

## GENERAL FUND REVENUE BUDGET 2008/09 AND CAPITAL PROGRAMME 2008/12

### 1. INTRODUCTION

- 1.1 At the meeting of Cabinet in November, Members considered a report that outlined some initial proposals for new expenditure and savings that could be made.
- 1.2 Officers continue to develop proposals that improve efficiency as a means of creating the financial capacity to invest in new or enhanced services; this work will continue beyond the budget setting process and into the new financial year.
- 1.3 The purpose of this report is to update Members on the work that has taken place since November, the provisional revenue grant settlement, and other proposals that affect the General Fund budget.

### 2. LOCAL GOVERNMENT FINANCE SETTLEMENT

- 2.1 A Provisional grant settlement was announced by the Department of Communities and Local Government on 6th December and is subject to consultation; although the final settlement will be announced in January, it is unlikely there will any material difference.
- 2.2 The 2008/09 settlement is the first year of a three year settlement that is intended to bring greater stability to the medium term financial position of local authorities.
- 2.3 The following table sets out the grant settlements for 2008/09 to 2011/12 and the provisional settlement for 2008/09.

	<b>2007/08 £m</b>	<b>2008/09 £m</b>	<b>2009/10 £m</b>	<b>2010/11 £m</b>
RSG	1.607	1.392	N/A	N/A
NDR	9.580	10.000	N/A	N/A
<b>TOTAL SETTLEMENT</b>	<b>11.187</b>	<b>11.392</b>	<b>11.467</b>	<b>11.628</b>

- 2.4 This year's grant settlement is particularly tough and represents an increase of 1% for 2008/09, 0.7% (£75,139) for 2009/10 and 1.4% (£160,642) for 2010/11, having adjusted for the inclusion of the Waste Performance Efficiency Grant which now forms part of the RSG.
- 2.5 The Government is contending that this settlement will mean that local authorities can continue low council tax rises, with an expectation that the overall increase will be substantially below 5%; a maximum increase of 4.5% for capping has been suggested. The Government have the power to take action against any local authority deemed to have an excessive increase in tax rate.

### **3. EXTERNAL RESOURCES AVAILABLE**

As well as the grants awarded through the grant settlement there are other external resources available to the Council for 2008/09, the major items of which are identified below:-

#### **3.1 Coast Protection**

Coastal grants are allocated by Defra. The financial constraints on this Department are well documented and although the Council has, and continues to be, successful in attracting grant funding for local coastal protection works the level of resources available for distribution are reducing. Schemes are now being fully funded and therefore the potential call upon local resources has diminished. Although this has reduced the potential liability for local taxpayers, it has resulted in less resources being available and many priority schemes not obtaining approval.

#### **3.2 Housing and Planning Grant**

The new Housing and Planning Grant replaces the existing Planning Delivery Grant; it is intended to place more focus on the delivery of new housing. The new grant has not yet been announced but is anticipated to be £100,000 lower than the £313,710 received in 2007/08 under the old scheme.

#### **3.3 Waste Performance Efficiency Grant (WPEG)**

The Waste Performance Efficiency Grant supports recycling initiatives. In previous years the grant has been paid as a separate amount, comprising of 50% towards revenue and 50% towards capital expenditure. The Council received a total grant allocation of £153,000 for 2007/08. Under CSR07, a grant of £76,406 has been amalgamated into the Revenue Support Grant. No further grant has been allocated as part of a local area agreement.

#### **3.4 Concessionary Travel Grant**

The current concessionary fares scheme offers discounted travel on public transport for those over 60 years and disabled people; the Council has enhanced this statutory minimum requirement to allow off-peak travel anywhere in Hampshire and use of the Hythe Ferry. From 1<sup>st</sup> April 2008 the scheme will be extended to entitle free off-peak bus travel anywhere in England; this Council will be responsible for issuing the new national free travel passes. The Grant award for 2008/09 is £493,000, £504,000 for 2009/10 and £518,000 for 2010/11. The cost of the new scheme has been estimated to cost the Council a further £500,000 above the grant level, depending upon the actual take-up of the scheme and the final reimbursement rate negotiated with the transport companies,

#### **3.5 Local Authority Business Growth Incentive Scheme**

A new white paper has been issued on the Government's proposals for encouraging local authorities to promote economic growth. Funding has been made available for economic promotion, but has been reduced in the 2007 settlement; this will have a detrimental impact on initiatives to encourage

economic development. Although the Council received £341,087 in 2007/8 for the previous financial year, at this stage it is unclear whether any further grants will be paid; no budget provision has been made for this in either 2007/08 or 2008/09 financial years.

#### **4. INTERNAL RESOURCES**

##### **4.1 Council Tax Base**

The Council tax base represents the number of dwellings within the district, adjusted to take account of those benefiting from discounts and exemptions, expressed in terms of Band D properties. The tax base for 2008/09 has increased by 277.7 to 72,101. The calculation of council tax is based on a continued collection rate of 98.5%. This will generate an additional £41,000 in 2008/09.

##### **4.2 Collection Fund Surplus**

The Council acts as the council tax collection agent for the County and local councils, and the Fire and Police Authorities. The Council's element of the Collection Fund Surplus will reduce by £66,000 for 2008/09 to £173,000.

##### **4.3 Interest Rates**

It is proposed to increase the projection of the level of income from interest that the Council has built into the medium term financial projections for 2008/09 over the previous year by £15,000. This is partly due to an improved forecast of the cash-flow movement.

#### **5. RESERVES**

##### **5.1 General Fund Balance**

The General Fund Balance is used to meet any additional unplanned revenue expenditure; the Balance as at 1<sup>st</sup> April 2008 will be £2.036 million. A risk assessment has been undertaken in previous years to assess the robustness of the Council's proposed balance; this has been updated and is attached as **Appendix 4**.

##### **5.2 Capital Reserve**

The Capital reserve is used as one of the financing tools for the funding of the capital programme. As can be seen from **Appendix 3** the Council has a fully funded capital programme for the period.

The forecast balance on the reserve as at 1 April 2008 is £2,084m; however this may vary depending upon the timing of actual expenditure and slippage on individual schemes during the current financial year.

##### **5.3 Developers Contributions**

The balance on the reserve for developers' contributions as at 1 April 2008 is forecast to be £4,229,000. Utilisation of these resources must be in accordance with the terms of the original section 106 agreement and

therefore their use is restricted. The proposed capital programme includes £257,000 for schemes funded from contributions.

## **6. FEES AND CHARGES**

- 6.1 The Cabinet have considered all fees and charges proposals which were set against the backcloth of the approved Fees and Charges Policy. This requires fees and charges to be set at a level that will maximise the level of income to the Council, taking into account market forces for specific services and comparisons with other local authority and private sector providers.
- 6.2 The Cabinet's proposals were reviewed in November by the Review Panels; as no comments were received, Cabinet resolved to recommend approval to Council of the fees and charges considered at its meeting in December. 6

## **7. COMPREHENSIVE SPENDING REVIEW 2007 (CSR07)**

- 7.1 In October 2007, the Department for Communities and Local Government published its Comprehensive Spending Review (CSR07); this included a number of proposals for development of the agenda set out in a previous white paper 'Strong and Prosperous Communities'. A summary of the proposals included in CSR07 are attached as **Appendix 6**.
- 7.2 The proposals, covering the period 2008/9 to 2010/11, confirms that local authorities, along with other bodies within the public sector, have been set a 3% target cashable efficiency target; nationally this equates to £4.9billion over the 3 year period.
- 7.3 A new Efficiencies Fund, worth £150million nationally will be made available to Councils to achieve efficiency savings; at this stage, consideration is being given as to how this fund will be allocated.
- 7.4 Under these proposals, Councils will not be subject to individual, mandatory efficiency targets unless one is included for their local area agreement; efficiency savings will be retained by the authority and used to re-invest in local services. Councils will be required, as now, to provide a forecast of efficiency savings as well as details of the actual figure achieved at the year end, but there are no other reporting requirements.
- 7.5 The Council has an efficiency work programme in place that has already delivered some significant savings. A corporate efficiency team has been established and is engaged on developing some new and challenging initiatives to maximise efficiency opportunities during the forthcoming year.

## **8. RISK MANAGEMENT**

- 8.1 The Chief Financial Officer is required to provide an assessment of the robustness of the budget in order to give the Council confidence that financial projections included within the budget are achievable and sustainable. This statement is included as **Appendix 5** to this report.

- 8.2 All expenditure plan proposals require a risk assessment to be undertaken as part of the bidding process. This assessment should identify whole of life costs and benefits, exit strategies, if applicable, and how the proposals help the Council deliver its corporate objectives.
- 8.3 Other external risks that could impact on the budget for 2008/09 is the cost which may fall on the Council for Concessionary Travel Scheme. At this stage the negotiations with the Bus Companies relating to the reimbursement rate, and the uptake of the new scheme can only be estimated.
- 8.4 No provision has currently been made for additional cost of implementation of single status; the Council is still in the final stages of negotiating a final settlement and this may have an impact on the Council's resources in future years. Although provision has been made for an affordable settlement for pay increases in 2008/09 no agreement has been reached to date. As staffing costs are the largest input cost this could have a significant impact on the Council's resources.
- 8.5 The above risks must however be balanced against the historical outturn position where under-spends have generally occurred.

## 9. NEW PROPOSALS

Officers have continued to work on both expenditure plan proposals that have previously been approved and to develop new proposals for Cabinet to consider. The new revenue proposals are outlined within **Appendix 2** and the capital within **Appendix 3**.

## 10. DRAFT GENERAL FUND BUDGET FOR 2008/09

- 10.1 The draft net budget for the General Fund, shown in **Appendix 1** to this report, is currently £22.234 million, showing a requirement for further efficiency savings of £547,000, assuming a 3% increase in council tax. It includes the following:
- Expenditure Plan bids, savings and additional income considered by the Cabinet and Review Panels in November and December;
  - Additional net bids amounting to £47,000 for the General Fund, arising since the last forecast considered by Cabinet in November, which are detailed within **Appendix 2**;
  - A pay award of 2.5% and increments of 1.6% for employees' salaries from 1 April 2008, general inflation of 3% on income budgets and 2.5% on most other expenditure items.
- 10.2 The programme for capital expenditure covering the period 2007/08 to 2011/2012 was initially reported to Cabinet in November and subsequently considered by Review Panels in the November cycle of meetings. Appendix 3 details the changes to the Capital Programme since that meeting.

## 11. PORTFOLIO HOLDER COMMENTS

The Portfolio Holder supports the proposals contained in this budget. He does, however, reserve his final position until the Scrutiny Panels and Committees have had the opportunity to comment further on the changes that have been made.

## 12. EMPLOYEE SIDE COMMENTS

To follow.

## 13. RECOMMENDATIONS

### It is recommended that:

- 13.1 The Review Panels be asked to consider the proposals contained in this report and their comments be considered by the Cabinet in February before making their final budget recommendations to Council.
- 13.2 The amendments to the Expenditure Plan revenue proposals contained in Appendix 2 are agreed subject to Review Panel comments and final budget considerations.
- 13.3 The capital expenditure plan proposals contained in Appendix 3 are agreed subject to Review Panel comments and final budget considerations.
- 13.4 The risk assessment and Section 25 Statement contained in Appendices 4 and 5 be noted.

### For Further Information:

Dave Yates  
Chief Executive and Chief Financial Officer  
Tel: 023 8028 5477  
E-mail: [dave.yates@nfdc.gov.uk](mailto:dave.yates@nfdc.gov.uk)

Pat Higgins  
Assistant Director Resources  
Tel: 023 8028 5821  
E-mail: [pat.higgins@nfdc.gov.uk](mailto:pat.higgins@nfdc.gov.uk)

Kevin Green  
Accountancy Manager  
Tel: 023 8028 5715  
E-mail: [Kevin.green@nfdc.gov.UK](mailto:Kevin.green@nfdc.gov.UK)

### Background Papers:

Cabinet Report - November 2007  
Revenue Support Grant Settlement  
Financial Strategy 2008-2012  
Cabinet report July 2007

**NEW FOREST DISTRICT COUNCIL**  
**DRAFT GENERAL FUND FORECAST 2008/09 TO 2011/12**

<u>19/12/2007</u>	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
<b>Net Portfolio Requirements</b>	21088	21725	22234	22651	23163
Est. Inflation (salary related)	620	640	660	680	700
Other Inflation	248	200	200	210	210
<b>Sub Total (A)</b>	<b>21956</b>	<b>22565</b>	<b>23094</b>	<b>23541</b>	<b>24073</b>
Capital Financing Provision	-100	100			
<b>Sub Total (B)</b>	<b>21856</b>	<b>22665</b>	<b>23094</b>	<b>23541</b>	<b>24073</b>
Less Interest on Balances(net)	-130	-15	50	50	0
<b>Sub Total (C)</b>	<b>21726</b>	<b>22650</b>	<b>23144</b>	<b>23591</b>	<b>24073</b>
<b>Budget Requirements</b> <b>Total (D)</b>	<b>21726</b>	<b>22650</b>	<b>23144</b>	<b>23591</b>	<b>24073</b>
<b>Add Expenditure Plan Bids</b>					
Crime & Disorder	0	10	38	10	0
Employment, Health & Wellbeing	0	0	5	0	0
Environment	0	273	-10	0	0
Finance & Efficiency/Policy & Resources	0	829	277	185	0
General Purposes & Licensing Committee	0	38	0	0	0
Housing	0	8	1	1	0
Leisure	0	129	51	-128	1
Planning Development Control Committee	0	112	0	0	0
Planning & Transportation	0	981	0	-28	0
Standards Committee	0	10	0	0	0
<b>Sub Total Bids</b>	<b>0</b>	<b>2391</b>	<b>362</b>	<b>40</b>	<b>1</b>
<b>Deduct Expenditure Plan Savings</b>					
Crime & Disorder	0	-84	-16	10	0
Employment, Health & Wellbeing	0	-49	-15	0	0
Environment	0	-147	17	-9	0
Finance & Efficiency/Policy & Resources	0	-907	-114	-42	0
General Purposes & Licensing Committee	0	-52	0	0	0
Housing	0	-54	0	0	0
Leisure	0	-445	-110	-56	-23
Planning Development Control Committee	0	-130	0	0	0
Planning & Transportation	0	-386	-5	-14	138
Standards Committee	0	-6	0	0	0
<b>Sub Total Savings</b>	<b>0</b>	<b>-2260</b>	<b>-244</b>	<b>-111</b>	<b>115</b>
<b>Forecast Budget Requirements</b> <b>Total (E)</b>	<b>21726</b>	<b>22781</b>	<b>23263</b>	<b>23519</b>	<b>24189</b>
Further Efficiencies/Savings(-)/Growth	-1	-547	-612	-356	-663
<b>Budget Required after Reserve Transfer</b>	<b>21725</b>	<b>22234</b>	<b>22651</b>	<b>23163</b>	<b>23526</b>

## FINANCED

Collection Fund /RSG/ NDR	11426	11565	11640	11801	11801
Council Tax	10299	10669	11011	11362	11725
	<b>21725</b>	<b>22234</b>	<b>22651</b>	<b>23163</b>	<b>23526</b>
Council Tax	143.67	147.98	152.42	156.99	161.70
Council Tax Increase		3.00	3.00	3.00	3.00

APPENDIX 2

**ADDITIONAL REVENUE BIDS/SAVINGS**

	<u>Note</u>	<u>Portfolio/ Committee</u>	<u>£'000</u>	<u>£'000</u>
Savings Target at November Cabinet/Review Panels				500
<b><u>New Proposals</u></b>				
<b>BIDS</b>				
Concessionary Travel	1	P&T	300	
Planning Delivery Grant	2	PDC	100	
Housing Benefits Admin Grant	3	F&E	70	
Income from National Park	4	F&E	50	
Abandoned Vehicles Administration	5	ENV	17	
District Audit Fees	6	F&E	15	
Offices Grounds Maintenance	7	F&E	9	
Collection Fund Surplus	8	F&E	9	
Joint Committee Administration	9	F&E	3	
Fordingbridge Market Town Health Check	10	EMP/HLTH	5	
				578
<b>SAVINGS</b>				
Interest Earnings	11	F&E	-115	
Senior Management Restructure	12	F&E	-87	
ICT Work Programme/Licences	13	F&E	-56	
Various Business Unit Savings	14	F&E	-54	
Revenue Support Grant/NDR	15	F&E	-51	
Tax Base Increase	16	F&E	-41	
Contribution to Redundancy Provision	17	F&E	-36	
Superannuation	18	F&E	-32	
Electricity	19	F&E/LEIS	-23	
Leisure Equipment Replacement Programme	20	LEIS	-19	
Vehicle Replacement Programme	21	F&E	-10	
Treasury Management Contract	22	F&E	-7	
				-531
NET ADDITIONAL BIDS/SAVINGS(-)				47
CURRENT SAVINGS TARGET @ 3% COUNCIL TAX INCREASE				547



- 1 Concessionary Travel – The Council has been notified that it will receive £493k specific grant to fund the extension of the Concessionary Travel Scheme. It is anticipated however that additional costs incurred will exceed the grant awarded by £300k.
- 2 Planning Delivery Grant – The Council has not yet received details of its award of grant under the new Planning and Housing Grant arrangements. However, it is anticipated that the new arrangements will result in less grant being received than under the existing Planning Delivery Grant scheme and therefore the income budget is currently proposed to be reduced by £100k. The position will be reviewed when further details are received.
- 3 Housing Benefits Admin Grant – The financial strategy assumed an inflationary increase in administration grant from the DWP but the actual grant to be received is £80,010 less than had been assumed. This reduction has however been partially offset by a non recurring grant of £10,000 for the introduction of the Local Housing Allowance.
- 4 Income from National Park – The Council has provided financial services to the National Park Authority since its creation. The National Park has now transferred the S151 role to Hampshire County Council and it is possible that the provision of other financial services will follow. The existing income budget of £50k is being removed in anticipation of the full service transfer but budget may be reinstated if the Council is successful in retaining any services following its tender submission.
- 5 Abandoned Vehicles – The Council currently arranges for the removal, storage and disposal of abandoned vehicles but is reimbursed by Hampshire County Council for storage and disposal costs, as that element is their responsibility. Included in the reimbursement is an element for administration costs. The County Council is negotiating a countywide contract for abandoned vehicles and intends to withdraw this Council's administration contribution. The Council may benefit from reduced collection costs but overall the net impact will be a net additional budget requirement of £16,670.
- 6 District Audit Fees – The Council has been notified that the Audit Commission are proposing to increase the average audit fees by 14% in 2008/09, 8% in 2009/10 and 8% in 2010/11. This will result in an estimated increase in fees in 2008/09 of £15,000.
- 7 Offices Grounds Maintenance – The report to Cabinet in November proposed a saving of £8,610 through reduced maintenance at Appletree Court and the Town Hall Lydings. It is now proposed that this savings is withdrawn.
- 8 Collection Fund Adjustment – Latest predictions of the Council's proportion of the Collection Fund surplus will result in £9k less income than was predicted in the November Cabinet report.
- 9 Joint Committee Administration – The report to Cabinet in November proposed a saving of £2,900, as the Council was not receiving any bills for Committee administration costs for the Test Valley Partnership. As bills have now been received the proposed budget reduction needs to be withdrawn.

- <sup>10</sup> Fordingbridge Market Town Health Check – The Council has offered to support this proposal, subject to other funding being obtained, the payment of £5,000 in 2007/08 and 2008/09. The payment in 07/08 will be met from existing budgets but specific budget provision is proposed for 2008/09.
- <sup>11</sup> Interest Earnings – An increase from the previous forecast for 2008/09 is due to a higher level of interest rates than previously anticipated ( £101,000) and higher investment balances than forecast (£14,000).
- <sup>12</sup> Senior Management Restructure – It is anticipated that the review of the senior management structure will result in employee savings of £87k.
- <sup>13</sup> ICT Work Programme – Following a review of the proposed work programme and hardware replacement it has been possible to reduce the ongoing costs by £40,000 from those reported in November.
- <sup>14</sup> Various Business Unit Savings – Savings of £54k have resulted across a number of business units due principally to new appointments being made on lower spinal points than departing staff.
- <sup>15</sup> Revenue Support Grant – The level of Revenue Support Grant for 2008/09 will be £51,000 greater than was assumed in the figures presented to Cabinet in November.
- <sup>16</sup> Tax Base Increase – The number of band D properties making up the tax base approved by Cabinet in December was 277 greater than had been assumed when the November report was written. The impact of this is to generate additional Council Tax income of c£41k.
- <sup>17</sup> Contribution to Redundancy Provision – The 2007/08 budget includes a £37k contribution to the Redundancy Provision. This relates to the last phase of previously identified redundancies and therefore budget provision can be removed in 2008/09.
- <sup>18</sup> Superannuation – Latest indications of the likely employers' contribution rate will reduce the £191k November report expenditure plan bid by £32k to £159k.
- <sup>19</sup> Electricity – The Council has negotiated a reduction in the electricity tariff for a number of its buildings which will reduce costs by £23k.
- <sup>20</sup> Leisure Equipment Replacement Programme – Following the movement away from leasing of leisure equipment, the Council has greater flexibility over the timing of its replacement programme, resulting in savings of £19k.
- <sup>21</sup> Vehicle Replacement Programme – The detailed vehicle replacement programme has been reviewed and the General Fund expenditure plan bid submitted in November can be reduced by £10k, largely due a bigger proportion of the overall bid relating to the Housing Revenue Account
- <sup>22</sup> Treasury Management Contract – During 2007/08 the Council re-tendered the contract for Treasury Management advice, resulting in savings of £7k.

**NEW FOREST DISTRICT COUNCIL**  
**CAPITAL EXPENDITURE**  
**SUMMARY AND RESOURCES 2007/08 TO 2011/12**

APPENDIX 3

**Date Prepared :-**

19-Dec-07

<b>ESTIMATED EXPENDITURE</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Crime & Disorder	-	180	-	-	-	180
Employment, Health & Wellbeing	57	15	-	7	-	79
Environment - Coast Prot / Land Drainage	1,124	969	8,214	999	747	12,053
Environment - General	283	285	275	275	-	1,118
Finance & Efficiency/Policy & Resources	3,310	1,687	1,375	1,958	4	8,334
Housing - Private Sector	2,713	2,117	754	754	754	7,092
Housing - Public Sector	5,343	5,695	5,176	5,176	5,176	26,566
Leisure - Developers' Contributions	421	9	9	-	-	439
Leisure - General	2,076	2,187	1,355	324	279	6,221
Planning & Transportation	564	581	89	69	114	1,417
<b>TOTALS</b>	<b>15,891</b>	<b>13,725</b>	<b>17,247</b>	<b>9,562</b>	<b>7,074</b>	<b>63,499</b>

**PROPOSED FINANCING**

Major Repairs Subsidy	3,311	3,317	3,317	3,317	3,317	16,579
Revenue Provision HRA	2,032	2,378	1,859	1,859	1,859	9,987
Total Ringfenced Hsg Public Sector	5,343	5,695	5,176	5,176	5,176	26,566
Grants & Other Contributions	254	254	254	254	254	1,270
Usable Capital Receipts	2,459	1,863	500	500	500	5,822
						-
<b>TOTAL HOUSING RESOURCES</b>	<b>8,056</b>	<b>7,812</b>	<b>5,930</b>	<b>5,930</b>	<b>5,930</b>	<b>33,658</b>
Grants & Other Contributions	1,151	969	8,214	999	747	12,080
Developers' Contributions	648	257	43	-	-	948
Revenue Provision (Gen. Fund.)	669	769	769	769	769	3,745
Usable Capital Receipts	150	-	300	-	-	450
Internal Financing	3,357	2,212	1,755	2,132	332	9,788
Capital Reserve	1,860	1,706	236	268	704	2,830
<b>TOTALS</b>	<b>15,891</b>	<b>13,725</b>	<b>17,247</b>	<b>9,562</b>	<b>7,074</b>	<b>63,499</b>

**ESTIMATED BALANCES**

	<b>01/04/07</b>	<b>01/04/08</b>	<b>01/04/09</b>	<b>01/04/10</b>	<b>01/04/11</b>	<b>01/04/12</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>CAPITAL RESERVE</b>	3,944	2,084	378	142	410	1,114
<b>DEV. CONTRIBS.</b>	4,877	4,229	3,972	3,929	3,929	3,929

**CAPITAL EXPENDITURE VARIATIONS SINCE NOVEMBER**

**LEISURE PORTFOLIO**

**1. Open Space – Fordingbridge Easy Access:**

As approved at December Cabinet, the £20,000 bid has been rephased from 2008/09 to 2009/10 to allow for further examination into the need for a path.

**2. Ringwood Health and Leisure Centre Equipment**

Budget provision of £92,000 for gym equipment replacement has been rephased from 2008/09 to 2009/10 as the existing equipment's life expectancy is 5 years. It has originally been inadvertently been included for replacement after 4 years.

**FINANCE AND EFFICIENCY**

**3. ICT**

The detailed ICT work programme and equipment replacement programme has now been completed. Budget provision has been reduced by £534,000 in 2008/09, £399,000 in 2009/10 and £558,000 in 2010/11.

**4. Vehicles and Plant**

The detailed vehicle and plant programme has also been completed. Increased budget provision of £120,000 is required in 2008/09, and additional £7,000 in 2009/10 and an additional £92,000 in 2010/11. The increase in 2008/09 is largely due to vehicles for gas fitters which will be funded from the Housing Revenue Account.

**HOUSING**

**5. Major Repairs**

On 21<sup>st</sup> November 2007, Housing Review Panel considered the latest ten year housing maintenance and improvement programme required to meet the decent homes standard. The report identifies an increased budget requirement of £945,000 in 2008/09 and £326,000 in 2009/10 to 2011/12. The additional funding will be met from the Housing Revenue Account, which is the subject of a separate report elsewhere on this agenda.

**6. Environmental Enhancements**

The ten year Planned Maintenance Programme also included increasing the Environmental Enhancements budget from £100,000 to £200,000 from 2009/10 to 2011/12. This would also be met from Housing Revenue Account balances.

**APPENDIX 4**

**RISK ASSESSMENT OF GENERAL FUND BALANCE – 2008/09**

<b>Area of Risk</b>	<b>Value of Activity £m</b>	<b>% Error or Likelihood of Event</b>	<b>£000 Reserve</b>	<b>Comment</b>
<b>Inflation</b>				
Salaries and Wages	25.99	0.50	130	No long term pay agreement in place. Cash limiting of supplies and services will create pressure
Premises	5.3	5.00	265	
Transport	3.8	3.00	114	
Supplies and Services	10.2	2.00	205	
Council Tax and housing	25.84	0.50	129	
Benefits				
<b>Income Volatility</b>				
Fees and charges	5.5	5.00	275	Pressure on Health and Leisure Centres Catering, and parking due to economic forecast
Car parking clock	2.18	5.00	109	
<b>Interest Rates</b>				
Investment returns	29.0	1.00	290	20% of £1.15m interest earnings at 5%
<b>Other Budgets</b>				
Vacancy factor not achieved	0.60	25.0	150	
Additional capital requirement			100	
<b>VAT</b>				
Breach of partial exemption limit	0.2	75.00	150	Based on 2007/08 activity levels
<b>Emergency Planning</b>				
Belwin Threshold		10.0	40	
<b>Concessionary Travel</b>	0.185	25	46	Contribution rate to bus company not agreed and unknown number of passengers

**Risk Based Assessment of General Fund Balance for 2008/09 = £2,003,000**

## STATEMENT ON THE GENERAL FUND BUDGET PROPOSALS BY THE CHIEF FINANCIAL OFFICER

Section 25 of the Local Government Act 2003 imposes a duty on the Chief Financial Officer to report to the budget setting Council on the following matters:-

- a. The robustness of the estimates made for the purpose of the calculations (to set the council tax) and;
- b. The adequacy of the proposed financial reserves.

### Robustness of the estimates

The budget is constructed using numerous estimates that take account of a plethora of different factors and issues some involving quite complex forecasts. By definition the estimates are not facts but are best guesses of expenditure and income some of which will not be expended until 15 months after the budget was first considered by Members.

The key elements of the budget are the provision that is made for inflation on pay and prices, projected levels of income (including investments) achieving the budgeted cost reductions and delivering the service developments within the resources that have been allocated. Particular issues that need to be highlighted are as follows:-

- The Council's budget is constructed in an incremental basis which therefore assumes that the previous year's budget reflected the cost of providing those services. Where this is not the case an expenditure bid/saving is used to adjust the level of resources allocated;
- There is increased uncertainty over the level of pay award for 2008/09 due to the long term agreement having expired;
- There is uncertainty over the level of settlement for previous and forthcoming financial years to enable the Council to achieve single status in its pay and reward policy;
- There is uncertainty over the level of activity and the adequacy of the level of funding allocated by the Government for Concessionary Travel Scheme;
- Expenditure plan savings are clearly allocated to individual officers;
- The only non service specific saving relates to staffing turnover; the level of saving has been increased for 2008/09 to 2.3% and will require proactive management to achieve this level.
- Although there is no contingency within the budget, the level of the General Fund Balance has been subject to a risk assessment and is deemed more than adequate.
- Uncertainty over certain income generating activities will need to be closely monitored and action taken if appropriate.

## **Adequacy of proposed financial reserves**

The Council holds a number of specific reserves.

- There is neither legal definition nor Audit Commission recommendation on the absolute level of reserves that any authority should hold; the recommended level of reserve is based upon the level risks the Council may be exposed to; a general benchmark is around 10% of the net expenditure for the General Fund.
- The General Fund Balance is used to cover general unforeseen items of revenue or capital expenditure that cannot be funded within the base budget in any particular year. If drawn upon the, the fund is replenished as part of the following budget process.
- The Council also retains a capital reserve which is used for the funding of the capital programme. It is increased annually by contributions from revenue and by capital receipts. The level of the balance is sufficient to cover the four year capital programme that is included within detailed budget proposals.
- No assumption has been made over future capital receipts that could be generated, save for those generated from sale of council houses. These sales are specifically ear marked for housing purposes and therefore become ring-fenced. The level of the housing capital programme is dependant upon these receipts and therefore could easily be adjusted at any time in the future if these projections do not accurately reflect actual sales.
- The Repairs and Renewals Reserve has been established to provide the most cost effective for funding capital equipment. The level of balance will be reviewed annually to ensure resources are not retained unnecessarily.
- Projections of both the General Fund Balance and Capital Reserve are provided for Members and at no time do the above reserves fall into a deficit position.

**SYNOPSIS OF COMPREHENSIVE SPENDING REVIEW 2007**

- Efficiency target of £4.9 billion of cash savings (equates to 9.3%) from all parts of the public sector, over the period 2008/9 to 2010/11, from both revenue and capital expenditure
- Equates to 3% annual cash-releasing savings from local authorities; this is not a mandatory target for each Council. Each authority may decide on how and when this can be achieved
- Councils will be required to report to central government the total net value of ongoing cash-releasing value for money gains from 2008/09
- Guidelines will be developed in calculation of a value for money gain against the performance previously achieved
- Councils will report on efficiency through a single national indicator
- The new Comprehensive Area Assessment (CAA), introduced from April 2009, will replace the Comprehensive Performance Assessment. The CAA will review the effectiveness and efficiency in delivery performance and VFM arrangements
- The Government are suggesting that efficiency gains can be achieved from three key areas:
  - Business process development, including collaborative working (expected national gains of £1.8bn)
  - Procurement of goods and services (expected national gains of £2.8bn)
  - Asset management (expected national gains of £0.3bn)
- Asset management planning at a strategic level will receive greater focus within the new Comprehensive Area Assessment
- Government funded Regional Improvement and Efficiency Partnerships (RIEPs) will provide advice to local authorities in efficiency, invest to save and capacity-building initiatives
- RIEP's will publish a strategy next year on proposals to support councils within their area and assess scheme proposals for allocation of funding
- the Department for Communities and Local Government will retain responsibility for facilitating the delivery of efficiency gains by local government and co-ordinating the work of other organisations