

PROVISIONAL FINAL ACCOUNTS – 2006/07

1. INTRODUCTION

- 1.1 Under the Accounts and Audit Regulations 2003 (England), Local Authorities are required to adopt their final accounts within three months of the end of the financial year to which they refer.
- 1.2 A copy of this Council's consolidated final accounts will be presented to the Final Accounts Committee on 22 June 2007.
- 1.3 This report details the provisional outturn position on the General Fund, Housing Revenue Account, Capital Programme and Commercial Services.

2. GENERAL FUND

- # 2.1 As shown in Appendix 1, net expenditure before transfers between reserves was £19.793m. This is a saving of £1.06m on the latest budget approved by Cabinet and includes £465k additional grant from the Local Authority Business Growth Incentive Scheme, received in late February. The reasons for all variations are shown in Appendix 4. This saving level is after transferring an additional £200,000 to the Redundancy Provision and increasing the Capital Financing Provision by £82,000 to fund a VAT assessment received from HM Revenue and Customs for New Milton Offices. Approval for these transfers is sought in this report.
- 2.2 Included within the Portfolio/Committee savings in Appendix 1 are items totalling £170,000 where it is proposed to carry funding forward into 2007/08, to cover items where expenditure was planned in 2006/07 but circumstances delayed implementation. The areas covered are as follows:

	£
Budgets covered by Planning Delivery Grant	138,000
District Local Plan	21,000
Clean Neighbourhoods	11,000

	170,000

- 2.3 Savings in various supplies and services budgets within Economy and Planning Portfolio's Green Transport Plan and Transportation Measures cost centres totalled £15,000. It is proposed to utilise these to transfer £15,000 into a reserve to fund a contribution to Hampshire County Council in 2007/08 for the Station Road, New Milton enhancement scheme.

- 2.4 After allowing for the proposed transfers to provisions (£282,000) and reserves (£185,000), as detailed in paragraphs 2.1 – 2.3 and additional transfers of £16,000 from Commercial Services, there is an unallocated saving of £891,000 against the approved budget. It is proposed that £300,000 of this is transferred to the Local Development Framework (LDF) Reserve and the balance of £591,000 is transferred to the Capital Programme Reserve. The LDF transfer will allow bids of £150,000 in the expenditure plans for 2008/09 and 2009/10 to be deleted, easing pressure on Council Tax levels in those years.
- 2.5 The General Fund balance at 31 March 2007 was £2.036m. This equates to 9.4% of the net budget requirement for 2007/08 and is in line with the £2m minimum level set out in the Council's financial strategy, approved in July 2006.

3. HOUSING REVENUE ACCOUNT

- # 3.1 The provisional income and expenditure for the Housing Revenue Account is shown in Appendix 2. It identifies net savings of £59,000, which have not previously been reported to Members. Details of the main items are shown in Appendix 5.
- 3.2 After allowing for the net savings in Appendix 5 and previously reported savings variations of £121,000, the estimated balance on the Housing Revenue Account at 31 March 2007 is £4.952m, which is £180,000 higher than was originally forecast.

4. NEW FOREST COMMERCIAL SERVICES

- 4.1 The General Fund has been credited with a surplus of £48,000 generated by Commercial Services on external contracts, against a budgeted figure of £32,000. Other budget variations within Commercial Services on internal services are included within the relevant Portfolio analyses set out in Appendices 1-4.

5. CAPITAL EXPENDITURE PROGRAMME – OTHER SERVICES

- # 5.1 Total actual expenditure for 2006/07 was £5.036m (Appendix 3), which is an underspend of £1.957m from the last approved budget. This was principally due to expenditure rephasings of £2.069m. Details of all rephasing items and other budget variations are set out within Appendices 6 and 7.

6. CAPITAL EXPENDITURE PROGRAMME – HOUSING

- 6.1 Total actual expenditure for 2006/07 was £6.722m (Appendix 3), which is an underspend of £54,000 from the last approved budget. This was mainly due to slippage of £284,000 in Social Housing Grant expenditure offset by an overspend of £202,000 in Council Housing Major Repairs expenditure. The Major Repairs overspend will be funded from the Major Repairs Reserve. Details of all budget variations are set out within Appendices 6 and 7.

7. OTHER ISSUES

- 7.1 Members will be aware that the Council has had its accounts qualified by the District Auditor for the last two years. This was because, following the introduction of Prudential Borrowing, the Council was required to change its accounting practices with regard to capital expenditure and carry out a new analysis of its balance sheet. The Council has been unable to satisfy the District Auditor that fixed assets held have been fully financed, despite the fact that the Council is actually debt free. The Council has been able to identify that there are no unexplained accounting issues since 1996/97 and that some of the unexplained difference is prior to 1990/91. Despite significant input from Council Officers and the Audit Commission the reasons for the difference still cannot be explained and are unlikely to be explained, due to the lack of accounting records prior to 1996/97.
- 7.2 In order to resolve the issue Council Officers are discussing with the Audit Commission the possibility of utilising the Commutation Reserve to fund the apparent unfinanced assets. It is proposed to achieve this by transferring £2.168m from the Commutation Reserve to the Capital Financing Account. The Council had held the Commutation Reserve in anticipation of expected costs to its General Fund that will no longer result, due to legislation changes. As the reserve is not backed by cash, its transfer to the Capital Financing Account will not impact on the Council's ability to incur future expenditure. The balance on the Commutation Reserve after the transfer would be £269,000 and it is proposed to transfer this to the Capital Programme Reserve.

8. PORTFOLIO HOLDER COMMENTS

- 8.1 The Portfolio Holder, Finance and Efficiency, welcomes the excellent result for the year, which has made it possible to provide for liabilities in respect of VAT and redundancy pay, and the supplementing of capital and revenue reserves.
- 8.2 The result stems from savings in most departments of the Council and he would like to couple with his support for the recommendation his thanks to all those who have contributed.

9. RECOMMENDATIONS

9.1 It is recommended that the provisional outturn figures be noted and that Cabinet request Council to approve:

- additional provisions of £200,000 for redundancy costs and £82,000 for VAT liability
- the transfer of £170,000 to the Committed Schemes revenue Reserve
- the transfer of £15,000 to an Enhancements Reserve
- the transfer of £300,000 to the Local Development Framework Reserve
- the transfer of the balance of any other General Fund outturn variation to the Capital Programme Reserve.
- the transfer of £2.168m from the Commutation Reserve to the Capital Financing Account, subject to agreement to the proposal by the District Auditor and the transfer of any remaining balance to the Capital Programme Reserve.

Further Information:

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Background Papers:

NEW FOREST DISTRICT COUNCIL
GENERAL FUND - ACTUAL EXPENDITURE 2006/2007

	2006/2007 Latest Approved Budget £'000	2006/2007 Provisional Actual £'000	2006/2007 Variation £'000
PORTFOLIO/COMMITTEE EXPENDITURE			
Finance & Efficiency - Holding Accounts	-86	-86	0
Finance & Efficiency - Direct	5,155	5,139	-16
Crime & Disorder	654	643	-11
Economy & Planning	1,742	1,027	-715
Environment	6,087	6,108	21
Housing	1,404	1,390	-14
Health & Social Inclusion	1,392	1,389	-3
Leisure	3,347	3,220	-127
General Purposes & Licensing	547	528	-19
Planning Development Control	1,035	866	-169
Business Unit Asset Rentals	-1,025	-1,025	0
Service Expenditure	20,252	19,199	-1,053
Capital Financing Provision	1,109	1,191	82
Vehicles & Equipment Provision	632	593	-39
Interest Earnings	-1,140	-1,190	-50
Net Expenditure before Transfers to Reserves	20,853	19,793	-1,060
Transfers to/from(-) Reserves			
Transfer from(-)/to Commercial Services	-32	-48	-16
Transfer from(-)/to Revenue Reserves	-98	387	485
Transfer from(-)/to Capital Programme Reserve	280	871	591
GENERAL FUND NET BUDGET/EXPENDITURE	21,003	21,003	0

GENERAL FUND BALANCE 1 APRIL 2006

2,036

GENERAL FUND BALANCE 31 MARCH 2007

2,036

APPENDIX 2

NEW FOREST DISTRICT COUNCIL
HOUSING REVENUE ACCOUNT - ACTUAL EXPENDITURE 2006/2007

	2006/2007 Latest Approved Budget £000	2006/2007 Provisional Actual £000	2006/2007 Variation £000
INCOME			
Dwelling Rents Income	18,121	18,144	-23
Other Rent Income	608	587	21
Service Charge Income	1,155	1,150	5
Government Subsidy	-6,299	-6,243	-56
Other Income	763	770	-7
Total Income	14,348	14,408	-60
EXPENDITURE			
Reactive Maintenance	1,800	1,899	99
Cyclical Maintenance / DFG	1,563	1,583	20
Supervision & Management	4,797	4,705	-92
Rent Rebates	223	199	-24
Revenue Contribution to Major Repairs	1,996	1,996	0
Capital Financing Costs	382	383	1
Major Repairs	3,283	3,283	0
Other Expenditure	56	53	-3
Capital Expenditure charged to Revenue	0	0	0
Total Expenditure	14,100	14,101	1
Deficit/Surplus(-) for year	-248	-307	-59
Balance at 1 April 2006	4,645	4,645	0
BALANCE AT 31 MARCH 2007	4,893	4,952	-59

CAPITAL EXPENDITURE OUTTURN 2006/07

	2006/2007 Latest Approved Budget £000	2006/2007 Actual £000	2006/2007 Variation £000	2006/2007 Rephasings £000	2006/2007 Other Variations £000
Other Services	£000s	£000s	£000s	£000s	£000s
Finance & Efficiency	3397	2092	-1305	-1392	87
Crime & Disorder	21	29	8	0	8
Economy & Planning	255	183	-72	-70	-2
Environment	333	381	48	4	44
Env (Coastal Protection)	930	911	-19	-20	1
Health & Social Inclusion	27	0	-27	-27	0
Leisure	1483	1060	-423	-435	12
Leisure Developers Contributions	547	380	-167	-129	-38
	6993	5036	-1957	-2069	112
Housing					
Housing-Private Sector	1362	1106	-256	-284	28
Housing-Public Sector	5414	5616	202	0	202
	6776	6722	-54	-284	230
TOTAL	13769	11758	-2011	-2353	342

VARIATIONS ON GENERAL FUND

	£000
FINANCE AND EFFICIENCY	
Paragraph 2.1 of the report proposes that the redundancy provision is increased by a further £200,000	200
Non Domestic Rates – A reduction in Government grant allocations has resulted in a negative variation of £10k.	10
Council Tax – Additional income of £26,000 from court costs has been generated.	-26
Housing/Council Tax Benefits – A reduction of £71k in net Housing Benefits costs has resulted following a reduction in overpayment levels and a higher than anticipated level of subsidy on payments made.	-71
Unapportionable Central Overheads – Overall savings of £42,000 were principally due to savings on contingency costs and added years pension premiums.	-42
Corporate & Democratic Core – A positive variation of £61k is largely due to employee cost savings (£10k) and income from the National Park (£50k).	-61
Balances Unallocated – Savings on telephone calls and extra income from recharges to external users have resulted in a total positive variation of £20k.	-20
Other Variations	-6
SUBTOTAL – FINANCE AND EFFICIENCY	<u>-16</u>
CRIME & DISORDER	
CCTV – Business unit savings of £12k have been achieved largely due to a vacancy and overtime savings.	-12
Other Variations	1
SUBTOTAL – CRIME & DISORDER	<u><u>-11</u></u>

APPENDIX 4**ECONOMY AND PLANNING**

£000

Policy, Conservation, Trees and Env. Action – Savings of £78k have been achieved due to staff vacancies.	-78
Green Transport Plan / Transportation Measures – Various supplies and services savings, totalling £15k have been achieved in this area. These are proposed to be carried forward to 2007/08 to contribute to an HCC led transportation scheme.	-15
Public Lighting – Repairs in 06/07 were less than anticipated. This, in conjunction with the fact that lighting improvements ordered earlier in the year have not yet been implemented by HCC's contractors, has led to a saving of £53k.	-53
Economic Development – The Council received £465,000 from the DCLG for the 'Local Authority Business Growth Incentive Scheme'.	-465
Planning Delivery Grant – Planning delivery expenditure savings of £20k have been achieved. It is proposed to carry these forward into 2007/08.	-20
Car Parks – Additional car park income of £56k has been received due to increased meter (£33k) and clock income (£23k).	-56
District Local Plan – It was anticipated that expenditure on the Local Development Framework for 2006/07 would be £24k. Eventually only £3k was incurred. It is proposed to transfer the underspend to the District Local Plan Reserve.	-21
Other Variations	-7
SUBTOTAL – ECONOMY & PLANNING	-715

ENVIRONMENT

Clean Neighbourhoods & Environment – Miscellaneous expenditure savings to be carried forward to 2007/08.	-11
Refuse Collection / Recycling – Expenditure on Refuse Collection / Recycling operatives due to sickness levels and overtime has resulted in an overspend of £55k. In addition, increased depot costs of £13k have been allocated to this service	68
Land Drainage – Additional income has been generated from engineers' fees charged to capital expenditure and rechargeable schemes.	-34
Street Cleansing – Principally due to additional fees and charges income (£11k) a positive variance of £15k was achieved in this area.	-15
Other Variations	13
SUBTOTAL - ENVIRONMENT	21

APPENDIX 4

HOUSING	£000
Housing Development – Principally due to salary savings of £17k and other smaller savings a total saving of £21k has been generated.	-21
Enabling Role – No major planning appeal work was undertaken giving a £10k underspend.	-10
Housing Improvements – Savings due to restructuring within this area and an increase in allocations to the Housing Revenue Account work have resulted in reduced costs to the General Fund.	-19
Homeless Assistance – An increase in expenditure in this budget in the second half of the year, together with a reappraisal of the bad debt provision against some potentially difficult to collect income in respect of private sector deposits resulted in an overspend of £39k on this budget.	39
Other Variations	-3
SUBTOTAL - HOUSING	-14
HEALTH & SOCIAL INCLUSION	
Food Safety – Additional income was achieved from food safety courses.	-11
Pest Control – There was a fall in income due to a drop in wasp numbers for the season.	8
SUBTOTAL – HEALTH AND SOCIAL INCLUSION	-3
LEISURE	
Health and Leisure Centres	
Employees – Due to savings made at New Milton and Totton.	-10
Premises – Primarily due to an underspend on maintenance budgets, partly balanced by overspends on utilities costs.	-51
Supplies and Services – This is largely due to underspends on sports equipment.	-25
Income – Additional income from Lymington (£12k), Catering (£16k) partly balanced by a £12k shortfall at Totton and £7k at Ringwood.	-18
Other Variations	2
Dibden Golf Centre	
Employees – An overspend on Catering staff and for Greenkeeper standby payments.	11
Premises – This includes a £14k underspend on maintenance budgets with the remainder of the saving generated on utilities' budgets.	-23
Income – An overall adverse variance of £48k is largely due to a shortfall on Green Fees and cottage rental income.	48

APPENDIX 4

	£000
Other Variations	-4
Foreshores and Beaches	
Supplies and Services – Largely due to a £9k underspend within Coast Maintenance budgets.	-8
Income – Largely due to additional rental income of £11k following rent reviews and increases.	-14
Open Spaces	
Supplies & Services – Principally due to a £9k underspend in Grounds Maintenance.	-8
Sports and Com Dev.	
Employees – An underspend due to a vacant post, part of which was used as virement to Tourism.	-8
Income – Principally due to a Youth Project grant, which was partially offset by an increase in supplies and services expenditure.	-6
Tourism	
Supplies and Services – There was an underspend of £50k on purchase codes which was offset by a shortfall in income of £46k.	4
Other Variations	-17
SUBTOTAL – LEISURE	<u><u>-127</u></u>
GENERAL PURPOSES & LICENSING	
Elections – An overspend of £10k occurred due to an additional by-election..	10
Public Entertainment Licenses – Additional income was received mainly due to temporary events.	-23
Gambling Act – An underspend through savings made from the delayed implementation of the Gambling Act.	-8
Other Variations	2
SUBTOTAL – GENERAL PURPOSES AND LICENSING	<u><u>-19</u></u>

APPENDIX 4**PLANNING DEVELOPMENT CONTROL**

£000

Planning Delivery Grant – Planning delivery expenditure savings of £118k have been achieved. It is proposed to carry these forward into 2007/08. -118

Other Planning Variations – Principally due to additional planning fee income (23k), savings on business unit allocations (£9k) and a reduction in costs particularly for supplies and services. -51

SUBTOTAL – PLANNING DEVELOPMENT CONTROL-169**CAPITAL FINANCING PROVISION**

Paragraph 2.1 of the report proposes that the Capital Financing Provision of the capital programme is increased by £82k 82

82**VEHICLES AND EQUIPMENT PROVISION**

The capital expenditure appendix identifies rephasings in the ICT, Vehicles and Plant and Leisure Equipment Programmes. The revenue impact of these rephasings is a reduction in costs of £39k -39

SUBTOTAL – VEHICLES AND EQUIPMENT PROVISION-39**INTEREST EARNINGS**

Average interest rates were higher than anticipated, adding £12k, and through a lower than expected cash usage a further £43k was earned. These earnings increases were offset by £5k due to higher than expected HRA balances at the year end. -50

SUBTOTAL – INTEREST EARNINGS-50**COMMERCIAL SERVICES**

The General Fund has been credited with a surplus of £48,000 generated by Commercial Services on external contracts, against a budgeted figure of £32,000. Other budget variations within Commercial Services on internal services are included within the relevant portfolios. -16

SUBTOTAL – COMMERCIAL SERVICES-16**TOTAL – GENERAL FUND**-1076

VARIATIONS ON HOUSING REVENUE ACCOUNT

INCOME	£000
Dwelling Rent Income – This has outstripped the budget principally due to the fact to lower than expected 'Right To Buy' sales during the year. This has the result that lower than expected capital receipts have been achieved from this source to the benefit of generating £23k of additional income.	-23
Other Rent Income – In contrast to dwelling rent income, other rent income has fallen behind budget levels because of a loss of garages in the HRA.	21
Government Subsidy – NFDC is in a negative subsidy situation and as a result pays subsidy to the Government. The overall subsidy payable in respect of 2007/08 shows an improvement of £56k compared to the original budget, due to the following factors: 1 - £7k due to an adjustment in respect of the previous year which benefited the Authority 2 - £13k due to a Government grant towards the cost of loss of rental income, where the authority is constrained in the rent it charges due to Government rules. 3 - £36k due to increased interest rates in recent months, which have the effect of reducing the subsidy payable to Government	-56
Miscellaneous Income	-2
	<hr/> <hr/> -60
 EXPENDITURE	
Reactive Maintenance – This budget is entirely demand led and therefore difficult to control. Whilst some work has constrained the overall expenditure, the increased demand from tenants has resulted in the overspend shown.	99
Cyclical Maintenance / Disabled Facilities Grant – This is due to changes to the timing of planned works which enabled more work to be completed in this financial year, partly offset by a lower than anticipated spend on Disabled Facilities Grants.	20
Supervision & Management – Principally due to the reorganisation of the housing service and the introduction of changes in the provision of the Central Control Service and of Sheltered Housing further savings of £92k have been achieved.	-92
Rent Rebates – The budget for the HRA contribution towards the cost of rent rebates is set on the basis of the potential liability which the authority has. However, eventual costs are dependent on the actual performance in the payment of rebates and the recovery of overpayments due to errors or fraud. The Council's performance in this respect has reduced the net cost to £199k, which is £24k lower than the original budget and a saving of £24k has therefore been achieved in this year.	-24
Miscellaneous Expenditure	-2
	<hr/> <hr/> 1
 TOTAL VARIATIONS – HOUSING REVENUE ACCOUNT	<hr/> <hr/> -59

SCHEDULE OF REPHASINGS OF CAPITAL EXPENDITURE

FINANCE AND EFFICIENCY	£000
Vehicles & Plant	-638
ICT	-450
Marsh Lane Depot	-209
Buildings – Design & Preparatory Work	-39
Offices – Health and Safety Compliance	-56
	<u>-1,392</u>
 ECONOMY & PLANNING	
St Johns Car Park Hythe	-55
Fordingbridge Gateway	-11
Elm Avenue New Milton Resurfacing	-4
	<u>-70</u>
 ENVIRONMENT	
Public Conveniences – St Thomas Street Lymington (b/f from 07/8)	4
	<u>4</u>
 ENVIRONMENT (COASTAL PROTECTION)	
Hurst Spit Beach Management	-20
Coastal Strategy Plan – Christchurch Bay	-5
Coastal Strategy Plan – Western Solent	-2
North Solent SMP Review	-4
Regional Monitoring	11
	<u>-20</u>
 HEALTH AND SOCIAL INCLUSION	
Eling Wharf Land Contamination Survey.	-27
	<u>-27</u>
 LEISURE	
Parish Partnership Programme	-144
Eling Tide Mill	-64
Leisure Equipment	-71
Ringwood PA System	-38
Coastal DDA works	-15
Dibden Clubhouse Refurbishments	-39
Dibden DDA Parking	-10
Totton DDA Parking	-15
Keyhaven Quay	-11
Visitor Centres DDA Works	-8
Other Variations	-20

LEISURE (DEVELOPERS' CONTRIBUTIONS)

£000

Parish Paths Project	-27
Ringwood - Bickerley	-35
Ringwood and Ellingham Rugby Club	-25
Ringwood – Land at Poulner lakes	-20
Marchwood – Admiralty Quay Promenade	-14
Other Variations	-8
	<u>-129</u>

TOTAL OTHER SERVICES REPHASINGS

-2,069

HOUSING

Social Housing Grant	-284
	<u>-284</u>

TOTAL REPHASINGS

-2,353

CAPITAL EXPENDITURE VARIATIONS (EXCLUDING REPHASINGS)

FINANCE & EFFICIENCY	£000
Additional costs have been incurred following receipt of a VAT liability assessment in relation to the New Milton Offices scheme.	82
Other Finance & Efficiency variations	5
	<u>87</u>
ENVIRONMENT	
Lloyd Avenue, Marchwood (Developers Contributions Scheme) – A large concrete vent chamber, unrecorded on any public utility plans resulted in significant additional works and costs.	23
St Thomas Street Public Conveniences - Additional costs were incurred largely as a result of improving the external appearance of the area, as well as ensuring public health and safety was kept at an optimum level. Other additional expenditure was due to items relating to the building security and anti-vandalism measures.	21
	<u>44</u>
LEISURE	
New Milton Land Acquisition (Developers Contribution Scheme) – Delays in the scheme have meant that a revised scheme will now need to be drawn up some time in the future.	-100
Hythe Promenade (Developers Contribution Scheme) – This scheme has resulted in an £18k overspend, which will be covered in a separate report in 2007/08.	18
Milford Promenade – This scheme has resulted in a £38k overspend, which will be covered in a separate report in 2007/08.	38
Other Leisure Variations	18
	<u>-26</u>
OTHER	
Miscellaneous minor variations.	<u>7</u>
TOTAL OTHER SERVICES CAPITAL VARIATIONS	<u><u>112</u></u>

HOUSING

Expenditure on Council Housing Major Repairs exceeded the budget by £202,000. This will be funded from the Major Repairs Reserve	202
The overspend in the Private Sector Housing Programme is principally due to additional mandatory expenditure on Disabled Facilities grant of £23,000.	28
TOTAL HOUSING CAPITAL VARIATION	<u>230</u>
TOTAL CAPITAL EXPENDITURE VARIATIONS (EXCLUDING REPHASINGS)	<u>342</u>