



FINANCIAL REPORT – FORECAST FULL YEAR AND ACTUAL FOR THE PERIOD APRIL 2004 TO JUNE 2004

1. INTRODUCTION

- 1.1 This report sets out the forecast budget variations of all Portfolios and Committees from the approved original estimates for 2004/05.
- 1.2 Appendix 1 shows the current forecast for the General Fund. Appendix 2 shows the Capital expenditure position. Appendix 3 shows the figures for the Housing Revenue Account. Appendix 4 shows the financial position of Commercial Services for the period April to May 2004.
- 1.3 Cabinet approval is sought for all variations identified, but in addition, budget increases in excess of £20,000, must also be approved by Council at their next meeting.

2. GENERAL FUND (APPENDIX 1)

- 2.1 The reported variations show a decrease in forecast net expenditure for the full year of £163,000.
- 2.2 The major variations are listed below, but full details are set out in Appendix 1.

VARIATIONS	£'000
Benefits Administration (Corporate & Finance)	-140
Car Park Income/Costs (Economy & Planning)	-49
Land Charges Income (Economy & Planning)	14
Homeless Assistance (Housing)	-40
Equipment Funding (Leisure)	-23
Tourism Income (Leisure)	35
Liquor Licensing (General Purposes & Licensing)	75
Commercial Services Surplus (see 2.3 below)	-31
Other	-4
Total	<u>-163</u>

- 2.3 Following the departure of the Head of Consultancy Services and the decision to withdraw from providing the Highways Development Control function, there has been a reallocation of duties between Directorates. This, together with the withdrawal of luncheon vouchers, has resulted in a virement of costs between Portfolios and an increase in the budgeted Commercial Services surplus, as follows: -

	£
Corporate and Finance	11,640
Crime and Disorder	-13,830
Economy and Planning	29,840
Environment	14,730
Health and Social Inclusion	-2,050
Housing	-150
Leisure	<u>-9,300</u>
	30,880
Commercial Services	<u>-30,880</u>
	<u>0</u>

- 2.4 Appendix 1 shows that actual expenditure at the end of June is £566,000 below the profiled budget expenditure. The difference should not be seen as indicative of a real variation of this magnitude at this stage, as the financial position after the first 3 months is normally affected by carry forwards of commitments, expenditure and income from the previous financial year.

3. CAPITAL EXPENDITURE (APPENDIX 2)

3.1 Other Services (Excluding Housing)

- 3.1.1 Reported variations show an increase in 2004/05 expenditure of £2,193,000, but excluding items of rephasing, virement, developers' contributions and external funding, there is no call on the Council's capital resources.

- 3.1.2 The increase of £2,193,000 is summarised in the table on the following page, but full details are shown in Appendix 2.

VARIATIONS	£'000	£'000
Slippage from 2003/04:		
Corporate & Finance	282	
Crime & Disorder	33	
Economy & Planning	130	
Environment	338	
Environment – Coastal Prot.	540	
Leisure	422	
Leisure – Developers Contr.	<u>499</u>	2,244
Marchwood RNAD (Economy & Planning)		207
Fordingbridge/Lymington/Calmore Flood Alleviation (Environment)		-180
Coast Protection (Environment) Milford on Sea		-94
Saltmarshes		-31
Solent Coast		<u>47</u>
		<u>2,193</u>

3.1.3 The table below provides an overview of the funding implications of the variations.

IMPACT ON CAPITAL RESOURCES	£'000
Delayed from 2003/04	2,244
Delayed to 2005/06	-211
Variations matched by additional resources	254
Variations matched by resource reductions	<u>-94</u>
	<u>2,193</u>

3.2 Housing

3.2.1 Reported variations show an increase in 2004/05 expenditure of £202,000, but excluding virements and external funding, there is no call on the Council's capital resources.

VARIATIONS	£'000
Slippage from 2003/04	238
Reduction in Disabled Facilities Grant	<u>-36</u>
	<u>202</u>

3.2.2 The table below provides an overview of the funding implications of the variations.

IMPACT ON CAPITAL RESOURCES	£'000
Delayed from 2003/04	238
Variations matched by resource reductions	<u>-36</u>
	<u>202</u>

4. HOUSING REVENUE ACCOUNT (APPENDIX 3)

4.1 New reported variations amount to an increase in net expenditure of £27,000. A virement of £77,000 between the Planned Maintenance Programme and the Cyclical Maintenance budget was reported to Cabinet on 7 April and subsequently approved by Cabinet on 26 April. The stock option appraisal costs (£124k) were originally approved as part of the 2003/04 budget, but the phasing of expenditure will result in part of the cost (£71k) falling into 2004/05.

4.2 The variations are listed below, but full details are set out in Appendix 3.

VARIATIONS	£'000
Pay and Reward Strategy Costs	29
Stock Option Appraisal (originally approved in 03/04)	71
Business Unit Savings	-25

Dwelling Rents	-50
Capital Financing costs	189
Subsidy in respect of Capital Financing Costs	-189
Other	<u>2</u>
Total	<u>27</u>

4.3 Appendix 3 shows that actual net expenditure at the end of June is £719,000 below the profiled budget expenditure, but this principally reflects variations in the timing of expenditure and income, in particular delays in payments for repairs and maintenance expenditure.

5 COMMERCIAL SERVICES (APPENDIX 4)

5.1 Appendix 4 shows a net surplus of £74,951 for the period April to May 2004. The estimated allocation of this is £50,472 to the General Fund and £24,479 to the Housing Revenue Account.

5.2 As detailed in paragraph 2.3, surpluses on Commercial Services General Fund activities are estimated to increase by £31,000 to £143,000.

6. CRIME AND DISORDER IMPLICATIONS

6.1 There are no crime and disorder implications arising directly from this report.

7. ENVIRONMENTAL IMPLICATIONS

7.1 There are no environmental implications arising directly from this report.

8. RECOMMENDATIONS

8.1 It is recommended that Members:-

- a) approve the revised General Fund budget as set out in Appendix 1 and recommend Council to approve supplementary estimates of:
 - £35,000 income shortfall in Tourism
 - £75,000 net loss due to delay in implementation of new Liquor Licensing system
- b) approve the revised capital expenditure as set out in Appendix 2 and recommend Council to approve a supplementary estimate of:
 - £47,000 for the Solent Dynamic Coast Scheme

- c) approve the revised Housing Revenue Account as set out in Appendix 3 and recommend to Council to approve a supplementary estimate of:
- £29,000 in respect of Pay & Reward Strategy costs
 - £71,000 in respect of the reinstatement of the remaining stock option appraisal budget
 - £189,000 in respect of Capital Financing Costs (this cost will be borne by increased Government Grant)
- d) note the financial position of Commercial Services as set out in Appendix 4.
- e) note the actual expenditure to profiled budget positions of the General Fund and Housing Revenue Account as set out in Appendices 1 and 3.

For Further Information Contact:

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**FORECAST GENERAL FUND FULL YEAR REVENUE
EXPENDITURE 2004/05
AND ACTUAL FOR THE PERIOD APRIL 2004 TO JUNE 2004**

	FULL YEAR FORECAST					ACTUAL TO JUNE			
	Original Budget £000s	Previous Variations £000s	New Variations £000s	Forecast Outturn £000s	New Variation Note	Profiled Budget £000s	Actual to June £000s	Actual to Profiled £000s	% of Profile Spent
Corporate & Finance – Direct	5311		-137	5174	1	1595	1368	-227	86
Corporate & Finance – Holding	-		-	-					
Crime & Disorder	470		-14	456	3	110	104	-6	95
Economy & Planning	1850		-5	1845	4	556	411	-145	74
Environment	5670		12	5682	5	1445	1356	-89	94
Housing	1483		-53	1430	6	285	222	-63	78
Health & Social Inclusion	1537		-6	1531	7	335	318	-17	95
Leisure	2665		-4	2661	8	990	930	-60	94
General Purposes & Licensing	486		75	561	9	127	160	33	126
Planning Development Control	851		0	851		236	244	8	103
Business Unit Asset Rentals	-375			-375					
Service Expenditure	19948		-132	19816		5679	5113	-566	90
Capital Financing Provision	245		0	245					
Interest Earnings	-1170		0	-1170					
Net Expenditure	19023		-132	18891					
Transfer to (from) Comm. Servs	-112		-31	-143	11				
Transfer to (from) Cap. Fin. Res.	-252		0	-252					
Transfer to (from) Cap. Reserve	-		163	163					
TOTAL REVENUE	18659		0	18659		5679	5113	-566	90

Portfolio/Committee figures exclude asset rental budgets

New Variations – General Fund Revenue Expenditure

£000

1. Corporate & Finance – Direct

- (a) Benefits Administration – Recurring Government Grant of £150,000 towards the cost of benefits administration was omitted from the estimates in 2003/04. As this was not identified until after the 04/5 estimates were prepared it was also omitted this year. This is marginally offset by additional costs of £10,410 required to make alterations to benefits software following changes in the requirements for avoiding overpayments. Government Grant of £23,000 was received in 2003/04 to support these costs.
- (b) Restructuring / Luncheon Voucher Virements – Report para
- (c) Following completion of another element of the Pay and Reward strategy, £8,550 has been vired from the Contingency Fund to the Environment Portfolio relating to fitters costs on refuse/recycling vehicles

-140

12

-9

-137

2. Corporate & Finance – Holding

No variations to report in this period

3. Crime & Disorder	£000
(a) Restructuring Virements – see Report paragraph 2.3	-14
	<u>-14</u>
4. Economy & Planning	
(a) Car Parks – Additional income of £37k is estimated from excess charges in Town Centre car parks. This will be partly offset by additional staff costs of £4k needed to deal with the workload within the Car Parking Management section and a loss of income of £5k relating to wardening the Ringwood Furlong Shopping Centre car park. Despite the increased income, the Council is proposing to increase the price of town centre clocks to £6 from 1 January 2005. This is necessary because of the level of funding supplied by the County Council towards the implementation of decriminalised parking.	-28
(b) Restructuring/Luncheon Voucher Virements – see Report paragraph 2.3	30
(c) Additional meter income from Town Centre car parks of £21k has been received in the first quarter of this year.	-21
(d) Land Charges – Due to a slow down in the housing market, the first quarter of this financial year has seen a shortfall in income against the estimate.	14
	<u>-5</u>
5. Environment	
(a) Abandoned Vehicles – In the first quarter of 2004/05 a saving of £7k has been made due to the continuing decline in the number of abandoned vehicles and the contractor is still not charging for the removal of end of life vehicles.	-7
(b) Restructuring / Luncheon Voucher Virements – see Report paragraph 2.3	15
(c) Refuse Collection & Street Cleansing – NFDC have been informed by a customer that they will be going out to tender for a containerised trade waste collection from 2004/05. This Council has not been invited to tender, resulting in a net loss in income of £3k.	3
(d) Refuse Collection & Street Cleansing and Waste Management & Recycling – Funding of £8,550 has been vired from Corporate & Finance to cover the financial implications of an element of the Council's pay and reward strategy relating to fitters costs on the Refuse Collection and Waste Management sections	9
(e) Refuse Collection & Street Cleansing – The last few financial years have seen an increase in income of £7k above the estimates from the sale of garden waste sacks	-7
	<u>12</u>
6. Housing	
(a) Homeless Assistance: The cost of bed and breakfast continues to reduce. Whilst it is too early to predict further developments during the year a minimum saving of £10k is likely. The Council's partner Housing Association is now breaking even on its leased properties and there is therefore no longer a need to pay a top up (-30k).	-40
(b) Stillwater Park – Income from the sale of caravans already exceeds the full year budget by £3k	-3
(c) Underspends in business units due to staff vacancies and recruitment difficulties contribute a budget saving of £10k to date.	-10
	<u>-53</u>
7. Health & Social Inclusion	
(a) Restructuring Virements – see Report paragraph 2.3	-2
(b) £3,630 has been vired to General Purposes and Licensing to cover training costs on the new liquor licensing system.	-4
	<u>-6</u>

8. Leisure	£000
(a) The grant received from the Primary Care Trust for Cardiac Rehabilitation courses will be £35k this year, rather than the previously estimated £27k.	-8
(b) The revenue budgets included provision for the purchase of items of equipment. As these should be purchased from the Replacement & Renewals fund and the cost spread over the life of the asset, budget reductions of £23,000 will result in 2004/05.	-23
(c) Fees and Charges Income from Sports Development will be lower than previously estimated due to changes in the delivery of courses	2
(d) The NNDR charge for Lymington Visitor Information Centre will be £710 lower than budgeted.	-1
(e) Tourism – A number of income targets can not be achieved as a result of a variety of issues: Long term sickness of Visitor Information Centre Manager Tourism Marketing Manager Vacancy The Pitkin Guide is no longer being produced Further financial implications, including potential vacancy savings, will be reported following the service review, which is currently in progress	35
(f) Luncheon Voucher virements - see Report paragraph 2.3	-9
	<u>-4</u>
 9. General Purposes and Licensing	
(a) Liquor licensing – Due to the delay in the implementation of the new licensing system to February 2005 there will be a loss of income of £81k, partly offset by salary savings of £10k on the Liquor Licensing / CCTV Manager post. In addition £3,630 has been vired from Health and Social Inclusion to cover training requirements on the new liquor licensing system.	75
	<u>75</u>
 10. Planning Development Control	
No variations to report in this period	<u> </u>
	<u> </u>
 11. Commercial Services	
(a) Restructuring Virements – see Report paragraph 2.3	-31
	<u>-31</u>
 TOTAL ALL NEW VARIATIONS (REVENUE)	<u><u>-163</u></u>

FORECAST FULL YEAR CAPITAL EXPENDITURE 2004/05
AND ACTUAL FOR THE PERIOD APRIL 2004 TO JUNE 2004

	FULL YEAR FORECAST					ACTUAL TO JUNE			
	Original Budget £000s	Slippage £000s	New Variations £000s	Forecast Outturn £000s	New Variation Notes	Profiled Budget £000s	Actual to June £000s	Actual to Profiled £000s	Actual to Profiled %
Corporate & Finance	460	282	0	742		185	211	26	114
Crime & Disorder	0	33	0	33		0	0	0	-
Economy & Planning	261	130	207	598		13	6	-7	46
Environment	539	338	-180	697		122	51	-71	42
Env (Coastal Protection)	882	540	-78	1344		234	180	-54	77
Leisure	1409	422	0	1831		457	167	-290	47
Leisure – Developers Contrib.	642	499	0	1141		660	682	22	103
Subtotal Other Services	4193	2244	-51	6386		1671	1297	-374	78
Housing – Private Sector	3099	238	-36	3301		775	130	-645	17
Housing – Public Sector	3751		0	3751		938	549	-389	59
Subtotal Housing	6850	238	-36	7052		1713	679	-1034	40
TOTAL CAPITAL	11043	2482	-87	13438		3384	1976	-1408	58

Note: The following budget profiles are currently based on 1/12th per month: Corporate & Finance, Housing and Leisure (not incl. Developers' Contributions). These will be reviewed for the next report.

New Variations – Capital Expenditure

1. Corporate & Finance

Slippage of 03/04 schemes to 04/05 is £282,000.

2. Crime & Disorder

Slippage of 03/04 schemes to 04/05 is £33,000.

3. Economy & Planning

Slippage of 03/04 schemes to 04/05 is £130,000.

Marchwood RNAD – A report was approved at Cabinet on 03/03/04 for the completion of flood defences and a public footpath at the former Royal Naval Armaments Depot at Marchwood. The total scheme cost is £216k, £9k of which was incurred in 2003/04. The scheme is funded by Developers Contributions.

4. Environment

Slippage of 03/04 schemes to 04/05 is £338,000.

Fordingbridge and Lymington Area Flood Alleviation and Calmore Flood Relief – Previous experience has shown that it is not possible to accelerate the design and approval of land drainage schemes due to the constraints imposed by the DEFRA grant aid application system. It has therefore been necessary for the Fordingbridge and Lymington Area Flood Alleviation schemes to be reprogrammed to commence in the fourth quarter of 2004/05, with construction being completed in 2005/06. The Calmore scheme will now be due for commencement and completion in 2005/06.

£000 NFDC	£000 RE – PHASING	£000 OTHER	£000 TOTAL
	282		
0	282	0	282
	33		
0	33	0	33
	130		
		207	
0	130	207	337
	338		
	-180		
0	158	0	158

FORECAST FULL YEAR HOUSING REVENUE ACCOUNT
EXPENDITURE 2004/05
AND ACTUAL FOR THE PERIOD APRIL 2004 TO JUNE 2004

	FULL YEAR FORECAST					ACTUAL TO JUNE			
	Original Budget £000s	Previous Variations £000s	New Variations £000s	Forecast Outturn £000s	New Variation Note	Profiled Budget £000s	Actual to June £000s	Actual to Profiled £000s	Actual to Profiled %
Reactive Maintenance	2294		19	2313	1	574	179	-395	31
Cyclical Maintenance/DFG	1336		77	1413	4	334	230	-104	69
Supervision & Management	4506		58	4564	1,2	1180	1120	-60	95
Rent Rebates	448			448		112	112	0	100
Revenue Cont. to Major Repairs	361		-77	284	4	90	90	0	100
Capital Financing Costs	472		189	661	5	165	166	1	101
Depreciation	3140			3140		785	785	0	100
Other Expenditure	55			55		25	12	-13	48
Capital Expenditure charged To Revenue	250			250		63	-29	-92	-46
Total Expenditure	12862		266	13128		3328	2665	-663	80
Dwelling Rent Income	-16884		-50	-16934	3	-3892	-3943	-51	101
Other Rent Income	-494			-494		-114	-121	-7	106
Service Charge Income	-1149			-1149		-265	-263	2	99
Other Subsidy	5586		-189	5397	5	2313	2313	0	100
Other Income	-591			-591		0	0	0	0
Total Income	-13532		-239	-13771		-1958	-2014	-56	103
Deficit/Surplus(-)	-670		27	-643		1370	651	-719	48

Please find narrative details of all variations on the following page.

New Variations – Housing Revenue Account

£000

1. Various - As a result of the implementation of the Pay & Reward Strategy the pay costs of Commercial Services in respect of building cleaning, grounds maintenance, and building/engineering works have increased and this will be reflected in an increase in charges to clients, including the HRA (RM £19k, S&M £10k)	29
	<u>29</u>
2. Supervision and Management – A budget of £124,000 was approved by Members in respect of stock option appraisal costs. Because of the phasing of the process only £53,000 of this expenditure fell into the last financial year, contributing to the underspend in 2003/04. The remainder of the budget will now be required in 2004/05. Premises Insurance costs are £2k in excess of the original budget estimate. Vacancies and recruitment difficulties in business units are expected to reduce HRA costs by £25k.	71
	2
	-25
	<u>48</u>
3. Dwelling Rents – Right To Buy sales remain significantly below previous estimate and as a result of this rental income in the first 3 months has exceeded the budget by £50k. This variance could increase to -£150k by the end of the financial year if RTB sales continue at current low levels. An update will be provided with the next report.	-50
	<u>-50</u>
4. Planned Maintenance Programme – Cabinet recommended on 7 April that £77k be vired from the Planned Maintenance Programme to the Cyclical Maintenance budget.	0
	<u>0</u>
5. Capital Financing Costs / Subsidy – The early repayment of borrowing in order to take advantage of debt free status has increased capital financing costs in respect of early redemption penalties by £189k. This cost will be recouped through increased Government Subsidy with no overall cost to the Council.	0
	<u>0</u>