

FINANCIAL REPORT – FORECAST FULL YEAR AND ACTUAL FOR THE PERIOD APRIL 2008 TO AUGUST 2008

1 INTRODUCTION

- 1.1 An important part of the Council's financial monitoring system is the bi-monthly report to Cabinet on spending against the approved budget.
- 1.2 This report considers budget performance for the first 5 months of 2008/09 on a Portfolio and Committee basis.
- 1.3 As part of the Council's scheme of Financial Delegation, budget variations over £50,000 are identified specifically for approval by Council at its next meeting.

2 GENERAL FUND (APPENDIX 1)

- 2.1 A summary of the variations reported to date is shown in the table below. Further detail is provided in paragraphs 2.2 to 2.7 and in Appendix 1.

	Previously Reported (To June) £	This Report (To August) £	Total £
Additional Interest Earned	250,000	75,000	325,000
Extra Fuel Costs	-112,000		-112,000
Reduced Fees & Charges Income:			
Planning		-300,000	-300,000
Land Charges		-136,000	-136,000
Car Parking		-68,000	-68,000
Dibden Golf		-50,000	-50,000
Reduction in Government Grant:			
Planning Delivery Grant		-76,000	-76,000
Increased Grants	-50,000		-50,000
Other Issues (net)	-15,000	26,000	11,000
Total	73,000	-529,000	-456,000

- 2.2 The previously forecast position for the year anticipated an overall improvement of £73,000 after allowing for significant increases in fuel and related costs. The previous report also reported a likely significant shortfall in income from Housing and Planning Delivery Grant as well as from Planning Fees and Land Charges, which was being assessed in detail at the time.
- 2.3 The areas outlined above have now been reviewed by the appropriate Budget Responsible Officers and Head of Service and the following adverse variations are expected for 2008/09:
- Planning Delivery Grant 76k
 - Planning Fees 300k
 - Land Charges 136k
- 2.4 The proposal to produce a fleet management system was approved in principle at the Green Audit Board (5 March) and Cabinet (7 May) and the Finance and Efficiency Portfolio Holder supports the procurement. Due to the set up costs additional revenue resources of £22,000 are required in 2008/09. The capital implications are reflected in section 3 and Appendix 2 of this report.
- 2.5 In addition, supplementary funding of £68,000 is required as a result of an anticipated shortfall in parking income (£32k) and in respect of penalty charge notices (£36k) as outlined in Appendix 1 – 10c) as well as in respect of an expected income shortfall from Green Fees at Dibden Golf Centre (£50k).
- 2.6 The above variations are only partly offset by a projected increase in interest earnings of £75k and some other minor variations, resulting in a net increase in budgeted expenditure for this period of £529k and £456k cumulatively for the year.
- 2.7 It is important to note that interest earnings and fuel budgets are currently subject to a high level of volatility as are budgets in respect of income generation and forecasts will likely change over the remainder of the year.

3 CAPITAL EXPENDITURE (APPENDIX 2)

- 3.1 Coastal Protection Emergency:
A section of concrete promenade decking on top of the seawall at Milford on Sea has collapsed suddenly taking with it three beach huts. The seawall itself is now very vulnerable. In the short term, emergency works currently estimated at £200k will be funded from reserves, on the basis that funding for the full costs will be received from DEFRA.
- 3.2 An increase in budgeted capital expenditure of £346,000 was reported in the previous period. Variations since then indicate a net expenditure reduction of £695,000 for the period, resulting in a net expenditure reduction to date of 349,000.

- 3.3 The variations for this period include a supplementary estimate request to procure a fleet management system in line with a previous Cabinet Decision (7 May), supported by the Finance and Efficiency Portfolio Holder. A summary of the variations for this period is shown in the table below, but full details are shown in Appendix 2.

VARIATIONS

	£'000
Rephasings from (to) 2009/10:	
Lymington Health and Leisure Centre (Leisure, C&Y)	-517
New Milton&Totton Health and Leisure Centres (L, C&Y)	53
Water Lane, Totton (Planning & Transportation)	-210
Other:	
Hythe Promenade (Leisure, C&Y)	20
ICT Work Programme (Finance & Efficiency)	-132
Vehicles & Equipment (Finance & Efficiency)	74
Hythe Depot (Finance & Efficiency)	<u>17</u>
TOTAL	<u>-695</u>

- 3.3 The following table provides an overview of the funding implications of the variations.

	£'000
IMPACT ON CAPITAL RESOURCES	
Net Rephasings	-674
Variations falling on Council's Capital Resources	<u>-21</u>
TOTAL	<u>-695</u>

4 HOUSING REVENUE ACCOUNT (APPENDIX 3)

- 4.1 Previously reported variations showed a decrease in net expenditure of £75,000. Reported variations in this period show an anticipated reduction in interest earnings of £43,000, bringing the total net expenditure decrease to date to £32,000.

5 CRIME AND DISORDER / EQUALITY AND DIVERSITY IMPLICATIONS

- 5.1 There are no crime and disorder or equality and diversity implications arising directly from this report.

6 ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no environmental implications arising directly from this report.

7 RECOMMENDATIONS

7.1 It is recommended that Members: -

- a) note the action taken by the S151 officer to authorise a payment of £20k in respect of Hythe Promenade following legal advice (see Appendix 2 - 7c)
- b) approve the items set out in the revised General Fund, Capital Programme and Housing Revenue Account budgets, as set out in Appendices 1 – 3.
- c) recommend Council to approve supplementary estimates of
 - £76k in respect of Housing & Planning Delivery Grant
 - £300k in respect of Planning Fee income
 - £136k in respect of Land Charges Income
 - £68k in respect of Parking and Penalty Charge Notice income
 - £74k (capital) in respect of the procurement of a Fleet Management System
- d) note the actual expenditure position after 5 months (41.7%) compared to the budgets for the General Fund, Capital Programme and Housing Revenue Account as set out in Appendices 1 – 3.

For Further Information Contact

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GENERAL FUND

APPENDIX 1

Financial Assessment at end of August (General Fund Revenue)					
Original Budget		Latest Revised Budget (1)	Forecast Outturn	Actual Spend (2)	% Budget Spent to Date (5 months = 41.7%)
£000s		£000s	£000s	£000s	
681	Crime & Disorder	709	705	318	45%
2283	Employment, Health & Wellbeing	2308	2308	918	40%
6641	Environment	6825	6841	2643	39%
4982	Finance & Efficiency-Direct	5052	5048	2107	42%
0	Finance & Efficiency-Holding	0	0	0	0%
659	General Purposes & Licensing	659	659	246	37%
1396	Housing	1386	1386	394	28%
2514	Leisure, Culture & Youth	2602	2628	1256	48%
853	Planning Development Control	897	1273	560	62%
2462	Planning & Transportation	2486	2694	510	21%
-1328	Business Unit Asset Rentals	-1328	-1328	-553	42%
21143	Service Expenditure	21596	22214	8399	40%
811	Capital Financing Provision	799	799		
-31	Commercial Services	0	0		
1514	Vehicles & Equipment Provision	1514	1500		
-1150	Interest Earnings	-1400	-1475	-615	44%
22287	Net Expenditure	22509	23038		
0	Transfer to (from) Specific Reserves	-295	-295		
0	Transfer to (from) Capital Reserve	73	-456		
22287	TOTAL REVENUE	22287	22287		

(1) This reflects budget changes previously approved

(2) Including known commitments to date

	£000
Latest Revised 2008/09 Budget - Net Expenditure	22509
add: Net Increase(Decrease) in Costs	
Crime & Disorder	-4
Environment	16
Finance & Efficiency	-4
Leisure, Culture & Youth	26
Planning Development Control	376
Planning & Transportation	208
Vehicles & Equipment Provision	-14
Interest Earnings	-75
	529
Forecast Outturn - Net Expenditure	23038
Transfers to/(from) Reserves	-751
FORECAST OUTTURN - TOTAL REVENUE	22287

**FORECAST GENERAL FUND FULL YEAR REVENUE
EXPENDITURE 2008/09
AND ACTUAL FOR THE PERIOD APRIL 2008 TO AUGUST 2008**

<u>New Variations – General Fund Revenue Expenditure</u>	£000
<u>1. Crime & Disorder</u>	
a) Community Safety (BRO S Sutton) – A virement in respect of Speed Indicator Devices was authorised by the appropriate BROs (see 10b below).	-4
	<hr/> -4
<u>2. Employment, Health & Wellbeing</u>	
No new variations to report	0
	<hr/> 0
<u>3. Environment</u>	
a) Vehicle Fleet (BRO G Bettle) – The procurement of a fleet management system will lead to longer term annual revenue savings (£50k), but result in one off implementation costs of £22k. £16k will directly impact on this Portfolio, with the rest being charged to the Vehicles and Equipment Provision (see 12b below).	16
	<hr/> 16
<u>4. Finance & Efficiency</u>	
a) Balances Unallocated (BRO K Green) – A £5k saving is anticipated due to the fact that the installation of a lift at Lymington Town Hall will not go ahead in this year. This is partly offset (£1k) by the need to install queuing ropes and stands at New Milton Town Hall in order to comply with DDA legislation.	-4
	<hr/> -4
<u>5. Finance & Efficiency (Holding)</u>	
No new variations to report	0
	<hr/> 0
<u>6. General Purposes and Licensing</u>	
No new variations to report	0
	<hr/> 0
<u>7. Housing</u>	
No new variations to report	0
	<hr/> 0
<u>8. Leisure, Culture & Youth</u>	
a) Health and Leisure Centres (HoS B Millard) – A report considered and agreed at EMT on the schedule of Disability Discrimination Act (DDA) works for 2007 – 2013 included the removal of DDA lift works from the 2008/09 schedule.	-24
a) Dibden Golf Centre (HoS B Millard) - Due to adverse weather conditions and the current economic climate with extreme pressures on disposable income, Green Fee income is currently £58k behind target for the period April - August. Research by the service shows that this situation is reflected across the golfing industry as a whole. Whilst every attempt will be made to ensure that green fees for the remainder of the year are maximised and the deficit be reduced it is likely that a substantial shortfall will remain. A supplementary estimate of £50 k is therefore requested at this stage. Members will be informed of any material change in the income generation at Dibden in the months ahead.	50
	<hr/> 26
<u>9. Planning Development Control</u>	
a) Planning Applications (HoS C Elliott) – A review of the income in respect of planning applications suggests a projected income shortfall of £300k against this year's budget target (£250k planning Fees + £50k other associated income).	300
b) Housing & Planning Delivery Grant (HoS C Elliott) – The amount of budget included in respect of Housing & Planning Delivery Grant for 2008/09 was £209k. The eventual allocation from Government has only been £133k, resulting in a shortfall of £76k.	76
	<hr/> 376

<u>10. Planning & Transportation</u>	£000
a) Land Charges (HoS C Elliott) – A review of the income from search fees has resulted in a projected income shortfall of £136k against this year’s budget target.	136
b) Transportation Measures (BRO N Hunt) – A virement in respect of Speed Indicator Devices was authorised by the appropriate BROs (see 1a above).	4
c) Parking (HoS G Miles) –The published total budget income for all parking activities is £2,347,640 for 2008/9. If present trends continue it is estimated that there will be a shortfall in income in the region of £ 68,000. This is made up of an anticipated shortfall in Amenity income in the region of £36,000 and income from Penalty Charge Notices of approximately £32,000.The primary cause for this reduction in income is the poor weather which has severely reduced demand for use of the Amenity car parks. There were also difficulties in recruiting seasonal enforcement staff due to a legislative error which the DFT have now corrected. The figures set out are a “prediction” and are of course subject to the vagaries of weather and the effect that fuel prices etc have on people’s use of their vehicles during the remainder of the year.	68
	<u>208</u>
<u>11. Capital Financing Provision (BRO K Green)</u>	
No new variations to report	<u>0</u>
	<u>0</u>
<u>12. Vehicles and Equipment Provision (BRO K Green)</u>	
a) ICT Work Programme (BRO K Connolly) – A number of ICT system developments are expected to be achieved at costs lower than initially budgeted (see details in Appendix 2). The revenue impact is a cost reduction of £20k.	-20
b) Vehicle Fleet (BRO G Bettle) – The procurement of a fleet management system will lead to longer term revenue savings (£50k), but result in one off implementation costs of £22k. £6k will fall on the Vehicles and Equipment Provision budget with the remainder being reported under the Environment Portfolio (see 3a above).	6
	<u>-14</u>
<u>13. Interest Earnings (BRO K Green)</u>	
a) Interest Earnings – The projection to the end of the year is currently indicating further additional receipts of £75k. This projection will be affected in the months ahead by the actual utilisation of our capital budgets and the development of over/underspends in our revenue budgets, which will have a direct impact on the interest earning potential of the Council. The budget will therefore continue to be monitored closely in order to reflect any changes to forecasts at the earliest opportunity.	-75
	<u>-75</u>
<u>14. Other</u>	
No new variations to report	<u>0</u>
	<u>0</u>
<u>15. Transfers to/from (-) Revenue Reserves</u>	
Transfer of above variations to the Capital Programme Reserve	-529
	<u>-529</u>
TOTAL ALL NEW VARIATIONS (REVENUE)	<u><u>0</u></u>

CAPITAL

APPENDIX 2

Financial Assessment at end of August (Capital)					
Original Budget £000s		Latest Revised Budget (1) £000s	Forecast Outturn £000s	Actual Spend (2) £000s	% Budget Spent to Date (5 months = 41.7%)
180	Crime & Disorder	180	180	0	0%
70	Employment, Health & Wellbeing	73	73	60	82%
285	Environment	284	284	28	10%
1414	Environment - Coastal Protection	1248	1248	492	39%
1841	Finance & Efficiency	1995	1954	467	23%
2183	Leisure, Culture & Youth	2890	2426	1118	39%
9	Leisure, C & Y - Developers C	333	353	105	32%
581	Planning & Transportation	758	548	157	21%
6563	Subtotal Other Services	7761	7066	2427	31%
3267	Housing - Private Sector	3346	3346	228	7%
5695	Housing - Public Sector	5681	5681	2369	42%
8962	Subtotal Housing	9027	9027	2597	29%
15525	TOTAL CAPITAL	16788	16093	5024	30%

(1) This reflects budget changes previously approved

(2) Including known commitments to date

	£000
Latest Revised 2008/09 Budget	16788
add: Net Increase(Decrease) in Capital Programme	
Finance & Efficiency	-41
Leisure, Culture & Youth	-464
Leisure, C & Y - Developers Contributions	20
Planning & Transportation	-210
Forecast Outturn	16093

**FORECAST FULL YEAR CAPITAL EXPENDITURE 2008/09
AND ACTUAL FOR THE PERIOD APRIL 2008 TO AUGUST 2008**

New Variations – Capital Expenditure

1. Crime & Disorder

No new variations to report

2. Employment, Health & Wellbeing

No new variations to report

3. Environment

No new variations to report

4. Environment – Coastal Protection

Please see note on Milford on Sea seawall in main report (paragraph 3.1)

5. Finance & Efficiency

a) **ICT Work Programme (BRO K Connolly)** – A number of projects are now expected to be achieved at costs lower than originally budgeted. These are:

- Planning System Development -£12k
- Upgrade Cad System -£10k
- Hants & Partnership -£10k
- Planning DIP Workflow -£61k
- Business Process Review Software -£2k
- NNDR Migration -£37k

The revenue impact on the Council's General Fund budget is reflected in Appendix 1.

b) **Vehicles & Plant (BRO G Bettle)** – Additional funding of £74k is required for the purchase of a fleet management system as previously agreed in principle by Cabinet on 7 May 2008. The proposal is supported by the Finance & Efficiency Portfolio Holder. Revenue Implications for 2008/09 are reflected in Appendix 1 (sections 3a and 12b).

c) **Hythe Depot (BRO P Freeman)** – Additional funding of £17k in respect of repairs necessary at the Hythe Depot was considered and agreed by EMT and the Asset Management Group.

6. Leisure, Culture & Youth

a) **Lymington Health & Leisure Centre (BRO B Millard)** – The Gym Extension and Car Park improvements scheme was originally intended to finish by the end of March 2009. The scheme incorporated and was dependant upon additional car parking space for income generation. Central government school grounds development guidelines changed during 2008 meaning that this car parking can only be achieved through HCC and the education department's acceptance of the schools need for additional staff parking which would be used for centre members outside of school hours. Meetings between NFDC officers and HCC are scheduled from September 2008. The delay in the scheme will lead to an inflationary increase in cost, this will be bid for during the Expenditure Plan process.

	NFDC £000	RE – PHASING £000	OTHER £000	TOTAL £000
				0
	0	0	0	0
				0
	0	0	0	0
				0
	0	0	0	0
				0
	0	0	0	0
				0
	-132			-132
	74			74
	17			17
	-41	0	0	-41
				-517
		-517		-517

- b) **New Milton & Totton Health & Leisure Centres (BRO B Millard)** – Portfolio Holder approval has been sought and granted to bring forward funding from 2009/10 for various capital items (it was known that these costs would be offset by rephasings from 2008/09 to 2009/10 – see a) above)

7. **Leisure – Developers Contributions**

- c) **Developer Contributions (BRO M Devine)** – The section 151 officer has authorized an ex gratia payment to the contractor following legal advice to be set against any further sums certified by the Engineer or determined at tribunal.

8. **Planning & Transportation**

- a) **Water Lane, Totton (BRO N Hunt)** – The rephasing of the 2008/09 budget allocation for this project to 2009/10 has been agreed by the Portfolio Holder.

TOTAL VARIATION (CAPITAL – OTHER SERVICES)

9. **Housing – Private Sector**

No new variations to report

10. **Housing – Public Sector**

No new variations to report

TOTAL VARIATION (CAPITAL – HOUSING)

TOTAL CAPITAL EXPENDITURE VARIATION

NFDC £000	RE – PHASING £000	OTHER £000	TOTAL £000
	53		53
0	-464	0	-464
20	0	0	20
20	0	0	20
0	-210	0	-210
0	-210	0	-210
-21	-674	0	-695
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
-21	-674	0	-695

HOUSING REVENUE ACCOUNT

APPENDIX 3

Financial Assessment at end of August (Housing Revenue Account)					
Original Budget £000s		Latest Revised Budget (1) £000s	Forecast Outturn £000s	Actual Spend (2) £000s	% Budget Spent to Date (5 months = 41.7%)
-19896	Dwelling Rent Income	-19896	-19896	-7699	39%
-752	Other Rent Income	-752	-752	-252	34%
-1128	Service Charge Income	-1128	-1128	-439	39%
7920	Government Subsidy	7940	7940	3176	40%
-568	Other Income	-661	-618	-57	9%
-14424	Total Income	-14497	-14454	-5271	37%
2000	Reactive Maintenance	2000	2000	1198	60%
1657	Cyclical Maintenance/DFG	1657	1657	878	53%
4978	Supervision & Management	4976	4976	1751	35%
163	Rent Rebates	163	163	92	56%
5595	Funding of Major Repairs	5595	5595	2369	42%
100	Environmental Enhancements	86	86	0	0%
303	Capital Financing Costs	303	303	0	0%
57	Other Expenditure	57	57	17	30%
14853	TOTAL EXPENDITURE	14837	14837	6305	42%
429	Deficit/Surplus (-)	340	383	1034	

(1) This reflects budget changes previously approved

(2) Including known commitments to date

	£000	£000	
Latest Revised 2008/09 Budget			340
add: Net Increase(Decrease) in HRA Costs			
Other Income			43
FORECAST HRA OUTTURN			383

FORECAST FULL YEAR HOUSING REVENUE ACCOUNT
EXPENDITURE 2008/09
AND ACTUAL FOR THE PERIOD APRIL 2008 TO AUGUST 2008

New Variations – Housing Revenue Account (HoS D Brown)

	£000	£000
Other Income		
a) Interest Earnings – Due to reduced interest rate projections (falling 7 day LIBID rate) interest earnings are likely to be £43k lower than previously reported.		43
		<u>43</u>