

Financial Landscape and Prospects 2009/10 to 2013/14

Report of the Corporate Director, Business Services

1 Introduction and Purpose of Report

- 1.1 The purpose of this report is to outline the prospects for the Council's finances for the remainder of this financial year, the next year 2010/11 and the following three years to March 2014. The report suggests updating the Council's existing Medium Term Financial Plan for 2010/11 and includes 'best and worst case' forecasts for 2011/12 to 2013/14. This approach is prudent given the continued uncertainties around the economy and government tax and spending plans which are unlikely to become much clearer before the general election.
- 1.2 In providing such information account has been taken of:
- The existing Medium Term Financial Plan (MTFP) for 2009/12 approved by the Council Meeting on 26 February 2009;
 - Budget experience and performance in 2009/10;
 - The current three year local government finance settlement which runs until March 2011
 - Issues, challenges and financial prospects facing the Council in 2010/11 and beyond.
 - Views and commentaries on the likely public spending regime and plans that will emerge after a general election
- 1.3 The figures presented in the updated plan for 2010/11 provide an estimate of what it is likely to cost the Council to maintain current and planned performance and service levels together with the impact of new and unavoidable spending pressures. All of the assumptions and forecasts included in this report are based upon the best information available at the time of writing. The Corporate Director, Business Services will keep these assumptions and forecasts under review and inform Members of any material adjustments.
- 1.4 This report will also inform the ongoing review of the Council's Medium Term Financial Strategy. If necessary, a refreshed and updated financial strategy will be prepared in the New Year and will enable the Council to continue to support its priorities and to address the risks and challenges facing the Authority over the next four years.
- 1.5 This report provides Members with a starting point which will inform:
- The deliberations around priorities and outcomes for the update of the Council Plan;

- The preparation of detailed medium term business plans covering all of the Council's services;
- The development of a balanced and sustainable budget for 2010/11, and an updated Medium Term Financial Plan through to 2013/14.

1.6 In this regard, Members attention is also drawn to the accompanying report from the Assistant Chief Executive (Strategy and Democracy) on council priorities.

2 Current Medium Term Financial Plan

2.1 The Council's existing Medium Term Financial Plan covers the planning period 2009/12 and was approved by the Council Meeting on 26 February 2009. This existing plan included an efficiency savings target of £5.6m for 2010/11 rising to £9.1m for 2011/12. A summary of the plan is shown at Appendix One. In addition to delivering a balanced outturn for the current year it is suggested that the plan should be updated in relation to 2010/11 only at this stage. 2011/12 should become the first year of a new three year period to align with the new governmental spending review timeframe. As indicated above, the forecasts for the period 2011/12 to 2013/14 should take the form of 'best and worst case' scenarios until the national position becomes clearer, in all likelihood after the general election.

2009/10 Forecast Outturn

2.2 As Members are aware, the UK economy has slipped into recession and the outlook for public finances is extremely bleak. The recession has impacted on significant income streams which the Council relies on to provide key services. Reduced income from areas such as car parking, market tolls and planning and building control left the Council with deficits totalling almost £1.2m by the end of 2008/09.

2.3 As reported in the quarter one financial monitoring report these pressures have continued into 2009/10 together with new pressures arising from reduced income on the Council's Investment Property Estate along with service pressures in the Children and Young People Portfolio. However, it will also be recalled that additional balances have been set aside in acknowledgement of these increased risks to spending plans, both at the time of setting the budget and as part of the 2008/09 outturn decisions.

2.4 After an initial application of balances, the forecast revenue budget deficit at the end of the first quarter stood at £1.940m. Plans are being developed to eliminate the underlying cash limit deficits over the medium term, some of which are contained in a separate report on this agenda (in relation to Car Parking and Planning and Building Control). An update at the half year position will be reported to the Executive at the next meeting on 23 November 2009.

2.5 On the positive side, the pay award for 2009/10 has been settled at around 1% which, together with the outcome of the pay review process will produce

a one-off surplus within the inflation contingency for 2009/10. Therefore, provided no new significant issues come to light during the remainder of the year, it is anticipated that the potential deficits for 2009/10 can be met from within available resources.

- 2.6 A much more detailed analysis and assessment of the current year's position at the half year will be presented to the next Executive meeting. This will include recommendations for addressing the remaining forecast deficits through the use of general balances and the surplus contingency provision.

Further Developments Impacting on Medium Term Forecasts

- 2.7 Headline inflation as measured by the Retail Prices Index (RPI) currently stands at -1.4% and Bank of England base rates were sharply reduced to just 0.5% in March 2009 in a bid to avoid deflation and limit the severity of the recession. The Chancellor predicted the economy would shrink this year by 3.5% and that public borrowing would rise by an unprecedented £175bn. Forecasting in this environment is extremely difficult and fundamental uncertainties remain around how and when the UK economy and public finances will recover. Most politicians and forecasters believe public spending will have to reduce significantly over the next decade but considerable uncertainty remains over the areas that will suffer most and how deep the cuts are likely to be.

- 2.8 In this environment, Officers are suggesting updating the plan for 2010/11 and preparing 'best and worst case' forecasts for 2011/12 to 2013/14. Specific developments since February 2009 impacting on the Council's medium term financial plan for 2010/11 and beyond include:

- Service and accommodation pressures in the Coroners Service (£0.125m per annum);
- Introduction of the Carbon Reduction Commitment Scheme (up to £0.2m in 2010/11 and possibly more thereafter);
- Looked after Children (£0.25m rising to £0.5m per annum);
- Single Property Budget (£0.3m rising to £0.65m per annum);
- Recognition of the residual net income position in Car Parks and Planning (£0.23m in 2010/11);
- A reduction in the Airport Dividend of £0.25m per annum;
- A reduction in forecast LABGI receipts of £0.3m next year with the scheme likely to be abolished from 2011/12;
- Further WDA and PTA levy increases;
- Potential Savings from Supporting People Disinvestment (up to £0.26m per annum);

2010/11 Update – Indicative Budget Plan

The proposed updated plan for 2010/11 is shown in Appendix Two, indicating a net savings requirement of just over £4.8m. The key elements are as follows:

2.9 Grant Funding

- 2.9.1 The plan assumes that the formula grant increase is in line with the current three year settlement, an increase of 2.3%. Although the figures disclosed for 2010/11 are 'provisional', indications suggest there will be no change when the settlement is confirmed in early December and finalised by mid January 2010.
- 2.9.2 In addition to Formula Grant, the Government has combined various former specific grants into a general non-ringfenced grant called Area Based Grant. For the three years to 2010/11 the Government has also published the levels at which the former grants have been transferred into the new grant. The updated plan assumes that these amounts will be forthcoming and will be passported through to the appropriate cash limits.

2.10 Council Tax

- 2.10.1 While the Government has yet to establish a capping limit for 2010/11, it has in the past few years stated that it expects "the average council tax increase to be substantially below 5%". Furthermore, the government "will not hesitate to use [its] capping powers as necessary to protect council tax payers from excessive increases".
- 2.10.2 Capping would result in councils having to find savings to reduce their budget and Council Tax requirements while having to meet re-billing costs. Councils in this situation would also have to endure the attendant bad publicity arising from such a position.
- 2.10.3 In agreeing the current 2009/12 Medium Term Financial Plan Members signalled a desire to "reduce the annual increase over time while acknowledging the need to keep underlying resources available to the Council at a level which can support the spending required to deliver excellent services and priority outcomes". The updated plan for 2010/11 assumes that the previously suggested rise of 4% (council element only) will be enacted, continuing the 0.25% per annum reduction in the increase for the fourth year in succession.
- 2.10.4 The council tax figure also assumes that the current tax base level is maintained in 2010/11. The Executive will be asked to set the tax base at its meeting in December, when any proposed changes and consequences for the Indicative Budget will be considered.
- 2.10.5 The Executive is asked to indicate whether it wishes to include a different council tax assumption in the updated plan at this stage. Alternatively such consideration could be given at a later stage in the budget setting process. A 1% increase in council tax is equivalent to around £1.3m.

2.11 Pay and Price Assumptions

2.11.1 With regard to the updated spending plan, comprising indicative cash limit and non cash limit targets; it would be advisable to adjust the assumptions in relation to pay and price increases. As was the case in 2009/10 it is recommended that, at this stage, the estimated provision for pay and price increases is not built in to cash limit figures, rather it is shown as a separate contingency to reflect the degree of uncertainty that exists as to the levels and differential impact of inflationary pressures. For 2010/11 it is recommended that the indicative budget should be constructed on the basis of a '0%' pay award, but that a risk based provision equivalent to 1% should be included in the general balances requirement. For prices a contingency provision equivalent to an average of 1.5% should be included at this stage.

2.12 Income Volume Assumptions

2.12.1 The economic situation has severely affected income yields in the current year. There is a need, therefore, to consider adjusting expected yields downwards in the forward plan from the original assumption of 3% to a more realistic provision. It is recommended that a 2% yield increase should be assumed at this stage.

2.13 Spending Plan - Proposed Adjustments

2.13.1 The proposed adjustments to the cash and non cash limit allocations contained in the current plan are outlined in Appendix Three. These include the impact of approved amendments in 2009/10 and the net additional costs of maintaining current performance and service levels together with the impact of new and unavoidable burdens and previous budget decisions taken by the Council. It is the view of the Corporate Director, Business Services that these adjustments should be included in the forecast at this initial stage of the budget setting process, in line with previous and good practice. The resultant plan therefore includes the items identified in paragraph 2.8 above.

2.13.2 The assumption within the plan is that portfolios will be able to prepare spending plans to deliver current service levels within the cash limits, and that efficiencies and other spending reductions will be identified to meet the revised savings requirement of £4.8m. In addition, members are reminded that the updated plan includes unallocated priority improvement funding - 'one-off' priority initiatives funding of £0.5m revenue per annum (in addition to £0.5m capital) and permanent priority improvement provision of £1m. Furthermore, the plan does not include the fact that the Stockport Partnership is expected to receive Local Area Agreement (LAA) Performance Reward Grant (PRG) during 2009/10 and 2010/11. Net of earmarked allocations there will be around £2.3m revenue and £3.1m capital available to partners, with the Council acting as the accountable body.

2.13.3 The final budget position will depend upon the extent to which:

- The above estimates need to be revised in the light of new information;
- Portfolio Holders and Corporate Directors identify further cost pressures which are needed to maintain current service and performance levels or manage new and unavoidable burdens;
- Portfolio Holders and Corporate Directors can successfully identify and implement efficiency savings without jeopardising current service and performance levels;

2.13.4 The size of the savings requirement will also depend on the outcome of the Local Government Finance Settlement published in January 2010 and Members' views/aspirations with regard to Council Tax levels and priority initiatives funding.

2.14 Risk Assessment and Minimum Balances

2.14.1 Under Section 25 of the Local Government Act 2003, the Corporate Director, Business Services is required to prepare a statement on the adequacy of proposed financial reserves and the robustness of the budget estimates. Members are reminded, therefore, that any budget proposals which are to be tabled at the Budget Council Meeting (to be held on 25 February 2010) must first of all be subject to a risk assessment undertaken by the Corporate Director, Business Services.

2.14.2 The plan assumes minimum balances will be £4.75m (£1m lower than at present) on the basis that plans to address some of the deficits seen in 2008/09 and 2009/10 are well advanced and will be successful when implemented. However, the risk assessment, which will examine key budget assumptions and the potential for actual events to vary from those assumptions, could change that figure significantly and any increase in the minimum level of balances will increase the savings requirement.

3 Medium Term Financial Planning 2011/12 to 2013/14

Financial Prospects

3.1 Following a general election in 2010 there is likely to be a government spending review. This will determine the nature and scale of the reductions in public sector spending that are needed to help rebalance the economy. While various interpretations have been applied to the views espoused by the main political parties it is difficult to forecast with any degree of certainty exactly how local authority finances will fare, both at the national and local

levels. Not only are there questions around the quantum of government grant, general and specific, but also whether there will be any significant changes to the formulae used to distribute support to individual authorities, including the use of 'floors and ceilings' to limit the impact of any extreme changes in grant.

- 3.2 Suffice to say, there will no doubt be substantial reductions in capital investment programmes and a likely 'real terms' reduction in revenue support to the bulk of the public sector. While by no means certain, it is felt that some sort of priority will be afforded to areas such as health services and international development and, perhaps, schools. Local government itself is likely to bear more than a proportionate share of any 'cuts' in funding. It may be that the Pre-Budget report, due in November, will include some indication of the current government's aspirations beyond the next financial year.
- 3.3 In considering how best to exemplify the financial prospects for the Council in the context of an uncertain and developing landscape it is felt appropriate to illustrate 'best' and 'worst' case scenarios, suggesting a range of possible outcomes.
- 3.4 On the resources side the key variables are the general formula grant levels, specific grant determinations, council tax increases (including the possibility of a more draconian capping regime) and income from fees and charges. In relation to spending the major factors are pay and price assumptions, levy increases, the provision of priority improvement monies and the various pressures that will fall on cash limit budgets (including demographic changes and the impact of any major projects such as SEMMMS and BSF).
- 3.5 Appendix Four summarises the best and worst case scenarios for 2011/12 to 2013/14 and Appendix Five outlines the ways in which the above key variables have been included in the forecasts. The difference is quite stark; the worst case suggests that ongoing savings of almost £45m (17.75%) will have to be identified by 2013/14, and that just, in effect, to stand still. The best case has that figure at less than £10m (4%). Unfortunately, it is far more likely that the actual situation will be much closer to the worst case. Indeed, some commentators may suggest that the worst case illustrated here is overly optimistic and that reductions of 20-25% will be required.

Meeting the Challenge

- 3.6 Notwithstanding the detailed accuracy or otherwise of the figures, it is clear that the Council will face a serious challenge in balancing its budget and maintaining / improving the provision of services from 2011/12 onwards. It is essential therefore, for consideration to start now on how the Council should respond to such a challenge.
- 3.7 The first place to start is with policies and priorities. Members will have to be clear as to what are the council's priorities and desired outcomes. This is the subject of the accompanying report of the Assistant Chief Executive (Strategy and Democracy) which seeks to align the council's priorities with

those in the Community Strategy. Within those priority outcomes, it will be important for some sort of order to be established which will help shape future council plans and a new MTFP for 2011/12 to 2013/14, in the context of the difficult financial prospects. This 'hard edge' approach to prioritisation will need to extend to service areas, performance targets, activities and projects (including proposed capital schemes) and will no doubt require some very difficult decisions to be taken.

- 3.8 More than ever before there will need to be effective financial and resource management across the Council, and a programme for improving financial management is being drawn up. Part of this will be ensuring that all managers and budget holders have a better understanding of the costs of their services, and the relationship between costs and performance. This will enable members to assess the value for money currently being provided and the impact that any proposed budget and cost reductions would have on service quality and performance levels. It will also facilitate the targeting of specific interventions aimed at reducing costs (see 3.12 below).
- 3.9 The Council's key resource is its workforce. In developing its response to the challenges ahead it will need to consider the size and nature of the workforce that will be required in the medium to longer term.
- 3.10 The Authority operates a model of diverse service delivery vehicles. It will be essential for associated bodies such as Solutions SK, Individual Solutions SK, Stockport Sports Trust, NPS Stockport and Stockport Homes to play their part in meeting the financial challenge. In the broader partnership field it is hoped that key partners such as NHS Stockport, GM Police and Fire Services and the locality based government agencies, which will all face similar financial difficulties, will work together with the Council to provide mutual support.
- 3.11 The Council's BITE (Business Improvement Transformation and Efficiency) programme brings together a range of activities and represents a corporate and strategic approach to achieving the improvements and efficiencies necessary to enable the Council to demonstrate value for money in the delivery of its priority outcomes, through the transformation of business and service delivery processes and methods. BITE should provide the means of achieving most if not all of the substantial efficiency savings and other cost reductions required within the MTFP.
- 3.12 The BITE programme includes a corporate efficiency plan which looks for savings to be achieved across the Council through activities such as
 - Commissioning and procurement
 - Estate and asset management
 - Information management and the use of technology
 - Work styles and working practices
 - Income generation
 - Partnership and collaborative working (including the AGMA Collaborative Efficiency Plan)
 - Customer contact

- Treasury and financial management

3.13 In addition, service areas are encouraged to identify and implement their own opportunities for making efficiencies and effecting other cost reductions. Furthermore, there will be a programme of targeted BITE interventions in particular service areas which will be structured and delivered to achieve maximum savings and, where possible, performance improvements particularly from a customer perspective. These interventions will incorporate a 'systems thinking' approach leading to the redesign of systems and processes.

Awareness Raising, Consultation and Engagement

3.14 In planning for the significant financial challenges from 2011/12 onwards the Executive should consider how it wishes to communicate the key issues to interested parties. Moreover, members may wish to consult and engage with particular stakeholders, internal and external to the Authority, including

- Council scrutiny committees
- Employees
- Trade Unions
- MPs
- Partner organisations
- Residents
- Local businesses

3.15 The Executive may wish officers to draw up a communication and engagement plan to involve the above groups and others. However, in relation to scrutiny committees it is suggested that the following approach could be adopted. The aim would be for scrutiny committees to give their views on council priorities for 2011/12 onwards, in the light of the financial prospects outlined in this report, and on areas where the Council could target efficiencies and other cost reductions. To facilitate such considerations a copy of this report and the accompanying report on priorities from the Assistant Chief Executive (Strategy and Democracy) would be included on the next round of scrutiny agendas under a composite agenda item 'Priorities and Resources 2011/12 – 2013/14'.

3.16 At each scrutiny committee meeting there would be introductions from the Chief Executive on council priorities, the Corporate Director, Business Services on overall financial prospects and the relevant Corporate Director on service priorities, key issues and the scope for efficiencies and other savings. The scrutiny committees would each be asked to address three questions and agree a response that would be communicated to the Executive, via the Scrutiny Co-ordination Committee. The questions would be as follows:

- Which areas should be considered as the main priorities for protection / improvement within the Council Plan and Medium Term Financial Plan 2011/12 to 2013/14?

- Which areas, in particular, should be considered for efficiency savings and other cost reductions during the same period?
- What other comments, if any, has the Committee got on the question of priorities and resources from 2011/12 onwards?

3.17 The Scrutiny Co-ordination Committee would be asked to receive reports from each committee chair and agree a composite report to be submitted to the meeting of the Executive on 23 November. The Executive can then take account of the comments received as it begins to formulate its response to the financial challenge facing the Council from 2011/12 onwards.

4 Conclusions

4.1 The Council is having to deal with significant financial pressures during the current year, mainly due to the effects of the economic recession and one or two particular service issues. However, the prudent approach taken over the past year to reserves and balances means that there should be sufficient scope to deal with those pressures without impacting upon cash limit budgets and service levels.

4.2 The report proposes an updated budget plan for 2010/11, taking account of approved adjustments, the ongoing impact of pressures in the current year that have yet to be resolved and revised assumptions in relation to pay and price increases. It also assumes that the government will honour the three year grant settlement of which 2010/11 is the final year. The Executive is asked to approve the updated plan at this stage but to give serious consideration as the budget process progresses to key elements such as the council tax level, the provision for priority improvement funding and the savings requirement. In translating the plan into firm budget proposals the Executive should also take account of the financial prospects for future years outlined in the report.

4.3 For 2011/12 onwards the position changes markedly. A general election no later than June 2010 will be followed by a spending review and a series of actions aimed at achieving economic recovery. This will no doubt include significant reductions in public spending, impacting adversely on local government grant allocations. This makes it extremely difficult to merely roll forward the existing MTFP. Rather a range of possible outcomes has been forecast for a new three year spending review period (2011/12 to 2013/14) as a precursor to developing a new MTFP during 2010/11.

4.4 It is evident that the financial challenge will be daunting. The report outlines a number of issues and considerations that Members will have to take account of in formulating a response to that challenge. It is suggested that the approach to the financial year 2010/11 should involve a degree of consolidation, providing a stable platform from which a new approach can be developed for 2011/12 onwards.

5 Recommendations

The Executive is recommended to:

- 5.1 Note the position for the current year 2009/10 and that a detailed half year monitoring report will be submitted to the next meeting;
- 5.2 Update the medium term financial plan in relation to 2010/11 as set out in the report, and in doing so establish revised indicative cash limit targets;
- 5.3 Request that Portfolio Holders, in conjunction with Corporate Directors, develop spending plans based on current service and performance levels, in the context of cash limit targets and the overall budget forecast, including provision to meet any new and unavoidable spending pressures and the identification of efficiency savings;
- 5.4 Take the steps necessary to agree a final balanced budget proposal for 2010/11 for presentation to the Council meeting on 25 February 2010;
- 5.5 Note, and comment upon as appropriate, the range of financial forecasts for 2011/12 to 2013/14, and the key issues to be addressed in formulating a response to the financial challenges facing the Council;
- 5.6 Request officers to prepare a communication and engagement plan for key stakeholders; and
- 5.7 Agree to consult with scrutiny committees on priorities and resources for 2011/12 to 2013/14 as set out in the report,

Current 2009/12 Medium Term Financial Plan

Portfolio	2009/10 £000	2010/11 £000	2011/12 £000
<u>Cash Limits</u>			
Adults & Health	62,218	62,813	62,720
Children & Young People	36,204	35,976	36,016
Communities	6,575	14,345	14,350
Customer Focus	8,417	8,410	8,399
Environment	11,206	13,974	14,971
Finance	17,045	17,270	17,627
Leisure	11,087	11,105	11,081
Regeneration	2,164	2,164	2,164
Transportation	10,464	10,453	10,420
Licensing, Environment & Safety	1,740	1,727	1,713
Planning & Highways	495	458	419
Total (Cash Limits)	167,615	178,695	179,880
Non-Cash Limited Budgets	51,460	53,065	56,730
Priority Initiatives Fund (PIF)	500	500	500
Priority Improvement Provision (PIP)	750	1,750	1,750
Inflation Contingency	5,142	10,433	15,876
NI - 0.5% Increase from April 2011			350
Contribution from Reserves, Provisions and Balances	(1,350)		
Savings to be identified	0	(5,590)	(9,127)
Net Revenue Budget	224,117	238,853	245,959
Area Based Grant	(11,867)	(19,499)	(19,499)
Estimated Budget Requirement	212,250	219,354	226,460
Formula Grant	(81,551)	(83,427)	(85,096)
Stockport MBC Council Tax Requirement	130,699	135,927	141,364

Updated Plan - 2010/11 Indicative Budget

Portfolio	2010/11 £000
<u>Cash Limits</u>	
Adults & Health	64,800
Children & Young People	38,296
Communities	16,192
Customer Focus	9,210
Environment	14,578
Finance	15,549
Leisure	11,502
Regeneration	2,359
Transportation	10,552
Licensing, Environment & Safety	1,798
Planning & Highways	724
Total (Cash Limits)	185,560
Non-Cash Limited Budgets	52,717
Priority Initiatives Fund (PIF)	500
2009/11 Priority Improvement Provision (PIP)	1,000
Price Inflation Contingency and Pay Award	
Risk Provision	4,054
Net Revenue Budget	243,831
Area Based Grant	(19,650)
Budget Requirement	224,181
Formula Grant	(83,427)
Stockport MBC Council Tax Requirement	(135,927)
Savings Requirement	4,827

Appendix Three

2010/11 Indicative Budget – Adjustments to the Current MTFP

	2010/11 £000
<u>Adults and Health</u>	
Current Medium Term Financial Plan	62,813
2009/10 Baseline Adjustments	
- Inflation	1,262
- Single Status/Job Evaluation	677
- Area Based Grant	105
- Priority Improvement Provision (PIP)	51
- Transfer of activities between Portfolios	(62)
2010/11 Further Adjustments	
- Fees and Charges	235
- Assimilation of Preserved Rights Grant into Base	(40)
- Supporting People Disinvestment	(260)
- Disability Tenancies - Working Practices	19
	64,800
<u>Children and Young People</u>	
Current Medium Term Financial Plan	35,976
2009/10 Baseline Adjustments	
- Inflation	562
- Single Status/Job Evaluation	547
- Area Based Grant	18
- Priority Improvement Provision (PIP)	53
- Service Transfer (Youth Offending Team)	924
- Transfer of other activities between Portfolios	(88)
2010/11 Further Adjustments	
- Fees and Charges	58
- Looked after Children	250
- Area Based Grant	(4)
	38,296

Appendix Three contd.

	2010/11 £000
<u>Communities</u>	
Current Medium Term Financial Plan	14,345
2009/10 Baseline Adjustments	
- Inflation	68
- Single Status/Job Evaluation	62
- Area Based Grant	20
- Priority Improvement Provision (PIP)	75
- Service Transfer (Youth Offending Team)	(924)
- Service Transfer (Elections and Democratic Services)	2,442
- Transfer of other activities between Portfolios	103
2010/11 Further Adjustments	
- Fees and Charges	12
- Contribution from Earmarked Reserves	(19)
- Area Based Grant	8
	16,192
<u>Customer Focus</u>	
Current Medium Term Financial Plan	8,410
2009/10 Baseline Adjustments	
- Inflation	29
- Single Status/Job Evaluation	36
- Service Transfer (Elections and Democratic Services)	718
- Transfer of other activities between Portfolios	(7)
2010/11 Further Adjustments	
- Fees and Charges	24
	9,210

Appendix Three contd.

	2010/11 £000
<u>Environment</u>	
Current Medium Term Financial Plan	13,974
2009/10 Baseline Adjustments	
- Inflation	247
- Single Status/Job Evaluation	37
- Priority Improvement Provision (PIP)	316
2010/11 Further Adjustments	
- Fees and Charges	4
	14,578
<u>Finance</u>	
Current Medium Term Financial Plan	17,270
2009/10 Baseline Adjustments	
- Inflation	288
- Single Status/Job Evaluation	66
- Service Transfer (Elections and Democratic Services)	(2,680)
- Transfer of other activities between Portfolios	44
2010/11 Further Adjustments	
- Fees and Charges	61
- Carbon Reduction Commitment Scheme	200
- Single Property Budget - Investment Estate	300
	15,549
<u>Leisure</u>	
Current Medium Term Financial Plan	11,105
2009/10 Baseline Adjustments	
- Inflation	84
- Single Status/Job Evaluation	310
- Priority Improvement Provision (PIP)	65
- Transfer of activities between Portfolios	(99)
2010/11 Further Adjustments	
- Fees and Charges	37
	11,502

Appendix Three contd.

	2010/11 £000
<u>Regeneration</u>	
Current Medium Term Financial Plan	2,164
2009/10 Baseline Adjustments	
- Inflation	5
- Single Status/Job Evaluation	9
- Transfer of activities between Portfolios	177
2010/11 Further Adjustments	
- Fees and Charges	4
	2,359
<u>Transportation</u>	
Current Medium Term Financial Plan	10,453
2009/10 Baseline Adjustments	
- Inflation	(176)
- Single Status/Job Evaluation	45
- Priority Improvement Provision (PIP)	190
- Transfer of activities between Portfolios	(10)
2010/11 Further Adjustments	
- Fees and Charges	50
	10,552
<u>Licensing, Environment and Safety</u>	
Current Medium Term Financial Plan	1,727
2009/10 Baseline Adjustments	
- Inflation	6
- Single Status/Job Evaluation	56
2010/11 Further Adjustments	
- Fees and Charges	9
	1,798

Appendix Three contd.

	2010/11 £000
<u>Planning and Highways</u>	
Current Medium Term Financial Plan	458
2009/10 Baseline Adjustments	
- Inflation	7
- Single Status/Job Evaluation	9
2010/11 Further Adjustments	
- Planning and Building Control Income	250
	724
Total Indicative Cash Limits	185,560
<u>Non-Cash Limits</u>	
Current Medium Term Financial Plan	65,748
2009/10 Baseline Adjustments into Cash Limits	
- Inflation	(2,382)
- Single Status/Job Evaluation	(1,853)
- Priority Improvement Provision (PIP)	(750)
- Service Transfer (Elections)	(480)
- Transfer of other activity to Cash Limits	(58)
2010/11 Further Adjustments	
- Coroners Premises	125
- Airport Dividend Reduction	250
- Local Authority Business Growth Incentive (LABGI)	300
- 2009/10 Pay and Prices	(1,669)
- Price Inflation Contingency and Pay Award Risk Provision	(1,230)
- Passenger Transport Authority Levy	270
Total Indicative Non-Cash Limits	58,271
Total Indicative Revenue Budget	243,831

2011/14 Best and Worst Case Forecasts

	Best Case			Worst Case		
	2011/12 £000	2012/13 £000	2013/14 £000	2011/12 £000	2012/13 £000	2013/14 £000
<u>Resources</u>						
Stockport MBC Council Tax	141,024	145,960	150,704	138,646	141,419	144,247
Formula Grant	84,261	85,104	85,955	81,758	80,123	78,521
Area Based Grant	19,650	19,650	19,650	17,685	15,917	14,325
	244,935	250,714	256,309	238,089	237,459	237,093
<u>Expenditure</u>						
Cash Limits	185,810	185,704	185,577	189,838	191,028	192,218
Non-Cash Limits	57,298	59,927	62,701	58,119	62,295	67,465
Priority Initiatives Fund (PIF)	500	500	500	0	0	0
Priority Improvement Provision (PIP)	1,500	2,000	2,500	0	0	0
Price Inflation Contingency and Pay Award Risk Provision	7,409	10,807	14,245	9,997	16,073	22,237
	252,517	258,938	265,523	257,954	269,396	281,920
Savings Requirement	7,582	8,224	9,214	19,865	31,937	44,827

**2011/14 Best and Worst Case Forecasts
Explanation of Variances**

Resources

Council Tax – The best case forecast assumes that the Council can continue with its current policy of a 0.25% reduction in the annual Council Tax percentage increase. The worst case assumes that the government will impose a stricter capping regime limiting increases to no more than 2% per annum.

Formula Grant – Both cases assume future settlements will be far from generous with the best case assuming future settlements of +1% per annum. The worst case assumes that formula grant will actually be reduced year on year by 2% per annum.

Area Based Grant (ABG) – In the absence of any steer from central government, Area Based Grant or its future equivalent is assumed to remain at cash standstill under the best case scenario. An alternative interpretation of this is that any decrease in ABG can be responded to by a '£ for £' reduction in related spending. The worst case position is illustrated by a 10% per annum decrease with effect from 2011/12, without any corresponding reduction in spending.

Expenditure

Cash Limits – The worst case scenario assumes that demographic and demand led service pressures will be more acute in areas such as Adult Services, Looked after Children and SEN Transport. Further pressure could also be experienced in the Single Property Budget if income from the investment estate fails to stabilise and recover. There is also a risk that the cost of meeting carbon reduction targets will be greater than current 'best case' forecasts and the timing of the roll out of the Council's Waste Collection Strategy could also give rise to some variability in cost. Finally, the worst case scenario assumes income from fees and charges will be hit hard by the recession achieving no growth in yield when compared to 2010/11.

Non-Cash Limits – The main difference between best and worst case forecasts are related to future transport and waste levy increases which remain very uncertain. The Transport levy could be increased by between 4% and 7% year on year whilst the Waste levy could see double digit percentage increases year after year in the worst case scenario. The worst case forecast also assumes that the Council has to cease borrowing for capital programme investment as it attempts to halt a rise in the cost of debt charges. In any event, national borrowing controls may be re-introduced as the government seeks to cut the size of the national debt.

PIF and PIP – The best case scenario assumes that the Council will be able to continue support for priorities with support for one-off initiatives remaining at £0.5m per annum

(revenue) and support for on-going or permanent initiatives also being set at £0.5m per annum. The size of the deficits faced in the worst case scenario means that the forecast assumes the Council cannot continue to invest in priorities without making reductions in service provision.

Pay and Price Inflation Contingency and Pay Award Risk Provision – The best case forecast assumes pay and price inflation will remain low with perhaps pay freezes featuring in some years and price inflation hovering at around the 1% mark. The worst case scenario sees pay and price inflation rising to pre-recession levels of around 2% year on year.