

Scrutiny Committee – 5<sup>th</sup> January 2010

## 11. Medium Term Financial Plan

*Executive Portfolio Holder: Robin Munday, Finance and Support Services*  
*Chief Executive: Phil Dolan, Chief Executive*  
*Assistant Director: Donna Parham, Assistant Director – Finance and Corporate Services*  
*Service Manager: Amanda Card, Finance Manager*  
*Lead Officer: Jayne Beevor, Principal Accountant Revenue*  
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### Purpose of the Report

1. To advise members of the Medium Term Financial Strategy and the current position on the MTFP (Revenue Budgets for 2010/11 to 2014/15).

Please refer to the District Executive agenda for the appendices to this report.

### Action Required

2. That the Scrutiny Committee:
  - a) notes and comments to District Executive on the current position;
  - b) comments to District Executive on the proposed allocation from general fund balances to the Voluntary Redundancy fund of £250,000;
  - c) comments to District Executive on the proposed capitalisation of redundancy costs where approved by the Government Office.

### Background

3. A report was made in October 2009 to the Executive on the progress on budget setting for 2010/11 and planning for the following four years. This report updates members of the current position.

### Local Government Financial Settlement

4. We are now in the last year of the three-year CSR (Comprehensive Spending Review). The CSR allocated the financial settlement for 2008/09 and a provisional settlement for the following two years. An announcement was made on the 26<sup>th</sup> November 2009 of the final settlement for 2010/11. For SSDC the amount is £11,127,720. This is £143,532 increase on 2009/10 or 1.3%.

### Council Tax

5. I have currently added a 2% Council Tax inflationary increase. This is in accordance with current RPIX. Each 1% of council tax increase yields £88,000.

### MTFP – Budget Position

6. The table below shows the estimated additional expenditure required in future years, offset by increased income and savings identified;

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
<b>Base Budget</b>	<b>19,885.0</b>	<b>20,311.2</b>	<b>20,492.8</b>	<b>20,820.3</b>	<b>21,159.1</b>
Price Inflation	206.6	212.8	219.2	225.8	232.5
Pay Inflation (including pensions and increments)	202.2	824.9	768.4	667.8	670.3
Inescapable bids	1,088.8	1,089.9	928.7	933.3	718.0
Risks currently included within balances	200.0	400.0	400.0	400.0	400.0
Revenue Implications of Capital	114.4	110.4	129.8	20.0	25.0
Increase in LSP expenditure	3.5	3.5	3.5	3.5	3.5
Corporate Plan growth/adjustments	(5.0)	30.0	70.0	30.0	70.0
Efficiency Savings	(805.8)	(45.0)	0.0	0.0	0.0
Increased Income	(141.5)	0.0	0.0	0.0	0.0
Other Savings	(111.0)	0.0	0.0	0.0	0.0
Once-off Expenditure	69.1	(135.0)	0.0	0.0	0.0
<b>Total Budget Requirement</b>	<b>20,706.3</b>	<b>22,802.7</b>	<b>23,012.4</b>	<b>23,100.7</b>	<b>23,278.4</b>

The resources available to fund these proposals are as follows:

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Formula Grant	11,127.7	11,127.7	11,127.7	11,127.7	11,127.7
Council Tax	9,000.5	9,317.1	9,644.6	9,983.4	10,333.8
Use of balances	135.0	0.0	0.0	0.0	0.0
Second Homes Income to LSP	48.0	48.0	48.0	48.0	48.0
<b>Total Income Available</b>	<b>20,311.2</b>	<b>20,492.8</b>	<b>20,820.3</b>	<b>21,159.1</b>	<b>21,509.5</b>

<b>Net savings required</b>	<b>(395.1)</b>	<b>(2,309.9)</b>	<b>(2,192.1)</b>	<b>(1,941.6)</b>	<b>(1,768.9)</b>
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## Savings Plans

7. Assistant Directors were given targets of 7% within their themes to put forward savings ideas using the following criteria:

- Removing vacant posts;
- Reducing non-priority areas;
- Increasing Income;
- Outsourcing and partnership work;
- Service efficiencies
- VR and removing vacant posts;
- Procuring goods and services more cheaply.

Of the total savings target of £1,430k a total of £1,058k has been found to date. A final report will be made to February District Executive outlining further savings.

### Efficiency Agenda

8. SSDC must produce 3% savings in efficiency plus ½% from working in partnership with our Somerset neighbours. All efficiency savings are used to balance the overall Medium Term Financial Plan. The table below details the Government & Somerset Partnership targets & estimated efficiencies for each year:

Financial Year	Target £'000	SSDC Estimate £'000
2008/9	1,056	1,123
2009/10	1,087	1,447
2010/11	1,418	1,166

The current list of efficiency savings is detailed in Appendix A. Additional income and other savings are listed in Appendices B & C.

### Inescapable Bids

9. The current list of inescapable bids is outlined in Appendix D. A final update of inescapable commitments will be made in February 2009.

### Corporate Plan Bids

10. A scoring matrix will be used for 2010/11 to assist in the prioritisation of Corporate Plan Bids however the bids have not been included and this includes expanding the kerbside recycling service as savings are still required to balance the overall budget.

### Scrutiny Committee

11. The Scrutiny Committee will consider this Medium Term Financial Report in January 2010. In addition to this a Scrutiny Commission has reviewed the current inescapable bids submitted. Their Comments are attached at Appendix E.

### Redundancy Costs

12. The redundancy fund currently stands at £200,000. This includes accounting for voluntary redundancies agreed to the 30<sup>th</sup> November 2009. The management restructure has resulted in an annual saving of £355,200 and the redundancy costs are expected to total £826,000 a payback of 2.4 years. I have applied to central government to capitalise some of the redundancies made this year to enable SSDC to continue to have a fund into 2010/11. In the meantime to ensure that further redundancy requests can be agreed for the budget process that members approve a further transfer from balances of £250,000 this will leave an estimated £2,013,000 expected level by the end of the financial year which is still sufficient to cover SSDC's financial risks.

## Next Steps

13. A final report will be made to the Executive in February 2010 when the budget has been completed. This will include the results of the following work that is currently being carried out:
- Further work on savings options;
  - The results of the budget consultation exercise and the scoring of Corporate Plan Bids;
  - Further work on efficiency savings;
  - An update of requests for voluntary redundancies;
  - Further work on lean savings in Development Control.

## Corporate Priority Implications

The budget is closely linked to the Corporate Plan and growth bids are scored accordingly.

## Carbon Emissions & Adapting to Climate Change Implications (NI188)

There are no implications currently in approving this report

## Equality and Diversity Implications

A summary of savings and impact on equalities will be presented to the panel at the end of the budget setting exercise. All savings must include an assessment of the impact on equalities as part of the budget exercise.

**Background Papers:** *MTFP Report to Scrutiny/District Executive October 2009*

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