

## **CABINET 22 MARCH 2010**

### **FUTURE DELIVERY OF CULTURAL AND LEISURE SERVICES**

#### **ADDENDUM TO FINANCIAL IMPLICATIONS:**

5.1 The financial arrangements for services provided by the trust compared to the budget available is as follows:

	<b>2010/11 £k</b>	<b>2011/12 £k</b>	<b>2012/13 £k</b>	<b>2013/14 £k</b>	<b>2014/15 £k</b>
<b>Revenue:</b>					
Trust Business Plan	4,783	4,145	4,009	3,976	3,942
Less Budget	4,509	4,305	4,104	3,903	3,702
Variation from Budget	+274	-160	-95	73	240
Less: Stretch Savings Target	-274	Nil	Nil	Nil	Nil
Variation from Budget	Nil	Nil	Nil	Nil	Nil

5.2 The payment to the trust in 2010/11 will need to be adjusted to reflect the contract commencement date which is expected to be May 2010.

5.3 There will be a one-off mobilisation cost for the trust of £50k in 2010/11

5.4 In addition there is an extra cost associated with the creation of a thin client side and other retained costs of £120k per annum.

5.5 In supporting the trust to deliver further efficiencies there has been £100k allocated in 2010/11 from the business transformation Invest to Save budget. It is therefore proposed that if the final accounts allow that an earmarked reserve be created to meet the 'Stretch Savings Target' figure. If not it will be necessary to consider a potential call on the corporate contingency fund in 2010/11.

5.6 For the years 2011/12 onwards there will be a need to consider future funding levels to the trust as a result of:

- The budget available as a result of the current MTFP requiring savings from 2011/12 (a small deficit) but in the main from 2012/13 where current projected deficit to dealt with totals £5.5m and rising to over £11m in 2014/15
- In addition there is almost certainly going to be further reductions in national grant settlements of about £8m if we say a 10% cut in funding

It is proposed that this will be no more than the reductions made to expenditure on discretionary services that council funds ie if it is a 1% cut in discretionary spend on council services then the trust would see up to a 1%

reduction in its payment and this would be achieved through contract negotiation

- 5.7 In delivering efficiencies at the trust if there are any redundancy and associated costs then these will need to be met from the Capacity Building Reserve.
- 5.8 In summary the revenue impact of the trust delivering cultural and leisure services requires the following budget allocations:
- In 2010/11 there will be a need to allocate £274k from the councils corporate contingency if the trust fails to deliver the stretched savings target or alternatively an earmarked reserve will be used
  - The annual; cost of the client side and retained costs of £120k will need to be met from the corporate contingency on 2010/11 and built into future budgets from 2011/12 onwards
  - There is a one off mobilisation cost of £50k to be funded from the corporate contingency
- 5.9 The capacity building fund may be called upon if there are any impacts on headcount.
- 5.10 The future value of support service contracts with trust will be dependant on the competitiveness of our services but may lead to costs falling back on the council if this can not be maintained.
- 5.11 The MTFP also provides for future services such as Hampton and further negotiations will be required as and when additional services come on stream
- 5.12 The trust will need to apply for mandatory and discretionary rate relief to achieve the financial savings outlined in the business plan in respect of non domestic rates.
- 5.13 The capital implications are in line with existing budget.

<b>Year</b>	<b>£k</b>
2010/11	3,054
2011/12	1,120
2012/13	550
2013/14	Nil
2014/15	Nil

John Harrison  
Executive Director – Strategic Resources