

MEDIUM TERM FINANCIAL STRATEGY 2009/10 TO 2012/13

REPORT C47

COUNCILLOR KEITH LYNCH EXECUTIVE MEMBER FOR FINANCE

Mr Mayor, fellow Councillors, Officers, members of the public and press, I present the Council's Medium Term Financial Strategy (MTFS) starting from the current financial year through to 2012/13.

The preparation of the MTFS has followed a particularly robust and challenging process this time round and after a thorough examination has been endorsed by the Executive, Finance and Audit Select Committee and members of the Scrutiny Panel.

This revision of the MTFS considers and takes into account the potential impact on the finances of the Council of the likely prolonged period of economic recovery and what this could mean for local government and this Council in particular.

The government is faced with unprecedented levels of central government borrowing of £175 billion per year, or £480 million per day. Current levels of borrowing stand at 12.5% of GDP and need to be brought down to more acceptable levels of 6% to 7%. This reversal of borrowing will take some time and I fear there will be a great deal of pain for the public sector and local government in particular in reducing the debt burden to these acceptable levels.

There is, therefore, a very real prospect (*as the Director of Finance has been warning us since January of last year*) of significant reductions in central government funding through the Revenue Support Grant (RSG).

For the purposes of this Strategy, therefore, we have assumed three different levels of funding support from central government, ranging from a **standstill best case** position to a **minus 5% worst case** reduction in the finance settlement for the three years of the next Comprehensive Spending Review.

As well as the potential impact of a much reduced finance settlement, the Strategy takes into account the impact of continued reductions in development control income. Although a recovery in income from present levels is anticipated by the end of 2010/11 and the beginning of 2011/12, fee income from this service is not anticipated to reach the levels experienced prior to the economic downturn in 2007/08.

Investment income will also continue to be depressed, partly because of the low Central Bank base rate and partly because of depletion in the Council's capital receipts. This position will improve at the end of 2010/11 and into 2011/12, provided we meet our target levels of capital receipts from the regeneration of Argents Mead, the disposal of land on Stoke Road and any net capital receipt from the site on Middlefield Lane following the relocation of the current depot.

The cost of Concessionary Travel continues to be of concern. Although the estimate for the current financial year has come down by £100,000, the estimated cost for 2010/11, at £965,000, represents almost 9% of the Council's Net Budget. The responsibility for Concessionary travel will pass to the County Council in April 2011 and this Council will need to transfer the funding associated with this service over to the County. The problem

however is that because of the lack in transparency around what funding has been received through central government allocations in the past, it is likely that the actual cost of the service will get transferred (i.e. £965,000). **Either way there will be a significant increase in the Council's base budget requirement.**

We also have a number of exciting projects that we will be looking to deliver over the period of this MTFS. These include the Cultural Enterprise Centre as part of the Atkins development, the temporary relocation of offices and vacation of Argents Mead followed by the regeneration of The Mead, the roll-out of flexible working, the development of new industrial units referred to as the Greenfields Development, the opening of the Hinckley Club for Young People and finally, although the Bus Station site is scheduled to be completed in 2014, the pre-construction works will commence in September 2011 and will have an impact on the town centre during the period of this Strategy.

Although these projects are very exciting for Hinckley and will bring economic and social benefits to the people of the Borough, they do have a significant impact on the finances and capacity of the Council.

The Capital and Revenue implications of all the projects are interlinked and cannot be viewed in isolation. The finances supporting the projects are like small pieces of a jigsaw that when put together will form a very impressive picture but, take one piece away, and the whole picture will be incomplete.

These intricate financial details are included in the projections in Appendix 1, and explained at length in Section 7 of the MTFS.

These are clearly challenging times for those in public service, and the challenges that will face us during the term of this strategy cannot be underestimated. However, this Council has an excellent track record of forward planning its finances and the early decisions that we took in late 2008 and early 2009, which identified total savings of close to £2 million over a 2 year period, including £530,000 from the staff and senior management re-structure last year, means that this Council will be able, (through temporary support of its fund balances and reserves), to see its way through this period of recovery without any compulsory redundancies.

This does not mean, however, that we should be complacent, as the Medium Term Financial Strategy is exactly that - it is a Strategy, and is dependent upon the delivery of the outcomes that underpin it. There will need to be robust challenges to the financial performance of services throughout this period to ensure that targeted savings are delivered as a minimum and combined improvements are made where needed as identified in the Council's corporate plan and business delivery plans. The tight squeeze on funding may necessitate further challenges to mainstream services that the Council currently delivers, and some very difficult decisions may be required to be made on the continuance of non-priority, non-statutory services and the extent of the provision of *all* services.

Staff, Officers and Members will need to continue to work closely together and pull in the same direction in order to successfully meet the challenges of the next three years.

Keith Lynch
Executive Member for Finance
26 January 2010