of the financial implications and the scheme itself to be proposed by the County Council is not as yet known.

5. MTFP DEVELOPMENT TO DATE

5.1 Although the extent and scale of future changes are not known in sufficient detail, the Cabinet has been working with officers since May to prepare for what will become known in the next few months. This work has been to further develop the Savings and Efficiency Plan, which for example includes the financial benefits (£80,000) of the changes introduced to the Refuse Collection Rounds during the current year. To this extent all Portfolio Holders have been reviewing with officers all service areas in preparation for the financial cut backs anticipated over the next few years.

- 5.2 The Council's financial strategy is to deliver a balanced budget, with reserves used only as an interim measure. In recent years the Cabinet has developed an ongoing approach to budget development and the continued identification of savings and efficiencies which means that it is no longer perceived simply as a once a year event. The plan is regularly reviewed to ensure it maintains its relevance. By adopting this medium term approach the Council aims to avoid short term policies without first identifying what the medium implications of those actions are.
- 5.3 It is envisaged that when grant details are known in December 2010 a detailed draft MTFP and Budget for 2011/12 will be presented to members at Cabinet in January 2011 and shared with all Review Panels in January prior to annual budget setting.

6. CRIME AND DISORDER, EQUALITY AND DIVERSITY AND ENVIRONMENTAL IMPLICATIONS

- 6.1 There are none arising directly from this report.

7. PORTFOLIO HOLDER COMMENTS

- 7.1 The Finance and Efficiency Portfolio Holder comments that these are indeed very challenging times and their remains still much that we do not know about our grant settlements and financial responsibilities for future years. As Portfolio Holder I have been working with my Cabinet colleagues to focus our efforts on preparing for how we will respond in order to protect our very good frontline services. We have approached this by re-examining with officers every aspect of what we do. When we are aware of what the government has provided us with the details of our future grant settlements we will be able to present our plans to all members. Although I anticipate that in some areas there will be some extremely difficult decisions to be made I am confident that we will be able to deliver a balanced budget and way forward that will be acceptable to our residents.

8. RECOMMENDATION

- 8.1 That subject to further details on grant settlements being received a further report be made on the Draft Medium Term Financial Plan and Annual Budget 2011/12 to the January Meeting of Cabinet.

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Background Papers: